



SCIDEV Ltd
ANNUAL REPORT 2017

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SciDev Ltd 2017 Annual Report
Letter from the Chairman and Managing Director

25 October 2017

Dear SciDev Shareholder,

This is SciDev Limited's ('SciDev' or 'the Company') sixteenth Annual Report since listing on the Australian Securities Exchange (ASX) and includes the audited financial statements for the financial year ending 30 June 2017. The period has been one of growth and achievement for the Company.

During the 2016/17 year, the Company recorded a 35% increase in revenue to \$1.925 million due to higher chemical sales and OptiFlox® System leasing fees. However, the Company recorded a loss after tax of \$0.597 million, which was higher than the loss after tax of \$0.458 million for the previous corresponding period due to several factors including higher depreciation charges, higher raw material costs and higher professional fees. Cash outflows from operating activities were \$0.225 million, which were principally due to higher customer sales represented a material improvement from the prior year at (\$0.541 million).

The 2016/17 year marked a steep change for the Company, both from an operational and corporate standpoint. Following a successful share placement and share purchase plan, Intec Ltd moved to 100% ownership of Science Developments Pty Ltd (Science Developments) by exercising its option to acquire the 50% of shares it did not previously own. Intec Ltd was subsequently renamed SciDev Ltd following the transaction, with the name change approved by Shareholders at the Extraordinary General Meeting held on 25 January 2017.

SciDev secured a number of significant contract wins during FY2017, including the installation of an OptiFlox® System at Peabody Energy's 12Mtpa Wilpinjong Mine in New South Wales. The installation followed a successful six-month trial, which contributed to the design of the Mark-2 version of the OptiFlox® System. Additionally, the Company deployed the first OptiFlox® System in the Australian dairy industry, with the deployment at a production facility owned by industry leader Lion Dairy and Drinks (Lion). This marks a significant achievement for the Company, as its technology is now being implemented in both the coal and dairy industries.

The commercialisation of the OptiFlox® System was greatly assisted by entering into an exclusive manufacturing and customer agreement with Burkert Fluid Control Systems (Burkert). Burkert, a world leading manufacturer of measure and control systems for liquids and gases, worked with SciDev for around 18 months prior to the agreement to develop the OptiFlox® System to a commercial ready stage.

During the financial year, SciDev retained 100% ownership of the Zeehan zinc slag dump in Tasmania, with the Company consolidating two leases held over the slag dump into one mining lease. The Board and Management continue to explore opportunities, on both a corporate and operational level, to realise the value of the asset and look forward to updating the market as these opportunities come to fruition.

During the year the Company progressed several research and development initiatives, focussing principally on additional applications of the OptiFlox® technology in the coal industry. SciDev is confident that the OptiFlox® System can be effectively utilised in other areas of a coal preparation plant in addition to the tailings thickener. These include de-watering operations such as belt-presses, coal thickeners and flotation operations.

The key objectives for the current financial year are as follows:

- Installations/trials of additional OptiFlox® Systems in the Australian coal and dairy industries;
- The progression of opportunities in overseas markets, such as North America;
- A better understanding of the applicability of OptiFlox® Technology; and
- Value realisation from the Zeehan Zinc Project in Tasmania.

As announced on 1 March 2017, Robert Waring resigned as SciDev's Company Secretary. We would like to take this opportunity to thank Robert for his contribution and wish him well in all his future endeavours. The Board is also pleased to welcome Heath Roberts as our new Company Secretary, who brings extensive experience from his work in the legal profession, and will contribute his significant expertise around equity markets.

We would also like to thank shareholders for their ongoing support and commitment. We look forward to updating you on our endeavours and achievements throughout this financial year.

Yours sincerely,



Trevor Jones
Chairman



Kieran Rodgers
Managing Director

Directors Report

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 'SciDev') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

At an Extraordinary General Meeting held on 25 January 2017, a resolution to change the name of the company to SciDev Limited was approved by shareholders.

Directors

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

Trevor A Jones
Kieran G Rodgers
Daniel (Don) Joseph Cronin

Principal activities

The principal activity of the Group is the manufacture and supply of organic chemicals for industrial wastewater treatment.

Dividends

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

Review of operations

During FY2017, the Company recorded a net loss after tax of \$0.597 million, compared to a loss after tax of \$0.458 million for the previous corresponding period. Net cash flows from operating activities in FY2017 were (\$0.225 million) compared with (\$0.541 million) for the prior year.

Operational progress

The Company agreed to an exclusive manufacturing and customer agreement with Burkert Fluid Control Systems (Burkert) for the development and fabrication of the OptiFlox® System.

Following the Company's successful six-month trial at Peabody Energy's (Peabody) 12mtpa Wilpingjong mine, Burkert assisted in the design of the OptiFlox® System Mark-2 System. The Mark-2 System is materially smaller in size, but boasts enhanced reporting and operating capabilities.

Following the trial and the development of the OptiFlox® System Mark-2 System, the Company secured a two-year contract for the supply of a system and associated chemicals at the aforementioned Peabody site. The total contract value is estimated at between \$350,000 - \$400,000 per annum and will see Peabody pay a monthly leasing fee for the use of the system, together with the purchase of associated waste-water treatment chemicals.

During the financial year the Company broadened the industry footprint of the OptiFlox® System following its deployment at a major Australian dairy processing facility operated by Lion Dairy & Drinks (Lion). The deployment of the system followed an initial purchase order for a 12-month period. Lion has been a longstanding customer of SciDev and this commercial arrangement, similar to the arrangement with Peabody, will provide for the receipt of monthly payments for the use of the OptiFlox® System as well as concurrent chemical sales.

The agreements secured with both Peabody Energy and Lion during the financial year are validation of the Company's strategy in leveraging its customer base for wastewater treatment chemicals to extend its sales pipeline for the OptiFlox® System.

The Board and management remain confident that the upcoming financial year additional OptiFlox® Systems will be deployed in both the coal and dairy sectors, further validating its technology and waste water chemical product suite.

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Corporate activities

The Company witnessed significant progression during FY2017 through the completion of a successful Share Placement (Placement) and Share Purchase Plan (SPP) and the acquisition of the additional 50% of Science Developments Pty Ltd (Science Developments).

The placement, which raised \$1.5 million through the issue of 125 million new shares at an issue price of \$0.012 per share to professional and sophisticated investors, was completed in January 2017. The placement was carried out in two stages, the first stage of approximately 45 million shares to raise \$0.54 million occurred on 19 December 2016 while the second stage, the issue of around 80 million shares to raise \$0.96 million, was finalised shortly afterwards. Three of the Company's Directors took part in the Placement for an aggregate amount of \$60,000.

To allow Company shareholders to participate in capital raising activities a Share Purchase Plan (SPP) was also announced during the period. The SPP was conducted on the same terms as the placement with an aim to raise \$0.6 million. The Company was pleased to announce the SPP was heavily oversubscribed with applications received amounting to \$1,387,396. The SPP was underwritten to an amount of \$0.5 million by Taylor Collison Limited.

The funds raised from the SPP and Placement were used to exercise Intec Ltd's option to acquire the additional 50% of Science Developments. The transaction, which was completed on 27 February 2017, saw Intec Ltd assume 100% control of the business, with the Company renamed SciDev Ltd subsequent to the transaction.

The consideration paid for the exercise of the option totalled \$0.9 million and comprised of \$0.66 million in cash, as well as the issue of 20 million fully-paid ordinary shares at a deemed issue price of \$0.012 per share to Paul Pembroke, the Technical Director of Science Developments.

Zeehan Slag Dump, Tasmania

The Company has maintained its ownership over the Zeehan Slag Dump and recently consolidated its two granted mining leases over the slag dump into one mining lease. Throughout the period, management has been assessing several options to generate value from its ownership of the asset. These include the direct sale of material, blending strategies and Australian based beneficiation processes to realise value for shareholders.

Outlook

The Company remains positive that the previous financial year has set a strong foundation for growth over the coming period.

The focus for the upcoming financial year will be as follows:

- Installations/trials of additional OptiFlox® Systems in the Australian coal industry;
- Installations/trials of additional OptiFlox® Systems in the Australian dairy industry;
- The progression of opportunities in overseas markets, such as North America;
- A better understanding of the applicability of OptiFlox® Technology across other industries;
- Value realisation from the Zeehan slag dump in Tasmania; and
- Further R & D to enhance the Company's manufacturing capabilities.

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follows.

Issued capital increased by \$2,031,313 (from \$71,641,977 to \$73,673,290) as the result of a share placement, share purchase plan and the issue of shares to acquire the remaining 50% in Science Developments Pty Ltd. Details of the changes in issued capital are disclosed in note 19 to the financial statements.

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On 27 February 2017, the company exercised its option to acquire the remaining 50% of Science Developments Pty Ltd. The consideration paid for the exercise of the option amounted to \$900,000 and was comprised of \$660,000 in cash and the issue of 20 million fully paid ordinary shares in the company. Science Developments Pty Ltd is now a wholly owned subsidiary of the company.

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 14 August 2017, the company issued 6.5 million unquoted options to executives and staff (not Directors). The options were granted under the SciDev Ltd Employee Share Scheme. The options have an exercise price of \$0.025 and an expiry date of 28 November 2019.

No other matter or circumstance has arisen since 30 June 2017 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

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Going concern

The consolidated entity generated an operating loss after income tax of \$597,340 (2016: \$458,130) and net cash outflows from operations of \$225,298 (2016: \$541,397) in the year ended 30 June 2017. At 30 June 2017, the consolidated entity had net assets of \$2,461,700 (2016: \$1,766,899) and cash balances of \$938,714 (2016: \$478,089).

These matters give rise to a material uncertainty that may cast doubt whether the consolidated entity can continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the financial statements. The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity being successful in the following:

- Commercialisation of the Optiflox® System with resultant increased product sales and technology leasing fees;
- The raising sufficient capital by way of either additional debt and/or equity capital; and
- The receipt of proceeds from the sale of non-core assets.

The Directors are of the opinion that sufficient additional funding will be secured and are themselves likely to participate in any future equity capital raising. The financial report has therefore been prepared on the basis of a going concern. This basis presumes that funds from the above sources will be available to finance future operations, and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

However, the Directors note that if sufficient funds are not raised through the above-mentioned sources, the going concern basis may not be appropriate with the result that the group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the financial report.

The company's auditor has, without qualifying their audit opinion, included an 'emphasis of matter' paragraph in their audit report which draws attention to the aforementioned uncertainty regarding going concern.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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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: Chairman of the Corporate Governance Committee and a member of the Audit Committee and the Nomination and Remuneration Committee
Interests in shares: 5,742,331
Interests in options: 1,000,000

Name: Kieran G Rodgers
Title: Managing Director
Qualifications: B.E. (Hons.) Min. (UNSW), M.B.A. (IMD)
Experience and expertise: Mr. Rodgers joined SciDev in March 2001 after 13 years of experience in merchant banking and financial consulting, principally at Resource Finance Corporation Ltd, which specifically focused on the Australian and international resources industry. He was appointed as an Executive Director of SciDev on 28 February 2007. Mr. Rodgers was appointed Managing Director on 6 February 2012.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Managing Director and member of the Corporate Governance Committee
Interests in shares: 23,516,577
Interests in options: 2,000,000

Name: Daniel J Cronin
Title: Non-executive Director
Qualifications: B.E. (Uni. College, Cork) M.Sc. (Southampton), MBA (LBS)
Experience and expertise: Mr. Cronin was appointed to the Board of SciDev on 26 November 2013. Mr. Cronin began his career as an Engineer with the British consulting firm Halcrow, working for 6 years in the UK and South America. This was followed by 5 years working in project management with the construction Company Gammon in Hong Kong and Singapore. Following completion of an MBA degree, he was employed in the chemical industry for 23 years, initially with Sandoz and later with Degussa and BASF. He has worked in senior general management roles in Zurich, Sydney and Singapore. His most recent position was Senior Vice President – Construction Chemicals for BASF with responsibility for Europe, Middle East and Africa.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Audit Committee and a member of the Corporate Governance Committee and the Nomination and Remuneration Committee
Interests in shares: 4,659,554
Interests in options: 2,000,000

'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.

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Company secretary

Mr Robert J Waring (B.Ec. (Syd), C.A., F.C.I.S., F.Fin., F.A.I.C.D, MAusIMM) was appointed to the position of Company Secretary of SciDev Limited in December 1998 and resigned on 1 March 2017. Mr Waring has over 40 years' experience in financial and corporate roles including over 20 years in Company secretarial roles for ASX-listed companies and 18 years as a Director of ASX-listed companies. He is a Director of Oakhill Hamilton Pty Ltd, which provides secretarial and corporate advisory services to a range of listed and unlisted companies.

Mr Heath L Roberts (Dip Law (S.A.B.) and Grad Dip Legal Practice (UTS)) was appointed to the position of Company Secretary of SciDev Limited on 1 March 2017. Mr Roberts 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 2017, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Trevor A Jones	8	8	2	2
Kieran G Rodgers	8	8	-	-
Daniel J Cronin	8	8	2	2

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

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 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;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive. The framework provides for a mix of fixed pay and also variable pay and includes long term incentives, when appropriate. There is no defined relationship between Company performance and remuneration at this point in time. However, the matter is under continual review. The fixed proportion of remuneration is currently 100%. The Board has established 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, other senior executives and Non-Executive Directors. The Corporate Governance Statement provides further information on the role of this Committee.

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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.

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 2007 Annual General Meeting held on 14 November 2007. The amount paid to non-executive directors of the parent entity (SciDev Limited) during the year to 30 June 2017 was \$114,444 (2016: \$114,444). In addition, Non-Executive Directors are able to participate in issues of options pursuant to the SciDev Employee Share Scheme. 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.

Executive remuneration

The executive pay and reward framework has two components, which together comprise the executive's total remuneration:

- base pay, superannuation and non-monetary benefits; and
- long term incentives through participation in the SciDev Employee Share Scheme.

The combination of these comprises the executive's total remuneration.

Base pay

Base pay is structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Executives are offered a competitive base pay that comprises a fixed component of cash salary and superannuation. 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.

SciDev Employee Share Scheme

Information on the Intec Employee Share Scheme is set out in note 36. Participation in the SciDev Employee Share Scheme is at the discretion of the Board and there is no guarantee of annual participation by any executive.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2017.

Voting and comments made at the company's 30 November 2016 Annual General Meeting ('AGM')

At the 30 November 2016 AGM, 98.99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The company did not receive any specific feedback at the 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
- Daniel J Cronin - Non-executive Director
- Kieran G Rodgers - Managing Director

	Short-term benefits			Post-employment benefits	Long-term benefits	Total
	Cash salary and fees	Consulting fees	Non-monetary	Super-annuation	Long service leave	
2017	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Trevor A Jones (Chairman)	69,444	-	-	6,597	-	76,041
Daniel J Cronin	45,000	2,000	-	4,275	-	51,275
<i>Executive Directors:</i>						
Kieran G Rodgers	215,000	-	27,128	20,425	9,137	271,690
	329,444	2,000	27,128	31,297	9,137	399,006

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2016	Short-term benefits			Post-employment benefits	Total \$
	Cash salary and fees \$	Consulting fees \$	Non-monetary \$	Super-annuation \$	
<i>Non-Executive Directors:</i>					
Trevor A Jones (Chairman)	69,444	-	-	6,597	76,041
Daniel J Cronin	45,000	7,000	-	4,275	56,275
<i>Executive Directors:</i>					
Kieran G Rodgers	215,000	-	16,329	20,425	251,754
	<u>329,444</u>	<u>7,000</u>	<u>16,329</u>	<u>31,297</u>	<u>384,070</u>

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Trevor A Jones (Chairman)	100%	100%	-	-	-	-
Daniel J Cronin	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Kieran G Rodgers	100%	100%	-	-	-	-

Service agreements

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

Name:	Kieran G Rodgers
Title:	Managing Director
Agreement commenced:	1 March 2015
Term of agreement:	3 years
Details:	Base salary for the year ended 30 June 2016 of \$215,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. The contract may be terminated by 6 months' notice from either party.

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

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 2017.

Options

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Details of options over ordinary shares that lapsed for directors and other key management personnel during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of options granted	Number of options lapsed
Trevor A Jones	9 December 2011	21 November 2016	400,000	400,000
Kieran G Rodgers	9 December 2011	21 November 2016	1,200,000	1,200,000

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Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Sales revenue	1,846,985	1,352,346	1,316,493	911,740	308,315
Loss after income tax	(597,340)	(458,130)	(856,446)	(1,261,134)	(2,626,224)

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 as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Trevor A Jones	2,832,777	-	2,909,554	-	5,742,331
Kieran G Rodgers	20,004,623	-	3,511,954	-	23,516,577
Daniel J Cronin	3,000,000	-	1,659,554	-	4,659,554
	<u>25,837,400</u>	<u>-</u>	<u>8,081,062</u>	<u>-</u>	<u>33,918,462</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	1,400,000	-	-	(400,000)	1,000,000
Kieran G Rodgers	3,200,000	-	-	(1,200,000)	2,000,000
Daniel J Cronin	2,000,000	-	-	-	2,000,000
	<u>6,600,000</u>	<u>-</u>	<u>-</u>	<u>(1,600,000)</u>	<u>5,000,000</u>

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Trevor A Jones	1,000,000	-	1,000,000
Kieran G Rodgers	2,000,000	-	2,000,000
Daniel J Cronin	2,000,000	-	2,000,000
	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</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 2017.

Other transactions with key management personnel and their related parties

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 2017.

This concludes the remuneration report, which has been audited.

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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
10 December 2014*	28 November 2019	\$0.025	5,500,000
2 February 2017**	28 November 2019	\$0.025	22,500,000
14 August 2017***	28 November 2019	\$0.025	6,500,000
			<u>34,500,000</u>

* Options granted to employees under the SciDev Employee Share Scheme

** Options granted to the Lead Manager and Underwriter for services rendered in connection with the placement of shares and a share purchase plan

*** Options granted to executives and staff under the SciDev Employee Share Scheme

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

There were no ordinary shares of SciDev Limited issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

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 26 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.

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The directors are of the opinion that the services as disclosed in note 26 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.

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



Kieran G Rodgers
Managing Director

26 September 2017
Sydney

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

As lead auditor of SciDev Limited for the year ended 30 June 2017, 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 September 2017

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	5	1,925,233	1,423,072
Other income	6	243,802	351,138
Expenses			
Changes in inventories		(46,673)	22,263
Raw materials and consumables used		(955,068)	(780,694)
Employee benefits expense		(741,253)	(701,317)
Depreciation and amortisation expense	7	(152,193)	(85,763)
Engineering and other consultants expenses		(157,684)	(147,660)
Insurance		(44,081)	(37,247)
Listing and share registry expenses		(38,635)	(25,496)
Professional fees		(140,974)	(106,167)
Rent and related expenses		(124,467)	(105,137)
Travel, accommodation and conference		(90,162)	(71,740)
Other expenses		(125,012)	(81,994)
Finance costs	7	<u>(26,628)</u>	<u>(26,427)</u>
Loss before income tax expense		(473,795)	(373,169)
Income tax expense	8	<u>(123,545)</u>	<u>(84,961)</u>
Loss after income tax expense for the year		(597,340)	(458,130)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on revaluation of other financial assets		-	22,465
Reclassification on disposal of available-for-sale financial assets		-	<u>(40,565)</u>
Other comprehensive income for the year, net of tax		-	<u>(18,100)</u>
Total comprehensive income for the year		<u>(597,340)</u>	<u>(476,230)</u>
Loss for the year is attributable to:			
Non-controlling interest		84,811	22,458
Owners of SciDev Limited		<u>(682,151)</u>	<u>(480,588)</u>
		<u>(597,340)</u>	<u>(458,130)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		84,811	22,458
Owners of SciDev Limited		<u>(682,151)</u>	<u>(498,688)</u>
		<u>(597,340)</u>	<u>(476,230)</u>
		Cents	Cents
Basic earnings per share	34	(0.18)	(0.16)
Diluted earnings per share	34	(0.18)	(0.16)

Refer to note 3 for detailed information on Restatement of comparatives.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

For the year ended 30 June 2017

	Note	2017 \$	2016 \$	1 July 2015 \$
Assets				
Current assets				
Cash and cash equivalents	9	938,714	478,089	926,394
Trade and other receivables	10	334,017	215,524	321,106
Inventories	11	231,839	278,040	255,777
Income tax refund due	8	-	11,253	5,425
Other		1,754	1,756	-
Total current assets		1,506,324	984,662	1,508,702
Non-current assets				
Other financial assets	12	2,900	2,900	57,200
Property, plant and equipment	13	291,201	228,545	221,323
Intangibles	14	1,279,803	1,269,090	1,288,905
Total non-current assets		1,573,904	1,500,535	1,567,428
Total assets		3,080,228	2,485,197	3,076,130
Liabilities				
Current liabilities				
Trade and other payables	15	358,410	105,136	177,754
Borrowings	16	11,957	336,491	355,466
Employee benefits	17	163,365	139,466	-
Provisions		-	-	111,298
Total current liabilities		533,732	581,093	644,518
Non-current liabilities				
Borrowings	18	32,546	71,323	113,718
Deferred tax	8	52,250	65,882	74,765
Total non-current liabilities		84,796	137,205	188,483
Total liabilities		618,528	718,298	833,001
Net assets		2,461,700	1,766,899	2,243,129
Equity				
Issued capital	19	73,673,290	71,641,977	71,641,977
Reserves	20	2,169,223	2,653,594	2,671,694
Accumulated losses		(73,380,813)	(72,698,662)	(72,218,074)
Equity attributable to the owners of SciDev Limited		2,461,700	1,596,909	2,095,597
Non-controlling interest	21	-	169,990	147,532
Total equity		2,461,700	1,766,899	2,243,129

Refer to note 3 for detailed information on Restatement of comparatives.

Statement of Changes in Equity
For the year ended 30 June 2017

	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2015	71,641,977	2,671,694	(72,218,074)	147,532	2,243,129
Profit/(loss) after income tax expense for the year	-	-	(480,588)	22,458	(458,130)
Other comprehensive income for the year, net of tax	-	(18,100)	-	-	(18,100)
Total comprehensive income for the year	-	(18,100)	(480,588)	22,458	(476,230)
Balance at 30 June 2016	<u>71,641,977</u>	<u>2,653,594</u>	<u>(72,698,662)</u>	<u>169,990</u>	<u>1,766,899</u>

	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2016	71,641,977	2,653,594	(72,698,662)	169,990	1,766,899
Profit/(loss) after income tax expense for the year	-	-	(682,151)	84,811	(597,340)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(682,151)	84,811	(597,340)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	2,031,313	-	-	-	2,031,313
Share-based payments (note 35)	-	160,828	-	-	160,828
Transactions with non-controlling interests (note 32)	-	(645,199)	-	(254,801)	(900,000)
Balance at 30 June 2017	<u>73,673,290</u>	<u>2,169,223</u>	<u>(73,380,813)</u>	<u>-</u>	<u>2,461,700</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,999,539	1,671,695
Payments to suppliers and employees (inclusive of GST)		<u>(2,304,164)</u>	<u>(2,268,673)</u>
		(304,625)	(596,978)
Interest received		13,387	18,990
R&D tax offset received		218,492	162,690
Interest and other finance costs paid		(26,628)	(26,427)
Income taxes paid		<u>(125,924)</u>	<u>(99,672)</u>
Net cash used in operating activities	33	<u>(225,298)</u>	<u>(541,397)</u>
Cash flows from investing activities			
Payments for non-controlling interest in subsidiary	31	(660,000)	-
Payments for property, plant and equipment	13	(190,764)	(58,414)
Payments for intangibles	14	(52,143)	-
Proceeds from disposal of property, plant and equipment		-	207,531
Proceeds from disposal of intangibles		<u>-</u>	<u>(14,756)</u>
Net cash from/(used in) investing activities		<u>(902,907)</u>	<u>134,361</u>
Cash flows from financing activities			
Proceeds from issue of shares	19	2,100,000	-
Share issue transaction costs		(147,859)	-
Repayment of borrowings		<u>(363,311)</u>	<u>(41,269)</u>
Net cash from/(used in) financing activities		<u>1,588,830</u>	<u>(41,269)</u>
Net increase/(decrease) in cash and cash equivalents		460,625	(448,305)
Cash and cash equivalents at the beginning of the financial year		<u>478,089</u>	<u>926,394</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>938,714</u></u>	<u><u>478,089</u></u>

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

Notes to the Financial Statement 30 June 2017

Note 1. 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. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

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

Going concern

The consolidated entity generated an operating loss after income tax of \$597,340 (2016: \$458,130) and net cash outflows from operations of \$225,298 (2016: \$541,397) in the year ended 30 June 2017. At 30 June 2017 the consolidated entity had net assets of \$2,461,700 (2016: \$1,766,899) and cash balances of \$938,714 (2016: \$478,089).

These matters give rise to a material uncertainty that may cast doubt whether the consolidated entity can continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the financial statements. The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity being successful in the following:

- Commercialisation of the Optiflox® System with resultant increased product sales and technology leasing fees;
- The raising sufficient capital by way of either additional debt and/or equity capital; and
- The receipt of proceeds from the sale of non-core assets.

The Directors are of the opinion that sufficient additional funding will be secured and are themselves likely to participate in any future equity capital raising. The financial report has therefore been prepared on the basis of a going concern. This basis presumes that funds from the above sources will be available to finance future operations, and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

However, the Directors note that if sufficient funds are not raised through the above-mentioned sources, the going concern basis may not be appropriate with the result that the group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the financial report.

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 2.

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 30.

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 2017 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'.

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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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

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.

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.

Leases

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.

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.

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 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods.

For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. 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.

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 1. 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.

Note 3. Restatement of comparatives

Reclassification

For the year ended 30 June 2016 the net gain on disposal of investments, income from subsidies and grants, and income from the reimbursement of expenses have been reclassified from 'Revenue' to 'Other income' in the statement of profit or loss.

The expenses in the statement of profit or loss for the year ended 30 June 2016 were not presented using a consistent classification based on either the nature of expenses or their function within the consolidated entity. For the year ended 30 June 2017 the consolidated entity has presented expenses in the statement of profit or loss based on the nature of the expense and the comparatives have been reclassified to reflect the changes in presentation.

The 30 June 2016 statement of financial position has been restated as follows: the income tax receivable and prepayments are disclosed separately on the face of the statement of financial position under current assets, and the loans from related related parties have been reclassified from trade and other payables to borrowings.

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Statement of profit or loss and other comprehensive income

Extract	2016 \$ Reported	\$ Adjustment	2016 \$ Restated
Revenue	1,774,210	(351,138)	1,423,072
Other income	-	351,138	351,138
Expenses			
Changes in inventories	-	22,263	22,263
Raw materials and consumables used	(758,431)	(22,263)	(780,694)
Administration expense	(307,529)	307,529	-
Insurance	-	(37,247)	(37,247)
Listing and share registry expenses	-	(25,496)	(25,496)
Professional fees	-	(106,167)	(106,167)
Travel, accommodation and conference	-	(71,740)	(71,740)
Other expenses	(15,115)	(66,879)	(81,994)
Loss before income tax expense	(373,169)	-	(373,169)
Income tax expense	(84,961)	-	(84,961)
Loss after income tax expense for the year	(458,130)	-	(458,130)
Other comprehensive income for the year, net of tax	(18,100)	-	(18,100)
Total comprehensive income for the year	<u>(476,230)</u>	<u>-</u>	<u>(476,230)</u>
Loss for the year is attributable to:			
Non-controlling interest	22,458	-	22,458
Owners of SciDev Limited	(480,588)	-	(480,588)
	<u>(458,130)</u>	<u>-</u>	<u>(458,130)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest	22,458	-	22,458
Owners of SciDev Limited	(498,688)	-	(498,688)
	<u>(476,230)</u>	<u>-</u>	<u>(476,230)</u>

Statement of financial position at the beginning of the earliest comparative period

Extract	1 July 2015 \$ Reported	\$ Adjustment	1 July 2015 \$ Restated
Assets			
Current assets			
Trade and other receivables	326,531	(5,425)	321,106
Income tax refund due	-	5,425	5,425
Total current assets	<u>1,508,702</u>	<u>-</u>	<u>1,508,702</u>
Total assets	<u>3,076,130</u>	<u>-</u>	<u>3,076,130</u>
Liabilities			
Current liabilities			
Trade and other payables	277,754	(100,000)	177,754
Borrowings	255,466	100,000	355,466
Total current liabilities	<u>644,518</u>	<u>-</u>	<u>644,518</u>
Total liabilities	<u>833,001</u>	<u>-</u>	<u>833,001</u>
Net assets	<u>2,243,129</u>	<u>-</u>	<u>2,243,129</u>

Statement of financial position at the end of the earliest comparative period

Extract	2016 \$ Reported	\$ Adjustment	2016 \$ Restated
Assets			
Current assets			
Trade and other receivables	228,533	(13,009)	215,524
Income tax refund due	-	11,253	11,253
Other	-	1,756	1,756
Total current assets	<u>984,662</u>	<u>-</u>	<u>984,662</u>
Total assets	<u>2,485,197</u>	<u>-</u>	<u>2,485,197</u>
Liabilities			
Current liabilities			
Trade and other payables	205,136	(100,000)	105,136
Borrowings	236,491	100,000	336,491
Total current liabilities	<u>581,093</u>	<u>-</u>	<u>581,093</u>
Total liabilities	<u>718,298</u>	<u>-</u>	<u>718,298</u>
Net assets	<u>1,766,899</u>	<u>-</u>	<u>1,766,899</u>

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity operates in primarily one geographical segment, namely Australia. The primary business segment is the treatment of industrial waste including the manufacture and supply of chemicals for the treatment of waste water.

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.

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Major customers

During the year ended 30 June 2017 approximately [XX]% (2016: [XX]%) of the consolidated entity's external revenue was derived from sales to the consolidated entity's largest customer. No other customer contributed 10% or more to the consolidated entity's revenue for both 2017 and 2016.

Revenue by geographical area

The consolidated entity operates in one geographical segment being Australia. Revenue from overseas customers is not material to the consolidated entity.

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

	2017 \$	2016 \$
<i>Sales revenue</i>		
Treatment fees and product sales	<u>1,846,985</u>	<u>1,352,346</u>
<i>Other revenue</i>		
Interest	13,387	16,726
Other revenue	<u>64,861</u>	<u>54,000</u>
	<u>78,248</u>	<u>70,726</u>
Revenue	<u><u>1,925,233</u></u>	<u><u>1,423,072</u></u>

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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

	2017 \$	2016 \$
Net gain on disposal of investments	-	171,331
Subsidies and grants	218,492	162,690
Reimbursement of expenses	<u>25,310</u>	<u>17,117</u>
Other income	<u><u>243,802</u></u>	<u><u>351,138</u></u>

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Note 7. Expenses

	2017 \$	2016 \$
Loss before income tax includes the following specific expenses:		
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>124,467</u>	<u>105,137</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>55,204</u>	<u>78,638</u>

Note 8. Income tax

	2017 \$	2016 \$
<i>Income tax expense</i>		
Current tax	137,177	93,844
Deferred tax - origination and reversal of temporary differences	<u>(13,632)</u>	<u>(8,883)</u>
Aggregate income tax expense	<u><u>123,545</u></u>	<u><u>84,961</u></u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax liabilities	<u>(13,632)</u>	<u>(8,883)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(473,795)</u>	<u>(373,169)</u>
Tax at the statutory tax rate of 30%	(142,139)	(111,951)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expense	<u>3,631</u>	<u>(8,504)</u>
	(138,508)	(120,455)
Current year tax losses not recognised	249,635	194,514
Current year temporary differences not recognised	<u>12,418</u>	<u>10,902</u>
Income tax expense	<u><u>123,545</u></u>	<u><u>84,961</u></u>
	2017 \$	2016 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>65,116,209</u>	<u>64,794,786</u>
Potential tax benefit @ 30%	<u>19,534,863</u>	<u>19,438,436</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

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	2017 \$	2016 \$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Brand name	52,250	65,882
Deferred tax liability	<u>52,250</u>	<u>65,882</u>
Movements:		
Opening balance	65,882	74,765
Credited to profit or loss	<u>(13,632)</u>	<u>(8,883)</u>
Closing balance	<u>52,250</u>	<u>65,882</u>
	2017 \$	2016 \$
<i>Income tax refund due</i>		
Income tax refund due	<u>-</u>	<u>11,253</u>

Accounting policy for 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.

Note 9. Current assets - cash and cash equivalents

	2017 \$	2016 \$
Cash on hand	150	150
Cash at bank	438,564	477,939
Cash on deposit	500,000	-
	<u>938,714</u>	<u>478,089</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. Current assets - trade and other receivables

	2017 \$	2016 \$
Trade receivables	303,480	189,580
Other receivables	30,537	25,944
	<u>334,017</u>	<u>215,524</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$127,650 as at 30 June 2017 (\$93,444 as at 30 June 2016).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	2017 \$	2016 \$
Past due 1-30 days	105,718	63,742
Past due 31-60 days	21,932	9,900
Past due 61+ days	-	19,802
	<u>127,650</u>	<u>93,444</u>

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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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Other receivables are recognised at amortised cost, less any provision for impairment.

Note 11. Current assets - inventories

	2017 \$	2016 \$
Stock on hand - at cost	231,839	278,040

Accounting policy for inventories

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. Non-current assets - other financial assets

	2017 \$	2016 \$
Shares in unlisted companies - at cost	27,600	27,600
Less: Provision for impairment	(24,700)	(24,700)
	<u>2,900</u>	<u>2,900</u>

Note 13. Non-current assets - property, plant and equipment

	2017 \$	2016 \$
Plant and equipment - at cost	522,904	377,726
Less: Accumulated depreciation	(232,781)	(151,854)
	<u>290,123</u>	<u>225,872</u>
Office equipment - at cost	31,028	31,028
Less: Accumulated depreciation	(29,950)	(28,355)
	<u>1,078</u>	<u>2,673</u>
	<u>291,201</u>	<u>228,545</u>

Reconciliations

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

	Plant and equipment \$	Office equipment \$	Total \$
Balance at 1 July 2015	216,038	5,285	221,323
Additions	58,414	-	58,414
Depreciation expense	(48,580)	(2,612)	(51,192)
Balance at 30 June 2016	225,872	2,673	228,545
Additions	190,764	-	190,764
Disposals	(17,345)	-	(17,345)
Depreciation expense	(109,168)	(1,595)	(110,763)
Balance at 30 June 2017	<u>290,123</u>	<u>1,078</u>	<u>291,201</u>

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Property, plant and equipment secured under finance leases

Refer to note 28 for further information on property, plant and equipment secured under finance leases.

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.

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

Plant and equipment	4-7 years
Office equipment	2-8 years

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

Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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. Non-current assets - intangibles

	2017 \$	2016 \$
Goodwill - at cost	1,030,018	1,030,018
Trade marks and intellectual property - at cost	374,833	322,690
Less: Accumulated amortisation	<u>(125,048)</u>	<u>(83,618)</u>
	249,785	239,072
	<u>1,279,803</u>	<u>1,269,090</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 2015	1,030,018	258,887	1,288,905
Additions	-	14,756	14,756
Amortisation expense	-	<u>(34,571)</u>	<u>(34,571)</u>
Balance at 30 June 2016	1,030,018	239,072	1,269,090
Additions	-	52,143	52,143
Amortisation expense	-	<u>(41,430)</u>	<u>(41,430)</u>
Balance at 30 June 2017	<u>1,030,018</u>	<u>249,785</u>	<u>1,279,803</u>

Impairment testing

Goodwill which was acquired through a business combination, has been allocated to the Science Development Pty Ltd cash-generating unit (CGU). 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 management 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.

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Key assumptions in the discounted cashflow model include:

- a. Post-tax discount rate of 12.5% (2016: 8%) per annum;
- b. Revenue growth of 45% in 2018, 49% in 2019 reducing to 9% in 2020;
- c. Growth in gross margin of 60% in 2018, 56% in 2019 reducing to 9% in 2020; and
- d. Average per annum increase in operating expenses of 5% (2016: 18%).

The discount rate of 12.5% post-tax reflects management's estimate of the time value of money and the consolidated entity's 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 past performance and management's expectations of market development.

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 the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

Sensitivity to change of assumptions

If the next year's financial budget used in the value-in-use calculation had been 10% lower than management's estimates at 30 June 2017, the consolidated entity would have a recoverable amount in excess of \$2.02 million against the carrying amount of the cash generating unit to which the goodwill relates. If the post-tax discount rate applied to the cash flow projections of this CGU had been 20% higher than management's estimates (15% instead of 12.5%), the consolidated entity would have a recoverable amount in excess of \$2.14 million against the carrying amount of intangible assets and property, plant and equipment.

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.

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. Current liabilities - trade and other payables

	2017 \$	2016 \$
Trade payables	287,455	65,355
BAS payable	16,851	9,053
Other payables	54,104	30,728
	<u>358,410</u>	<u>105,136</u>

Refer to note 23 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.

Note 16. Current liabilities - borrowings

	2017 \$	2016 \$
Trade finance facility	-	196,535
Loans from related parties	-	100,000
Lease liability	11,957	39,956
	<u>11,957</u>	<u>336,491</u>

Refer to note 18 for further information on assets pledged as security and financing arrangements.

Refer to note 23 for further information on financial instruments.

Note 17. Current liabilities - employee benefits

	2017 \$	2016 \$
Annual leave	67,659	52,897
Long service leave	95,706	86,569
	<u>163,365</u>	<u>139,466</u>

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.

Defined contribution superannuation expense

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

Note 18. Non-current liabilities - borrowings

	2017 \$	2016 \$
Lease liability	32,546	71,323

Refer to note 23 for further information on financial instruments.

The total secured liabilities (current and non-current) are as follows:

	2017 \$	2016 \$
Trade finance facility	-	196,535
Lease liability	44,503	111,279
	<u>44,503</u>	<u>307,814</u>

Assets pledged as security

The leases relate to a motor vehicle provided to the Managing Director and plant and equipment owned by Science Developments Pty Ltd. The motor vehicle lease liability is effectively secured over the motor vehicle. The shareholders of Science Developments Pty Ltd have provided guarantees for the finance lease relating to plant and equipment.

The trade finance facility is secured by way of a guarantee by a Director related Company of a Director of Science Developments Pty Ltd.

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Financing arrangements

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

	2017 \$	2016 \$
Total facilities		
Trade finance	-	250,000
Used at the reporting date		
Trade finance	-	196,535
Unused at the reporting date		
Trade finance	-	53,465

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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 19. Equity - issued capital

	2017 Shares	2016 Shares	2017 \$	2016 \$
Ordinary shares - fully paid	<u>494,818,673</u>	<u>299,818,669</u>	<u>73,673,290</u>	<u>71,641,977</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	<u>299,818,669</u>		<u>71,641,977</u>
Balance	30 June 2016	299,818,669		71,641,977
Share placement	19 December 2016	44,972,800	\$0.012	539,674
Share purchase plan	12 January 2017	50,000,004	\$0.012	600,000
Share placement	2 February 2017	80,027,200	\$0.012	960,326
Acquisition of shares in Science Developments Pty Ltd	27 February 2017	20,000,000	\$0.012	240,000
Share issue transaction costs		-	\$0.000	<u>(308,687)</u>
Balance	30 June 2017	<u>494,818,673</u>		<u>73,673,290</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.

Share placement

The company issued 44,972,800 and 80,027,200 ordinary shares on 19 December 2016 and 2 February 2017 respectively, in terms of a conditional placement to sophisticated and professional investors at an issue price of 1.2 cents per share.

Share purchase plan

On 12 January 2017 the company issued 50,000,004 ordinary shares under a Share Purchase Plan at an issue price of 1.2 cents per share. The plan was fully subscribed.

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Acquisition of Science Developments Pty Ltd

The company exercised its option to acquire the remaining 50% of Science Developments Pty Ltd. The consideration paid for the exercise of the option amounted to \$900,000 and was comprised of \$660,000 in cash and the issue of 20,000,000 ordinary shares at an issue price of 1.2 cents per share.

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 2016 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 2017 was \$972,592 (2016: \$403,569).

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 20. Equity - reserves

	2017 \$	2016 \$
Share-based payments reserve	2,814,422	2,653,594
Transactions with non-controlling interests	(645,199)	-
	<u>2,169,223</u>	<u>2,653,594</u>

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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Movements in reserves

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

	Asset revaluation reserve \$	Share-based payments reserve \$	Transactions with non- controlling interests \$	Total \$
Balance at 1 July 2015	18,100	2,653,594	-	2,671,694
Revaluation - gross	22,465	-	-	22,465
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(40,565)	-	-	(40,565)
Balance at 30 June 2016	-	2,653,594	-	2,653,594
Share-based payments	-	160,828	-	160,828
Acquisition of non-controlling interest in Science Developments Pty Ltd	-	-	(645,199)	(645,199)
Balance at 30 June 2017	-	2,814,422	(645,199)	2,169,223

Note 21. Equity - non-controlling interest

	2017 \$	2016 \$
Issued capital	-	9,005
Reserves	-	101,575
Retained profits	-	59,410
	-	169,990

Note 22. Equity - dividends

Dividends

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

Franking credits

	2017 \$	2016 \$
Franking credits available for subsequent financial years based on a tax rate of 27.5%	82,824	160,268

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

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

Note 23. 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.

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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.

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.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2017		2016	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Trade finance facility and leases	6.00%	44,503	6.00%	307,814
Net exposure to cash flow interest rate risk		<u>44,503</u>		<u>307,814</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 100 (2016: 100) basis points would have an adverse/favourable effect on profit before tax of \$455 (2016: \$3,078) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

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.

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.

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	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
- 2017						
<i>Non-interest bearing</i>						
Trade payables and other payables	-	358,410	-	-	-	358,410
<i>Interest-bearing - variable</i>						
Trade finance and lease liability	6.00%	11,957	32,546	-	-	44,503
Total non-derivatives		<u>370,367</u>	<u>32,546</u>	<u>-</u>	<u>-</u>	<u>402,913</u>
- 2016						
<i>Non-interest bearing</i>						
Trade and other payables	-	105,136	-	-	-	105,136
<i>Interest-bearing - variable</i>						
Trade finance and lease liability	6.00%	236,491	71,323	-	-	307,814
<i>Interest-bearing - fixed rate</i>						
Loans from related parties	6.00%	100,000	-	-	-	100,000
Total non-derivatives		<u>441,627</u>	<u>71,323</u>	<u>-</u>	<u>-</u>	<u>512,950</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 24. 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 \$
- 2017				
<i>Assets</i>				
Unlisted investments	-	2,900	-	2,900
Total assets	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>2,900</u>
- 2016				
<i>Assets</i>				
Unlisted investments	-	2,900	-	2,900
Total assets	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>2,900</u>

There were no transfers between levels during the financial year.

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

Unquoted investments have been valued using a discounted cash flow model.

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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 25. 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:

	2017	2016
	\$	\$
Short-term employee benefits	358,572	352,773
Post-employment benefits	31,297	31,297
Long-term benefits	9,137	-
	<u>399,006</u>	<u>384,070</u>

Note 26. 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:

	2017	2016
	\$	\$
<i>Audit services - Rothsay Chartered Accountants</i>		
Audit or review of the financial statements	<u>31,300</u>	<u>29,500</u>
<i>Other services - Rothsay Chartered Accountants</i>		
Tax compliance services	<u>5,500</u>	<u>-</u>
	<u>36,800</u>	<u>29,500</u>

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Note 27. Contingent assets

The Group holds a 2.5% net smelter royalty in relation to future base metals extracted from certain tenements in the Hellyer/Que River region of Tasmania. The Group also holds a mining lease and retention licence covering a stockpile of zinc-bearing residue near Zeehan, Tasmania.

As a result of a transaction entered into by Intec International Projects Pty Ltd ("IIP") with Monument Mining Limited, a Company listed on the Toronto Stock Exchange, SciDev is entitled to receive a 5% royalty on fees generated by IIP in relation to Intec Process applications. This transaction occurred after SciDev divested its 50% shareholding in IIP. In addition, SciDev retains its rights to its portion of unpaid fees relating to the IRC Project.

Note 28. Commitments

	2017 \$	2016 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	61,750	48,581
One to five years	-	38,324
	<u>61,750</u>	<u>86,905</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	16,329	49,100
One to five years	34,911	81,281
Total commitment	51,240	130,381
Less: Future finance charges	(6,737)	(19,102)
Net commitment recognised as liabilities	<u>44,503</u>	<u>111,279</u>
Representing:		
Lease liability - current (note 16)	11,957	39,956
Lease liability - non-current (note 18)	32,546	71,323
	<u>44,503</u>	<u>111,279</u>

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

The motor vehicle related to the finance lease has a written down value of \$32,272 (2016: \$54,011) and the lease expires within five years. The terms of the lease provide for the consolidated entity to acquire the motor vehicle for an agreed residual value at the end of the lease period.

There are no minimum annual expenditure requirements attached to the tenements held by the consolidated entity.

Note 29. Related party transactions

Parent entity

SciDev Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

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Transactions with related parties

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

	2017 \$	2016 \$
Other transactions:		
Subscription for new ordinary shares by key management personnel as result of the share placement and share purchase plan	89,744	-

Receivable from and payable to related parties

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

Loans to/from related parties

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

	2017 \$	2016 \$
Current borrowings:		
Loans from other related parties*	-	100,000

* Mr Paul Pembroke and Mr Mark Wells, Directors and former shareholders of Science Developments Pty Ltd, both provided unsecured loans of \$50,000 on commercial terms to Science Developments Pty Ltd. The loans were unsecured and bore interest at 6% per annum. The loans were repaid during the 2017 financial year.

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.

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017 \$	2016 \$
Loss after income tax	(759,995)	(503,280)
Other comprehensive income for the year, net of tax	-	(18,100)
Total comprehensive income	(759,995)	(521,380)

Statement of financial position

	Parent	
	2017	2016
	\$	\$
Total current assets	781,510	479,843
Total non-current assets	2,631,209	1,458,297
Total assets	3,412,719	1,938,140
Total current liabilities	258,941	204,551
Total non-current liabilities	32,546	44,504
Total liabilities	291,487	249,055
Net assets	<u>3,121,232</u>	<u>1,689,085</u>
Equity		
Issued capital	73,979,808	71,948,494
Share-based payments reserve	2,722,414	2,561,586
Accumulated losses	(73,580,990)	(72,820,995)
Total equity	<u>3,121,232</u>	<u>1,689,085</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 2017 and 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, 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 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Intec Copper Pty Ltd	Australia	100.00%	100.00%
Intec Environmentals Pty Ltd	Australia	100.00%	100.00%
Science Developments Pty Ltd	Australia	100.00%	50.00%
Intec Zeehan Residues Pty Ltd*	Australia	100.00%	100.00%

* Subsidiary of Intec Environmentals Pty Ltd

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The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Principal activities	Parent	Parent	Non-controlling interest	Non-controlling interest
			Ownership interest 2017	Ownership interest 2016	Ownership interest 2017	Ownership interest 2016
			%	%	%	%
Science Developments Pty Ltd	Australia	Supplier of chemicals for industrial wastewater treatment	100.00%	50.00%	-	50.00%

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	2016 \$
<i>Summarised statement of financial position</i>	
Current assets	495,299
Non-current assets	<u>92,716</u>
Total assets	<u>588,015</u>
Current liabilities	374,945
Non-current liabilities	<u>26,820</u>
Total liabilities	<u>401,765</u>
Net assets	<u><u>186,250</u></u>
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Revenue	1,569,038
Expenses	<u>(1,409,553)</u>
Profit before income tax expense	159,485
Income tax expense	<u>(93,844)</u>
Profit after income tax expense	65,641
Other comprehensive income	<u>-</u>
Total comprehensive income	<u><u>65,641</u></u>
<i>Statement of cash flows</i>	
Net cash from operating activities	89,036
Net cash used in investing activities	<u>(73,170)</u>
Net cash used in financing activities	<u>(31,696)</u>
Net decrease in cash and cash equivalents	<u><u>(15,830)</u></u>
<i>Other financial information</i>	
Profit attributable to non-controlling interests	<u>32,820</u>
Accumulated non-controlling interests at the end of reporting period	<u>169,990</u>

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Transactions with non-controlling interests

On 27 February 2017 the consolidated entity acquired the remaining 50% of the ordinary shares of Science Developments Pty Ltd. With the 50% acquisition the consolidated entity now holds a 100% interest in Science Developments Pty Ltd. The total consideration paid amounted to \$900,000 and was comprised of \$660,000 in cash and the issue of 20 million fully paid ordinary shares at a deemed issue price of 12 cents per share amounting to \$240,000. Immediately prior to the purchase, the carrying amount of the existing 50% non-controlling interest in Science Developments Pty Ltd was \$254,801. The consolidated entity recognised a decrease in non-controlling interests of \$254,801 and a decrease in equity attributable to owners of the parent of \$645,199. The effect on the equity attributable to the owners of SciDev Limited during the year is summarised as follows:

	2017 \$	2016 \$
Carrying amount of non-controlling interests acquired	254,801	-
Consideration paid to non-controlling interests	(900,000)	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<u>(645,199)</u>	<u>-</u>

There were no transactions with non-controlling interests in 2016.

Note 32. Events after the reporting period

On 14 August 2017, the company issued 6.5 million unquoted options to executives and staff (not Directors). The options were granted under the SciDev Ltd Employee Share Scheme. The options have an exercise price of \$0.025 and an expiry date of 28 November 2019.

No other matter or circumstance has arisen since 30 June 2017 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 33. Reconciliation of loss after income tax to net cash used in operating activities

	2017 \$	2016 \$
Loss after income tax expense for the year	(597,340)	(458,130)
Adjustments for:		
Depreciation and amortisation	152,193	85,763
Net loss/(gain) on disposal of non-current assets	17,345	(171,331)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(118,493)	97,998
Decrease/(increase) in inventories	46,201	(22,263)
Decrease in income tax refund due	11,253	-
Decrease in prepayments	2	-
Increase/(decrease) in trade and other payables	253,274	(72,618)
Decrease in deferred tax liabilities	(13,632)	(8,883)
Increase in employee benefits	23,899	-
Increase in other provisions	-	28,168
Decrease in other operating liabilities	-	(20,101)
Net cash used in operating activities	<u>(225,298)</u>	<u>(541,397)</u>

Note 34. Earnings per share

	2017 \$	2016 \$
Loss after income tax	(597,340)	(458,130)
Non-controlling interest	<u>(84,811)</u>	<u>(22,458)</u>
Loss after income tax attributable to the owners of SciDev Limited	<u>(682,151)</u>	<u>(480,588)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>386,472,852</u>	<u>299,818,669</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>386,472,852</u>	<u>299,818,669</u>
	Cents	Cents
Basic earnings per share	(0.18)	(0.16)
Diluted earnings per share	(0.18)	(0.16)

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.

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 35. 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 are granted for a five-year period, and vest and are exercisable immediately, unless otherwise stated. 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.

The fair value of options granted under the SciDev Employee Share Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using share option valuation models that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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There were no options granted under the scheme during the 2017 and 2016 financial year.

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 (refer note 8). The options have an exercise price of \$0.025, vested on grant date and expire on 28 November 2019. The value of the options granted was \$160,828.

Set out below are summaries of options granted:

2017							
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
09/12/2011	21/11/2016	\$0.030	3,300,000	-	-	(3,300,000)	-
10/12/2014	28/11/2019	\$0.025	5,500,000	-	-	-	5,500,000
02/02/2017	28/11/2019	\$0.025	-	22,500,000	-	-	22,500,000
			<u>8,800,000</u>	<u>22,500,000</u>	<u>-</u>	<u>(3,300,000)</u>	<u>28,000,000</u>
Weighted average exercise price			\$0.027	\$0.025	\$0.000	\$0.030	\$0.025
2016							
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
09/12/2011	21/11/2016	\$0.030	3,300,000	-	-	-	3,300,000
10/12/2014	28/11/2019	\$0.025	5,500,000	-	-	-	5,500,000
			<u>8,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,800,000</u>
Weighted average exercise price			\$0.027	\$0.000	\$0.000	\$0.000	\$0.027

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

Grant date	Expiry date	2017 Number	2016 Number
09/12/2011	21/11/2016	-	3,300,000
10/12/2014	28/11/2019	5,500,000	5,500,000
02/02/2017	28/11/2019	22,500,000	-
		<u>28,000,000</u>	<u>8,800,000</u>

The fair value of options granted was measured using the Black-Scholes option pricing model.

For the options granted during the current financial year, 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
02/02/2017	28/11/2019	\$0.013	\$0.025	110.00%	-	2.25%	\$0.007

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.

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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.

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.

Directors' Declaration

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 1 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 2017 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



Kieran G Rodgers
Managing Director

26th September 2017
Sydney

SCIDEV LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Directors of SciDev Limited

Opinion

We have audited the financial report of SciDev Limited ("SciDev") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2017 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 as 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.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Company incurred a net loss of \$597,340 during the year ended 30 June 2017 and a net cash outflow from operations of \$225,298. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<p>Impairment of Goodwill</p> <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.

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.
- 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, among 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 7 to 11 of the Directors' Report for the year ended 30 June 2017. 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.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of SciDev Limited ("SciDev"), for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Rothsay Chartered Accountants

Frank Vrachas

Partner

Sydney, 26 September 2017

Schedule of Tenements

At 25 September 2017, the Group held the following tenement:

Tenement number	Tenement name	Expiry date	Area Km ²	Security deposits held \$	Annual expenditure commitments \$
<i>Tenements held by Intec Zeehan Residues Pty Ltd</i>					
Mining Lease 3M/2017	Zeehan	1 February 2023	1.0	11,000	Nil

The Group also holds a 2.5% Net Smelter Return Royalty (NSR Royalty) in relation to base metals extracted from the following Tasmanian tenements:

EL48/2003: Mt Block Exploration Licence;
 EL24/2004: Bulgobac River Exploration Licence;
 CML103M/1987: Hellyer Mine Lease; and
 ML68M/1984: Que River Mine Lease.

Shareholder Information

The shareholder information set out below was applicable as at 26 September 2017

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Class of equity security Ordinary shares	
			Number of shareholders	Number of shares
1	-	1,000	164	47,518
1,001	-	5,000	137	390,192
5,001	-	10,000	73	568,101
10,001	-	100,000	322	17,448,642
100,001	and over		380	476,364,220
			1,076	<u>494,818,673</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities as at 26 September 2017 are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
Kieran Gregory Rodgers & Patricia Maree Rodgers	23,514,178	4.75
PW Pembroke Pty Ltd	20,000,000	4.04
Kathleen Frances Watt	18,416,667	3.72
Martin Edward Meyer	14,666,667	2.96
Longwin Capital Finance Ltd	14,666,667	2.96
Stuart Andrew Spiteri	11,400,000	2.30
Markham Hanna & Rita Hanna <Hanna & Co Pty Ltd Super A/C>	10,630,813	2.15
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	10,000,001	2.02
Donald Alexander Bell & Lexie Ann Bell	10,000,000	2.02
GP Securities Pty Ltd	9,000,000	1.82
The Genuine Snake Oil Company Pty Ltd <Morson Group Super Fund>	8,000,000	1.62
J P Morgan Nominees Australia Ltd	7,314,031	1.48
Alan Conigrave	7,000,000	1.42
Brian Harry Rivers	6,700,000	1.35
Kang We Li	6,688,888	1.35
Symington Pty Ltd	6,000,000	1.21
The Stephens group Pty Ltd	5,750,000	1.16
Puntero Pty Ltd	5,231,739	1.06
HSBC Custody Nominees (Australia) Pty Ltd	5,186,828	1.05
Ianaki Semerdziev	5,095,221	1.03
Total of Top 20 Shareholdings		41.48
Other Shareholders		58.52
Total Ordinary Shares on Issue	494,818,673	100.00

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	34,500,000	8

Substantial holders

There are no Substantial holders in the company.

Voting rights

The voting rights attached to ordinary shares are set out below:

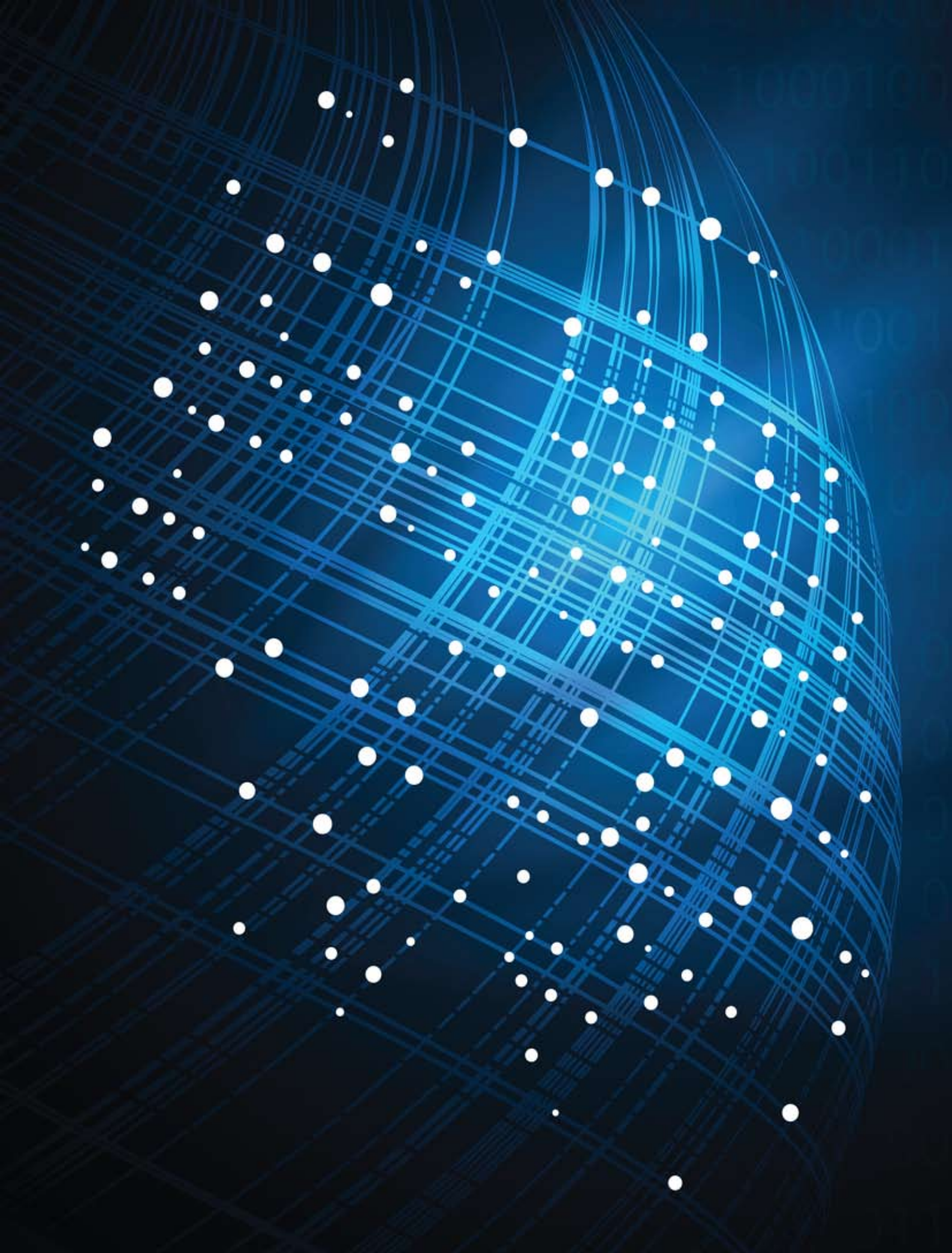
Ordinary shares

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.

There are no other classes of equity securities.

Corporate Directory

Directors	Trevor A Jones - Chairman Kieran G Rodgers - Managing Director Daniel J Cronin - Non-executive Director
Company secretary	Heath L Roberts
Notice of annual general meeting	The details of the annual general meeting of SciDev Limited are: The Boardroom Northside Conference Centre Corner of Oxley Street and Pole Lane Crows Nest NSW 2065 4:00 pm on Thursday 30 th November 2017
Registered office and principal place of business	Office 105/ 45 Atchison Street St Leonards NSW 2065 Phone: 0438 675 510
Share register	Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000 Phone: (02) 9290 9600
Auditor	Rothsay Chartered Accountants Level 12 O'Connell Street Sydney NSW 2000
Patent Attorney	Griffith Hack 100 Miller Street North Sydney NSW 2060
Stock exchange listing	SciDev Limited shares are listed on the Australian Securities Exchange (ASX code: SDV) and the Deutsche Boerse (Code: INF).
Website	www.scidev.com.au
Corporate governance statement	www.scidev.com.au/corporate-governance



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