



INNOVATIVE SCIENCE • REAL VALUE

Unit 1

8 Turbo Road

Kings Park NSW 2148 Australia

ABN 25 001 150 849

Email: projects@scidev.com.au

Website: www.scidev.com.au

ASX code: SCIDEV

Companies Announcements Office
Australian Stock Exchange

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SciDev delivers first quarter of positive cashflow

Quarterly Activities Report: Appendix 4C – March 2020

Q3 FY2020 Highlights

- **First cash flow positive quarter generating AUD\$0.7m, record sales in March AUD\$4.8m**
- **Record quarterly sales to customers of AUD\$7.3m with cash receipts of AUD\$5.8m**
- **Strategic USD\$6m acquisition of Highland Fluid Technology Inc (HFT)**
- **MaxiFlox[®] trial order with Syncrude, first entry into large Canadian oil sands market**
- **MaxiFlox[®] trial order with Las Bambas, first entry into large South American copper market**
- **Appointment of CFO and inclusion of several finance facilities to support rapid growth**

SciDev Ltd (ASX: SDV) ('SciDev' or 'the Company') is pleased to provide its Quarterly Activities Report for the period ended 31 March 2020. Sales to customers during the quarter were AUD\$7.3m, (up 80% on the December quarter). Cash receipts from customers of AUD\$5.8m were recorded during the quarter (a 154% increase on the December quarter).

The March quarter was cashflow positive with the business generating AUD\$0.7m (vs -AUD\$1.8m cash outflow in the December quarter) with cash inflows attributable to realisation of sales and completion of product inventory build in the previous quarter. End of the quarter cash at bank was AUD\$3.9m and the Company ended the quarter with AUD\$3m of inventory at hand.

In the December Quarterly Activities Report, the company highlighted several operational targets for the March quarter. The SciDev team continue to execute on these targets and deliver revenue growth with a targeted approach.

Reflecting on Q3 FY2020, SciDev Managing Director and Chief Executive Officer Lewis Utting said:

'The March quarter was a strong and active period for the company despite global challenges. Achieving a cashflow positive position reflects the growing maturity of the business delivered by several quarters of hard work and commitment from the SciDev team. Our record revenues reflect our

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business development efforts and a full quarter of revenues realised from contract wins and ProSol acquisition. Importantly, our continued contract wins highlight the commercial viability and utilisation of the SciDev offering and the substantial market opportunities.

I would like to thank all the staff at SciDev for their efforts during the quarter and we look forward to continuing to deliver growth with improving cashflow realisation over the coming quarters.'

Operational Report

SciDev continues to be a leader in the development and application of chemistry and process control focussing on the reduction of waste water from a range of industrial applications. Our world-class technology, chemistry, management and manufacturing capabilities solve operational and environmental issues across a range of sectors including oil and gas, water, mining and construction. The March quarter was another active period for the Company, with our team engaged across several sectors in multiple geographies.

Oil & Gas

Upstream

During the March quarter, SciDev was pleased to advise the closing the acquisition of Highland Fluid Technology (ref ASX 2 January 2020 and 2 March 2020), which provides a range of chemicals and professional services to the onshore US oil and gas sector, bringing together technology and chemistry to improve water recovery, fluid economics and extraction performance.

March represented the first full month of Highland Fluid Technology (HFT) as a subsidiary of SciDev Ltd. The Company via our strategic supply partner, Nuoer Group, expedited the first 400 tonne shipment of its MaxiFlox[®] Chemistry from China to West Texas during the month of March. The delivery of product highlights the supply synergies and logistics capability of our group in challenging times. The MaxiFlox[®] product was manufactured in and shipped from China arriving at the Port of Long Beach, CA within 30 days of order. The product is now being delivered to HFT's operations in West Texas. Executing our strategy of direct chemical supply to oil service customers was successful during March, with sales to new SciDev customers recognised.

Several development initiatives were accelerated in the oilfield sector, with chemistry sales to control rotten egg gas (hydrogen sulphide) in water treatment. The company is excited by this initiative and expects several more material technologies to be utilised to solve similar problems in industries that the company serves. Meeting the current industry needs for reduction in production costs, the company is fast tracking its patent-pending xPAM. The patent pending technology greatly improves the handling of dry chemistries with improved dispersion and fast hydration in water allowing for lower CAPEX, improved pad utilisation and a reduced overall cost per barrel production cost.

Dewatering & Drilling Fluids

During the quarter the Company received a trial purchase order with Syncrude, one of Canada's largest oil producers. The trial is anticipated to last for approximately 2 weeks and is scheduled to occur late in FY2020 supporting Syncrude's environmental rehabilitation efforts. The trial represents AUD\$1m of revenue for SciDev and will focus on the utilisation of SciDev's chemistries in Syncrude's CND\$1.9b full-scale Tailings Centrifuge Plant. SciDev staff will be on site in Canada to deliver the associated professional services and ensure the trial delivers a successful offering for Syncrude.

Fluid tailings management is an area of increasing regulation in the Canadian Oil Sands industry. Government agencies, such as the Alberta Energy Regulator are introducing and tightening regulation around limiting the amount of fluids passing into tailings dams in order to manage and reduce environmental risk and liability which is likely to continue irrespective of oil price and Syncrude production volumes.

For further information on the regulatory framework around the Canadian Oil Sands sector please visit <https://www.aer.ca/regulatingdevelopment/rulesanddirectives/directives/directive-085>

Downstream

In February 2020, the company received a purchase order from Phoenix for USD\$1.4m for its MaxiFlox® chemistry. This order comes on the back of the Heads of Agreement with Phoenix Process Equipment Company (ref ASX 22 August 2019) and several orders of the Nuoer-produced chemistry passing field tests in North America over several months. The most recent order was manufactured to SciDev specification in China by Nuoer and shipped to North America during February and March, despite challenges brought about by COVID-19.

Mining & Mineral Processing

Mineral Sands

Bulk deliveries of SciDev MaxiFlox® continued as forecast under the recently signed mineral sands contract (ref ASX 30 August 2019). Focus during the quarter was on optimising process control utilising SciDev's OptiFlox® system in conjunction with the use of the MaxiFlox® chemistry.

The company continues its business development activities within the Australian minerals processing sector with initial meetings conducted with another major minerals sands producer in Australia. It is anticipated that site visits will be scheduled in the near future, including technical activities for product qualification which may have the potential to lead to full scale plant trials.

Nickel

A commercial trial has been secured in New Caledonia with a French multinational mining and metallurgy company which is expected to commence in Q4 FY2020 pending current travel restrictions.

SciDev paid servicing activities at Ramu (ref ASX 9 September 2019) are pending given current travel restrictions and will proceed at the first opportunity. Our approach to additional large nickel laterite operations in Australia, ASEAN and the South Pacific has been well received and SciDev technologies and services will be included in upcoming product evaluations and tenders.

Base & Precious Metals

Stocks of MaxiFlox® have been delivered to the Las Bambas copper mine in Peru (ref ASX 14 January 2020) and trials will commence in Q4 FY2020. Site staff, along with SciDev technical experts, have developed trial protocols allowing effective remote support by SciDev staff from Australia.

SciDev MaxiFlox® technology trials were successfully started and are ongoing at a large-scale gold project in PNG, which will lead to ongoing orders and additional opportunities to supply into a range of applications.

Following lab-scale technical evaluations executed in the December quarter with a major Australian

copper producer the company has received commitment to move to full-scale plant trials with MaxiFlox® chemistry. It is expected that field trials are expected to commence in Q4 FY2020. SciDev is looking forward to sharing progress as the project develops.

Trials of the SciDev OptiFlox® system leased to Kemtec Mineral Processing (ref ASX 2 May 2019) are near to completion and a report will be presented to site management for evaluation in Q4 FY2020.

Metallurgical & Thermal Coal

During the quarter, the company executed the supply, installation and commissioning of flocculant equipment under contract to Yancoal Australia's Warkworth operation with final completion expected in early Q4 FY2020 (ref ASX 24 December 2019).

The trial of an OptiFlox® system at a major coal producer in the Bowen Basin has been converted to a new application, where the system is being used to minimise fine coal product losses. The major coal producer has also agreed to utilise MaxiFlox® Technology as part of the trials and therefore a new order will be issued.

SciDev continues to be active in other areas of the Bowen Basin, with continual support of a large-scale CHPP which has been challenged with process water quality issues. These trials are now advanced, and the client is preparing for a bulk installation of equipment and ongoing supply from SciDev beginning in Q4 FY2020.

Several other developments have been progressing, with a continual focus on coal operations that encounter clay challenges, those planning pilot programs for tailings dewatering technologies where consultancy services and testing programs are in planning.

The demonstrated capabilities SciDev have in water treatment is leading to opportunities to support both raw and process water treatment programs at coal operations in the Hunter Valley. A full service package is in development and this will augment our offering to our existing customers in the coal market.

Water

Potable Water

SciDev's participation in a major national tender with a key industry service provider has led to opportunities to conduct site-level evaluations of SciDev chemistry. Our ability to produce specific chemistries through our plant in Sydney is an attractive proposition for the customer as it delivers security of supply not currently available in Australia.

Waste Water

Ongoing sales were established with an additional two industry service providers in the quarter and this sector will continue to grow in 2020.

In Victoria, a major country meat producer commissioned their wastewater treatment plant where SciDev MaxiFlox® technology is being used as they progress to continual operations.

Construction

Supply to a major infrastructure project continued during this quarter and will curtail once tunnelling operations cease during the June quarter. The consultative approach SciDev took with the

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international tunnelling contractor has resulted in an invitation to participate in a similar project commencing next quarter with a broader remit to include products, services and equipment.

Corporate Update

Our people and policies

SciDev has adopted a comprehensive COVID- 19 Workplace Policy to ensure the safety of staff, whilst continuing to deliver bespoke chemistry solutions and professional services in this challenging macroeconomic environment. The SciDev team are accustomed to working remotely in challenging environments. Our production facility remains open and fully utilised with our customer facing and back office teams working remotely.

Staffing

During the period SDV announced the hire of a new CFO, Mr John Fehon. Mr Fehon has had an extensive career across a range of industries including manufacturing, mineral services, supply chain management and professional services. Mr Fehon is a Chartered Accountant, member of the Australian Institute of Company Directors and holds an MBA from the Macquarie Graduate School of Management.

Tartana Resources Limited

Tartana Resources Limited continued to pursue its proposed ASX IPO raising (refer ASX 2 July 2019). Several supplementary prospectuses have been lodged by Tartana as it has either extended the offer or provided additional disclosures. The offer is currently scheduled to close on 29 May 2020. Further information will be provided as it comes to hand.

R&D, IP and Technology

SciDev continue to develop inhouse IP and during the quarter. Several patent applications have been successful with other applications currently under review globally. We look forward to updating the market as these initiatives progress.

The Company maintains an ongoing dialogue with several large, global groups regarding potential IP licences or product supply agreements. Opportunities exist to couple SciDev's customer focussed team with third party technologies or product to achieve provide additional customer solutions.

Financial Position

As at 31 March, the company had AUD\$3.9m cash at bank. During the quarter the company entered into an AUD\$5.0m trade finance facility to support the Australian business with Apricity Finance (drawn AUD\$0.39m). Highland Fluid Technology currently have a similar facility open with Silicon Valley Bank, with USD\$2.0m available against accounts receivable (drawn USD\$0.52m). The existing USD\$0.35m facility with Kanins Australia (undrawn) remains in place until October 2020 at which point it will be reviewed.

The combination of our consistently growing sales, net cash position, receivables pipeline and available facilities delivers an exceptionally strong balance sheet for the Company to deliver on our growth options.

Outlook

Management focus for the remainder of FY2020 will be:

- Execute on our recently won contracts and support the existing customer trials
- Realise supply synergies from SciDev manufactured product through HFT and ProSol
- Continue our development within the domestic civil and construction industry
- Leverage our cost position to drive business growth in the Oil & Gas industry
- Continue to grow our relationship with strategic partner, Nuocer China
- Accelerate our initiatives in the Australian wastewater sector
- Build on our momentum with the existing organic growth pipeline
- Continue to grow positive cashflows from the combined entity

Lewis Utting

Managing Director & Chief Executive Officer

This release has been approved by the Board of Directors of SciDev Limited.

For Further Information:

Corporate

Lewis Utting – MD & CEO

Heath Roberts – Company Secretary

(+61) 2 9622 5185

Investors

Craig Sainsbury – Market Eye

craig.sainsbury@marketeye.com.au

About SciDev

SciDev is a leader in the development and application of both chemistry and process control for solids-liquid separation. SciDev brings together world-class technology, chemistry, management and manufacturing capabilities to solve pressing operational and environmental issues for the water, oil and gas, mining and construction markets.

About OptiFlox®

OptiFlox® is a patent-pending technology that continuously analyses and measures key parameters in industrial process streams. The OptiFlox® system improves the clarification of water and the addition of chemistry, enabling optimal utilisation of industrial processes including mineral processing and water treatment.

About MaxiFlox®

Our MaxiFlox® flocculants and coagulants are made to SciDev specification in house and by Nuocer Group and cover a broad range of conventional and advanced flocculant and coagulant products. MaxiFlox® proprietary technology is specifically optimised for application with our OptiFlox® control technology across most applications. It provides highly effective solutions at treatment costs of up to 30% less than our competitors.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity		
SciDev Limited		
ABN		Quarter ended ("current quarter")
25 001 150 849		31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	5,815	9,633
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(4,289)	(9,600)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(814)	(1,813)
	(f) administration and corporate costs	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	(8)	(43)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	705	(1,820)

2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	55	(871)
	(c) property, plant and equipment	1	(161)
	(d) investments	-	-
	(e) intellectual property	-	(28)
	(f) other non-current assets	(1)	(1)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	55	(1,061)

3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,279
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(306)
3.5	Proceeds from borrowings	109	98
3.6	Repayment of borrowings	-	-
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	109	5,071

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,077	1,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	705	(1,820)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	55	(1,061)

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Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	109	5,071
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of quarter	3,949	3,949

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	3,949	3,077
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)	3,949	3,077

6	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	70
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7	Financing facilities Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		3,244	837
7.2	Credit standby arrangements		574	-
7.3	Other - invoice purchase facilities		5,000	391
7.4	Total financing facilities		8,818	1,228
7.5	Unused financing facilities available at quarter end			7,590
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.			
	Secured	%	Maturity date	Facility amount \$A'000
	Silicon Valley Bank (California USA) revolving credit (Facility Limit USD 2mill)	5.75%	26/09/2020	3,244
	Kanins International Pty Limited (Australia) (Facility Limit USD 0.35mill), 15% per annum	15.00%	1/10/2020	574
	Apricity Finance Group (Australia) invoice purchase facility	2.00%	30/04/2020	5,000
				8,818
				1,228

8	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	705
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,949
8.3	Unused finance facilities available at quarter end (Item 7.5)	7,117
8.4	Total available funding (Item 8.2 + Item 8.3)	11,066
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	positive coverage >16 Qtrs
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? Answer: Yes	
2.	Has the entity 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? Answer: No	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? Answer: Yes, coverage as per 8.4 and ongoing customer contracts	

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: 07/04/2020
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Lewis Utting

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow 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 cash flow 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.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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