



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office
Australian Stock Exchange

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SciDev FY20 Full Year Results

SciDev Limited (ASX:SDV; **SciDev**, or the **Company**) is pleased to provide the following update on the Company's performance for the 2020 financial year (FY20). The Company made significant business development progress during FY20 with several new contract wins across SciDev's target verticals.

FY20 Financial Highlights

- Revenue from customers increased by 518% to \$18m (FY19: \$2.9m)
- Cash receipts for FY20 increased to \$20m (FY19: \$2.8m)
- Net cash position at end of period of AUD\$4.4m, with AUD\$4.8m inventory at hand

FY20 Operational Highlights

- Strategic joint venture agreement signed with Nuocer China, allowing both companies to use their collective strengths to accelerate attractive global business development
- Acquisition of ProSol Australia Pty Ltd (ProSol) and Highland Fluid Technology Inc (Highland)
- Major wins across several verticals, including Iluka's Jacinth Ambrosia mineral sands operation, MMG Limited's Las Bambas copper mine, and Syncrude's full-scale Tailings Centrifuge Plant
- Post the end of the financial year the Company announced:
 - An expanded contract for the provision of professional services on the Melbourne Metro Tunnel Project
 - A partnership with Flotek (NYSE: FTK) to deliver friction reducing chemistries for a 4-well trial program with a major US-based exploration and production company which has operations in the Eagle Ford Shale Basin
 - Completion of AUD\$5m Placement and \$2m Share Purchase Plan (SPP), both completed at \$0.65c per share
 - Six month trial with BHP at the Olympic Dam South Australian operation

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SciDev Managing Director & Chief Executive Officer, Lewis Utting said “In FY20 SciDev made significant progress and we are pleased to have recorded record revenue of \$18m. This outstanding result would not have been possible without the substantial contributions of our team, and I thank each of them for their efforts. While the COVID-19 pandemic presented challenges in the second half, our incredible team continued to focus on delivering our customers with the highest levels of bespoke solutions”.

“The value of our offerings continues to be demonstrated by the significant number of new contract wins across target verticals that occurred during the year. We are pleased to have successfully integrated the ProSol and Highland acquisitions, which have strengthened our platform for future growth. In addition, we are pleased to have strengthened our relationship with our partner, Nuoer Group, and look forward to the attractive opportunities our joint venture will deliver for both parties.”

Financial Review

SciDev reported record revenue of \$18m, a 518% increase on the prior year. Revenue growth can be attributed to several significant contract wins and organic growth across the business and the contribution from the ProSol and Highland acquisitions.

Net cash outflows from operations during the year ended 30 June 2020 were \$0.18m, compared to the prior year’s net outflows of \$1.55m. SciDev delivered its first positive cash flow quarters during the financial year during the June 2020 quarter (\$1.5m) and the March 2020 quarter (\$0.7m). The improvement in cash flow reflects SciDev’s focus on cost control and order to cash conversion. At the end of the period, the consolidated entity had a net cash position of AUD\$4.4m, with AUD\$4.8m inventory at hand. The Company’s AUD\$9.1m in working capital facilities was drawn to AUD\$1.4m at the period end.

Post the end of the financial year, the company advised that it had raised \$5m via the placement of 7,692,308 shares at an issue price of \$0.65 per share to two leading Australian fund managers. The company also announced that it had undertaken a Share Purchase Plan (SPP) to raise a further \$2m at \$0.65 per share. The SPP closed on Friday 14 August.

FY21 Outlook

The focus for SciDev during financial year 2021 includes:

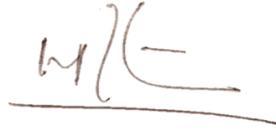
- Ensuring the safety of all SciDev staff amid COVID-19.
- Realise continued revenue growth through the execution of SciDev’s business development pipeline across its target verticals.
- Continued focus on cash generation and tight cost controls.
- Upgrading the Kings Park manufacturing facility for the supply of SciDev chemistry into the domestic infrastructure and mineral processing sectors.
- Capitalising on our joint venture with Nuoer improving our supply capability.
- Building on momentum in the construction sector globally.
- Expanding our presence in oil & gas in North America and progressing outstanding projects.
- Accelerating initiatives in the waste water and water treatment sector.
- Extending SciDev’s technology in the precious metal and base metal sectors.
- Continuing to progress discussions with strategic technology partners.

On behalf of SciDev Limited



Lewis Utting

Managing Director and Chief Executive Officer



Heath Roberts

Company Secretary

For Further Information:

Corporate

Lewis Utting - Managing Director & Chief Executive Officer

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 services, chemistry and process control for solids-liquid separation. SciDev brings together world-class technology, chemistry, management and manufacturing capabilities to solve pressing operational and environmental issues for the Mining, Water Treatment, Oil & Gas and Construction markets.

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SciDev Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: SciDev Limited
ABN: 25 001 150 849
Reporting period: For the year ended 30 June 2020
Previous period: For the year ended 30 June 2019

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	518.4% to	18,064,126
Loss from ordinary activities after tax attributable to the owners of SciDev Limited	down	56.9% to	(875,238)
Loss for the year attributable to the owners of SciDev Limited	down	56.9% to	(875,238)

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 \$875,238 (30 June 2019: \$2,032,527).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>4.44</u>	<u>3.22</u>

4. Other

Additional information supporting the Appendix 4E disclosure requirements can be found in the Annual Financial Report which contains the Directors' Report and the 30 June 2020 financial statements and accompanying notes.

This report is based on the consolidated financial statements for the year ended 30 June 2020 which have been audited by Rothsay Chartered Accountants.

SciDev Limited

ABN 25 001 150 849

Annual Financial Report - 30 June 2020

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SciDev Limited
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SciDev Limited
Directors' report
30 June 2020

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 year ended 30 June 2020.

Directors

The following persons were directors of SciDev Limited during the whole of the financial year and up to the date of this report:

Trevor A Jones
Lewis E Utting
Simone Watt
Jon Gourlay

Principal activities

The principal activity of the consolidated entity is delivery of process control, professional services and chemistry in the Mining, Construction, Water treatment and Oil & Gas markets

Dividends

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

Review of operations

Revenue from customers in 2020 is \$17,906,551 (30 June 2020: \$2,655,799) and the loss for the consolidated entity after providing for income tax amounted to \$875,238 (30 June 2019: \$2,032,527).

FY20 Highlights

- Net cash position at end of period of AUD\$4.4m, with AUD\$4.8m inventory at hand
- Comprehensive COVID-19 Workplace Policy developed ensured the safety of SciDev staff
- Team expansion with key strategic roles filled in engineering, operations, and finance
- Strategic Joint Venture agreement signed with Nuoer China based in PRC to target state owned enterprise
- First sales into the Oil & Gas market with SciDev chemistry successfully developed and trialled in the US
- Long term contract awarded with Iluka, the Company's first major project with a blue chip, world class producer
- Heads of Agreement signed with North American MoU partner, Phoenix for ~USD\$1.4m in product
- First Services Agreement in the infrastructure sector with CYP on the Melbourne Metro Tunnel Project
- An AUD\$4.16M at \$0.26 per share capital raising in Sept 2019 introducing key institutional investors to the register
- Entry into South American copper market with SciDev's Maxiflox® chemistry trial awarded at Las Bambas Peru
- SciDev's maiden Canadian oil sands trial awarded with Syncrude one of Canada's largest oil operators
- Acquisition of ProSol Australia Pty Ltd (ProSol) for up to \$1.9 million in total consideration (55%:45% cash:equity)
- Acquisition of Highland Fluid Technology Inc (Highland) for up to US\$6 million in total consideration (100% equity)

Post the end of the financial year, SciDev announced:

- Expansion of Agreement on the Melbourne Metro Tunnel Project to include delivery of chemistry
- SciDev and Flotek (NYSE: FTK) partnered to deliver friction reducing chemistries in the Eagle Ford Shale Basin
- Completion of AUD\$7m at \$0.65 per share capital raise, with Australia's largest super fund joining the register
- Significant order from BHP for trial of MaxiFlox® at premier Olympic Dam operation in South Australia

SciDev Limited
Directors' report
30 June 2020

The Company made significant progress during FY20 with several new contract wins across SciDev's target verticals. SciDev continues to deliver bespoke professional solutions to its customers that meet and exceed their unique requirements.

SciDev brings together world-class technology, chemistry, management and manufacturing capabilities to solve pressing operational and environmental issues for the Mining, Construction, Water treatment and Oil & Gas markets.

We like to work on complex problems, where businesses are looking for additional operational and cost benefits. The answers we find create opportunities for significant business improvement whilst improving the environmental performance of our clients.

Above all, our company is driven by the commitment to the principle of creating and sustaining a long-term relationship with our customers by delivering real value in performance and reduced operating costs through our innovative science and ongoing technical support.

Our chemistry is manufactured using our novel in house manufacturing methods. Where SciDev lacks the infrastructure to manufacture in house, we partner with key industry partners. In FY20 we further deepened our relationship with Nuocer China, establishing a joint venture that builds upon the binding FY19 heads of agreement between the companies.

Through our strategic acquisition of Highland, we have a platform to reach into the North American oilfield market, supported by a team of highly respected, Houston based oilfield experts. This acquisition, and SciDev's entry into the domestic infrastructure sector through the Melbourne Metro Tunnel project, demonstrate our ability to identify opportunities in our target markets and execute through to revenue generation.

Financial Review

The impact of the COVID19 pandemic on global markets, particularly the Oil & Gas sector, slowed the company's business development activities in FY20.

The consolidated entity reported revenue of \$18m for the period, representing a 518% increase on the prior year. SciDev's record revenue generation was achieved through organic growth via contract wins across several verticals, despite COVID19 implications, and the contributions from the ProSol and Highland acquisitions. Operating Expenses included USA import customs duty payments of \$0.9m for the period resulting from the delay in the proposed rollback of tariffs described in the USA China Phase One Deal 15th January 2020.

Net cash outflows from operations during the year ended 30 June 2020 were \$0.177m, compared to the prior year's net outflows of \$1.548m. SciDev delivered its first positive cash flow quarters during the financial year; the June 2020 quarter (\$1.5m) and the March 2020 quarter (\$0.7m). The improvement in cash flow reflects SciDev's the increase in sales to customers and order to cash conversion.

At the end of the period, the consolidated entity had a net cash position of \$4.4m, with \$4.8m inventory at hand. The Company's \$9.1m in working capital facilities was drawn to \$1.4m at the period end. Post period end, SciDev completed an \$7m capital raise, comprising an \$5m Placement and AUD\$2m SPP to support the acceleration of its strategic growth objectives.

The consolidated entity's balance sheet strength, despite COVID19, will allow SciDev to continue executing on its growth objectives that will position the Company for strong performance in FY21.

Operational Review

During FY20 the company successfully executed on its strategy of transferring technology, knowledge, know-how and supply chains from mining and water into two large industrial sectors; Construction and Oil & Gas. In each of these new sectors the company signed new contracts and successfully sold with product made in house or through our Joint Venture partner, Nuocer China.

**SciDev Limited
Directors' report
30 June 2020**

Construction

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

This 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. Subsequent to the end of the period, the relationship was expanded to include delivery of SciDev's chemistry, underpinning expansion of production at SciDev's Kings Park facility.

Mineral Sands

SciDev signed a major supply contract with Iluka Resources following an extensive evaluation period on-site at Iluka's flagship Jacinth-Ambrosia site. The evaluation period led to a contract for SciDev's MaxiFlox® chemistry for an initial three-year period, with the contract expected to deliver \$8-12m over the duration. Bulk deliveries of SciDev MaxiFlox® continued as forecast to Iluka's Jacinth Ambrosia operation in South Australia over the course of FY20.

SciDev continued business development activities within the Australian minerals processing sector and commenced dialogue with another major mineral sands producer. It is anticipated that site visits will be scheduled when COVID-19 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

SciDev executed several laboratory programs and site processing audits at the Ramu mine in Papua New Guinea, on behalf of Nuocer China. Ramu represents SciDev's first entry into the Asian nickel-cobalt market. Due to COVID-19 travel restrictions, activities at Ramu remain pending and will proceed at the first opportunity.

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 on-site along with SciDev chemistry in FY21.

SciDev has approached several large nickel laterite operations in Australia, ASEAN and the South Pacific which have been well received. SciDev technologies and services will be included in upcoming product evaluations and tenders.

Base & Precious Metals

Following lab-scale technical evaluations executed with a major Australian copper producer, SciDev received a commitment to move to full-scale plant trials with MaxiFlox® chemistry.

SciDev commenced a trial at the Las Bambas copper mine trial in Peru, owned by MMG Limited. Las Bambas is a copper porphyry operation producing c400,000 tonnes of copper per annum with an expected mine life of 20 years.

Oil and Gas

SciDev completed the integration of Highlands in the first half of CY2020. Highlands 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. Following the acquisition, several significant shipments of product were delivered to Highlands, via Nuocer China, to West Texas.

The delivery of product highlights the supply synergies and logistics capability of SciDev in challenging times and the strong inventory position placed Highlands in an excellent position to capitalise on the strengthening activity within the US oil and gas market, which was severely impacted in FY20 by historic low oil prices.

- Dewatering & Drilling Fluids

SciDev's MaxiFlox® technology reached a milestone in the Canadian oil fields, passing both environmental and performance hurdles at the laboratory scale. This milestone was achieved through SciDev's trial purchase order for its chemistry from Syncrude, one of Canada's largest oil producers. The trial has been confirmed and deferred to the second half of CY2020. The trial is anticipated to last for approximately 2 weeks and will focus on the utilisation of SciDev's chemistries in Syncrude's CND\$1.9b full-scale Tailings Centrifuge Plant.

SciDev Limited
Directors' report
30 June 2020

- Downstream

SciDev signed a Heads of Agreement with Phoenix Process Equipment Company, a private US-based company, following successful validation of the Nuocer-produced chemistry. Phoenix subsequently placed a large commercial order for USD\$1.4m of product for use in its mineral processing and oil and gas processes.

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.

- Waste water

Ongoing sales were established with an additional two industry service providers.

The impacts of COVID19 has delayed several decision making milestones in the municipal water and waste water sector in FY20.

Nuocer China & SciDev Relationship

SciDev announced that it had strengthened its strategic relationship with Nuocer China through a new joint venture that combines the Nuocer China's production and manufacturing skills with SciDev's expert technical, marketing and sales capacity to jointly engage on worldwide business development opportunities.

The new joint venture will allow Nuocer 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.

The binding FY19 heads of agreement between SciDev and the Nuocer China both remains in place and has been extended in operation. SciDev's exclusive marketing rights in Oceania, secured under the binding 2019 heads of agreement continue to 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.

Significant changes in the state of affairs

In September 2019, SciDev completed a \$4.16m capital raising by way of Placement to local institutional and professional investors. The Placement resulted in the issue of 16,000,000 new fully paid ordinary shares at an issue price of \$0.26c per share.

The acquisition of ProSol Australia Pty Ltd was completed on 28 November 2019. Tranche 1 of the acquisition consideration resulted in SciDev issuing 684,000 ordinary shares to the vendors on completion.

The acquisition of Highland Fluid Technologies Inc was completed on 2 March 2020. The initial consideration for the acquisition resulted in SciDev issuing 11,349,588 ordinary shares to the vendors.

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

Matters subsequent to the end of the financial year

On 9 July 2020, SciDev announced that it had extended its Services Agreement with the CYP Design and Construction Joint Venture (CYP D&C) on the Melbourne Metro Tunnel Project's works package to include the supply of SciDev's bespoke MaxiDry® chemistry and Optiflox® technology.

On 16 July 2020, SciDev Limited announced that it was undertaking a \$7 million capital raising, comprising:

- A \$5 million share placement via the issue of 7,692,308 shares at an issue price of 65 cents per share. The placement was taken up in full by two leading Australian Fund Managers.
- A share purchase plan (SPP) capped at \$2 million. The SPP was heavily oversubscribed and closed on 14 August 2020. The SPP subscriptions were scaled back on a pro-rata basis to the \$2 million cap, resulting in 3,076,923 new SciDev shares being issued on 21 August 2020.

On 21 July 2020, SciDev announced it had partnered with Flotek (NYSE: FTK) to deliver friction reducing chemistry to be used in the initial 4-wells of a 20-well drilling program in the Eagle Ford Shale Basin in Texas, USA.

On 20 August 2020, SciDev announced the trial of chemistry at BHP's Olympic Dam operation in South Australia.

No other matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations

The focus for SciDev and the management team through the FY21 financial year is:

- Continue ensuring the safety of all SciDev Ltd staff through COVID19 pandemic
- Driving revenue growth through the execution of SciDev's business development pipeline across its target verticals, complemented by a strong focus on cash generation and tight cost controls.
- Upgrading the Kings Park manufacturing facility to build capacity for the supply of SciDev chemistry into the domestic infrastructure and mineral processing sectors.
- Capitalising on the strategic JV with Nuocer China, targeting State-Owned operations outside of the PRC.
- Continue to develop supply chains across several sectors and geographies, particularly in North and South America.
- Building on momentum in the construction sector globally and look for opportunities to integrate into operations.
- Expanding our presence in coal and oil & gas in North America and progressing COVID19 impacted projects.
- Accelerating initiatives in the Australian water and waste water sector.
- Extending SciDev's technology in the precious metal and base metal sectors.
- Continuing to progress discussions with strategic technology partners.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law. During the period SciDev progressed its work towards ISO14001 accreditation, which includes the Kings Park zero liquid waste discharge site recognition.

Information on directors

Name: Trevor A Jones
Title: Chairman
Qualifications: B.Comm. (Melb)
Experience and expertise: Mr Jones has spent over 30 years working in the finance industry in Australia, United Kingdom and the USA. During this time, he has held senior executive positions in investment funds management, stockbroking and corporate finance, and gained a broad experience of capital structuring and capital raising, particularly in the mining sector. Mr. Jones was manager of equity portfolios for Shell Australia and National Employers Mutual in the United Kingdom. He was a Director of County NatWest Securities Australia Limited in London and then Director of Corporate Finance with Westpac Institutional Bank in Sydney. More recently Mr. Jones was the Sydney Chief Executive for Melbourne-based Austock Group and was Chairman of both its Corporate Finance and Investment Management divisions. He was appointed as a Non-executive Director of SciDev on 28 February 2007.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Corporate Governance Committee and a member of the Audit and Risk Committee and Chair of the Nomination and Remuneration Committee
Interests in shares: 1,088,303
Interests in options: Nil

Name: Lewis Utting
Title: Managing Director and Chief Executive Officer
Qualifications: BAsC
Experience and expertise: Lewis joined the SciDev Board in October 2018 as Executive Director and was later appointed Managing Director and Chief Executive Officer in early 2019. In this time, Lewis has driven the transformation of SciDev significantly growing revenues through a focus on profitable organic growth across several sectors. Lewis has over 18 years' experience in Asia, North America, South America, Middle east and Africa across the water treatment and specialty chemicals sectors. He most recently worked for Ciba from 2005, which was acquired by BASF in 2008 where here worked until 2017 as Global Business Development Manager Global R&D Project Manager and for the BASF mining business. Lewis has authored and co-authored numerous technical papers and holds several patent applications. He holds a degree in Applied Science and is a member of the Australian Institute of Company Directors.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Managing Director
Interests in shares: 5,367,421
Interests in options: 1,600,000

Name: Simone Watt
Title: Non-executive Director
Qualifications: BAsC
Experience and expertise: Ms Watt is the Managing Director of Sinoz Chemical and Commodities (Sinoz), which is a global company supplying reagents and technology-based improvements to the mining and agribusiness industries. Ms Watts is also a Director of Kemtec Mineral Processing and Kanins International, which are both part of the Sinoz Group of companies. She has extensive experience in the areas of strategic sourcing and supplier management, business development and sales and marketing.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares: 5,063,280
Interests in options: 250,000

**SciDev Limited
Directors' report
30 June 2020**

Name: Jon Gourlay
 Title: Non-executive Director
 Qualifications: BCom, C.A
 Experience and expertise: Mr Jon Gourlay is a chartered accountant with extensive experience in finance and project management, risk management, business improvement and investor relationships, with a focus on the resources and technology sectors. Mr Gourlay is currently Commercialisation Manager, Technology and Innovation for Newcrest Mining, with prior roles in investor relations, analysis and improvement of Newcrest's operations at the Lihir Island Gold Mine in Papua New Guinea.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: Member of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
 Interests in shares: 856,349
 Interests in options: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Heath L Roberts (Dip Law (S.A.B.) and Grad Dip Legal Practice (UTS)) is a commercial solicitor with over 20 years of listed company experience. He has acted for SciDev in various capacities over the years and brings strong transactional, compliance and capital raising experience to the role.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	Audit and Risk Committee
	Attended	Held	Attended	Held	Attended	Held
Trevor A Jones	8	8	4	4	2	2
Lewis E Utting	8	8	-	-	-	-
Simone Watt	8	8	4	4	2	2
Jon Gourlay	8	8	4	4	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

In addition to the Board and Committee meetings outlined above, during the year an additional 12 Board circular resolutions were passed.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives of the consolidated entity and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation to business success;
- transparency; and
- alignment with proper capital management.

The Group has structured an executive remuneration framework that is market competitive. The framework provides for a mix of fixed base pay and also variable pay that includes both short and long term incentives, as and when appropriate. A relationship between Company performance and remuneration has been developed and implemented, with a component of remuneration delivered on a performance linked basis (as equity issues to executives with performance based or duration of employment milestones) and in some cases cash bonuses, which are also performance linked.

The Board has a Nomination and Remuneration Committee which provides advice on remuneration and incentive policies and practices and makes specific recommendations on remuneration packages and other terms of employment for the Managing Director and Chief Executive Officer, other senior executives and Non-Executive Directors. The Corporate Governance Statement provides further information on the role of this Committee. During the year, the Company conducted a number of internally assessed remuneration benchmarking processes and, separately, engaged the services of an external remuneration consultant to independently advise the Board on its function and membership and to provide remuneration guidance. The outcomes of that independent benchmarking process has validated the level of remuneration paid to the Managing Director and Chief Executive Officer and will be utilised in guiding the remuneration of the Chair and Non-Executive Directors moving forward.

Non-executive directors remuneration

Fees and payments to the Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Non-Executive Directors. The Board undertakes a review of Non-Executive Directors' fees and payments annually. The independent review process described above will guide Non-Executive Director remuneration moving forward.

**SciDev Limited
Directors' report
30 June 2020**

Non-Executive Directors' fees are determined within an aggregate Non-Executive Directors' cash remuneration limit, which is periodically recommended for approval by shareholders. The current limit of \$400,000 was approved by shareholders at the Company's 2007 Annual General Meeting held on 14 November 2007. Remuneration to Non-Executive Directors of the parent entity (SciDev Limited) during the year to 30 June 2020 was \$204,562 (2019: \$122,937). In addition, Non-Executive Directors are entitled to participate in issues of options pursuant to the SciDev Employee Share Scheme (the SciDev ESS). The value of any options granted to Non-Executive Directors are not included in the aggregate cash remuneration limit as they are not cash based payments. In the case where Directors seek equity based (option) remuneration over cash based remuneration, consideration will be given to such request and, in any case, shareholder approval would be required for any such equity based remuneration for Directors. During the 2020 financial year the Company granted options to Non-executive Directors in terms of the SciDev ESS. Shareholder approval was duly sought and obtained at a shareholder's meeting held on 23 July 2019.

Executive remuneration

SciDev's executive pay and reward framework has three primary components, which together comprise the executive's total remuneration:

- base pay, superannuation and 'standard' non-monetary benefits such as sick leave, annual leave etc;
- short term incentives through individually negotiated, performance milestone cash payments; and
- long term incentives through participation in the SciDev ESS.

The combination of these comprises the executive's total remuneration. The three elements described above are tailored to reflect fair reward for the individual executives' contribution and whilst some executives receive a component of all three elements, other executives do not.

(i) Base pay

Base pay is generally structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits as negotiated between the Company and the executive. Executives are offered a competitive base pay that comprises a fixed component of cash salary, superannuation and standard non-monetary benefits as described above. Base pay for each senior executive is reviewed annually to ensure the executive's pay is competitive with the market. There is no guaranteed base pay increase included in any executive's contract. In some cases cash performance based bonuses are offered to executives.

(ii) Short-term incentives

Managing Director & Chief Executive Officer

The Managing Director & Chief Executive Officer is eligible for a short-term incentive (STI) cash bonus payment of \$200,000 based on the achievement of KPIs determined by the Nomination and Remuneration Committee for the period to 30 June 2021. The aim of the STI is to link the achievement of the company's annual and/or immediate financial and broader operational targets with the remuneration received by the Managing Director & Chief Executive Officer. The total potential STI was set at a level to provide sufficient incentive to achieve the operational targets and at a cost to the company that is reasonable in the circumstances. Actual STI payments awarded to the Managing Director & Chief Executive Officer depend on the extent to which specific targets prescribed in the performance agreement for are met. During FY20 a \$100,000 bonus was paid as the executive had satisfied a performance condition linked to Company operating cashflow breakeven performance, less directors salary and fees. This milestone was chosen as it was considered an appropriate measure considering the size and status of the Company and was approved by both the Nomination and Remuneration Committee and the Board. The methods used in determining the milestone performance was measurement against the financial performance of the Company and no external factors required consideration.

Senior Executives

STIs paid to senior executives are made on a discretionary basis as determined by the Managing Director & Chief Executive Officer. These incentives, while not guaranteed, are directly linked to the achievement of KPIs established around various performance targets on Safety, Finance, Culture and Customer Satisfaction. No bonus is awarded where performance falls below the minimum acceptable KPI levels as determined by the Managing Director & Chief Executive Officer. There was no cash bonus paid or accrued in respect of the 30 June 2020 financial year.

(iii) Long-term incentives

Long-term performance incentives (LTI) are delivered through the grant of options to executive directors and selected senior executives from time to time as part of their remuneration. Share options have an exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible executives. During the 2020 financial year the Company granted options to the Managing Director & Chief Executive Officer and senior executives under the terms of the SciDev ESS. For the options granted to the Managing Director, shareholder approval was duly sought and obtained at a shareholder's meeting held on 23 July 2019. Information on the SciDev ESS is set out in note 38.

SciDev Limited
Directors' report
30 June 2020

Use of remuneration consultants

During the year, the Company engaged Ed Turvill Consulting (Turvill) as remuneration consultants to provide a range of advice related to SciDev's Board composition, skills and peer company remuneration benchmarking. The Turvill report has independently validated the level of the Managing Director & Chief Executive Officer remuneration and provided peer assessment and guidance on appropriate levels of remuneration for Non-Executive Directors remuneration. During the reporting period, Turvill received \$12,000 in fees for delivery of remuneration recommendations.

To ensure that the process undertaken was free from undue influence by parties subject to the remuneration recommendations, Turvill was provided with autonomy to consider and advise on the matters at hand and instruction predominately took place through the Company Secretary, who was not subject of the remuneration recommendations. The members of the Board participated in processes directed to assessing its skills and composition directly with Turvill, however did not engage with Turvill in relation to remuneration benchmarking or those elements of his services that constitute remuneration recommendations.

The Board is satisfied that the remuneration recommendation was free from undue influence by parties subject to the remuneration recommendations (ie, the Board and its members) as a result of the processes outlined in the previous paragraph.

Remuneration voting and comments at the company's 28 November 2019 Annual General Meeting (the 2019 AGM)

At the 2019 AGM, 97% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the 2019 AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of SciDev Limited:

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

And the following persons:

- John Fehon - Chief Financial Officer (appointed 3 February 2020)
- Heath Roberts - Company Secretary and General Counsel

Payments to former Directors

During the reporting period Mr Kieran Rodgers, who resigned as Managing Director effective 19 March 2019, received part-termination payment of \$250,000. This payment was made in July 2019.

**SciDev Limited
Directors' report
30 June 2020**

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Annual leave accrual	Super-annuation	Long service leave	Options (b)	
2020	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Trevor A Jones (Chairman)	69,444	-	6,597	-	16,250	92,291
Simone Watt	44,999	-	4,275	-	16,250	65,524
Jon Gourlay	4,107	-	390	-	42,250	46,747
<i>Executive Directors:</i>						
Lewis E Utting	468,666	44,311	34,833	16,232	1,748	565,790
<i>Other Key Management Personnel:</i>						
John Fehon (a)	108,333	8,230	10,291	-	66,123	192,977
Heath Roberts	244,795	n/a	n/a	n/a	408	245,203
	<u>940,344</u>	<u>52,541</u>	<u>56,386</u>	<u>16,232</u>	<u>143,029</u>	<u>1,208,532</u>

(a) John Fehon was appointed Chief Financial Officer on 3 February 2020. The above reported remuneration relates to the period from 3 February 2020 to 30 June 2020.

(b) The amounts included in the share-based remuneration represent the grant date fair value of options, amortised on a straight-line basis over the expected vesting period. Expenses are reversed where rights are forfeited due to a failure to satisfy the service conditions or there is a revision of share rights expected to vest.

	Short-term benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Cash salary and fees	Annual leave accrual	Super-annuation	Long service leave		
2019	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Trevor A Jones (Chairman)	64,431	-	6,121	-	-	70,552
Simone Watt (a)	25,340	-	2,407	-	-	27,747
Daniel J Cronin (b)	22,500	-	2,138	-	-	24,638
<i>Executive Directors:</i>						
Lewis E Utting (c)	260,000	14,964	24,700	749	-	300,413
Kieran G Rodgers (b)	260,000	18,056	24,700	4,333	130,000	437,089
<i>Other Key Management Personnel:</i>						
Jianfeng Zhang (d)	31,666	2,805	3,048	83	-	37,602
	<u>663,937</u>	<u>35,825</u>	<u>63,114</u>	<u>5,165</u>	<u>130,000</u>	<u>898,041</u>

(a) Ms Simone Watt and Mr Jon Gourlay were appointed Non-executive Directors on 29 October 2018 and 28 May 2019 respectively. Mr Gourlay did not receive any remuneration from the company during the 2019 financial year.

(b) Mr Daniel J Cronin and Mr Kieran G Rodgers resigned on 31 December 2018 and 19 March 2019 respectively. Mr Rodgers' remuneration for the year included termination payments set out in his employment contract.

(c) Mr Lewis Utting was Project Director on 1 March 2018, appointed to the SciDev Board of Directors on 29 October 2018 and became Managing Director and Chief Executive Officer on 30 April 2019.

(d) Mr Jianfeng Zhang was appointed Marketing and Strategy Director of Science Developments Pty Limited on 10 April 2019. Mr Zhang was no longer considered to be a KMP with effect from 1 July 2019.

**SciDev Limited
Directors' report
30 June 2020**

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Trevor A Jones (Chairman)	70%	100%	-	-	30%	-
Simone Watt	60%	100%	-	-	40%	-
Jon Gourlay	10%	-	-	-	90%	-
Daniel J Cronin	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Lewis E Utting	82%	100%	17%	-	1	-
Kieran G Rodgers	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Jianfeng Zhang	-	100%	-	-	-	-
John Fehon	66%	-	-	-	34%	-
Heath Roberts	100%	-	-	-	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements at the date of this report are as follows:

Name: Lewis E Utting
 Title: Managing Director and Chief Executive Officer
 Agreement commenced: 30 April 2019, revised March 2020
 Term of agreement: Ongoing
 Details: Base salary of \$450,000 plus superannuation. Mr Utting is also entitled to an STI bonus of \$200,000 subject to meeting performance-based milestones and an LTI of \$250,000 in performance based equity (options or shares) under the terms of the Company's ESS. These LTI options have not yet been finalised and issued to Mr Utting.

Mr Utting's salary, allowances and performance bonus is reviewed annually by the Nomination and Remuneration Committee. This remuneration was assessed by an independent remuneration consultant during the reporting period.

The contract may be terminated by 6 months' notice from either party.

Name: John Fehon
 Title: Chief Financial Officer
 Agreement commenced: 3 February 2020
 Term of agreement: On-going
 Details: Base salary of \$260,000 plus superannuation and performance-based \$60,000 bonus.

The contract may be terminated by 3 months' notice from either party and the contract provides for payment of 3 months' Total Remuneration if Mr Fehon's employment is terminated.

Name: Heath Roberts
 Title: Company Secretary & General Counsel
 Agreement commenced: 1 March 2017
 Term of agreement: On-going
 Details: Consulting per diem rate equal to that of \$240,000 for full-time employment and services.

The agreement may be terminated by 1 months' notice from either party.

SciDev Limited
Directors' report
30 June 2020

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Voluntary Remuneration Reductions Commencing 1 July 2020

Recognising the uncertainty on world financial markets as a result of COVID-19 certain members of the KMP have volunteered base pay reductions. These reductions are initially for the period 1 July 2020 – 30 September 2020 and may be extended depending global market circumstances at the time. These voluntary reductions do not accrue and are not repaid to the member of KMP at a future point in time. The KMP that have volunteered reductions of between 20%-30% are Managing Director & Chief Executive Officer Lewis Utting, Chief Financial Officer John Fehon and Company Secretary & General Counsel Heath Roberts.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per option at grant date	Vested %
Trevor Jones	250,000	23/07/2019	23/07/2019	23/07/2022	\$0.12	\$0.06500	100%
Lewis Utting	800,000	23/07/2019	23/07/2019	23/07/2022	\$0.10	\$0.00437	100%
Lewis Utting	800,000	23/07/2019	29/06/2021	23/07/2022	\$0.10	\$0.00437	-
Simone Watt	250,000	23/07/2019	23/07/2019	23/07/2022	\$0.12	\$0.06500	100%
Jon Gourlay	650,000	23/07/2019	23/07/2019	23/07/2022	\$0.12	\$0.06500	100%
John Fehon	75,000	03/02/2020	03/02/2020	23/07/2022	\$0.12	\$0.60400	100%
John Fehon	75,000	03/02/2020	29/06/2021	23/07/2022	\$0.12	\$0.66630	-
Heath Roberts	200,000	23/07/2019	23/07/2019	23/07/2022	\$0.10	\$0.00204	100%
Heath Roberts	200,000	23/07/2019	29/06/2021	23/07/2022	\$0.10	\$0.00204	-

SciDev Limited
Directors' report
30 June 2020

With the exception of the options granted to Lewis Utting (Managing Director and Chief Executive Officer), all the other options granted to directors had no performance conditions.

The options granted to Lewis Utting consists of 2 tranches. The first tranche have vested and the second tranche is subject to a service vesting condition.

The options granted to Jon Gourlay (Non-executive Director) vested on grant date. Jon had specifically requested remuneration on an equity (rather than cash) basis.

The options granted to Trevor Jones (Non-executive Chairman) and Simone Watt (Non-executive Director) vested on grant date were allotted to recognise past service to the group.

The options granted to John Fehon (CFO) consists of 2 tranches. The first tranche vested on grant date and the second tranche is subject to a service vesting condition.

The options granted to Heath Roberts (Company Secretary & General Counsel) consists of 2 tranches. The first tranche vested on grant date and the second tranche is subject to a service vesting condition.

These options were issued under the Company's ESS. The options expire on the earlier of their expiry date or termination of the employee's employment (however the Board does have discretion under the ESS to allow the options of an employee who has been terminated or left the company to remain in place for the balance of their term in certain cases).

Options issued to Directors of the company were first approved by the company's shareholders, as required by ASX Listing Rules. The options do not entitle the holders to participate in any share issue, bonus or distribution by the Company unless first exercised in accordance with the option terms.

Options granted carry no dividend or voting rights.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

	Value of options granted during the year 2020 \$	Value of options exercised during the year 2020 \$	Value of options granted during the year 2019 \$	Value of options exercised during the year 2019 \$
Trevor Jones	16,250	21,624	-	-
Lewis Utting	3,497	10,912	-	-
Simone Watt	16,250	-	-	-
Jon Gourlay	42,250	42,250	-	-
John Fehon	95,275	45,300	-	-
Heath Roberts	408	-	-	-

There were no options for directors and other key management personnel that lapsed during the year ended 30 June 2020.

SciDev Limited
Directors' report
30 June 2020

Additional information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Sales revenue	17,906,551	2,655,799	2,029,373	1,846,985	1,352,346
(Loss)/profit after income tax	(875,238)	(2,032,527)	1,001,869	(597,340)	(458,130)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received during the year on the exercise of options	Additions/ other	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Trevor A Jones	738,303	350,000	-	-	1,088,303
Lewis E Utting	4,830,221	500,000	37,200	-	5,367,421
Simone Watt	5,000,780	-	62,500	-	5,063,280
Jon Gourlay	206,349	650,000	-	-	856,349
John Fehon	-	75,000	213,333	-	288,333
Heath Roberts	144,667	100,000	-	144,667	100,000
	<u>10,920,320</u>	<u>1,675,000</u>	<u>313,033</u>	<u>144,667</u>	<u>12,763,686</u>

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Trevor A Jones	100,000	250,000	(350,000)	-	-
Lewis E Utting	500,000	1,600,000	(500,000)	-	1,600,000
Simone Watt	-	250,000	-	-	250,000
Jon Gourlay	-	650,000	(650,000)	-	-
John Fehon	-	150,000	(75,000)	-	75,000
Heath Roberts	100,000	400,000	(100,000)	-	400,000
	<u>700,000</u>	<u>3,300,000</u>	<u>(1,675,000)</u>	<u>-</u>	<u>2,325,000</u>

Loans to key management personnel and their related parties

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2020.

Other transactions with key management personnel and their related parties

A director, Simone Watt, is a director of Kanins International Pty Ltd and has the capacity to significantly influence decision making of that company. Kanins International Pty Ltd provided SciDev Limited with a US\$350,000 working capital facility that matures on 1 October 2020. The facility is secured against the consolidated entity's inventory and incurred interest at 15% per annum. \$nil (2019: \$73,007) was drawn down on this facility and \$nil (2019: \$73,007) repaid during the 2020 financial year. The loan balance at 30 June 2020 was \$nil (2019: \$nil).

SciDev Limited
Directors' report
30 June 2020

A director, Simone Watt, is a director of Kemtec Mineral Processing Pty Ltd and has the capacity to significantly influence decision making of that company. The consolidated entity has leased equipment to Kemtec Mineral Processing Pty Ltd during the 2020 financial year. The lease contracts were based on normal commercial terms and conditions.

Amounts recognised as revenue

Treatment fees and product sales: \$nil (2019: \$91,080)

Amounts recognised as expenses

Finance costs: \$nil (2019: \$3,539)

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2020.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of SciDev Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
16 May 2019	23 July 2022	\$0.100	400,000
16 May 2019	23 July 2022	\$0.120	1,325,000
23 July 2019	23 July 2022	\$0.100	1,600,000
23 July 2019	23 July 2022	\$0.120	250,000
11 November 2019	23 July 2022	\$0.120	75,000
3 February 2020	23 July 2022	\$0.120	75,000
			3,725,000

All of the unexercised options were granted under the SciDev Employee Share Scheme (see note 38).

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

Shares issued on the exercise of options

The following ordinary shares of SciDev Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
10 December 2014	\$0.250	550,000
2 February 2017	\$0.250	2,250,000
14 August 2017	\$0.250	650,000
28 December 2017	\$0.250	500,000
16 May 2019	\$0.120	400,000
23 July 2019	\$0.120	900,000
11 November 2019	\$0.120	75,000
3 February 2020	\$0.120	75,000
		5,400,000

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Rothsay Chartered Accountants

There are no officers of the company who are former partners of Rothsay Chartered Accountants.

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.

Auditor

Rothsay Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

SciDev Limited
Directors' report
30 June 2020

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Lewis E Utting
Managing Director and Chief Executive Officer

26th August 2020

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ROTHSAY

CHARTERED ACCOUNTANTS

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

As lead auditor of SciDev Limited for the year ended 30 June 2020, 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 audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Rothsay Chartered Accountants



Frank Vrachas

Partner

Sydney, 26 August 2020

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SciDev Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue	5	18,061,342	2,921,060
Other income	6	587,855	336,645
Interest revenue		2,784	-
Expenses			
Changes in inventories, and raw materials and consumables used		(14,765,678)	(2,005,760)
Employee benefits expense		(2,791,632)	(1,330,076)
Depreciation and amortisation expense		(377,760)	(212,767)
Engineering and other consultants expenses		(535,834)	(31,068)
Loss on disposal of assets		(6,902)	(27,621)
Insurance		(165,406)	(56,532)
Listing and share registry expenses		(150,999)	(84,464)
Professional fees		(706,810)	(757,080)
Rent and related expenses		(240,984)	(189,851)
Travel, accommodation and conference		(294,832)	(278,329)
Other expenses		(855,042)	(285,980)
Finance costs	7	<u>(35,688)</u>	<u>(6,627)</u>
Loss before income tax benefit/(expense)		(2,275,586)	(2,008,450)
Income tax benefit/(expense)	8	<u>1,400,348</u>	<u>(24,077)</u>
Loss after income tax benefit/(expense) for the year attributable to the owners of SciDev Limited		(875,238)	(2,032,527)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(36,310)</u>	-
Other comprehensive income for the year, net of tax		<u>(36,310)</u>	-
Total comprehensive income for the year attributable to the owners of SciDev Limited		<u>(911,548)</u>	<u>(2,032,527)</u>
		Cents	Cents
Basic earnings per share	37	(0.69)	(2.69)
Diluted earnings per share	37	(0.69)	(2.69)

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 30 June 2020

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	9	4,481,783	1,756,209
Trade and other receivables	10	2,170,036	806,099
Inventories	11	4,805,023	264,325
Income tax refund due		32,623	-
Other		153,254	22,679
Total current assets		<u>11,642,719</u>	<u>2,849,312</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	12	1,502,900	1,502,900
Property, plant and equipment	13	1,196,808	303,454
Intangibles	14	11,402,074	1,246,299
Deferred tax	15	1,364,362	-
Other		64,053	-
Total non-current assets		<u>15,530,197</u>	<u>3,052,653</u>
Total assets		<u>27,172,916</u>	<u>5,901,965</u>
Liabilities			
Current liabilities			
Trade and other payables	16	8,500,186	1,009,529
Lease liabilities	18	182,780	-
Employee benefits	19	126,448	155,276
Provisions	20	285,258	-
Total current liabilities		<u>9,094,672</u>	<u>1,164,805</u>
Non-current liabilities			
Borrowings	17	284,918	-
Lease liabilities	18	70,655	-
Deferred tax	21	-	35,986
Employee benefits	19	-	2,153
Provisions	20	313,500	-
Total non-current liabilities		<u>669,073</u>	<u>38,139</u>
Total liabilities		<u>9,763,745</u>	<u>1,202,944</u>
Net assets		<u>17,409,171</u>	<u>4,699,021</u>
Equity			
Issued capital	22	89,874,533	76,899,789
Other equity	23	569,975	-
Reserves	24	132,677	2,210,703
Accumulated losses		<u>(73,168,014)</u>	<u>(74,411,471)</u>
Total equity		<u>17,409,171</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 year ended 30 June 2020

	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 year	-	-	(2,032,527)	(2,032,527)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,032,527)	(2,032,527)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 22)	2,781,162	-	-	2,781,162
Balance at 30 June 2019	<u>76,899,789</u>	<u>2,210,703</u>	<u>(74,411,471)</u>	<u>4,699,021</u>

	Issued capital \$	Other equity \$	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 benefit for the year	-	-	-	(875,238)	(875,238)
Other comprehensive income for the year, net of tax	-	-	(36,310)	-	(36,310)
Total comprehensive income for the year	-	-	(36,310)	(875,238)	(911,548)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 22)	12,852,694	-	-	-	12,852,694
Share-based payments (note 38)	-	-	199,029	-	199,029
Options exercised	122,050	-	(2,885,944)	2,763,894	-
Contingent consideration	-	569,975	-	-	569,975
Transfer from reserves to accumulated losses	-	-	645,199	(645,199)	-
Balance at 30 June 2020	<u>89,874,533</u>	<u>569,975</u>	<u>132,677</u>	<u>(73,168,014)</u>	<u>17,409,171</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 year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,452,172	2,774,656
Payments to suppliers and employees (inclusive of GST)		<u>(20,596,733)</u>	<u>(4,616,859)</u>
		(144,561)	(1,842,203)
Interest received		2,784	-
R&D tax offset received		-	332,981
Interest and other finance costs paid		(35,688)	(6,627)
Income taxes paid		<u>-</u>	<u>(32,199)</u>
Net cash used in operating activities	36	<u>(177,465)</u>	<u>(1,548,048)</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	33	(870,765)	-
Repayment of cash received for disposal of Zeehan Project		-	(300,000)
Payments for property, plant and equipment	13	(752,768)	(225,225)
Payments for intangibles	14	(118,275)	(37,929)
Payments for security deposits		(50,878)	-
Proceeds from disposal of Zeehan Project		-	50,000
Proceeds from disposal of financial assets at fair value through other comprehensive income		<u>-</u>	<u>500,000</u>
Net cash used in investing activities		<u>(1,792,686)</u>	<u>(13,154)</u>
Cash flows from financing activities			
Proceeds from issue of shares - net of transaction costs		5,071,902	2,781,162
Proceeds from borrowings		284,918	73,007
Repayment of borrowings and lease liabilities		<u>(661,095)</u>	<u>(104,945)</u>
Net cash from financing activities		<u>4,695,725</u>	<u>2,749,224</u>
Net increase in cash and cash equivalents		2,725,574	1,188,022
Cash and cash equivalents at the beginning of the financial year		<u>1,756,209</u>	<u>568,187</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>4,481,783</u></u>	<u><u>1,756,209</u></u>

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

SciDev Limited
Notes to the financial statements
30 June 2020

Note 1. 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 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

Unit 1
8 Turbo Road
Kings Park
NSW 2148

Principal place of business

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

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 26th August 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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.

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.

Note 2. Significant accounting policies (continued)

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%.

On the date of initial application of AASB 16 (1 July 2019), a right-of-use asset was recognised for property leases amounting to \$186,480. The right-of-use asset 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. There was no impact on retained earnings at 1 July 2019 as a result of this adjustment.

Measurement of lease liabilities:

	\$
Operating lease commitments disclosed as at 30 June 2019	244,315
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(48,385)
(Less): short-term and low value leases not recognised as a liability	(9,450)
Lease liability recognised as at 1 July 2019	186,480
Of which are:	
Current lease liabilities	81,312
Non-current lease liabilities	105,168
	186,480

Going concern

For the year ended 30 June 2020 the consolidated entity generated an operating loss after income tax of \$875,238 (2019: \$2,032,527). Net cash outflows from operations were \$177,465 (2019: \$1,548,048) for the year ended 30 June 2020.

In addition to the above, the Directors have considered the potential impact that the global pandemic COVID-19 may have on the operations of the consolidated entity. Given the rapidly changing environment caused by COVID-19 and its impact on the Australian and global economy, along with various policy responses by governments both in Australia and globally, it is not possible to conclusively define the potential impact that COVID-19 may have on the operations of the consolidated entity in time, given the fluidity of government policy decision making. The Directors however, based on current available information, are of the view that the consolidated entity has the ability to operate sustainably and as a going concern notwithstanding the potential impact of COVID-19 and the current uncertainty it creates in relation to the potential economic impact for both the Australian and global economies.

The Directors have considered and concluded that the going concern basis of preparation of the financial statements is appropriate and any potential uncertainty regarding going concern is mitigated by the following:

- At 30 June 2020 the consolidated entity had net current assets of \$2,548,047 (2019: \$1,684,507) and cash balances of \$4,481,783 (2019: \$1,756,209) and an undrawn \$510,000 credit facility.
- On 16 July 2020, the company announced the placement of 7,692,308 new ordinary shares with local institutional and sophisticated investors at an issue price of \$0.65 per share to raise total proceeds of \$5 million and the issue of 3,076,923 ordinary shares at \$0.65 per share in terms of a share purchase plan to raise \$2 million. The funds from the placement and share purchase plan will predominantly be used to upgrade the Kings Park facility, increase inventory and contribute to the capitalisation of the strategic joint venture with Nuor.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than twelve months from the date of signature of the audit report on this financial report to the date of signature of the audit report on the financial report for the year ending 30 June 2021, and has accordingly prepared the financial report on a going concern basis.

Note 2. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SciDev Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. SciDev Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is SciDev Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

SciDev Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. For information relating to the value-in-use calculations refer to note 14.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity operates in primarily two geographical segments: Australia and the United States. In the 30 June 2019 financial year the consolidated operated in primarily one geographical segment being Australia and revenue attributable to overseas subsidiaries was not material to the consolidated entity. The primary business segment is the treatment of industrial processes including the manufacture and supply of chemicals, technology, and services for industrial processes.

Operating and business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2020, revenue from 2 customers amounted to \$5,868,415 arising from sales in the Australia segment, and revenue from 1 customer amounted to \$3,054,467 arising from sales in the United States segment.

During the year ended 30 June 2019, revenue from 3 customers amounted to \$1,513,805.

No other customer contributed 10% or more to the consolidated entity's revenue for both 2020 and 2019.

SciDev Limited
Notes to the financial statements
30 June 2020

Note 4. Operating segments (continued)

Operating segment information

2020	Australia \$	United States \$	Eliminations and adjustments \$	Total \$
Revenue				
Sales to external customers	12,286,522	5,620,029	-	17,906,551
Intersegment sales	2,574,870	2,271,474	(4,846,344)	-
Total sales revenue	14,861,392	7,891,503	(4,846,344)	17,906,551
Other revenue	142,345	12,446	-	154,791
Interest revenue	2,784	-	-	2,784
Total revenue	15,006,521	7,903,949	(4,846,344)	18,064,126
EBITDA	(1,519,897)	(345,838)	-	(1,865,735)
Depreciation and amortisation				(376,947)
Interest revenue				2,784
Finance costs				(35,688)
Loss before income tax benefit				(2,275,586)
Income tax benefit				1,400,348
Loss after income tax benefit				(875,238)
Assets				
Segment assets	21,012,266	11,681,957	(5,521,307)	27,172,916
Total assets				27,172,916
<i>Total assets includes:</i>				
Acquisition of non-current assets	2,871,201	8,509,546	-	11,380,747
Liabilities				
Segment liabilities	10,554,626	4,730,426	(5,521,307)	9,763,745
Total liabilities				9,763,745

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	2020 \$	2019 \$
<i>Revenue from contracts with customers</i>		
Treatment fees and product sales	17,906,551	2,655,799
<i>Other revenue</i>		
Other revenue	154,791	265,261
Revenue	18,061,342	2,921,060

Note 5. Revenue (continued)

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the performance obligations in the agreement are met, which is generally at the time of delivery.

Consulting services and treatment fees

Consulting services and treatment fees are recognised using the percentage-of-completion method for fixed-fee arrangements or as the services are provided for time-and-materials arrangements.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 6. Other income

	2020	2019
	\$	\$
Net foreign exchange gain	83,123	-
Subsidies and grants	501,527	332,981
Reimbursement of expenses	-	3,664
Sundry	3,205	-
	<u>587,855</u>	<u>336,645</u>
Other income	<u>587,855</u>	<u>336,645</u>

SciDev Limited
Notes to the financial statements
30 June 2020

Note 7. Expenses

	2020 \$	2019 \$
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	21,800	4,949
Interest and finance charges paid/payable on lease liabilities	13,888	1,678
Finance costs expensed	<u>35,688</u>	<u>6,627</u>
<i>Leases</i>		
Minimum lease payments	-	156,169
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>187,239</u>	<u>96,666</u>

Note 8. Income tax expense/(benefit)

	2020 \$	2019 \$
<i>Income tax expense/(benefit)</i>		
Deferred tax - origination and reversal of temporary differences	(1,400,348)	(8,122)
Adjustment recognised for prior periods	-	32,199
Aggregate income tax expense/(benefit)	<u>(1,400,348)</u>	<u>24,077</u>
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets (note 15)	(1,364,362)	-
Decrease in deferred tax liabilities (note 21)	(35,986)	(8,122)
Deferred tax - origination and reversal of temporary differences	<u>(1,400,348)</u>	<u>(8,122)</u>
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax benefit/(expense)	<u>(2,275,586)</u>	<u>(2,008,450)</u>
Tax at the statutory tax rate of 27.5%	(625,786)	(552,324)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	245,985	8,121
Research and development tax incentive	(104,572)	(91,570)
Government grants	(27,500)	-
	(511,873)	(635,773)
Adjustment recognised for prior periods	-	32,199
Current year tax losses not recognised	-	649,194
Current year temporary differences not recognised	-	(21,543)
Prior year temporary differences not recognised now recognised	(43,655)	-
Prior year tax losses not recognised now recognised	(997,958)	-
Tax losses relating to overseas subsidiaries not recognised	189,124	-
Deferred tax prior period adjustment	<u>(35,986)</u>	<u>-</u>
Income tax expense/(benefit)	<u>(1,400,348)</u>	<u>24,077</u>

Note 8. Income tax expense/(benefit) (continued)

	2020 \$	2019 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	64,080,927	67,709,864
Potential tax benefit @ 27.5%	17,622,255	18,620,213

Management have determined that it is prudent to recognise prior year tax losses in the amounts included above and are in the process of assessing the availability of other historical tax losses.

Tax losses will only be recognised and obtained if it is probable:

- (i) the consolidated entity will derive future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses and temporary difference to be realised;
- (ii) the consolidated entity complies with the conditions for deductibility imposed by the tax legislation such as continuity of ownership and same business test; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from deductions for the losses and temporary differences.

Note 9. Cash and cash equivalents

	2020 \$	2019 \$
<i>Current assets</i>		
Cash on hand	-	150
Cash at bank	4,481,783	1,756,059
	<u>4,481,783</u>	<u>1,756,209</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 10. Trade and other receivables

	2020 \$	2019 \$
<i>Current assets</i>		
Trade receivables	2,111,383	779,210
Other receivables	58,653	26,889
	<u>2,170,036</u>	<u>806,099</u>

Allowance for expected credit losses

The consolidated entity calculates its expected credit losses (ECL) based on the consolidated entity's historical credit loss experience, adjusted for forward-looking factors specific to its receivables and the economic environment.

The consolidated entity does not have any history of impairment of its trade receivables. The consolidated entity transacts with a limited number of established customers and operates under strict credit policies approved by the Board of Directors.

No impairment loss has been recognised for trade receivables.

Note 10. Trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 11. Inventories

	2020 \$	2019 \$
<i>Current assets</i>		
Stock in transit - at cost	547,877	-
Stock on hand - at cost	4,257,146	264,325
	<u>4,805,023</u>	<u>264,325</u>

Accounting policy for inventories

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 12. Financial assets at fair value through other comprehensive income

	2020 \$	2019 \$
<i>Non-current assets</i>		
Unlisted equity securities	<u>1,502,900</u>	<u>1,502,900</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	1,502,900	1,502,900
Additions*	-	500,000
Disposals*	-	(641,026)
Revaluation increments	-	141,026
Closing fair value	<u>1,502,900</u>	<u>1,502,900</u>

Note 12. Financial assets at fair value through other comprehensive income (continued)

* On 25 October 2017, SciDev Limited (SciDev) entered into a conditional sale agreement to dispose of Intec Zeehan Residues Pty Ltd (IZR), whose principal asset was the Zeehan Zinc Project. The disposal was in order to generate cash flow for the expansion of the consolidated entity's core businesses. The disposal was completed on 22 January 2018, on which date control of IZR passed to the acquirer, Tartana Resources Ltd (Tartana).

The total consideration was 15,000,000 ordinary shares in Tartana at a deemed price of 10 cents per share and \$500,000 in cash. SciDev received \$300,000 of the cash component and 7,760,000 ordinary shares in Tartana.

SciDev and Tartana subsequently agreed to vary the terms of the sale agreement resulting in an additional 5,000,000 Tartana shares to be issued to SciDev and the deletion of the \$500,000 cash component of the transaction. SciDev agreed to repay the \$300,000 it received from Tartana and used the proceeds from the sale of 6,410,256 Tartana shares to fund the repayment. The total consideration for the transaction of \$2,000,000 remained unchanged.

Refer to note 27 for further information on fair value measurement.

Note 13. Property, plant and equipment

	2020 \$	2019 \$
<i>Non-current assets</i>		
Office buildings and warehouses - at cost	186,480	-
Less: Accumulated depreciation	(86,068)	-
	<u>100,412</u>	<u>-</u>
Plant and equipment - at cost	2,204,673	748,552
Less: Accumulated depreciation	(1,247,984)	(462,286)
	<u>956,689</u>	<u>286,266</u>
Motor vehicles - at cost	284,340	-
Less: Accumulated depreciation	(164,395)	-
	<u>119,945</u>	<u>-</u>
Office equipment - at cost	61,090	50,954
Less: Accumulated depreciation	(41,328)	(33,766)
	<u>19,762</u>	<u>17,188</u>
	<u>1,196,808</u>	<u>303,454</u>

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Note 13. Property, plant and equipment (continued)

Reconciliations

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

	Office buildings and warehouses \$	Plant and equipment \$	Motor vehicles \$	Office equipment \$	Total \$
Balance at 1 July 2018	-	260,954	-	-	260,954
Additions	-	205,299	-	19,926	225,225
Disposals	-	(27,621)	-	-	(27,621)
Depreciation expense	-	(152,366)	-	(2,738)	(155,104)
Balance at 30 June 2019	-	286,266	-	17,188	303,454
Additions	-	742,632	-	10,136	752,768
Additions through business combinations (note 33)	-	196,782	132,897	-	329,679
Disposals	-	(6,902)	-	-	(6,902)
Adoption of AASB 16	186,480	-	-	-	186,480
Exchange differences	-	(4,301)	(4,469)	-	(8,770)
Depreciation expense	(86,068)	(257,788)	(8,483)	(7,562)	(359,901)
Balance at 30 June 2020	<u>100,412</u>	<u>956,689</u>	<u>119,945</u>	<u>19,762</u>	<u>1,196,808</u>

Included in the above line items are right-of-use assets over the following:

	Office buildings and warehouses \$	Motor vehicles \$	Total \$
Balance at 1 July 2019	-	-	-
Recognition of right-of-use asset	186,480	-	186,480
Additions through business combinations (note 33)	-	91,857	91,857
Exchange differences	-	(4,469)	(4,469)
Depreciation expense	(86,068)	(8,483)	(94,551)
Balance at 30 June 2020	<u>100,412</u>	<u>78,905</u>	<u>179,317</u>

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	4-7 years
Motor vehicles	4-5 years
Office equipment	2-8 years

Note 13. Property, plant and equipment (continued)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 14. Intangibles

	2020 \$	2019 \$
<i>Non-current assets</i>		
Goodwill - at cost	10,987,134	1,030,018
Trade marks and intellectual property - at cost	670,125	465,871
Less: Accumulated amortisation	(255,185)	(249,590)
	<u>414,940</u>	<u>216,281</u>
	<u>11,402,074</u>	<u>1,246,299</u>

Reconciliations

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

	Goodwill \$	Trade marks and intellectual property \$	Total \$
Balance at 1 July 2018	1,030,018	236,015	1,266,033
Additions	-	37,929	37,929
Amortisation expense	-	(57,663)	(57,663)
Balance at 30 June 2019	1,030,018	216,281	1,246,299
Additions	-	118,275	118,275
Additions through business combinations (note 33)	9,957,116	42,001	9,999,117
Exchange differences	-	(2,897)	(2,897)
Adjustment	-	59,139	59,139
Amortisation expense	-	(17,859)	(17,859)
Balance at 30 June 2020	<u>10,987,134</u>	<u>414,940</u>	<u>11,402,074</u>

Note 14. Intangibles (continued)

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units (CGU), being geographical regions:

	2020 \$	2019 \$
Australia	3,002,084	1,030,018
United States	7,985,050	-
	<u>10,987,134</u>	<u>1,030,018</u>

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by the Directors and extrapolated for a further 4 years using variable rates, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

Key assumptions in the discounted cashflow model for the Australia CGU include:

- (a) Post-tax discount rate of 6% (2019: 15%) per annum;
- (b) Average revenue growth over the five-year period of 43.9% (2019: 1,243%);
- (c) Average growth in gross margin over the five-year period of 2.1% (2019: 1,433%); and
- (d) Average per annum increase in operating expenses of 34.7% (2019: 5%).

Key assumptions in the discounted cashflow model for the United States CGU include:

- (a) Post-tax discount rate of 6% per annum;
- (b) Average revenue growth over the five-year period of 53.3%;
- (c) Average growth in gross margin over the five-year period of 2.6%; and
- (d) Average per annum increase in operating expenses of 26.4%.

The discount rate of 6% post-tax reflects management's estimate of the time value of money and the weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is prudent and justified, based on management's expectations of the business development pipeline for each CGU.

The budgeted gross margin is based on past performance and management's expectations for the future.

Management has budgeted for operating costs based on the current structure of each CGU, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

Sensitivity to change of assumptions

Increases in discount rates or changes in other key assumptions, may cause the recoverable amount to fall below carrying values. Based on current economic conditions and CGU performances, there are no reasonably possible changes to key assumptions used in the determination of CGU recoverable amounts that would result in a material impairment to the consolidated entity.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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Note 14. Intangibles (continued)

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Trade marks and intellectual property

Significant costs associated with trade marks and intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 15. Deferred tax

	2020 \$	2019 \$
<i>Non-current assets</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	1,306,813	-
Employee benefits	49,849	-
Accrued expenses	7,700	-
	<u>1,364,362</u>	<u>-</u>
Deferred tax asset	<u>1,364,362</u>	<u>-</u>
<i>Movements:</i>		
Opening balance	-	-
Credited to profit or loss (note 8)	1,364,362	-
	<u>1,364,362</u>	<u>-</u>
Closing balance	<u>1,364,362</u>	<u>-</u>

Note 16. Trade and other payables

	2020 \$	2019 \$
<i>Current liabilities</i>		
Trade payables	7,823,591	783,397
BAS payable	238,775	52,937
Other payables	437,820	173,195
	<u>8,500,186</u>	<u>1,009,529</u>

Refer to note 26 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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Note 17. Borrowings

	2020 \$	2019 \$
<i>Non-current liabilities</i>		
Loan - Paycheck Protection Program (USA)	<u>284,918</u>	<u>-</u>

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses (located in the USA) to keep their workers on the payroll. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. The following are the key terms and conditions of the loan:

- The loan has an interest rate of 1%.
- Loans issued prior to June 5 have a maturity of 2 years. Loans issued after June 5 have a maturity of 5 years.
- Loan payments have been deferred for six months.
- The loan is unsecured.

Refer to note 26 for further information on financial instruments.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2020 \$	2019 \$
Total facilities		
Bank loan	3,529,000	-
Loan - Kanins International Pty Ltd	510,000	498,339
Loan - Paycheck Protection Program (USA)	284,918	-
Leases	253,435	-
Invoice purchase facility	5,000,000	-
	<u>9,577,353</u>	<u>498,339</u>
Used at the reporting date		
Bank loan	-	-
Loan - Kanins International Pty Ltd	-	-
Loan - Paycheck Protection Program (USA)	284,918	-
Leases	253,435	-
Invoice purchase facility	1,461,000	-
	<u>1,999,353</u>	<u>-</u>
Unused at the reporting date		
Bank loan	3,529,000	-
Loan - Kanins International Pty Ltd	510,000	498,339
Loan - Paycheck Protection Program (USA)	-	-
Leases	-	-
Invoice purchase facility	3,539,000	-
	<u>7,578,000</u>	<u>498,339</u>

The above facilities have the following maturity dates:

- Bank loan - 26 September 2020
- Loan - Kanins International Pty Ltd - 1 October 2020
- Loan - Paycheck Protection Program - 29 April 2022
- Invoice purchase facility - no maturity date

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 18. Lease liabilities

	2020 \$	2019 \$
<i>Current liabilities</i>		
Lease liability - land and buildings	89,574	-
Lease liability - motor vehicles	93,206	-
	<u>182,780</u>	<u>-</u>
<i>Non-current liabilities</i>		
Lease liability - land and buildings	15,594	-
Lease liability - motor vehicles	55,061	-
	<u>70,655</u>	<u>-</u>
	<u><u>253,435</u></u>	<u><u>-</u></u>

Refer to note 26 for further information on financial instruments.

Accounting policy for lease liabilities

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.

Note 18. Lease liabilities (continued)

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.

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.

Note 19. Employee benefits

	2020 \$	2019 \$
<i>Current liabilities</i>		
Annual leave	126,320	32,619
Long service leave	128	122,657
	126,448	155,276
<i>Non-current liabilities</i>		
Long service leave	-	2,153
	126,448	157,429

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 19. Employee benefits (continued)

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 20. Provisions

	2020 \$	2019 \$
<i>Current liabilities</i>		
Contingent consideration	267,031	-
Warranties	18,227	-
	<u>285,258</u>	<u>-</u>
<i>Non-current liabilities</i>		
Contingent consideration	313,500	-
	<u>598,758</u>	<u>-</u>

Contingent consideration

The contingent consideration relates to the acquisition of ProSol Pty Ltd (refer note 33) and represents the cash component of the contingent consideration. It is measured at the present value of the estimated liability.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2020	Contingent consideration \$	Warranties \$
Carrying amount at the start of the year	-	-
Additions through business combinations (note 33)	580,531	19,205
Exchange differences	-	(978)
Carrying amount at the end of the year	<u>580,531</u>	<u>18,227</u>

Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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Note 21. Deferred tax

	2020 \$	2019 \$
<i>Non-current liabilities</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Brand names	-	35,986
Deferred tax liability	-	35,986
<i>Movements:</i>		
Opening balance	35,986	44,108
Credited to profit or loss (note 8)	(35,986)	(8,122)
Closing balance	-	35,986

Note 22. Issued capital

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	140,889,052	107,263,157	89,874,533	76,899,789

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Note 22. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	569,041,473		74,118,627
Share placement	10 August 2018	52,443,867	\$0.006	314,663
Share placement	11 August 2018	16,666,667	\$0.006	100,000
Share consolidation (10 to 1)	4 December 2018	(574,336,806)	\$0.000	-
Shares issued to Nuocer Chemical Australia Pty Ltd	12 February 2019	1,666,667	\$0.060	100,000
Shares issued to employees of Nuocer Chemical Australia Pty Ltd	12 February 2019	5,000,000	\$0.060	300,000
Share placement	12 February 2019	1,166,666	\$0.060	70,000
Entitlements issue	13 March 2019	22,614,624	\$0.060	1,266,949
Share placement	9 April 2019	12,999,999	\$0.060	780,000
Share issue transaction costs		-	\$0.000	(150,450)
Balance	30 June 2019	107,263,157		76,899,789
Share placement	20 September 2019	16,000,000	\$0.260	4,160,000
Options exercised	3 October 2019	100,000	\$0.250	25,000
Options exercised	3 October 2019	200,000	\$0.250	50,000
Options exercised	3 October 2019	2,250,000	\$0.250	562,500
Options exercised	1 November 2019	200,000	\$0.250	50,000
Options exercised	19 November 2019	500,000	\$0.250	125,000
Options exercised	19 November 2019	50,000	\$0.250	12,500
Shares issued to service provider	19 November 2019	192,307	\$0.260	50,000
Options exercised	19 November 2019	650,000	\$0.250	162,500
Shares issued to acquire ProSol Australia Pty Ltd	25 November 2019	684,000	\$0.590	403,560
Options exercised	13 December 2019	675,000	\$0.120	81,000
Options exercised	16 January 2020	350,000	\$0.120	42,000
Options exercised	10 February 2020	75,000	\$0.120	9,000
Options exercised	27 February 2020	325,000	\$0.120	39,000
Shares issued to acquire Highland Fluid Technology Inc.	28 February 2020	11,349,588	\$0.650	7,377,232
Options exercised	26 June 2020	25,000	\$0.120	3,000
Share issue expenses		-	\$0.000	(299,598)
Options exercised - transfer from share-based payments reserve		-	\$0.000	122,050
Balance	30 June 2020	<u>140,889,052</u>		<u>89,874,533</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 22. Issued capital (continued)

Share placements and shares issued to service provider

- 30 June 2019

On 10 August 2018 and 11 August 2018, the company completed Tranche 2 of the share placement previously announced on 25 June 2018. Tranche 2 comprised the placement of 69,110,534 shares at an issue price of 0.6 cents per share to raise \$414,663. An Extraordinary General Meeting of the company was held on 2 August 2018 to approve matters relating to both Tranches of the share placement announced on 25 June 2018.

On 12 February 2019, 1,166,666 shares were issued at a price of 6 cents per share.

On 9 April 2019, 12,999,999 shares were issued at a price of 6 cents per share.

- 30 June 2020

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 company issued 192,307 ordinary shares to the advisor assisting with the placement for services rendered.

Shares issued to the Nuoer China and nominees of the Nuoer China

On 12 February 2019, 1,666,667 shares were issued to the Nuoer China at a price of 6 cents per share and 5,000,000 shares were issued to employees of Nuoer Chemical Australia Pty Ltd at price of 6 cents per share.

Shares issued to acquire ProSol Australia Pty Ltd

On 25 November 2019 SciDev Limited issued 684,000 ordinary shares at \$0.59 per share to acquire ProSol Australia Pty Ltd (refer note 33).

Shares issued to acquire Highland Fluid Technology Inc

On 28 February 2020 SciDev Limited issued 11,349,588 ordinary shares at \$0.65 per share to acquire Highland Fluid Technology Inc (refer note 33).

Entitlements issue

On 15 March 2019, the company issued 22,614,624 shares at a price of 6 cents per share in terms of a 2 for 7 non-renounceable entitlements issue.

Share consolidation

On 4 December 2018 the company completed a 10 to 1 consolidation of its issued shares and options.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2019 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2020 was \$2,548,047 (2019: \$1,684,507).

Note 22. Issued capital (continued)

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 23. Other equity

	2020 \$	2019 \$
Contingent consideration	<u>569,975</u>	<u>-</u>

The contingent consideration relates to the acquisition of ProSol Pty Ltd (refer note 33) and represents the fair value of the consideration to be settled by the issue of SciDev Ltd shares.

Note 24. Reserves

	2020 \$	2019 \$
Foreign currency reserve	(36,310)	-
Share-based payments reserve	168,987	2,855,902
Transactions with non-controlling interests	<u>-</u>	<u>(645,199)</u>
	<u>132,677</u>	<u>2,210,703</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Transactions with non-controlling interests

A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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Note 24. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency reserve \$	Share-based payments reserve \$	Transactions with non- controlling interests \$	Total \$
Balance at 1 July 2018	-	2,855,902	(645,199)	2,210,703
Balance at 30 June 2019	-	2,855,902	(645,199)	2,210,703
Foreign currency translation	(36,310)	-	-	(36,310)
Share-based payments	-	199,029	-	199,029
Options exercised and lapsed	-	(2,885,944)	-	(2,885,944)
Transfer to accumulated losses	-	-	645,199	645,199
Balance at 30 June 2020	<u>(36,310)</u>	<u>168,987</u>	<u>-</u>	<u>132,677</u>

Note 25. Dividends

Dividends

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

Franking credits

	2020 \$	2019 \$
Franking credits available for subsequent financial years based on a tax rate of 27.5%	-	82,824

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 26. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk management is carried out by company management and the Board of Directors. Financial risks are identified and evaluated and, where considered necessary, strategies are put in place to investigate and/or minimise such risks.

Note 26. Financial instruments (continued)

Market risk

Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity has a trade finance facility utilised for the purchase of US\$ denominated invoices. Purchases through the facility are transacted at the prevailing spot A\$/US\$ exchange rate and the outstanding amount under the facility is always denominated in A\$. The consolidated entity has not entered into any foreign currency hedging contracts during the year.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2020	2019	2020	2019
	\$	\$	\$	\$
US dollars	126,688	-	6,872,057	-

The consolidated entity had net liabilities denominated in foreign currencies of \$6,745,369 (assets of \$126,688 less liabilities of \$6,872,057) as at 30 June 2020. Based on this exposure, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$674,537 lower/higher and equity would have been \$674,537 lower/higher. The percentage change is the expected overall volatility of the USD, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2020 was \$114,063.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

Credit risk

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. There is no significant concentration of credit risk to any single entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There is no trade debtor or other receivable amount where collateral has been received as security or pledged.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 26. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2020					
<i>Non-interest bearing</i>					
Trade payables and other payables	8,500,186	-	-	-	8,500,186
Contingent consideration	267,031	313,500	-	-	580,531
<i>Interest-bearing - variable</i>					
Lease liability	182,780	70,655	-	-	253,435
<i>Interest-bearing - fixed rate</i>					
Other loans	-	284,918	-	-	284,918
Total non-derivatives	<u>8,949,997</u>	<u>669,073</u>	<u>-</u>	<u>-</u>	<u>9,619,070</u>

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2019					
<i>Non-interest bearing</i>					
Trade payables and other payables	<u>1,009,529</u>	-	-	-	<u>1,009,529</u>
Total non-derivatives	<u>1,009,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,009,529</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2020				
<i>Assets</i>				
Equity securities	-	1,500,000	-	1,500,000
Equity securities - other	-	2,900	-	2,900
Total assets	-	1,502,900	-	1,502,900
<i>Liabilities</i>				
Contingent consideration	-	-	580,531	580,531
Total liabilities	-	-	580,531	580,531
2019				
<i>Assets</i>				
Equity securities	-	1,500,000	-	1,500,000
Equity securities - other	-	2,900	-	2,900
Total assets	-	1,502,900	-	1,502,900

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

- Equity securities

The equity securities represent the non-cash consideration received from the disposal of a subsidiary to an unlisted entity. The fair value of these financial assets has been determined referable to the adopted issue price of the equity securities at the date of their issue (\$0.10 per share) and that value has been impairment tested each subsequent reporting period (without impairment being required) based on consideration of a combination of: the proposed initial public offer (IPO) price the unlisted entity had expected when it proposed listing on the ASX, which has been withdrawn (\$0.20 cents per share); the conversion price of certain convertible notes issued by the unlisted entity (\$0.125 per share), the pricing of a currently proposed rights issue to be carried out by the unlisted entity (\$0.125 per share) and the net asset backing of the entity at 30 June 2020 (\$0.08 per share).

- Contingent consideration

The valuation model for the contingent consideration considers the present value of expected future payments, discounted using a risk-adjusted discount rate. The significant unobservable inputs are the assumed probability-adjusted revenue. The estimate of the input is 93% and an increase to 100% (decrease to 86%) would increase (decrease) fair value by \$46,469.

Note 27. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Contingent consideration \$	Total \$
Balance at 1 July 2018	-	-
Balance at 30 June 2019	-	-
Transfers into level 3	580,531	580,531
Balance at 30 June 2020	<u>580,531</u>	<u>580,531</u>

There were no gains or losses relating to level 3 assets held at the end of the current year.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 28. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2020 \$	2019 \$
Short-term employee benefits	992,885	699,762
Post-employment benefits	56,386	63,114
Long-term benefits	16,232	5,165
Termination benefits	143,029	130,000
	<u>1,208,532</u>	<u>898,041</u>

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Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Rothsay Chartered Accountants, the auditor of the company:

	2020	2019
	\$	\$
<i>Audit services - Rothsay Chartered Accountants</i>		
Audit or review of the financial statements	40,000	37,292
<i>Other services - Rothsay Chartered Accountants</i>		
Tax compliance services	-	5,500
	<u>40,000</u>	<u>42,792</u>

Note 30. Commitments

Lease commitments under AASB 117 *Leases*:

	2020	2019
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	110,304
One to five years	-	134,011
	<u>-</u>	<u>244,315</u>

Operating lease commitments includes contracted amounts for various warehouses, offices and plant and equipment under non-cancellable operating leases expiring within 1 - 3 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 31. Related party transactions

Parent entity

SciDev Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

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Note 31. Related party transactions (continued)

Transactions with related parties

Details of transactions between the consolidated entity and related parties are disclosed below:

	2020	2019
	\$	\$
Sale of goods and services:		
Sale of goods to other related party	-	675,446
Payment for goods and services:		
Purchase of goods from other related party	-	118,050
Payment for services from other related party	-	360,851
Payment for other expenses:		
Interest paid to other related party	-	3,539
Other transactions:		
Subscription for new ordinary shares by key management personnel as result of share placement	-	121,301

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2020	2019
	\$	\$
Current receivables:		
Trade receivables from other related party	-	252,307

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Loss after income tax	(542,813)	(1,081,461)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(542,813)	(1,081,461)

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Note 32. Parent entity information (continued)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	446,893	1,161,944
Total non-current assets	19,663,035	5,293,273
Total assets	<u>20,109,928</u>	<u>6,455,217</u>
Total current liabilities	617,439	369,778
Total non-current liabilities	329,094	926
Total liabilities	<u>946,533</u>	<u>370,704</u>
Net assets	<u>19,163,395</u>	<u>6,084,513</u>
Equity		
Issued capital	90,181,048	77,206,307
Other equity	569,975	-
Share-based payments reserve	76,979	2,763,894
Accumulated losses	<u>(71,664,607)</u>	<u>(73,885,688)</u>
Total equity	<u>19,163,395</u>	<u>6,084,513</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Business combinations

Summary of acquisitions

Acquisition of Highland Fluid Technology Inc

On 1 March 2020 SciDev Limited acquired 100% of issued capital of Highland Fluid Technology Inc (Highland). Highland provides a range of chemicals and services to the oil and gas sector, bringing together technology and chemistry to improve water recovery, fluid economics and extraction performance. The acquisition provides access to the US oil and gas sector and complements the consolidated entity's existing business.

The total consideration for the acquisition was \$7,377,232 consisting of 11,349,588 SciDev Limited shares valued at 65 cents per share.

The goodwill of 7,985,050 is attributable to the growth expectations, expected future profitability, the workforce of the acquired business and expected synergies. The goodwill will not be deductible for tax purposes.

Acquisition of ProSol Australia Pty Limited

On 28 November 2019 SciDev Limited acquired 100% of the issued capital of ProSol Australia Pty Limited (ProSol). ProSol is a engineering and chemistry business providing services to the mining and water treatment industries. ProSol was acquired to provide for faster market access for SciDev Optiflox technology into the Hunter Valley Coal Fields through ProSol's existing relationships and other synergies with the existing SciDev operations.

The total consideration for the acquisition was \$2,482,079 consisting of a cash payment of \$928,013, 684,000 SciDev Limited shares valued at \$403,560 and contingent consideration of \$1,150,506. The contingent consideration is based on the sales achieved during the earn-out period and is payable in cash and SciDev Limited shares in 2 tranches on 31 July 2020 and 31 July 2021 respectively. The fair value of the of the contingent consideration arrangement was estimated using a discounted cash flow (DCF) method. The key assumption was the assumed probability-adjusted revenues.

The goodwill of \$1,972,506 is attributable to the key customers, its workforce and expected future benefits of the acquired business. The goodwill will not be deductible for tax purposes.

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Note 33. Business combinations (continued)

Details of the acquisition are as follows:

	Highland Fluid Technology Inc Fair value \$	ProSol Pty Ltd Fair value \$	Total \$
Cash and cash equivalents	55,673	1,575	57,248
Trade receivables	1,304,185	104,196	1,408,381
Inventories	195,145	308,400	503,545
Prepayments	141,562	-	141,562
Plant and equipment	94,634	102,148	196,782
Motor vehicles	-	41,040	41,040
Right-of-use assets - motor vehicles	91,857	-	91,857
Intellectual property	42,001	-	42,001
Security deposits	13,175	-	13,175
Trade payables	(1,355,581)	(41,453)	(1,397,034)
Other payables	(443,214)	(3,268)	(446,482)
Employee benefits	-	(2,625)	(2,625)
Warranty provision	(19,205)	-	(19,205)
Bank loans	(629,999)	-	(629,999)
Lease liability	(98,051)	-	(98,051)
Net assets/(liabilities) acquired	(607,818)	510,013	(97,805)
Goodwill	7,985,050	1,972,066	9,957,116
Acquisition-date fair value of the total consideration transferred	<u>7,377,232</u>	<u>2,482,079</u>	<u>9,859,311</u>
Representing:			
Cash paid to vendor	-	928,013	928,013
SciDev Limited shares issued to vendor	7,377,232	403,560	7,780,792
Contingent consideration	-	1,150,506	1,150,506
	<u>7,377,232</u>	<u>2,482,079</u>	<u>9,859,311</u>
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	7,377,232	2,482,079	9,859,311
Less: cash and cash equivalents	(55,673)	(1,575)	(57,248)
Less: contingent consideration - cash	-	(580,531)	(580,531)
Less: contingent consideration - shares	-	(569,975)	(569,975)
Less: shares issued by company as part of consideration	(7,377,232)	(403,560)	(7,780,792)
Net cash used/(received)	<u>(55,673)</u>	<u>926,438</u>	<u>870,765</u>

Note 33. Business combinations (continued)

Revenue and profit contribution

If the acquisitions had occurred on 1 July 2019, the consolidated pro-forma revenue and profit for the year ended 30 June 2020 would have been as follows:

	Highland Fluid Technology Inc \$	ProSol Australia Pty Ltd \$	SciDev Ltd and its other controlled entities \$	Total \$
Revenue	7,593,921	3,392,724	15,291,358	26,278,003
Net profit/(loss) for the period after tax	(2,126,678)	321,610	(733,378)	(2,538,446)

The amounts in the above table have been calculated using the results of each subsidiary and adjusting them for:

- differences in the accounting policies between the consolidated entity and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2019, together with the consequential tax effects.

The acquired businesses contributed the following revenues and net profit to the consolidated entity from the dates of their respective acquisitions to 30 June 2020:

	Highland Fluid Technology Inc. \$	ProSol Australia Pty Ltd \$	Total \$
Revenue	1,011,971	2,456,468	3,468,439
Net profit/(loss) for the period after tax	(656,781)	157,100	(499,681)

Acquired receivables

	Highland Fluid Technology Inc \$	ProSol Australia Pty Ltd \$	Total \$
Fair value of acquired receivables	1,304,185	104,196	1,304,185
Gross contractual amount due	(1,304,185)	(104,196)	(1,304,185)
Loss allowance recognised on acquisition	-	-	-

Acquisition-related costs

Acquisition-related costs totalling \$88,045 that were not directly attributable to the issue of shares are included in *Engineering and other consultants expenses* and *Professional fees* in the statement of profit or loss and other comprehensive income.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Note 33. Business combinations (continued)

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Highland Fluid Technology Inc	United States	100%	-
Intec Copper Pty Ltd	Australia	100%	100%
Intec Environmentals Pty Ltd	Australia	100%	100%
ProSol Australia Pty Ltd	Australia	100%	-
Science Developments Pty Ltd	Australia	100%	100%
SciDev International Holdings Pty Ltd	Australia	100%	100%
SciDev (US) LCC*	United States	100%	100%

* SciDev (US) LCC is a wholly-owned subsidiary of SciDev International Holdings Pty Ltd.

Note 35. Events after the reporting period

On 9 July 2020, SciDev announced that it had extended its Services Agreement with the CYP Design and Construction Joint Venture (CYP D&C) on the Melbourne Metro Tunnel Project's works package to include the supply of SciDev's bespoke MaxiDry® chemistry and Optiflox® technology.

On 16 July 2020, SciDev Limited announced that it was undertaking a \$7 million capital raising, comprising:

- A \$5 million share placement via the issue of 7,692,308 shares at an issue price of 65 cents per share. The placement was taken up in full by two leading Australian Fund Managers.
- A share purchase plan (SPP) capped at \$2 million. The SPP was heavily oversubscribed and closed on 14 August 2020. The SPP subscriptions were scaled back on a pro-rata basis to the \$2 million cap, resulting in 3,076,923 new SciDev shares being issued on 21 August 2020.

SciDev Limited
Notes to the financial statements
30 June 2020

Note 35. Events after the reporting period (continued)

On 21 July 2020, SciDev announced it had partnered with Flotek (NYSE: FTK) to deliver friction reducing chemistry to be used in the initial 4-wells of a 20-well drilling program in the Eagle Ford Shale Basin in Texas, USA.

On 24 July 2020, SciDev Limited announced that it had completed a \$5 million share placement with the issue of 7,692,308 shares at an issue price of 65 cents per share. The placement was taken up in full by two leading Australian Fund Managers.

On 20 August 2020, SciDev announced the trial of chemistry at BHP's Olympic Dam operation in South Australia.

No other matter or circumstance has arisen since 30 June 2020 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 36. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	2020	2019
	\$	\$
Loss after income tax benefit/(expense) for the year	(875,238)	(2,032,527)
Adjustments for:		
Depreciation and amortisation	377,760	212,767
Share-based payments	199,029	-
Write off of assets	(59,139)	-
Net loss on disposal of non-current assets	6,902	27,621
Other - non-cash	(32,623)	6,250
Foreign currency differences	(24,643)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	44,444	(334,403)
Increase in inventories	(4,037,153)	(28,141)
Increase in deferred tax assets	(1,364,362)	-
Decrease/(increase) in prepayments	10,987	(20,925)
Increase in trade and other payables	5,647,141	639,250
Decrease in deferred tax liabilities	(35,986)	(8,122)
Decrease in employee benefits	(33,606)	(9,818)
Increase in other provisions	579,553	-
Decrease in other operating liabilities	(580,531)	-
Net cash used in operating activities	<u>(177,465)</u>	<u>(1,548,048)</u>

Non-cash investing and financing activities

	2020	2019
	\$	\$
Shares issued to acquire ProSol Australia Pty Ltd	403,560	-
Shares issued to acquire Highland Fluid Technology Inc.	7,377,232	-
Additions to right-of-use assets	186,480	-

SciDev Limited
Notes to the financial statements
30 June 2020

Note 36. Cash flow information (continued)

Changes in liabilities arising from financing activities

	Borrowings \$	Lease liabilities \$	Total \$
Balance at 1 July 2018	-	31,938	31,938
Net cash used in financing activities	-	(31,938)	(31,938)
Balance at 30 June 2019	-	-	-
Net cash used in financing activities	(345,081)	(31,096)	(376,177)
Recognition on adoption of AASB 16	-	186,480	186,480
Changes through business combinations (note 33)	629,999	98,051	728,050
Balance at 30 June 2020	<u>284,918</u>	<u>253,435</u>	<u>538,353</u>

Note 37. Earnings per share

	2020 \$	2019 \$
Loss after income tax attributable to the owners of SciDev Limited	<u>(875,238)</u>	<u>(2,032,527)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>127,531,298</u>	<u>75,683,979</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>127,531,298</u>	<u>75,683,979</u>
	Cents	Cents
Basic earnings per share	(0.69)	(2.69)
Diluted earnings per share	(0.69)	(2.69)

Options are considered to be potential ordinary shares but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share. These options could potentially dilute basic earnings per share in the future.

Share transactions after the end of the reporting period

The company issued 10,769,231 ordinary shares in terms of a share placement (7,692,308 shares) and share purchase plan (3,076,923 shares) in July and August 2020 respectively – refer note 35. These share transactions would have changed the number of ordinary shares outstanding at 30 June 2020 by 10.8% if these transactions had occurred before the end of the reporting period.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of SciDev Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 38. Share-based payments

Employee Share Scheme

Share based compensation benefits are provided to employees via the SciDev Employee Share Scheme.

At the 2014 Annual General Meeting, shareholders approved the SciDev Employee Share Scheme (the Scheme). All Directors, employees and consultants are eligible to participate in the Scheme. Options granted under the Scheme to eligible participants are for no additional consideration. Options granted under the Scheme carry no dividend or voting rights. The granting of options is at the Board's discretion and no individual has a contractual right to receive options.

On 14 August 2017, the company granted 6.5 million unquoted options to executives and staff (not Directors). The options had an exercise price of \$0.25, vested on grant date and had an expiry date of 28 November 2019. The value of the options granted was \$30,568.

On 16 May 2019, the Nomination & Remuneration Committee recommended, and the Board approved that the Company granted 5,350,000 unquoted options, 2,000,000 options have an exercise price of \$0.10 and 3,350,000 options have an exercise price of \$0.12. All options have an expiry date of 23 July 2022. As noted below, the Managing Director & Chief Executive Officer was ultimately issued 1,600,000 options at an exercise price of \$0.10, being less than his contracted entitlement (2,500,000), and less than approved by Shareholders approval (2,000,000), as a result of his voluntary allocation to other executives and new staff.

On 16 May 2019, the company granted 2,200,000 unquoted options to executives and staff (not Directors). 2,200,000 options have an exercise price of \$0.12. All options have an expiry date of 23 July 2022. The first tranche of 1,100,000 options were not subject to any vesting conditions and vested on grant date and the second tranche of 1,100,000 options are subject to a service vesting condition. The value of the options granted was \$151,889.

On 23 July 2019, following the 16 May 2019 Board approval, the company held a General Meeting which approved the grant of 2,750,000 unquoted options to Directors. All options have an expiry date of 23 July 2022. The Managing Director was granted 1,600,000 options. The options granted to the Managing Director have an exercise price of \$0.10 and are subject to a non-market performance vesting condition. The Non-executive Directors were granted 1,150,000 options which have an exercise price of \$0.12 and which vested on grant date. The value of the options granted to the Directors was \$78,247.

On 3 February 2020, the company granted 150,000 unquoted options to the Chief Financial Officer. The options have an expiry date of 23 July 2022. The first tranche of 75,000 options were not subject to any vesting conditions and vested on grant date and the second tranche of 75,000 options are subject to a service vesting condition. The value of the options granted was \$95,275.

Other share-based payments

On 2 February 2017 the company granted 22,500,000 options to the Lead Manager and Underwriter for services rendered in connection with the placement of shares and the share purchase plan. The options had an exercise price of \$0.25, vested on grant date and had an expiry date of 28 November 2019. The value of the options granted was \$160,828. All options were exercised.

On 28 December 2017, the company granted 5 million unquoted options to a key service provider (non-Director) for services rendered. The options had an exercise price of \$0.25, vested on grant date and had an expiry date of 28 November 2019. The value of the options granted was \$10,912. All options were exercised.

SciDev Limited
Notes to the financial statements
30 June 2020

Note 38. Share-based payments (continued)

Set out below are summaries of options granted:

2020							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
10/12/2014	28/11/2019	\$0.250	550,000	-	(550,000)	-	-
02/02/2017	28/11/2019	\$0.250	2,250,000	-	(2,250,000)	-	-
14/08/2017	28/11/2019	\$0.250	650,000	-	(650,000)	-	-
28/12/2017	28/11/2019	\$0.250	500,000	-	(500,000)	-	-
16/05/2019	23/07/2022	\$0.100	-	400,000	-	-	400,000
16/05/2019	23/07/2022	\$0.120	-	1,750,000	(400,000)	(25,000)	1,325,000
23/07/2019	23/07/2022	\$0.100	-	1,600,000	-	-	1,600,000
23/07/2019	23/07/2022	\$0.120	-	1,150,000	(900,000)	-	250,000
11/11/2019	23/07/2022	\$0.120	-	150,000	(75,000)	-	75,000
03/02/2020	23/07/2022	\$0.120	-	150,000	(75,000)	-	75,000
			<u>3,950,000</u>	<u>5,200,000</u>	<u>(5,400,000)</u>	<u>(25,000)</u>	<u>3,725,000</u>
Weighted average exercise price			\$0.250	\$0.112	\$0.215	\$0.120	\$0.109

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2020 was \$0.52.

2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other*	Balance at the end of the year
10/12/2014	28/11/2019	\$0.250	5,500,000	-	-	(4,950,000)	550,000
02/02/2017	28/11/2019	\$0.250	22,500,000	-	-	(20,250,000)	2,250,000
14/08/2017	28/11/2019	\$0.250	6,500,000	-	-	(5,850,000)	650,000
28/12/2017	28/11/2019	\$0.250	5,000,000	-	-	(4,500,000)	500,000
			<u>39,500,000</u>	<u>-</u>	<u>-</u>	<u>(35,550,000)</u>	<u>3,950,000</u>
Weighted average exercise price			\$0.025	\$0.000	\$0.000	\$0.000	\$0.250

* Included in expired/forfeited/other is the effect of the 10:1 share/option consolidation that was completed on 4 December 2018.

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
10/12/2014	28/11/2019	-	550,000
02/02/2017	28/11/2019	-	2,250,000
14/08/2017	28/11/2019	-	650,000
28/12/2017	28/11/2019	-	500,000
16/05/2019	23/07/2022	1,725,000	-
23/07/2019	23/07/2022	1,850,000	-
01/11/2019	23/07/2022	75,000	-
03/02/2020	01/01/2015	75,000	-
		<u>3,725,000</u>	<u>3,950,000</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.06 years (2019: 0.41 years).

Note 38. Share-based payments (continued)

Measurement of fair values:

Options that vested on grant date were valued at their intrinsic value.

The fair value of options granted, that were subject to service conditions, were measured using the Black-Scholes option pricing model. The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/05/2019	23/07/2022	\$0.082	\$0.100	7.31%	-	1.19%	\$0.00002
16/05/2019	23/07/2022	\$0.082	\$0.120	7.31%	-	1.19%	\$0.00002
23/07/2019	23/07/2022	\$0.185	\$0.100	72.07%	-	0.94%	\$0.11710
23/07/2019	23/07/2022	\$0.185	\$0.120	72.07%	-	0.94%	\$0.10880
11/11/2019	23/07/2022	\$0.682	\$0.120	149.77%	-	0.87%	\$0.62880
03/02/2020	23/07/2022	\$0.724	\$0.120	152.68%	-	0.06%	\$0.66320

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was \$199,029 (2019: \$nil).

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 38. Share-based payments (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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SciDev Limited
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Lewis E Utting
Managing Director

26th August 2020

SCIDEV LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of SciDev Limited

Opinion

We have audited the financial report of SciDev Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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SCIDEV LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter - Goodwill impairment	How our Audit Addressed the Key Audit Matter
<p>The impairment assessment made by management over the Company's goodwill balance is a key audit matter as it incorporates significant judgments in respect of factors such as forecast cash flows, growth rates and discount rates as well as economic assumptions such as inflation.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none">• Assessing management's determination of the Group's CGUs based on our understanding of the group. We also compared this to the internal reporting of the group to assess how revenue is reported.• Evaluating management's cash flow forecast along with the assumptions and methodologies used. We also took into consideration the results of the current year actual results to the prior forecasts to assess management's ability to accurately forecast results.• Evaluating the assessment performed by management to ensure the methodology appeared reasonable and the assumptions noted in the forecasts were accurately reflected.• Reviewing the discounting applied to determine if it was reasonable in the current market and reflective of the rate of interest the Group would be able to obtain finance if required.• Verifying the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the assumptions and applying other values within a reasonable range.
Key Audit Matter - Income Taxes	How our Audit Addressed the Key Audit Matter
<p>In the current year the Group has recognised deferred tax assets on timing differences and unused tax losses.</p> <p>This was considered a key audit matter given the significant judgement in determining the appropriateness of recording these carry forward losses as a deferred tax asset.</p>	<p>We considered the Group's historical performance and prospects of being profitable in the future.</p> <p>We also considered the reasonableness of the deferred tax assets recognised with reference to tax rules regarding recoverability of historical losses.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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SCIDEV LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Directors for the Financial Report

The directors of the Group are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



SCIDEV LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 16 of the Directors' Report for the year ended 30 June 2020. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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Opinion on the Remuneration Report

In our opinion, the Remuneration Report of SciDev Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Rothsay Chartered Accountants

Frank Vrachas

Partner

Sydney, 26 August 2020

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SciDev Limited
Corporate directory
30 June 2020

Directors

Trevor A Jones - Chairman
Lewis E Utting - Managing Director & Chief Executive Officer
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
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/about/corporate-governance