



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office  
Australian Stock Exchange

31 January 2019

## Quarterly Activities Report: Appendix 4C – December 2018

### Highlights:

- **OptiFlox® System trial at major coking coal operation in the Bowen Basin underway in support of MOU with Phoenix Process Equipment (Phoenix).**
- **Iluka Resources OptiFlox® System shipped and successfully installed during November 2018; the multi-month trial commenced December 2018. Concurrent chemical trial at Iluka Resources now scheduled to take place in February 2019 following delivery of chemicals to site.**
- **Promising laboratory results following joint venture project with the Sinoz Group to reduce copper concentrate losses at SE Asian operation.**
- **Ongoing sales to Peabody Energy in United States with support from MOU partner Phoenix following newly established third-party warehousing facility in Denver, CO.**
- **Field evaluations of SciDev's novel coagulant chemistry have shown promising results, plant trials scheduled for Q1 2019 with Peabody Energy Australia.**
- **SciDev technology progresses to independent review with major Australian iron ore producer.**

SciDev Ltd (ASX: SDV) ('SciDev' or 'the Company') is pleased to provide its Quarterly Activities Report for the period ended 31 December 2018.

### Operational Report

Sales to customers during the quarter (\$669,000) were materially higher than the previous quarter (\$600,000). Revenue was expected to be higher than that achieved, however, the Iluka Resources chemical trial was postponed until February 2019.

During the quarter, the OptiFlox® System trial continued at a major coking coal operation in the Bowen Basin. The system is being trialled on one Phoenix dewatering process unit. The aim of the trial is to establish the most optimal way to control chemical dosing to the twenty-four Phoenix dewatering process units on the site. The chemical sales opportunity remains open and it is expected that an outcome and path forward will become evident for both the OptiFlox® technology and the chemical sales opportunity in Q1 2019.

Iluka Resources installed the OptiFlox® System at their South Australian heavy mineral sands operation. The multi-month trial began in December 2018 and is underway with initial results promising. The aim of the trial is to deliver greater insight into the colloidal behaviour of the tailings and ensure an optimal chemical treatment regime, allowing for increased water recovery and improved tailings deposition. The chemical trial, originally due to start in late 2018, was pushed to February 2019 for reasons outside of the Company's control. The 15 metric tonne chemical trial is expected to last for 5-10 days and will be controlled by the OptiFlox® System.

A joint project with the Sinoz Group was initiated during the quarter to evaluate the ability of the OptiFlox® System to reduce base metal concentrate losses at Sinoz Group customer sites. A major copper producer in SE Asia was chosen as the proof of concept testing site. Laboratory evaluations illustrated that the OptiFlox® System could be effective in reducing copper losses and the site may move toward a full plant trial of both SciDev chemicals and OptiFlox® technology in Q1 2019.

Sales into a Peabody Energy coal mine in the United States strengthened throughout the quarter, accounting for revenue of more than US\$180,000. This initiative supports SciDev's Memorandum of Understanding (MOU) with Phoenix in which the companies agreed to identify cases where the OptiFlox® technology could be integrated into Phoenix's equipment offering. In addition, local warehousing has been established in Denver, CO in support of the supply and will provide a platform to explore other supply options. Subsequent to quarter-end, the Company received a purchase order for a commercial trial of an OptiFlox® System at this site.

Laboratory evaluations of SciDev novel chemical coagulant technology illustrated significant benefits over conventional chemistries at a Peabody Energy site in Australia. The technology has the potential to increase operational stability over a range of plant feed conditions in conjunction with the OptiFlox® System currently in use. The initiative will progress to a plant trial in Q1 2019 and pending success, may open other opportunities for the novel chemistry throughout the coal sector.

Multiple rounds of product and technology evaluations on tailings from a major iron ore producer illustrated significant performance benefits over the incumbent treatment regime. SciDev chemicals have been submitted for independent testing with positive results likely to lead to full scale plant evaluations.

Due to a re-structuring that involves the divestment by Lion Dairy & Drinks (Lion) of its dairy manufacturing business, the Company was advised by Lion that it is standardising its chemical sourcing requirements across its 20+ sites in Australia under one supplier. Consequently, the Company will no longer be a supplier of chemicals to Lion from the end of January 2019. Historically, Lion has been the Company's largest customer by revenue, however, its share of Company sales has been in decline due to increased sales in other sectors; principally the mining sector. Management have undertaken significant steps in support of cost reduction to mitigate the commercial impact.

#### **Tartana Resources Limited**

The Company and Tartana Resources Limited (Tartana) are at an advanced stage of discussions in relation to a revised agreement relating to the sale of the Zeehan Project. Should this agreement proceed to execution it would:

1. Provide a pathway for Tartana to an Initial Public Offering to list on ASX; and
2. Deliver a broadly similar consideration payable to the Company in both cash and shares in Tartana as contained in the existing Zeehan Sale Agreement, which was \$500,000 in cash (of which \$300,000 has been received) and 15 million shares in Tartana (of which approximately 8 million have been received).

Kieran Rodgers resigned as a Director of Tartana during the quarter.

#### **Corporate**

On 29 October, it was announced the appointment of Mr Lewis Utting as an Executive Director and Ms Simone Watt as a Non-Executive Director.

Lewis has over 15 years' experience in the solids liquid separation field in water treatment, mining and chemical industries and is currently the Company's Executive Director. Lewis' most recent employer was BASF, the largest chemical company by sales. Lewis progressed through BASF starting as an Account Manager and finally becoming the Global Project Manager and Global Business Development Manager for the Mining Solutions business. Lewis holds a Bachelor of Applied Science and is a member of the AICD. Lewis has authored and co-authored multiple papers on solids liquid separation and holds a patent application in this field.

Simone is the Managing Director of Sinoz Chemical and Commodities (Sinoz), which is a global company supplying reagents and technology-based improvements to the mining and agribusiness industries. Simone is also a director of Kanins Australia and Kanins International, which are both part of the Sinoz Group of companies. Simone has extensive experience in the areas of strategic sourcing and supplier management, business development and sales and marketing. Simone holds degrees in Mechanical Engineering and Applied Science and is a member of the AICD.

The Annual General Meeting of the Company was held on 29 November 2018 at which all resolutions were passed including:

- Approval of Remuneration Report;
- Re-election of Trevor Jones, Lewis Utting and Simone Watt as directors; and
- A 1:10 Consolidation of the Company's shares and options.

Mr Don Cronin resigned as a Non-Executive Director, effective 31 December 2018.

During October the Company received a cash refund of approximately \$333,000 under the Federal Government's R & D Tax Incentive Program. The R & D was principally in the areas of improvements in the Company's manufacturing capabilities and further applications of the OptiFlox® System.

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

### **Outlook**

The focus for the current quarter is as follows:

- Commercial progress of the OptiFlox® trial at major coking coal operation in the Bowen Basin;
- Successful execution of the Iluka Resources chemical and OptiFlox® System trials;
- Progress to field trial at SE Asian copper producer and continue to leverage synergies with Sinoz Group in base metal industry;
- Grow revenue base in North American market through existing clients and MOU partner Phoenix;
- Progress Iron Ore opportunity for both chemical and OptiFlox® System trials; and
- Ongoing pursuit of additional opportunities in the iron ore, coal, alumina and dairy industries.

Kieran Rodgers  
**Managing Director**

# Appendix 4C

## Quarterly report for entities subject to Listing Rule 4.7B

### Cover Note

**Name of entity**

SciDev Ltd

**ABN**

25 001 150 849

**Quarter ended ("current quarter")**

31 December 2018

SciDev provides the following additional information:

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

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

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

The Company had \$302,000 cash at hand at the end of the quarter and has in place a US\$350,000 working capital facility of which approximately 10% was drawn down at the date of this report. In addition, the Company is advancing commercial discussions to secure exposure to a significant, additional chemical product supply line which is anticipated to include a modest injection of working capital to the Company, by way of share placement. This transaction has not been finalised and is insufficiently definite to be disclosed at this time.

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

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

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

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

SciDev Ltd

ABN

25 001 150 849

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	669	1,269
1.2 Payments for		
(a) research and development	-	-
(b) suppliers and corporate overheads	(917)	(1,708)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(301)	(571)
(f) administration and corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	(3)	(4)
1.6 Income taxes paid	-	(32)
1.7 Government grants and tax incentives	333	333
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(217)</b>	<b>(710)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(18)	(64)
(b) businesses (see item 10)	-	-
© investments	-	-
(d) intellectual property	(15)	(24)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	50
© investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(33)</b>	<b>(38)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	415
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	73	73
3.6 Repayment of borrowings	(4)	(6)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>69</b>	<b>482</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	483	568
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(217)	(710)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(33)	(38)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	69	482
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>302</b>	<b>302</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	302	483
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>302</b>	<b>483</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	122
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors fees are at normal commercial rates.

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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	500	73
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Lender: Kanins International Pty Ltd

Interest Rate: 15% pa

Security: Secured against inventory.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Suppliers and corporate overheads	(800)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(290)
9.6 Administration and corporate costs	-
9.7 Other – Receipts from Customers	700
<b>9.8 Total estimated cash outflows</b>	<b>390</b>

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

#### Compliance statement

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

Date: 31 JANUARY 2019

Print name: Kieran Rodgers  
Director

#### Notes

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