



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office
Australian Stock Exchange

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Quarterly Activities Report: Appendix 4C – June 2019

- Record revenues for the June quarter, with sales to customers exceeding AUD \$1m
- SciDev FY 19 revenue exceeds AUD \$3m, compared with FY 18 AUD \$2m
- Lewis Utting commences as CEO & Managing Director, April 2019
- Jon Gourlay appointed to SciDev Board as Non-Executive Director
- SciDev (US) LLC provides platform for growth into North America
- SciDev and Nuocer cement and expand relationship
- OptiFlox® expands into base metals through Kemtec relationship

SciDev Ltd (ASX: SDV) ('SciDev' or 'the Company') is pleased to provide its Quarterly Activities Report for the period ended 30 June 2019. The quarter saw major leadership changes, with a new CEO & Managing Director and also a new Non-Executive Director added to the board. During the quarter, some early outcomes of initial business development efforts were evident, with significant sales growth, diversification into the base metal market and the establishment of SciDev (US) LLC in the United States.

Operational report

Sales to customers during the quarter were significantly higher (at \$1,180,000); however, a substantial component of cash receipts from these sales will fall in the September 2019 quarter. The cash receipts from customers during the June 2019 quarter (\$766,000) were comparable to the March 2018 quarter (\$760,000), with receipts adequately covering the gap following the loss of the Lion business.

The record quarterly revenue can be attributed to organic growth in the water sector (ref ASX 24 April 2019) and sales pull-through from the Nuocer transaction (ref ASX 24 April 2019 and 20 May 2019). FY 2018 revenues were \$2.04 million and included the Lion Dairy and Drinks business that ceased early in the March 2019 quarter (ref ASX 31 January 2019). The unaudited FY 2019 revenues exceeded \$3 million, representing significant growth year on year and a greater run rate than previous quarters, setting a strong foundation for FY 20.

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It is important for parties reviewing this report and the attached Appendix 4C to understand the difference between cashflow reporting (as provided in Appendix 4C) and accruals-based accounting, as underpins SciDev's key revenue announcements (refer ASX 26 June 2019). The attached Appendix 4C is footnoted at various sections to highlight this distinction as it relates to timing.

North American initiatives

SciDev established a corporate presence in the United States to facilitate growth opportunities through SciDev (US) LLC (ref ASX 23 May 2019). SciDev (US) LLC enables SciDev to support its existing customer, Peabody Energy, in addition to aggressively pursuing other opportunities, including in the oil and gas sector. An initial order has been supplied to the company's MOU partner, Phoenix Equipment Company Inc (ref ASX 26 June 2019), and SciDev expects these volumes to grow.

Nuoer & SciDev Relationship

During May (ref ASX 20 May 2019) Lewis Utting, SciDev's Managing Director and CEO, joined Nuoer China's owner and Chairman, Mr Rong Minjie, and Dr Jeffrey Zhang, General Manager of Nuoer's Australian operations (now engaged by SciDev), in an inspection at the Nuoer Group manufacturing facilities in Dongying, China. Mr Utting and Mr Rong signed a framework agreement for future strategic cooperation. Through the framework agreement, SciDev and Nuoer Group identified key areas for market opportunities within Oceania and in other markets such as oil and gas in the United States.

Mineral sands progress

Additional analysis from the heavy mineral sands trials continued into the quarter following the 15-metric-tonne chemical trial completed in February 2019. The final phase of the Optiflox® system trial concluded in March 2019. The program of work in mineral sands started in March 2018 and included an extensive evaluation program where SciDev technical personnel spent considerable time with site operations to support the initiative. Subsequent to the end of the June quarter the company discussions are still underway, and the company expects a conclusion in the September quarter.

Base and precious metal activities

During the quarter, an OptiFlox® system was leased to Kemtec Mineral Processing (ref ASX 2 May 2019) for installation at a copper-gold operation in mainland Asia. Following extensive factory acceptance testing (FAT) at SciDev's Kings Park facility, the system was shipped, with installation occurring during the last week of the quarter. Commissioning is underway, and the company looks forward to updating the market on the three-month trial as it aligns with the mine's operational plan.

SciDev technical personnel spent considerable time working on a large-scale gold project in PNG. The programs were executed over several site visits consisting of processing reviews and intensive laboratory evaluations of the SciDev chemical portfolio. SciDev looks forward to updating shareholders during the September quarter.

Coal opportunities

Additional evaluations were conducted across several coal projects in both the Bowen Basin and NSW coal fields with tier-one producers. SciDev is confident that some of these projects will further develop

into commercial opportunities for both chemical solutions and the OptiFlox® system.

The OptiFlox® system trial continued at a major coking coal operation in the Bowen Basin. After the initial phase of the trial, an extensive engineering review was conducted on the application, with modifications implemented to allow for extended operation of the system without operator intervention. The trials continued to the end of the June quarter with successful results. Additional commercial discussions will continue into the September 2019 quarter and SciDev is looking forward to updating shareholders as discussions materialise into commercial outcomes.

Management focuses for the September quarter

- Mineral sands commercial conversion
- Push into precious metals and execution of base metal trial in mainland Asia
- Large-scale field evaluations in the US oil and gas sector
- Build on considerable momentum in the Australian coal industry
- Further develop relationship with US MoU partner
- Continued efforts in the Australian wastewater sector

Tartana Resources Limited

During the quarter, Tartana Resources Limited released results of mineral exploration activities at its flagship Tartana and Zeehan projects (ref ASX 4 June 2019) and subsequently lodged a prospectus for its proposed ASX IPO raising (refer ASX 2 July 2019). SciDev currently holds 19.9% of Tartana and will remain a significant shareholder on completion of the ASX IPO raising. Tartana anticipates completing its IPO over the coming quarter.

Corporate

During the quarter, Lewis Utting assumed the role of CEO & Managing Director for SciDev limited and its subsidiaries. In addition, Jon Gourlay joined the SciDev board as Non-Executive Director (ref ASX 28 May 2019).

A shareholders meeting was held subsequent to the end of the quarter, approving the re-election of Mr Gourlay to the Board and approving an issue of options to Directors of the Company, as part of a broader issue of options to the Board and senior executive team (ref ASX 23 July 2019).

Lewis Utting
CEO & Managing Director

Appendix 4C Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SciDev Limited

ABN

25 001 150 849

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers*	766	2,781
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(679)	(3,530)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(375)	(1,182)
	(f) administration and corporate costs	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	16
1.5	Interest and other costs of finance paid	-	(5)
1.6	Income taxes paid	-	(32)
1.7	Government grants and tax incentives	-	333
1.8	Other (provide details if material)	-	
1.9	Net cash from / (used in) operating activities*	(285)	(1,619)
2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(49)	(116)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

* As per ASX requirements, this is a cashflow receipts reporting standard. Normal accounting processes requiring accrual accounting deliver different results and, in particular, receipts include accrual of revenues earned and invoiced but not received during the relevant period. SciDev's announcement of 26 June 2019 reported that the Company was on track to deliver record revenues of over \$1M for the current quarter and \$3M for the year. These record revenues were achieved, however SciDev notes that these revenues, on an accrual basis, differ to the revenues reported in this Appendix 4C and expect to fully receive the cash payment in Quarter three of 2019.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	(10)	(38)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		-
	(a) property, plant and equipment	190	240
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	131	86
3	Cash flows from financing activities		
3.1	Proceeds from issues of shares	578	2,730
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
3.6	Repayment of borrowings	(46)	(82)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	532	2,721
4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,378	568
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(285)	(1,619)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	131	86
4.4	Net cash from / (used in) financing activities (item 3.10 above)	532	2,721

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,756	1,756

5	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	1,756	1,378
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,756	1,378

6	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2*	185
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	

* This figure includes non - recurring payment of \$74k to the previous Managing Director Mr Kieran Rodgers, who officially stepped down in April 19.

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

+ See chapter 19 for defined terms

8 Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
500	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Lender: Kanins International Pty Ltd

Interest Rate: 15% pa

Security: Secured against inventory.

9 Estimated cash outflows for next quarter**\$A'000**

9.1 Research and development

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

9.4 Leased assets

9.5 Staff costs

9.6 Administration and corporate costs

9.7 Other (Receipts from customer)

9.8 Total estimated cash outflows

-1623

-550

0

2217

44**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

+ See chapter 19 for defined terms

1 September 2016

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.

Sign here:



(Director)

31072019

Print name:

Lewis Utting

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.

+ See chapter 19 for defined terms