



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office
Australian Stock Exchange

31 October 2018

Quarterly Activities Report: Appendix 4C – September 2018

Highlights:

- **OptiFlox® System deployed to major coking coal operation in the Bowen Basin, Queensland – commissioning currently underway in support of MOU with Phoenix Process Equipment**
- **Purchase order received from Iluka Resources Limited for commercial trial of an OptiFlox® System**
- **Installation at Iluka’s heavy mineral sands project will represent the fifth OptiFlox® System order in Australia across four industries**
- **Chemical trial to run concurrently with OptiFlox® trial at the Iluka site – success may result in long term sales agreements**
- **First United States purchase order for chemicals received from Peabody Energy – trial has been successful and on-going orders from the site are being received. MOU partner, Phoenix, to support SciDev with on-going US sales initiatives**
- **Balance sheet strengthened following completion of share placement, establishment of US\$350,000 working capital facility and receipt of \$333,000 R&D refund**

SciDev Ltd (ASX: SDV) ('SciDev' or 'the Company') is pleased to provide its Quarterly Activities Report for the period ended 30 September 2018.

Operational Report

Sales to customers during the quarter (\$600,000) were slightly lower than the previous quarter (\$639,000). SciDev expects to grow revenues during the current quarter from North American sales and agreed commercial trials of OptiFlox® Systems and chemicals at several sites in Australia.

During the quarter, SciDev deployed an OptiFlox® System to a major coking coal producer in the Bowen Basin, Queensland. The system is currently being commissioned and will be trialled over a six-month period on a Phoenix Processing Equipment Co. (Phoenix) belt press filter in the coal handling preparation plant to increase productivity. The trial will also aim to optimise the client’s consumables, reduce operational engagement and provide insights into process data. A successful trial could lead to the potential for a long-term installation contract on the multiple belt press filters at the site and also potential chemical sales agreements.

This initiative supports SciDev's Memorandum of Understanding (MOU) with Phoenix in which the companies agreed to identify cases where the OptiFlox® technology could be integrated into Phoenix's equipment offering.

SciDev also received a purchase order for a commercial trial of an OptiFlox® System at Peabody Energy's North Goonyella coking coal mine in the Bowen Basin in Queensland. While the site is currently closed, SciDev remains in discussions with Peabody Energy regarding other opportunities within the Peabody group. The OptiFlox® unit scheduled for installation at North Goonyella has instead been re-directed to a Lion Dairy & Drinks dairy production facility in NSW to replace an earlier version of the system at that site.



Latest improved version of OptiFlox® System

In addition, SciDev received its first chemical purchase order from a Peabody Energy site in the United States. The order was for SciDev's coagulant product and was initially used on a trial basis at a thermal coal mine. The trial has been successful, and the Company continues to receive ongoing orders from the site. SciDev will pursue additional sales opportunities in North America with the support of its MOU partner, Phoenix.

In a major milestone, SciDev received a purchase order for the commercial trial of an OptiFlox® System at a heavy mineral sands operation owned and operated by Iluka Resources Limited. The OptiFlox® System is on-site and commissioning of the unit will commence during November. In conjunction with the OptiFlox® System trial, there will also be a trial of the Company's chemical products. The trials will aim to optimise water recovery, consumable usage and improve tailings deposition.

The trials at the Iluka Resources site are expected to commence during the current quarter and follows extensive on-site technical evaluations by SciDev personnel. Success in the trials may result in a long-term contract for the

permanent installation of an OptiFlox® System at the site, as well as the potential for ongoing chemical sales.

The installation at Iluka's heavy mineral sands operation will represent the fifth order for an OptiFlox® System in Australia across four industries; thermal coal extraction, dairy manufacturing, coking coal extraction and mineral sands production.

During the quarter, the Company also completed the move of its manufacturing operations to a combined warehouse and production facility at Kings Park in western Sydney.



Kings Park, Warehouse & Production facility

Tartana Resources Limited

In early July, Tartana Resources Limited (Tartana) made a payment of \$50,000 to SciDev towards the second tranche of \$250,000 owed under the Zeehan sale agreement. SciDev extended the payment period of the balance of \$200,000, plus interest, to 30 September 2018. However, the Company did not receive the payment by the due date. SciDev and Tartana are in discussions regarding several options to resolve this matter. The Company retains the right to take security over all shares in Intec Zeehan Residues Pty Ltd, which holds the Mining Lease on which the Zeehan slag dump is situated.

Corporate

During the quarter the Company completed the second tranche of the \$860,000 share placement announced on 25 June 2018. All relevant resolutions in relation to the second tranche of the share placement were approved at a General Meeting of Shareholders held on 2 August 2018.

Subsequent to the end of the quarter, the Company agreed the terms of a US\$350,000 working capital facility ('the Facility') with Kanins International Pty Ltd (Kanins International), which is part of the Sinoz Group of companies (refer announcement 25 June 2018). The purpose of the Facility, which has an initial 12-month term, is to support the SciDev's growth and will be utilised principally for the purchase of chemical feedstocks and OptiFlox® Systems. The Facility, when utilised, carries an interest rate of 15% and will be secured against the Company's trading stock. The commercial terms of the Facility were negotiated on an arms-length basis.

In addition, SciDev received a \$333,000 cash refund under the Federal Government's R&D Tax Incentive program after the end of the quarter.

On 29 October, SciDev was pleased to announce the appointment of Ms Simone Watt and Mr Lewis Utting to the Board as Non-Executive Director and Executive Director respectively. Ms Watt and Mr Utting are experienced, senior executives who will complement the skill base of the Board. SciDev's announcement of 29 October contains further details on these appointments.

The Annual General Meeting (AGM) of the Company will be held as follows:

Time: 11:00am (Sydney time)
Date: Thursday, 29 November 2018
Place: The Boardroom
Northside Conference Centre
Corner of Oxley Street and Pole Lane
Crows Nest NSW 2065

The Company's Notice of 2018 Annual General Meeting, released yesterday, includes a proposed 1:10 consolidation of the Company's equity securities. Further details are provided in the notice of meeting.

Outlook

The focus for the current quarter is as follows:

- Successful commissioning of OptiFlox® System at major metallurgical coal mine in support of Phoenix MOU;
- Successful commissioning of OptiFlox® System at Iluka Resources mineral sands operation;
- Execute opportunities for new chemical sales opportunities with the Sinoz Group;
- Progression of North American market entry and chemical sales opportunities with Phoenix;
- Pursuit of additional opportunities in the iron ore, coal, alumina and dairy industries; and
- Additional R&D to enhance the Company's manufacturing opportunities.

Kieran Rodgers
Managing Director

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Cover Note

Name of entity

SciDev Ltd

ABN

25 001 150 849

Quarter ended ("current quarter")

30 September 2018

During the Quarter, SciDev received \$415,000 being the second tranche of the \$860,000 share placement announced on 25 June 2018. This figure is reported at 3.1 below. On 3 October 2018, the Company announced that it had agreed the terms of a US\$350,000 working capital facility with Kanins International Pty Ltd, which is part of the Sinoz Group of companies (refer announcement 25 June 2018). The purpose of the Facility, which has an initial 12-month term, is to support the Company's growth and will be utilised principally for the purchase of chemical feedstocks and OptiFlox® Systems. In addition, on 26 October 2018, the Company received a cash refund of approximately \$333,000 under the Federal Government's R and D Tax Incentive Program. The Company's cash position and its available working capital facility, is considered ample to cover the Company's estimated cash outflow on any reasonably conceivable basis for both the December and March quarters of 2018 and 2019 respectively, subject to the normal vicissitudes of business.

SciDev provides the following additional information:

Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company's core business remains the roll-out of its OptiFlox® and related systems to customers in Australia to increase revenue through equipment leasing fees and associated chemical sales. In addition, the Company is actively progressing business development opportunities in North America. The Company anticipates that it will achieve positive operating cash flows in future quarters.

Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

A successful capital raising was completed during the Quarter. In addition, a US\$350,000 working capital facility was established shortly after quarter end. Refer paragraph 1 above.

Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. The roll-out of the OptiFlox® and related systems to customers in Australia continues to increase revenue through equipment leasing fees and associated chemical sales, as reported in the attached Quarterly Activities Report. A successful capital raising was completed during the quarter and a working capital facility put in place. If additional working capital is required to meet the Company's business objectives, this requirement will be dealt with at the appropriate time.

The Company is in compliance with the ASX Listing Rules, in particular Listing Rule 3.1 and there is no information that should be given to ASX about the Company's financial condition in accordance with that Rule that has not already been released to the market. This Appendix 4C has been authorised and approved by the Board.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

SciDev Ltd

ABN

25 001 150 849

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	600	600
1.2 Payments for		
(a) research and development	-	-
(b) suppliers and corporate overheads	(791)	(791)
© advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(270)	(270)
(f) administration and corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	(32)	(32)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(493)	(493)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(46)	(46)
(b) businesses (see item 10)	-	-
© investments	-	-
(d) intellectual property	(9)	(9)
(e) other non-current assets	-	(11)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	50	50
© investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(5)	(5)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	415	415
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2)	(2)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	413	413
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	568	568
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(493)	(493)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	413	413
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	483	483
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	483	568
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	483	568

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	82
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors fees are at normal commercial rates.

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

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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Suppliers and corporate overheads	(600)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(270)
9.6 Administration and corporate costs	-
9.7 Other – Receipts from Customers	700
9.8 Total estimated cash outflows	170

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

Compliance statement

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

Date: 31 OCTOBER 2018

Print name: Kieran Rodgers
Director

Notes

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