



# SCIDEV

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Companies Announcements Office  
Australian Stock Exchange

26<sup>th</sup> July 2021

## **SciDev record quarterly revenue + 183% on pcg, net cash from operations A\$1.4m, record FY21 revenue of A\$42.7m**

### **Quarterly Activities Report: Appendix 4C – June 2021**

SciDev Ltd (ASX: SDV) ('SciDev' or 'the Company') is pleased to provide its Quarterly Activities Report for the period ended 30 June 2021.

#### **Q4 FY2021 Highlights<sup>1</sup>**

- **Strong finish to the year with Q4FY21 delivering record quarterly cash receipts of A\$14.7m and sales of A\$13.2m (versus A\$11.3m and A\$11.2m respectively in Q3FY21)**
- **FY21 revenue of A\$42.7m up 133% versus FY20 (A\$18m)**
- **Gross profit margin for Q4FY21 remains in line with previous quarters at c.23%**
- **Net cashflow from operations of A\$1.4m, net cash at the end of the quarter of A\$7.0m**
- **Acquisition of Haldon Industries Pty Ltd (Haldon) completed, renamed SciDev Water Services**
- **A\$1.5-\$2m contract with Sydney Gateway Road Project water treatment plant**
- **New PFAS water treatment contract awarded with a major state fire and emergency service**
- **MaxiFlox® field and technical qualifications completed in Canadian oilsands and with FMG**
- **Strong business development pipeline with ongoing field qualifications across numerous sites**

SciDev Managing Director and Chief Executive Officer Lewis Utting said: *'The June quarter reflected another period of exceptional growth for SciDev. The Gateway project win highlights the opportunities that Haldon brings through our SciDev Water Services business. This complements the significant business development and revenue opportunities SciDev has across the mining, oil & gas and infrastructure sectors. SciDev was able to expand our presence in the mining sector, delivering a record quarter of revenue. The*

<sup>1</sup> Q4 FY21 included contribution from SciDev Water Services Pty Ltd, the acquirer of the Haldon Industries Pty Ltd ('Haldon'). Contribution from Haldon was recognised from 12 May 2021 to end quarter.

continued growth in the mining sector reflects the broad range of client wins and business development activity we are experiencing in the sector. Field validation at FMG's Solomon Hub was conducted and the company remains in ongoing dialogue to progress commercial discussions. Following successful field work in the Canadian oilsands, it is likely that a formal request for quotation will follow in the remainder of CY21.

*I am exceptionally proud of the team's effort to deliver continued quarter on quarter growth. With our recently expanded highly skilled work force and bespoke end to end solutions the growth outlook for SciDev remains extremely positive as we move into FY22 and beyond'.*

## Financial Review

Following on from a record March quarter, SciDev delivered another quarter of record cash receipts with \$A14.7m for the June quarter (up 30% versus Q3FY21). The inclusion of the acquisition of Haldon Industries business (renamed SciDev Water Services) contributed positively to the quarter, contributing revenue and cashflow from 12 May 2021. Gross profit margin for Q4FY21 remains in line with previous quarters at c.23%.

Overall group revenue increased to A\$13.2m up 18% on the March 2021 quarter following strong sales growth in the Mining sector offsetting the decline from revenue in the Construction sector following completion of the Melbourne Metro project. Revenue in Oil & Gas was down on the record March quarter mainly due to timing and ordering pattern issues associated with a significant project moving location. Revenue in Water was up on the March quarter with the inclusion of the Haldon business.

The June quarter delivered positive net cashflow from operations of A\$1.4m with working capital at June 2021 consistent with March 2021. The end of period inventory position was A\$3.8m an increase of 15% on March 2021. Net cash at 30 June 2021 was A\$7.0m with a further A\$7.5m available via undrawn debt facilities.

## Operational Report

SciDev continues to be a leader in the development and application of chemistry, professional services and process control focussing on the reduction of wastewater from a range of industrial applications across four key verticals.

Table1: Revenue by vertical

Sector revenue (A\$,000s)	Mining & Mineral Processing	Oil & Gas	Construction & Infrastructure	Water <sup>2</sup>	Total
Q1 FY21	\$2,962	\$3,026	\$2,695	\$690	\$9,374
Q2 FY21	\$4,248	\$4,048	\$387	\$208	\$8,891
Q3 FY21	\$2,949	\$4,858	\$3,071	\$341	\$11,219
Q4 FY21	\$4,887	\$3,637	\$951	\$3,761	\$13,239
<b>FY2021 % of revenue</b>	<b>35%</b>	<b>36%</b>	<b>17%</b>	<b>12%</b>	<b>\$42,723</b>

<sup>2</sup> Q4FY2021 included financial performance of SciDev's wholly owned subsidiary, SciDev Water Services Pty Ltd, which was acquirer of the Haldon business, from 12 May 2021 to end quarter.

### *Mining & Mineral Processing*

The June quarter was a record revenue quarter for the segment, reflecting the growing breadth of client engagement.

The Company continued to deliver supply and services into all major clients such as Iluka, Yancoal, Glencore and Peabody Energy. Business Development activities continued across several operations and commodities, including coal, nickel, copper, gold, mineral sands and iron ore. An expanding chemical portfolio has been well received by existing and potential clients.

During the quarter, SciDev executed a field qualification for MaxiFlox® chemistry at FMG (ref ASX release 10 March 2021). The trial results validated our team's ability to identify optimal chemistry for the operation. SciDev remain in ongoing discussions with Fortescue to progress to commercial discussions.

Field validation trials at BHP's Olympic Dam operations have delivered technically strong outcomes and an additional purchase order for SciDev chemistry has been received.

### *Oil & Gas*

The continued strength in the oil price over the quarter has driven an uplift in activity levels within the US oil sector, a continuation of the trend seen over previous quarters. Revenue for the June quarter was lower than the record achieved in the March quarter, mainly reflecting the timing and ordering pattern from our growing customer base. Despite the lower revenue in the period, activity levels and client engagement remain strong.

SciDev's US subsidiary Highland Fluid Technologies (HFT) continues to actively work with global leaders in the oilfields services sector. The engagement with ExxonMobil for the provision of professional services, focussed on developing new drilling chemistries continued to progress during the quarter.

HFT's CatCheck® chemistry continued to be utilised in commercial applications with a major European exploration and production (E&P) client. HFT are assessing the ability of CatCheck® to enhance oil recovery from wells in the Eagle Ford Shale Province. Initial trials have demonstrated favourable results in different South Texan shale formations and further testing is underway.

HFT has also achieved significant advances during the quarter in its IP portfolio, signing a new R&D contract with Shell Oil Company that includes a royalty-free license agreement for HFT to sell the products jointly developed and the R&D agreement. SciDev continues to progress business development opportunities in the oilsands sector, having been invited to a product qualification process for a new technology by one of the largest operators in Fort McMurray.

Following successful field validation work in oilsands earlier in FY21 with another operator, a formal request for quotation process will follow sometime in the remainder of CY21 following consolidation of industry players in this segment.

### *Construction & Infrastructure*

During the quarter, activity on the Melbourne Metro was completed as planned, as the Tunnel Boring Machines completed their activity on the Eastern section of the rail tunnel. SciDev has been delivering MaxiDry® chemistry and associated services on site since May 2020, with exceptional performance and results for the operator. The successful project delivery from the SciDev team opens up opportunities within the tunnel boring section within the infrastructure sector globally.

SciDev continue to progress business development opportunities in North America via the employment of a dedicated staff member in the region. Project discussions continue to advance on major infrastructure projects in California, Virginia and British Columbia with our first site visit conducted in Virginia and future visits planned for California. There continues to be strong client interest in our MaxiDry® chemistry and associated services following success on the Melbourne Metro project.

SciDev were represented at a large tunnelling conference held in Las Vegas during the quarter with very positive meetings held with key OEM providers whose technology can be supported by our MaxiDry® chemistry. Opportunities in North America, Europe and Asia are dependant on the timing of individual infrastructure projects which we expect to begin in FY22.

### *Water*

The acquisition of Haldon Industries' water treatment and environmental services business on 12 May 2021 delivered significant uplift to SciDev's Water vertical. Haldon are market leaders in the provision of bespoke environmental engineering solutions, with a unique ability to deliver PFAS solutions. The acquisition of Haldon delivers SciDev scale in the water treatment vertical and delivers strategic opportunities such as:

- Access to the growing PFAS market in Australia and the ability for SciDev to deliver a full treatment solution to major infrastructure and construction project water treatment and PFAS remediation requirements.
- The ability to leverage the complementary engineering, technology and professional services skill of both businesses to drive further business development opportunities.
- Diversification of SciDev's revenue streams in terms of geography, client base, supply chain and end commodity exposure and ability to provide direct chemical sales to Haldon clients.
- Additional skilled personnel to provide a larger talent pool and the ability to drive further tailored solutions for end clients.

The integration of Haldon is progressing well with the business already delivering new project wins. During the quarter, SciDev was awarded the contract to design, construct and commission a Sequencing Batch Reactor Leachate Treatment Plant for Sydney's A\$2.6 billion Gateway Road Project. Revenue for SciDev is expected to be approximately A\$1.5m to A\$2.0m over the term of the contract. The agreement is the first new contract generated post SciDev's acquisition of Haldon and reflects the significant opportunity upside that exists in the infrastructure and water verticals.

Haldon has also been awarded a PFAS contract in with a major state fire and emergency service, further demonstrating our expertise in this important sector and in expanding into new geographic regions. SciDev continues to drive other organic activities in the Water sector with several previously disclosed opportunities continuing to progress.

## Corporate Update

During the Quarter, key corporate initiatives undertaken by the Company focused on the Board rejuvenation process, execution of the SchoolsPlus Programme to support disadvantaged students and an ongoing review of non-core investments.

### *Governance - Board Rejuvenation*

During the March quarter, SciDev progressed with its Board rejuvenation program, recognising the Company's need to ensure that the Board's skillset and governance structure is fit for purpose reflective of SciDev's growth aspirations. An extensive Chair identification and appointment process is nearing completion. Exceptional candidates have been identified and an appointment is expected early in FY22. In the interim, SciDev's non-executive Director Dan O'Toole has accepted the role of Interim Chair.

The Board and Governance Review process, overseen by external advisers Guerdon and Associates, has provided useful insight into the Company's Board and Governance mechanisms. Constructive initiatives have been identified that, over time, will be implemented to ensure SciDev's governance structure remains fit for purpose relative to its growth aspirations. The Board will be focussed in Q1FY2022 on the appointment of a new Chair and implementing core Governance recommendations, feeding into the FY2021 Annual Reporting period.

### *Social - SchoolsPlus Programme supporting disadvantaged students*

National Reconciliation Week fell during the quarter and SciDev supported a range of initiatives to recognise this important event. A key ongoing initiative is SciDev's continued support for disadvantaged indigenous communities through the SchoolsPlus programme.

SciDev first reported on its support for the Australian national education charity SchoolsPlus (<http://www.schoolsplus.org.au>) in late 2020. SchoolsPlus has added more than A\$17.8 million into Australia's school system, supporting over 758 schools, with more than 620 projects and benefiting 183,000 students. These students live in communities where students are facing disadvantage, leading to consistently poorer results than their peers. SchoolsPlus helps bridge the gap between schools and donors, matching donors with a passion for education with schools and students who will benefit the most from their philanthropy.

SciDev's A\$60,000 donation to the organisation is delivering positive results and a mid-quarter teams meeting between SciDev and educators at the Oak Valley Cluster of Schools (Amata Anangu, Amata, Tjuntjuntjara, Great Victorian Desert, Yalata Anangu and Yalata) demonstrated the enormous, positive impact that can be achieved through initiatives of this nature. The programme remains ongoing through CY21.

### *Social - IDAHOBIT Day and other social initiatives*

During the Quarter, SciDev celebrated IDAHOBIT (International Day Against LGBTQIA+ discrimination) and continues to promote an active culture of diversity in all aspects of its business and operations.

### *Tartana Resources Ltd*

Q4FY21 has delivered advancements in SciDev's investment in Tartana Resources Ltd (Tartana). During the quarter, the takeover of Tartana by listed, suspended R3D Resources Ltd (ASX: R3D) was significantly advanced, in parallel with an ASX re-listing capital raising by R3D. Both these initiatives were well advanced at end of the quarter and R3D successfully recommenced trading on the ASX on 22 July 2021.

SciDev holds 13,589,935 R3D shares, representing 12.53% of R3D's issued capital on recommencement of trading (R3D shares). In addition, SciDev holds 2,717,987 R3D options, exercisable at \$0.40 per option and with a term to 14 July 2026 (R3D Options). SciDev's R3D Shares and R3D Options are subject to ASX escrow to 21 July 2023.

#### *Related Party Transactions*

Payments to the Directors of the entity, comprising of salaries and fees for Executive and Non- Executive Directors, totalled A\$190,257 during the quarter (see section 6 of the Appendix 4C). No other payments were made to any related parties or their associates.

#### **R&D, IP and Technology**

SciDev continues an active programme of IP protection, in Australia, the US and other relevant jurisdictions. Several new patent applications have been advanced in the US, SciDev's core Optiflox technology has been patented in core jurisdictions (ref previous quarters) with the US Patent application advancing.

#### **Outlook**

Management focus for FY22 will include:

- Ongoing focus on the health and safety of all our employees
- Driving SciDev's position as a technology and solution provider in the growing PFAS market
- Continued focus on increasing sales and cash conversion in all regions
- Progressing commercial discussions post field validation of SciDev chemistry across numerous business development opportunities
- Continuing discussions with technology partners in North America and Europe
- Ongoing assessment of strategic growth opportunities globally

Lewis Utting

Managing Director & Chief Executive Officer

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

#### **For Further Information:**

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## Appendix 4C

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

<b>Name of entity</b>		
SciDev Limited		
<b>ABN</b>		<b>Quarter ended ("current quarter")</b>
25 001 150 849		30 June 2021

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	14,677	41,928
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(11,529)	(38,049)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(1,677)	(5,575)
	(f) administration and corporate costs	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(68)	(186)
1.6	Income taxes paid	-	30
1.7	Government grants and tax incentives	-	486
1.8	Other (provide details if material)	(6)	18
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>1,397</b>	<b>(1,347)</b>
<b>2</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	(1,700)	(1,967)
	(c) property, plant and equipment	(91)	(408)
	(d) investments	-	-
	(e) intellectual property	(26)	(187)
	(f) other non-current assets	-	-

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 (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	12	65
	(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	<b>Net cash from / (used in) investing activities</b>	<b>(1,805)</b>	<b>(2,497)</b>
3	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of share options	6	125
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(192)
3.5	Proceeds from borrowings	-	1,094
3.6	Repayment of borrowings	(641)	(1,648)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(635)</b>	<b>6,379</b>
4	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,052	4,482
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,397	(1,347)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,805)	(2,497)



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 (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(635)	6,379
4.5	Effect of movement in exchange rates on cash held	1	(7)
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>7,010</b>	<b>7,010</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	7,010	8,052
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,010</b>	<b>8,052</b>

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	190,257
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

Amount included in 6.1 comprises fees paid to Non-executive Directors and remuneration for the Managing Director and rent paid to a company associated with a Director.

<b>7</b>	<b>Financing facilities</b> 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.	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	4,836	4,836
7.2	Credit standby arrangements	490	-
7.3	Other - invoice purchase facilities	7,001	-
7.4	<b>Total financing facilities</b>	<b>12,327</b>	<b>4,836</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>7,491</b>
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.		
	<b>Secured</b>	<b>%</b>	<b>Maturity date</b>
	Gulf Coast Bank (Texas USA)		Facility amount \$A'000
	(Invoice purchase facility (facility USD 1.5million))	4.25%	9/10/2021
	Kanins International Pty Limited (Australia)		2,001
	(Facility Limit USD 0.35million)	15.00%	1/10/2021
	Apricity Finance Group (Australia)		490
	(Invoice purchase facility)	21.00%	30/09/2021
	Haldon Industries Pty Limited (Australia)		5,000
	(Equipment lease facility)	6.00%	30/06/2023
	Finance leases (motor vehicles)	6.00%	within 4 years
			196
			<b>12,047</b>
	<b>Unsecured</b>		
	Paycheck Protection Program (USA)	1.00%	10/03/2026
			280
			<b>12,327</b>

<b>8</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,397
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,010
8.3	Unused finance facilities available at quarter end (Item 7.5)	7,491
8.4	Total available funding (Item 8.2 + Item 8.3)	14,501
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	-
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:	
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:	
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:	

**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.

26 July 2021

Date: .....

By the Board

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.