



## SciDev Ltd. (SDV) – Initiation Report

Small Fish Cleaning a Big Pond...

Speculative Buy: PT 73c/share

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### Summary (AUD)

Ordinary Shares	125.8m
Unlisted Options	6.75m
Market Capitalisation (m, undil.)	\$71.7
Cash and Equivalents (m) – 30/9	\$4.9
Share Price (30/10/2019)	\$0.57
52-week high/low	\$0.595/\$0.065

### Share Price Graph



### Directors

Lewis Utting	CEO & Man. Director
Trevor Jones	Chairman
Simone Watt	Non-Exec Director
Jon Gourlay	Non-Exec Director
Heath Roberts	Company Secretary

### Major Shareholders

Nuoer Group	6.8%
Sinoz Group	5.5%
Perennial Value Management	5.3%
Lewis Utting (and associates)	3.9%

### Investment Highlights

- SciDev’s primary business model is to sell their range of chemicals and polymers on a bespoke basis (which provides the main income flow) for the purpose of solids-liquid separation. The ability to adjust to specific requirements of the customer is a key aspect to SciDev’s competitive advantage. An example of this would be their MaxiFlox® range.
- The global market for flocculants and coagulants is approximately worth \$8.5b. The two biggest suppliers are SNF with 40% of the market and Nuocer with ~20%.
- SciDev Ltd has a binding Heads of Agreement (HOA) with Nuocer Group. Under the terms of the HOA, SciDev has been granted the exclusive distribution and marketing rights from Nuocer Chemical Australia Pty Ltd over a 10-year period.
- Contracts for the supply of chemicals have already been secured by SDV with major groups such as Peabody Energy (coal) and Iluka Minerals (mineral sands). SciDev is also looking to break into growth markets such as wastewater and the oil & gas industry (particularly in North America).
- We believe that SciDev Ltd (SDV) has a unique market position in the solids-liquid separation market and with a healthy pipeline of significant opportunities for the business in the short term (coupled with the strong technical team that has been established), we initiate coverage on SDV with a Speculative Buy recommendation.

## What does SciDev do?

SciDev is a leader in the development and application of both chemistry and process control for solids-liquid separation. SciDev brings together technology, chemistry, management and manufacturing capabilities to solve pressing operational and environmental issues for the minerals processing, tailings, water treatment and oil & gas markets. The products are also used in a wide range of other industries including dairy and other food and beverage manufacturing, industrial liquid waste management, power generation, paper/cardboard manufacturing, paint manufacturing, cosmetics manufacturing and personal products.

SciDev technology focusses on the addition of coagulants and flocculants into liquids to drive the solid separation.

- **Coagulation** – Aggregates small particles by enhancing the attractive forces between them
- **Flocculation** – Brings together small coagulated particles using polymers which bridge between particles and bind them together.

### About MaxiFlox®

MaxiFlox® flocculants and coagulants are made to SciDev specification and cover a broad range of conventional and advanced flocculant and coagulant products. The MaxiFlox® proprietary technology is specifically optimised for application with the OptiFlox® control technology across most applications.

### 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, improves the addition of chemistry allowing for optimal utilisation of several industrial processes including mineral processing and water treatment.

## Executive Summary

SciDev has focussed exclusively on the research, development and manufacture of polymers for liquid-solids separation. The company developed its OptiFlox® System, which was originally designed to address 'blackwater', which occurs when the clarity of the water from coal tailings' thickeners drops to unacceptable levels, resulting in inefficient coal production and plant shutdowns. The incoming slurry is treated with flocculant but when significant clay is present, a coagulant is required to help clarify the wastewater.

More recently though, the key driver of revenue for SciDev now lies in the supply of chemicals and polymers on a bespoke basis (MaxiFlox® etc). SDV is able to work closely with the client and through a period of testing/optimisation, is able to formulate a chemical composition which best treats the issue at hand. The flexibility to cater on such a specific level, provides SciDev with a distinct competitive advantage to its much larger peers.

The gross margins on chemical sale revenues sits at ~30% and contract terms are usually set out over multiple years; particularly if the chemical provided offers a steady-state solution for the customer (that can be adjusted accordingly when required).

Engagement of the client is the first step of the process, with a period of trial and optimisation leading to a final decision to be made. A typical process/timeline of progressing from early discussions to signed contract can be seen in Figure 1.

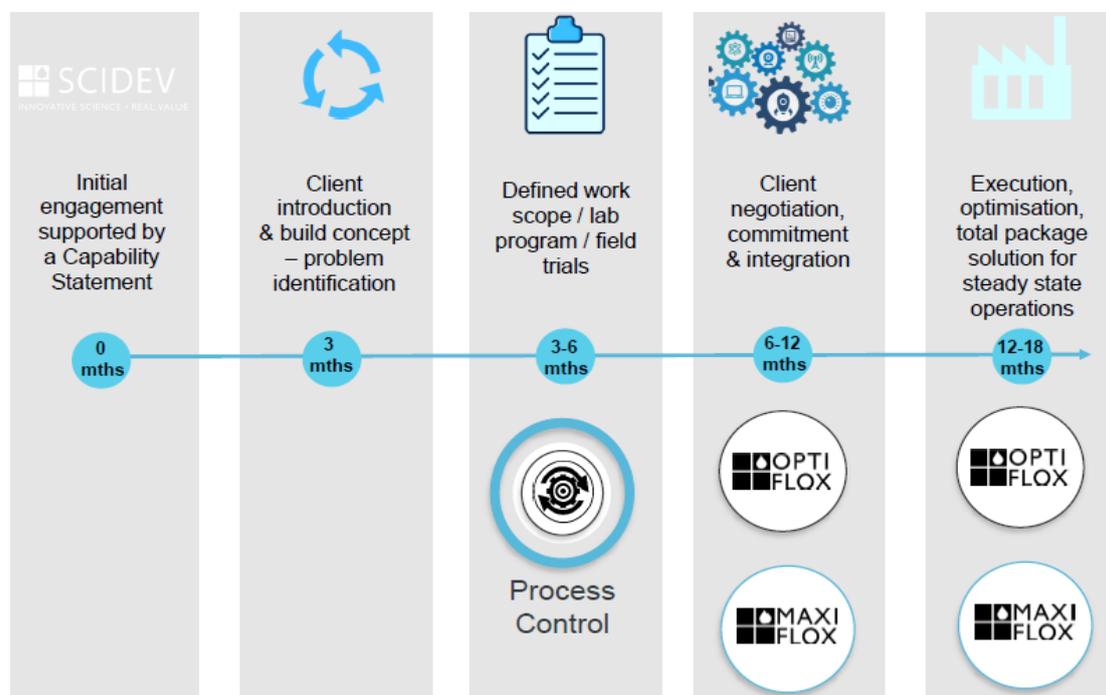


Figure 1 – Timeline (as a guide) of Implementation for SciDev's OptiFlox® and MaxiFlox® Solutions (source: SDV September 2019 Presentation)

As for current financials; SciDev Ltd (SDV) had receipts from customers of ~\$1.5m\* in the September Quarter (\$2.9m revenue for the whole of FY19).

\*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. Note that SciDev sales for the September Quarter were \$2.28m.

We suggest that SciDev is on track for ~\$12-13m of revenue in FY20, based on September Quarterly figures of ~\$2.28m revenue and additional contracts that will filter into the current financial year. The assumed revenue also includes:

- Sales revenue from a recent chemical sales contract signed with Iluka Minerals (at the Jacinth-Ambrosia Mineral Sands Operation) that is expected to deliver a total revenue of \$8–12m (over a three year period)
- The recent acquisition of ProSol (currently has a reported revenue rate of \$2-\$4m per annum) that will finalise in the December Quarter.

Effectively that will make SDV cashflow positive within the next 12mths and positions the company well to secure larger contracts (which could be a real catalyst for the stock). Working capital requirements are critical for SDV through this growth phase and the recent raising (\$4.16m) has placed the company in a well-capitalised position to fund continued growth (~\$4.9m of cash on the balance sheet as at 30<sup>th</sup> September). Strategic alliances have also been formed with other chemical industry participants and revenue is starting to accelerate, which we feel is indicative of things to come in a growing pipeline of potential contracts.

The total global market is worth approximately US\$8.5b (flocculants = 95% and coagulants = 5%). Of particular note, is the size of the North American market (estimated to be worth US\$1.4b), which will be a focus for the business moving forward. A number of opportunities have already been identified, including oil sands in Alberta, which is a significant consumer of flocculants (with an estimated expenditure of ~US\$160m per year) and requires chemical solutions for the management of vast tailings ponds.

We have assumed solid revenue growth for SciDev based on a number of pipeline projects coming to fruition. Of course, this is dependent on larger contracts being awarded, but we feel SciDev has the logistics and management team in place to carry out what is required to fulfil these. A recent example of SDV's business capability was securing a chemical supply contract with Iluka at the Jacinth-Ambrosia Mineral Sands Operation. This should generate \$8-\$12m of revenue to SDV over a three year period.

	FY19A	FY20E
<b>Sales Revenue</b>	\$2.8m	\$12.5m
<b>NPAT</b>	-\$2.0m	\$0.7m
<b>Cash Flow</b>	\$1.2m	\$3.6m*

\*This includes \$4.16m raise completed in September 2019 and \$1.045m to be paid as part of ProSol acquisition)

Using a 10% discount rate in the DCF model (and assuming revenue growth of 14-15% from FY21 onwards), we come to a risk-weighted Price Target of **73c/share**.

The current contracts in place have opened up a raft of opportunities for SDV and the chemical products are gaining credibility within the sector with each technical approval checklist that is being ticked off. SDV has a significant pipeline of opportunities and are in discussions with a variety of groups to offer real operational chemical solutions.

As far as ASX-listed comparable companies are concerned, that is slightly difficult, with all relevant companies having a slight variation in water clarification services and/or chemical supply. Nevertheless see below for a list of companies that can provide some guide to revenue multiples within the water treatment sector. It is important to note that SciDev has substantially increased its contract positions since the last Annual Report (as mentioned on the previous page).

	De.mem (DEM)	SciDev (SDV)	Envirosuite (EVS)	PurifIOH (PO3)	Fluence (FLC)	Phoslock (PET)
<b>Market Cap</b>	\$46.4m	\$71.7m	\$134m (post raise)	\$188m	\$269m (post raise)	\$534m
<b>Net Cash</b>	\$3.5m (as at 30/6)	\$4.9m (as at 30/9)	~\$17m (post raise)	\$5.8m (as at 30/9)	~\$45m (post raise)	\$14.6m (as at 30/9)
<b>Revenue*</b>	~\$10.5m	\$2.9m	~\$7.7m	N/A	US\$101m	\$18.7m

\*Last reported Revenue in Annual Report

- DEM: Decentralised water and wastewater treatment business that designs, builds, owns and operates turn-key water and wastewater treatment systems for its clients. DEM provides membrane technology for industrial water treatment solutions.
- EVS: An environmental management technology company that has developed a leading Solution-as-a-Service offering which translates data into action in real-time. Clients are involved with mining, water and waste management, heavy industry, ports and agricultural industry sectors and as well by governments looking to regulate industry.
- PO3: Specializes in water treatment technologies and services, including ground water treatment, desalination, and ozone production technology. PO3 is also moving into the area of air cleaning (air purification and surface sterilisation).

- FLC: Involved with the decentralized water, wastewater and reuse treatment markets with its Smart Products Solutions, including Aspiral™, NIROBOX™ and SUBRE. Fluence offers an integrated range of services across the complete water cycle.
- PET: Provides water technologies and solutions for lake restoration, reservoir managements and water quality management in storm water ponds (chemicals for the prevention of algae growth).

SciDev has achieved significant milestones to date (both from a technical standpoint and relationships developed as part of the client engagement process). To have sales contracts in place with major companies such as Peabody Energy and Iluka Mining (large mining groups are notoriously difficult to pin down for new contracts), as well as numerous business alliances (especially a significant entity such as the Nuocer Group) is testament to the services that SciDev has provided to its client base.

The Board and Management (currently led by the CEO/MD Lewis Utting) has seen a significant change in the last twelve months and we feel SciDev has the right team to carry the company forward with significant experience in the chemicals industry across all levels of the business. The need for better solid-liquid separation is becoming an ever more pertinent issue with operators required to become more efficient and maintain a high level of environmental standards.

SciDev Ltd (SDV) is perfectly positioned to secure contracts in a growing market and we initiate coverage with a Speculative Buy recommendation.

## **Market Size (Flocculants and Coagulants) and Main Suppliers**

The two biggest suppliers of flocculants and coagulants are SNF with 40% of the market and Nuocer with ~20%.

Headquartered in France, SNF is the largest polyacrylamide manufacturer in the world. These water-soluble polymers are used in drinking water production, wastewater treatment, enhanced oil recovery, mining, paper, agriculture, textile and cosmetics. SNF has customers in over 130 countries and operates 23 production sites in Europe, Asia, Australia and the Americas. SNF is a leader in manufacturing and processing water-soluble polymers, SNF has developed a range of more than 1000 products that help to preserve natural resources, encourage recycling and improve efficiencies of industrial processes (SNF also introduces 100 new products every year with a strong focus on R&D).

The Nuocer Group is privately owned and based in China. It commenced operations in 2003 and has grown rapidly, with polymer-based flocculant manufacturing capacity now exceeding 300ktpa. The group's most recent factory in Dongying, complements its existing facility in Guangrao. These facilities operate under ISO 9001 and ISO 14001 quality and environmental management systems.

## **Business Alliances**

### **Nuocer Group**

SciDev Ltd has a binding Heads of Agreement (HOA) with Nuocer Group (as announced 11<sup>th</sup> February 2019). Under the terms of the HOA, SDV's 100% owned operating subsidiary Science Developments

Pty Ltd has been granted the exclusive distribution and marketing rights from the Nuocer Group's Australian operating entity, Nuocer Chemical Australia Pty Ltd, for a 10-year period.

The exclusive rights pertain to countries within the Oceanic region that have substantial mineral processing and water treatment sectors. The Nuocer Group's head entity is also a party to the HOA and has agreed to guarantee the supply chain under favourable terms of trade. In addition, the agreement allows SDV to work with Nuocer Group to support business development initiatives globally in key target industries.



Figure 2 – Lewis Utting (SciDev CEO) running a strategy session with Nuocer China in Dongying (source: SDV 20<sup>th</sup> May 2019 ASX Announcement)

### Phoenix Process Equipment Company

SciDev has also signed a Heads of Agreement MoU partner Phoenix Process Equipment Company for supply of chemistry into the United States following successful validation of the Nuocer produced chemistry delivered into Houston. The chemistry was qualified in both the oil & gas and mineral processing spaces for use in waste dewatering and water recovery.

### Sinoz Group

Sinoz Chemicals and Commodities Pty Ltd (Sinoz), Kemtec Mineral Processing Pty Ltd and Kanins International Pty Ltd (all part of the Sinoz Group) are globally significant manufacturers and suppliers of chemicals and reagents to the mining industry and the agribusiness sector. Sinoz manufactures flotation reagents, principally xanthates, with its partner Qixia TongDa Flotation Reagent Company (Qixia TongDa). Qixia TongDa is the world's largest xanthate manufacturer with four manufacturing sites in China. Sinoz and Kemtec supply reagents utilised in the flotation of metalliferous ores such as collectors, depressants, activators and frothers along with providing process optimisation technology. Both the SciDev and Sinoz/Kanins/Kemtec (the Sinoz Group) technology portfolios are highly complementary and cover the entirety of the mineral processing reagent value chain from grinding, beneficiation through to tailings and water treatment. SciDev should continue to benefit from existing Sinoz Group customer relationships, which management believes will accelerate business development activities.

**Peabody Energy**

Peabody Energy Peabody Energy Inc. headquartered in St. Louis, Missouri, is the world's largest private-sector coal producer. Peabody is a key customer for SciDev, using the OptiFlox® system and buying SciDev chemicals both in Australia and the US. There is strong potential for increased SciDev sales as these services are extended to other Peabody mines.

**ProSol Australia**

SciDev Ltd recently announced the strategic \$1.9m acquisition of ProSol Australia – a bespoke engineering and chemistry company that provides services to the mining and water treatment industries in NSW. The transaction is structured 55% cash, 45% equity across three tranches (subject to the achievement of key financial milestones in FY2020 and FY2021).

The ProSol Australia transaction is expected to deliver additional revenues of \$2-4m per annum from the Hunter Valley coal industry and enhances SciDev's positioning with key major coal producers in the region. Acquiring ProSol Australia also allows SciDev the ability to utilise their supply chain and Nuoer manufactured MaxiFlox® chemistry to maximise margins from ProSol's existing operations. The combination of ProSol's established relationships and the larger collaborative approach with SciDev/Nuoer chemistry and distribution capabilities, puts the combined entity in a very strong position to secure larger contracts. Additionally, ProSol Director Ben Gill will join the SciDev management team and engineer Terry McHugh will also join as the Technical Account Manager as part of acquisition. SciDev considers this a real positive, as the need for skilled personnel increases with the rapidly growing business.

**Marketing/Contracts****North America**

SciDev has established a corporate presence in the United States to facilitate growth opportunities through SciDev (US) LLC. 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. SciDev (US) LLC received its first major order for friction reducers in the oil & gas market destined for the US Permian basin in July this year. The technology was fit for purpose at high salt concentrations allowing for clean water to be preserved and process water recycled and reused in the extraction process. Further commercial and field evaluations to be undertaken in order to determine the potential financial returns to SciDev from this significant market.

SDV MaxiFlox® technology also reached a milestone in the Canadian oil fields as it passed both environmental and performance hurdles at the laboratory scale. Preparations are underway for field-scale evaluations of the technology, which represents a significant market for the MaxiFlox® technology. Opportunities in North America will be a real focus area of growth for the SciDev moving forward. US trial and commercial negotiations are progressing well, and results will be reported in due course.

**Mineral Sands**

SciDev signed a major supply contract with Iluka after an extensive evaluation period on site. SciDev built a knowledge base enabling the design of bespoke chemistry specifically for the Iluka Jacinth-Ambrosia Mineral Sands Operation. The evaluation period led to a contract for SDV's MaxiFlox®

chemistry for an initial three-year period, with the contract expected to deliver revenues in the order of \$8–12m over the duration.

### Nickel Laterite

SciDev executed several laboratory programs and site processing audits at the Ramu mine in Papua New Guinea on behalf of their strategic partner, Nuoer China. SDV activities at Ramu represent its first entry into the Asian nickel-cobalt market, exercising SciDev's unique understanding of difficult ore types and complex processing routes. The laterite nickel processing segment is strategically relevant for SDV and represents one of the largest chemical opportunities in the mining market, with large volume users in Australia, Papua New Guinea, Philippines, New Caledonia and several other regions.

### Base & Precious Metals

Location	Commodity	Progress
Papua New Guinea	Gold	-Awaiting feedback from technical and commercial document submissions
Australia	Gold	-Laboratory testing completed -Order has been placed for full plant evaluations of MaxiFlox® chemistry
Peru	Copper	-Awaiting feedback from technical and commercial document submissions
Mainland Asia	Copper-Gold	-Commissioning of OptiFlox® system leased to Kemtec Mineral Processing was completed -Trial to commence in line with the mine operational plan in the coming months
Australia	Copper	-Order received for SDV MaxiFlox® chemistry that requires improved water recovery and density in the processing circuit

### Metallurgical & Thermal Coal

The trial of the OptiFlox® system at a major coal producer in the Bowen Basin is continuing. To further expand on these trials, as recommended by the client, the OptiFlox® system is being transferred to another process where the system will be used to minimise fine coal product losses.

SDV has been active in other areas of the Bowen Basin, with the restart of a large-scale coal handling and preparation plant (CHPP). SDV is the preferred supplier for both chemicals and equipment while providing paid professional services to support the restart. In addition, SDV has recently secured supply of its MaxiFlox® chemistry to another coal producer in the southern area of the basin.

Other developments have been progressing, with a focus on coal operations that encounter clay challenges. Several technical programs are being executed with SDV MaxiFlox® technology. Through this process, there have been multiple opportunities identified for OptiFlox® system technology across both the Bowen Basin and Hunter Valley in Australia.

### Wastewater

There has been strong development and growth in both the municipal and industrial water and wastewater treatment sectors. SciDev is part of a major national tender with a key industry service provider and recently successfully tested SDV products in preparation for commercial industrial trials in both NSW and WA.

Other industry service providers have been evaluating the MaxiFlox® technology, with strong leads across NSW and QLD, where industrial trials have been successful and final commercial negotiations are in place. In Victoria, a major country meat producer is in the construction phase of installing a wastewater treatment plant on which SDV MaxiFlox® technology have been tested and confirmed for use during start-up, commissioning and ongoing operations.

## Construction

SciDev was invited by several new potential clients to support with clay and water management associated with tunnel boring machines (TBM). The treatment of the TBM slurry requires SDV MaxiFlox® technology to enable effective dewatering and separation of the solids in addition to returning clean water. The first industrial trials are scheduled for the December Quarter across several sites.

## Growth and Opportunity

SciDev's specific growth opportunities include:

- Continual development within the civil and construction industry
- Expanded presence in the oil & gas sector, specifically within the USA and Canada
- Australian wastewater sector
- Building upon the current existing organic growth pipeline
- Non-organic growth opportunities

## Iron Ore

Operations employing concentration processes on lower grade ore (such as magnetite) require significant quantities of water. Iron ore producers are aiming to recycle as much water as possible, which is an operational issue that SciDev can potentially solve through bespoke chemical solutions. Multiple rounds of product and technology evaluations on tailings from a major iron ore producer showed significant performance benefits over the current treatment regime.

## Oil Sands

The oil sands industry in northern Alberta is a very large consumer of chemicals. There are significant tailings ponds in the region that cover vast areas of land. Removing clean water from the tailings is a key priority, not only to reduce the volume of tailings and the decades of waiting required to reclaim the land, but also to recycle the water, which is required as part of the production process and otherwise drawn from the Athabasca River. The Alberta Energy regulator has tightened measures in recent years.

The current Directive 85, which came into effect in 2016 and was amended in 2017, requires operators to process their "fluid tailings" to a standard that is "ready to rehabilitate" within 10yrs of mine closure. In order to achieve this, several techniques are used, but most require the use of polymers (flocculants). SciDev is carrying out research on new polymers and has held discussions with the oil sand producers.

## Tartana Resources Ltd

SciDev owns approximately 13.6m Tartana shares which will be escrowed for 2yrs post an intended IPO at 20¢ per share (which is currently in the pipeline). Based on the intended IPO offer price, the shares would have a value of \$2.7m. Tartana's main assets are a copper/zinc exploration project near Chillagoe in north QLD and a zinc-rich slag dump near Zeehan in TAS. SDV received shares in Tartana as a result of selling the Zeehan slag dump. The final deal was approved at a General Meeting of SDV shareholders in March 2019 - SciDev received 13,589,744 Tartana shares and \$200,000 cash. This is a non-core asset for SciDev and we will watch as the Tartana progresses toward an ASX listing.

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## Board and Management

### **Trevor A Jones**

*Chairman*

Mr Jones has spent over 30 years working in the finance industry in Australia, United Kingdom and the USA. 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 for nine years, acting as a senior equity sales representative in London and as co-head of equity capital markets in Australia. For three years he was Director of Corporate Finance with Westpac Institutional Bank, where he assisted with the establishment of Westpac Stockbroking Services and in providing equity capital advice to the bank's corporate customers. 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. Since retiring from full time involvement in the investment banking industry, Mr Jones has personally assisted with the successful financing of several mining projects, both in Australia and overseas.

### **Lewis Utting**

*CEO & Managing Director*

Lewis joined the SciDev Board in October 2018. He has over 15 years global experience in the water treatment, mining and chemical industries. Lewis began his career in 2001 with Buckman Laboratories, moving to Hercules Chemicals, then in 2005 to Ciba, specifically to work in the water treatment and mining sector. Ciba was acquired by BASF in 2008, where he rapidly progressed becoming Business Development Manager for Australia, Asia Pacific Business Development Manager, and finally the Global R&D Project Manager and Global Business Development Manager for the Mining Solutions business. During his career, Lewis has managed multidisciplinary and multicultural virtual global teams in several countries, being accountable for rolled up, global top line sales targets. Lewis has successfully negotiated licence agreements, take or pay arrangements, technology divestment, and commissioned research with both consulting firms and academia in support of new technology development.

Lewis has also developed significant technical expertise in the field of solids liquid separation. He has authored and co-authored several technical papers and holds a patent application in the area of tailings (mining waste) disposal. Lewis studied environmental engineering, business strategy and project management and holds a degree in applied science and is a member of the Australian Institute of Company Directors.

### **Simone Watt**

*Non-Executive Director*

Simone Watt joined SciDev in October 2018. She is the Managing Director of Sinoz Chemical and Commodities (Sinoz), a global company supplying reagents and technology-based improvements to

the mining and agribusiness industries. Ms Watt is also a director of Kemtec Mineral Processing and Kanins International, which are both part of the Sinoz Group of companies.

Ms Watt has extensive experience in the areas of strategic sourcing and supplier management, business development and sales and marketing. She holds a degree in applied science and is a member of the Australian Institute of Company Directors.

**Jon Gourlay**

*Non-Executive Director*

Jon Gourlay joined SciDev in May 2019. He is currently Technology and Innovation Commercial and IP Manager at Newcrest Mining where he has held previous roles in investor relations and business improvement. Mr. Gourlay has extensive experience in management consulting, business improvement, finance projects and IP management in Australia, PNG and Europe. He has worked in professional services with both Deloitte and PricewaterhouseCoopers and is a Director of luggage company Henty Designs. Mr Gourlay is a chartered accountant, has a commerce degree (finance and accounting) and graduate diplomas in international relations, investor relations and management.

**Heath Roberts**

*Company Secretary*

Mr Roberts is a commercial solicitor with over 20 years of ASX listed company experience, to Executive Director level. He has a strong background in corporate operations and compliance, asset due diligence and acquisitions and equity/debt funding, focused on the resources, IT and healthcare sectors.

As Company Secretary, then Executive Director of WPG Resources Ltd (2005–13), Mr Roberts played a pivotal role in the acquisition of WPG's iron ore assets in South Australia, project permitting/funding then sale to Arrium Ltd for \$320m in 2011. He has acted as Company Secretary and/or Director for numerous ASX listed and private companies and was previously Secretary of the Sydney Kings Basketball team.

**Jeffrey Zhang**

*Marketing and Strategy Manager*

Jeffrey has over 12 years of experience in the development of western quality specifications for Chinese manufacturers. Most recently, Jeffrey was successful in securing a significant supply contract for Nuocer China to BMA coal. Jeffrey successfully managed this business for three years before joining the SciDev team.

**Jamiel Muhor**

*Business Development Manager*

Jamiel gained a degree in environmental engineering at Deakin University in 1998. He has over 15 years of experience in the water treatment, mining and chemical industries. He began his career with Ciba, which was subsequently acquired by BASF. Jamiel's most recent position at BASF was head of mining technology for Asia Pacific. Previous roles at BASF included global account manager for BHP, global account manager for Alcoa and key account holder in the Canadian oil sands industry. Prior to becoming employed at SciDev, in May 2018 Jamiel had joined Lewis Utting in a consultancy business.

## Risks

### Market Conditions

The current revenue from the sale of chemicals is heavily reliant upon the mining and petroleum industries, which can be quite volatile pending commodity prices. With that in mind, recurring revenue can never be guaranteed if there are unforeseen site closures that may cease the purchase of chemicals. In this case, the risk is somewhat offset with SciDev being exposed to more reliable sectors like wastewater and environmental management.

### Competition in the Chemicals Industry

The chemicals industry is a competitive one. Major companies (such as BASF and SNF) provide an array of chemicals to existing operations and so there is always a number of options for each operation to utilise. SciDev believe they are addressing this risk by having a bespoke approach to servicing the needs of their clients. Major companies tend to lack attention to detail (particularly with ongoing services) and SciDev can provide this in order to achieve the best outcome for clients (improved efficiency, lower costs etc). Nevertheless the large chemical groups spend a lot on R&D, so the ongoing competitive nature of the sector cannot be ignored.

### Availability of Product

SciDev typically deals with off-the-shelf items for their operations (whether it be the OptiFlox<sup>®</sup> system or the range of chemicals required for batch mixing). Nevertheless there is always a slight risk that the availability/cost of the items required by SciDev can have a negative impact on the business. SciDev's business alliance with the Nuor Group lessens this risk (due to the fact it opens up more product supply lines working with the bigger entity). At this stage we would view this as a low risk.

### Operational Failure

At any given point in time, SciDev may have issues with their product/s not achieving the desired goals for clients. Considering the chemistry can be adjusted accordingly, we would only view this as a short term issue. As an example, the OptiFlox<sup>®</sup> system is set up whereby the chemicals are added in automated manner, which should reduce the amount of potential operational hiccups.

### Contract Cancellations

This can happen for a variety of reasons whether it be customer service dissatisfaction or unreliable supply of product. Considering the bespoke nature of the chemicals and the ease at which the chemicals can be manufactured, we view his as a low risk.

### Working capital

As with any growing business, sufficient working capital is required to build inventories and also expand operations when required. When additional contracts are secured, there may be a need for the company spend money on capital items and this will need to be covered by funding from operational cashflow, debt and/or equity.

### Management

A key aspect to the SciDev business model is the technical strength of the Management team and the relationships that have been developed by each individual in previous industry roles. In terms of understanding the product/s and being able to execute on a plan, SciDev has a suitable team in place and this will continue to be an important component as the company builds upon its early successes.

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**Date Prepared: October 2019**

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