**SciDev Limited**
**Appendix 4E**
**Preliminary final report**

## 1. Company details

| | |
|---|---|
| Name of entity: | SciDev Limited |
| ABN: | 25 001 150 849 |
| Reporting period: | For the year ended 30 June 2021 |
| Previous period: | For the year ended 30 June 2020 |

## 2. Results for announcement to the market

| | | | | $ |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 135.4% | to | 42,524,908 |
| Profit from ordinary activities after tax attributable to the owners of SciDev Limited | up | 494.5% | to | 3,452,968 |
| Profit for the year attributable to the owners of SciDev Limited | up | 494.5% | to | 3,452,968 |

*Dividends*
There were no dividends paid, recommended or declared during the current financial period.

*Comments*
The profit for the consolidated entity after providing for income tax amounted to $3,452,968 (30 June 2020: loss of $875,238).

## 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | 4.76 | 4.32 |

The net tangible assets per ordinary security excludes the right of use assets and associated lease liabilities.

## 4. Other

Not applicable.

# SciDev Limited

**ABN 25 001 150 849**

# Annual Financial Report - 30 June 2021

**SciDev Limited**
**Contents**
**30 June 2021**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of SciDev Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

## Directors

The following persons were directors of SciDev Limited during the whole of the financial year, except where noted below, and up to the date of this report:

Vaughan Busby (appointed a Director and Non-executive Chairman on 9 August 2021)
Lewis E Utting
Simone Watt
Jon Gourlay
Dan O'Toole (appointed a Director on 3 February 2021 and Acting Chairman from 30 June 2021 to 9 August 2021)
Trevor A Jones (former Chairman - resigned 30 June 2021)

## Principal activities

The principal activity of the consolidated entity is delivery of process control, professional services, equipment design and construction (including build, own operate services) and chemistry in the Mining and Mineral Processing, Infrastructure and Construction, Water Treatment and Oil & Gas markets.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Review of operations

Revenue from customers in 2021 is $42,524,908 (30 June 2020: $18,061,342) and the profit for the consolidated entity after providing for income tax amounted to $3,452,968 (30 June 2020: loss of $875,238).

Reconciliation of profit before income tax to EBITDA and Adjusted EBITDA (unaudited):

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Profit/(loss) before income tax | 805,659 | (2,275,586) |
| Depreciation and amortisation | 929,771 | 377,760 |
| Interest revenue | (923) | (2,784) |
| Finance costs | 147,532 | 35,688 |
| EBITDA | 1,882,039 | (1,864,922) |
| Professional fees in connection with business combinations | 206,352 | 88,045 |
| Adjusted EBITDA | 2,088,391 | (1,776,877) |

EBITDA and adjusted EBITDA are non-IFRS earnings measures which do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. These measures, which are unaudited, are important to management as an additional way to evaluate the consolidated entity's performance. Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings because of isolated or non-recurring events.

*FY21 Financial Highlights*

- Revenue from clients increased in FY21 by 135% to $42.5m (FY20: $18.1m)
- Cash receipts for FY21 increased to $41.9m (FY20: $20m)
- Net cash position at 30 June of $7.0m with $3.8m of inventory at hand
- Operating cash outflow of $1.3m with an increase of gross profit margin to 24% (FY20: 17%)

*FY21 Operational Highlights*

- Strategic acquisition of Haldon Industries Pty Ltd (Haldon), an Australian based environmental engineering and solutions company focussed on water treatment through build own operate and design and construct solution delivery
- Continued innovation in mineral sands, delivering excellent outcomes at Iluka’s Jacinth/Ambrosia and other project opportunities
- Supply contract award with Société Le Nickel (a subsidiary of Eramet) to provide MaxiFlox® chemistry for SLN’s New Caledonian nickel operations
- Expansion into Iron Ore with field qualifications announced at Fortescue Metal Group’s Solomon Hub
- Investment in manufacturing upgrade at the Kings Park production facility, to deliver bespoke chemistry into the construction sector
- Extension of the relationship with ExxonMobil in Oilfield via purchase order for chemistry and associated professional services
- Successful transition from R&D to field validation of CatCheck® chemistry with British Petroleum in the Eagle Ford basin
- Field validation at BHP Olympic Dam with a smooth transition to SciDev’s MaxiFlox® technology
- $1.5m to $2m contract award to design, construct and commission a Leachate Treatment Plant for Sydney’s $2.6 billion Gateway Road Project
- Strong performance in Construction, with the Melbourne Metro Project closed out on schedule and other construction opportunities advancing globally

*Financial Review*
The consolidated entity reported revenue of A$42.5m for the period, representing a 135% increase on the prior year results of A$18m. SciDev’s record revenue generation was achieved through organic growth via contract wins across several verticals. Contribution from the Haldon acquisition was recognised from 12 May 2021.

The company increased its gross profit margin to 24% over the prior year (17% in FY20). The Company has continued to invest for growth and anticipates revenue growth will outpace expenditure, driving improved margins in coming years.

Net profit after tax for the year was A$3.5m.

Due, in part, to an increase in inventory to support the growing business net operating cash flows were (A$1.3m) for the year. That said SciDev delivered three strong quarters of positive cashflow during FY21, including A$1.4m of positive net cashflow in the June quarter. The only quarter of negative operating cashflow (September 2020) was a result of impacts from Covid19 payment/payables and the large inventory build to support business growth.

At the end of the period, the consolidated entity had a net cash position of A$7m, with A$3.8m inventory at hand. The Company’s A$6.8m working capital facilities were A$6.5m undrawn at the period end.

*Operational Review*
During FY21, SciDev continued to successfully execute on its strategy of solving operational and environmental challenges relating to water across multiple global industrial markets.

Its unique combination of proprietary technology, research and development and specialised manufacturing enabled it to deliver value adding bespoke solutions for its clients.

SciDev targets four global key verticals of Mining & Mineral processing, Infrastructure & Construction, Water Treatment, and Oil & Gas, with new projects and clients signed in each of these verticals over the course of the year.

**Significant changes in the state of affairs**
On 24 July 2020 SciDev Limited announced the placement of 7,692,308 new ordinary shares with two leading Australian Fund Managers at an issue price of $0.65 per share (refer note 23).

On 21 August 2020 SciDev Limited issued 3,076,923 new ordinary shares at $0.65 per share pursuant to a Share Purchase Plan (SPP) (refer note 23).

On 12 May 2021, SciDev Water Services Pty Ltd Limited acquired the business operations of Haldon Industries Pty Ltd. The total consideration for the acquisition was $15,407,191 consisting of a cash payment of $2,579,685, 5,100,000 SciDev Limited shares valued at $3,927,000, and contingent consideration of $8,900,506 (refer note 35).

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

On 26 August 2021, the company received confirmation that the loan owing by its subsidiary Highland Fluid Technology Inc, in terms of the Paycheck Protection Program (USA), had been forgiven. The balance outstanding on the loan at 30 June 2021 was US$209,809 (A$279,883).

On 4 February 2021, R3D Resources Limited (ASX:R3D) announced an off-market all scrip takeover bid for 100% of the fully paid ordinary shares and 100% of the options in Tartana. The offer closed on 31 July 2021 and at that date R3D had a relevant interest in 99.89% of Tartana shares. SciDev received 13,589,935 R3D shares and 2,727,987 attaching options for the shares it held in Tartana. The options are exercisable at $0.40 within 5 years from the date of issue. Refer to note 13 for further information.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The focus for SciDev and the management team through the FY22 financial year is:

- Ongoing focus on the health and safety of our employees and contractors
- Execution of the company’s strategic growth objectives as it relates to product and market development across several verticals and geographies
- Integration of the SciDev Water Services business through the Haldon acquisition driving SciDev’s position as a technology and solutions provider in the growing water treatment market
- Continued focus on increasing sales and cash conversion in all geographies and verticals, realising synergies through cross business unit sales of SciDev Water Services solutions
- Progressing commercial discussions post field-validation of SciDev chemistry across numerous business development opportunities
- Advancing end-to-end solution opportunities across several verticals in order to capture increased value per-project
- Deliver sustainable commercial outcomes with technology partners in North America and Europe through organic and strategic opportunities
- Ongoing assessment of other strategic growth opportunities globally.

**Environmental regulation**

The consolidated entity is subject to a range of environmental regulations and licences under Australian Commonwealth or State laws. The Company is responsible for monitoring its compliance with these laws and is not aware of any breaches during the year.

**Information on directors**

| | |
|---|---|
| Name: | Vaughan Busby (appointed 9 August 2021) |
| Title: | Non-executive Chairman |
| Qualifications: | B.Pharm, MBA (IMD Business School Switzerland) |
| Experience and expertise: | Mr Busby trained as a chemist and has extensive experience as a company director, having sat on a number of private and ASX listed boards over the last 15 years. He currently serves as a non-executive director for Energy Queensland Limited, a government-owned corporation and the largest energy company in Australia. He is also a non-executive director for EnergyOne (ASX:EOL), a company providing specialist software to the energy industry and Netlogix Group Holdings Limited, a New Zealand based company specialising in supply chain logistics. |
| Other current directorships: | Non-executive Director of Energy One Limited (from listing on ASX on 12 January 2007 to present) |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chairman |
| Interests in shares: | Nil |
| Interests in options: | Nil |

| | |
|---|---|
| Name: | Lewis Utting |
| Title: | Managing Director and Chief Executive Officer |
| Qualifications: | BASc |
| Experience and expertise: | Mr Utting joined SciDev in March 2018 then the Board in October 2018 as Executive Director and was later appointed Managing Director and Chief Executive Officer in early 2019. In this time he has driven the transformation of SciDev growing revenues and profits with a focus on common industry challenges across several sectors and leveraging adjacent supply chain synergies. Mr Utting has over 20 years' experience in Asia, North America, South America, Middle east and Africa across the water treatment and specialty chemicals sectors. Mr Utting has authored and co-authored numerous technical papers and holds several patent applications. He holds a degree in Applied Science and is a member of the Australian Institute of Company Directors. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Managing Director |
| Interests in shares: | 5,448,129 |
| Interests in options: | 800,000 |

| | |
|---|---|
| Name: | Simone Watt |
| Title: | Non-executive Director |
| Qualifications: | BASc |
| Experience and expertise: | Ms Watt is the Managing Director of Sinoz Chemical and Commodities (Sinoz), which is a global company supplying reagents and technology-based improvements to the mining and agribusiness industries. Ms Watts is also a Director of Kemtec Mineral Processing and Kanins International, which are both part of the Sinoz Group of companies. She has extensive experience in the areas of strategic sourcing and supplier management, business development and sales and marketing. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Member of the Audit and Risk Committee and the Nomination and Remuneration Committee |
| Interests in shares: | 5,063,280 |
| Interests in options: | 250,000 |

| | |
|---|---|
| Name: | Jon Gourlay |
| Title: | Non-executive Director |
| Qualifications: | BCom, C.A |
| Experience and expertise: | Mr Gourlay is a chartered accountant with extensive experience in finance and project management, risk management, business improvement and investor relationships, with a focus on the resources and technology sectors. Mr Gourlay has held senior management roles including most recently, Commercialisation Manager, Technology and Innovation for Newcrest Mining, with prior roles in investor relations, analysis and improvement of Newcrest's operations at the Lihir Island Gold Mine in Papua New Guinea. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee |
| Interests in shares: | 954,628 |
| Interests in options: | Nil |

| | |
|---|---|
| Name: | Dan O'Toole (appointed 3 February 2021) |
| Title: | Non-executive Director |
| Qualifications: | BEng(Hons), EngExec, FIEAust, MAusIMM, MAICD |
| Experience and expertise: | Mr O'Toole brings over 35 years of experience across the engineering and consulting sectors including over 18 years in executive leadership roles within Coffey International Limited and pitt&sherry. Mr O'Toole is currently the Chairman of Viotel Limited, a private company focussed on empowering mining, transport and infrastructure businesses to better mitigate risks using world-class monitoring technology.<br><br>Prior to his current position, Mr O’Toole was the Chief Executive Officer of pitt&sherry, one of Australia's most dynamic consulting engineering companies with a team of high-calibre professional consultants servicing the Transport Infrastructure, Mining, Energy, Industrial, and Tourism & Recreation market sectors. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Member of the Audit and Risk Committee and the Nomination and Remuneration Committee and Acting Chairman from 30 June 2021 to 9 August 2021 |
| Interests in shares: | Nil |
| Interests in options: | Nil |

| | |
|---|---|
| Name: | Trevor A Jones (resigned 30 June 2021) |
| Title: | Chairman |
| Qualifications: | B.Comm. (Melb) |
| Experience and expertise: | Mr Jones has spent over 30 years working in the finance industry in Australia, United Kingdom and the USA. During this time, 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. He was appointed as a Non-executive Director of SciDev on 28 February 2007. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chairman of the Corporate Governance Committee, a member of the Audit and Risk Committee, and Chairman of the Nomination and Remuneration Committee |
| Interests in shares: | 1,202,550* |
| Interests in options: | Nil* |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

* Interests in the shares and options of the company as at the date of resignation as a director.

**Company secretary**
Mr Heath L Roberts (Dip Law (S.A.B.) and Grad Dip Legal Practice (UTS)) is a commercial solicitor with over 20 years of listed company experience. He has acted for SciDev in various capacities over the years and brings strong transactional, compliance and capital raising experience to the role.

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

| | Full Board Attended | Full Board Held | Nomination and Remuneration Committee Attended | Nomination and Remuneration Committee Held | Audit and Risk Committee Attended | Audit and Risk Committee Held |
|---|---|---|---|---|---|---|
| Trevor A Jones* | 9 | 9 | 6 | 6 | 5 | 5 |
| Lewis E Utting | 9 | 9 | - | - | - | - |
| Simone Watt | 9 | 9 | 6 | 6 | 5 | 5 |
| Jon Gourlay | 9 | 9 | 6 | 6 | 5 | 5 |
| Dan O'Toole** | 7 | 7 | 3 | 3 | 3 | 3 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Trevor Jones resigned on 30 June 2021.
** Dan O'Toole was appointed on 3 February 2021.

In addition to the Board and Committee meetings outlined above, during the year an additional 6 Board circular resolutions were passed.

**Remuneration report (audited)**
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. This includes key leaders of the Company’s operating subsidiaries in Australia and overseas.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives of the consolidated entity and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation to business success;
- transparency; and
- alignment with proper capital management.

The Group has structured an executive remuneration framework that is market competitive. The framework provides for a mix of fixed base pay and also variable pay that includes both short and long term incentives, with an appropriate balance of at-risk remuneration.

The Company's Annual Remuneration review was carried out in August 2020. This review establishing strata grades within the Company, and allocations for fixed remuneration, short-term incentive (STI) and long term incentive (LTI) applicable to each strata grade. The percentage allocations between fixed remuneration, STI and LTI varies between the strata grades, with an emphasis on higher at-risk STI and LTI elements for more senior executives. A relationship between Company performance and remuneration has been developed and implemented, with the STI or LTI component of remuneration delivered on a performance-linked basis, as either:

- Equity issues to executives, with performance conditions based on financial performance, share price performance and duration of employment milestones, and
- In some cases cash bonuses, which are also financial performance linked
- providing a clear structure for earning rewards

This approach provides a clear structure for earning rewards.

The Board has a Nomination and Remuneration Committee which provides advice on remuneration and incentive policies and practices and makes specific recommendations on remuneration packages and other terms of employment for the Managing Director and Chief Executive Officer, the Non-Executive Directors and other senior executives.

During the year, the Company commenced an active Board rejuvenation program, recognising the need to ensure that the Board's skillset and governance structure remains fit for purpose reflective of SciDev's growth aspirations. As part of the Board rejuvenation process, the Board appointed an independent, external governance advisory group to conduct a comprehensive review of the Company's Board and Committee structures and memberships and performance of the Chairman and Directors. The Board and Governance Review process, conducted by 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.

*Non-executive directors remuneration*
Fees and payments to the Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Non–executive Directors. The Board undertakes a review of Non-executive Directors' fees and payments annually. The independent review process described above will guide Non-executive Director roles and responsibilities moving forward.

Separate from the Board rejuvenation process outlined above, during H1FY2021 the Board commissioned an independent, external review of Non-executive Directors remuneration levels by Guerdon Associates. The outcomes of the review process has validated that the fees paid to Non-executive Directors are below the median for peer companies.

Non-executive Directors' fees are determined within an aggregate Non-executive Directors' cash remuneration limit, which is periodically recommended for approval by shareholders. The current limit of A$400,000 was approved by shareholders at the Company's 2007 Annual General Meeting held on 14 November 2007. The amount paid to Non-executive Directors of the parent entity (SciDev Limited) during the year to 30 June 2021 was $231,032 (2020: $204,562). In addition, Non-executive Directors are entitled to participate in issues of securities pursuant to the SciDev Employee Share Scheme (the SciDev ESS). The value of any securities granted to Non-executive Directors are not included in the aggregate cash remuneration limit as they are not cash-based payments. In the case where Directors seek equity-based remuneration over cash-based remuneration, consideration will be given to such request and, in any case, shareholder approval would be required for any such equity-based remuneration for Directors. During the 2021 financial year the Company granted no securities to Non-executive Directors.

*Executive remuneration*
SciDev's executive pay and reward framework has three primary components, which together comprise the executive's total remuneration:
- base pay, superannuation and 'standard' non-monetary benefits such as sick leave, annual leave etc;
- short term incentives through individually negotiated, performance milestoned cash payments; and
- long term incentives through participation in the SciDev ESS.

The combination of these comprises the executive's total remuneration. The three elements described above are tailored to reflect fair reward for the individual executives' contribution and whilst some executives receive a component of all three elements, other executives do not.

*(i) Base pay*
Base pay is generally structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits as negotiated between the Company and the executive. Executives are offered a competitive base pay that comprises a fixed component of cash salary, superannuation and standard non-monetary benefits as described above. Base pay for each senior executive is reviewed annually to ensure the executive's pay is competitive with the market. There is no guaranteed base pay increase included in any executive's contract.

*(ii) Short-term incentives*
*Managing Director & Chief Executive Officer*
The Managing Director was eligible for a short-term incentive (STI) cash bonus payment of up to $200,000 based on the achievement of KPIs determined by the Nomination and Remuneration Committee for the calendar year ended 31 December 2020. The aim of the STI is to link the achievement of the company's annual and/or immediate financial and broader operational targets with the remuneration received by the Managing Director & Chief Executive Officer. The total potential STI was set at a level so as to provide sufficient incentive to achieve the operational targets and at a cost to the company that is reasonable in the circumstances. Actual STI payments awarded to the Managing Director & Chief Executive Officer depend on the extent to which specific targets prescribed in the performance agreement for are met. During the 2021 year, a cash bonus of $116,250 was paid in respect of the 31 December 2020 year on recommendation of the Nomination & Remuneration Committee and resolution of the Board. This payment was included in the relevant quarterly disclosure (Appendix 4C dated 12 April 2021). Mr Utting remains eligible to earn part or all of the balance of this STI based on the relevant financial and operational targets to 30 June 2021. Thereafter, his STI and LTI assessment will align with each financial year.

*Senior Executives*
STIs paid to senior executives are made on a discretionary basis as determined by the Managing Director & Chief Executive Officer in consultation with the Nomination and Remuneration Committee. These incentives, while not guaranteed, are directly linked to the achievement of KPIs established around various performance targets including safety, finance, culture and customer satisfaction. No bonus is awarded where performance falls below the minimum acceptable KPI levels as determined by the Managing Director & Chief Executive Officer. Cash bonuses were paid to a number of executives in respect of the 30 June 2021 financial year.

*(iii) Long-term incentives*
Long-term performance incentives (LTI) are delivered through the grant of securities to executive directors and selected senior executives from time to time as part of their remuneration. Performance rights with performance hurdles applicable to any performance period (including how they will be measured) are set out in any such invitation to the eligible executives. During the 2021 financial year the Company granted performance rights to senior executives and staff under the terms of the SciDev ESS, however no performance rights were granted to any of the Board members or the Managing Director and Chief Executive Officer

*Use of remuneration consultants*
The company utilised remuneration consultants through the year ended 30 June 2021 as set out above.

*Remuneration voting and comments at the company's 10 November 2020 Annual General Meeting (the 2020 AGM)*
At the 2020 AGM, 99.7% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the 2020 AGM regarding its remuneration practices.

***Details of remuneration***
*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity during the financial year ended 30 June 2021 consisted of the following directors of SciDev Limited:
- Trevor A Jones - Non-executive Chairman (resigned 30 June 2021)
- Lewis E Utting - Managing Director & Chief Executive Officer
- Simone Watt - Non-executive Director
- Jon Gourlay - Non-executive Director
- Dan O'Toole - Non-executive Director (appointed a Director on 3 February 2021 and Acting Chair on 30 June 2021)

And the following persons:
- John Fehon - Chief Financial Officer
- Heath Roberts - Company Secretary and General Counsel

| **2021** | Short-term benefits<br>Cash salary and fees<br>$ | <br>Bonus<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Long-term benefits<br>Annual leave<br>$ | <br>Long service leave<br>$ | Share-based payments<br>Options (b)<br>$ | <br>Rights (c)<br>$ | <br>Total<br>$ |
|---|---|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | | | |
| Trevor A Jones (Chairman) | 82,236 | - | 6,976 | - | - | - | - | 89,212 |
| Simone Watt | 52,500 | - | 4,458 | - | - | - | - | 56,958 |
| Jon Gourlay | 52,500 | - | 4,987 | - | - | - | - | 57,487 |
| Dan O'Toole (a) | 25,000 | - | 2,375 | - | - | - | - | 27,375 |
| *Executive Directors:* | | | | | | | | |
| Lewis E Utting | 446,250 | 200,000 | 54,189 | 13,072 | 369 | 70,113 | - | 783,993 |
| *Other Key Management Personnel:* | | | | | | | | |
| John Fehon (c) | 255,666 | - | 24,699 | 8,676 | 22 | 33,618 | - | 322,681 |
| Heath Roberts (c) | 228,000 | - | - | - | - | 3,763 | - | 231,763 |
| | 1,142,152 | 200,000 | 97,684 | 21,748 | 391 | 107,494 | - | 1,569,469 |

(a) Dan O'Toole was appointed a Non-executive Director on 3 February 2021. The above reported remuneration relates to the period from 3 February 2021 to 30 June 2021.
(b) The amounts included in the share-based remuneration represent the grant date fair value of options, amortised on a straight-line basis over the expected vesting period. Expenses are reversed where rights are forfeited due to a failure to satisfy the service conditions or there is a revision of share rights expected to vest.
(c) Performance rights were granted to John Fehon and Heath Roberts on 15 December 2020. The rights had a fair value of $0.49774 per right. An expense has not been recorded as the non-market conditions are not expected to be met.

The following table has been restated.

| **2020** | Short-term benefits: Cash salary and fees $ | Short-term benefits: Bonus $ | Post-employment benefits: Super-annuation $ | Long-term benefits: Annual leave accrual $ | Long-term benefits: Long service leave $ | Share-based payments: Options (b) (c) $ | Total $ |
|---|---|---|---|---|---|---|---|
| **(Restated)** | | | | | | | |
| *Non-Executive Directors:* | | | | | | | |
| Trevor A Jones (Chairman) | 69,444 | - | 6,597 | - | - | 27,500 | 103,541 |
| Simone Watt | 44,999 | - | 4,275 | - | - | 27,500 | 76,774 |
| Jon Gourlay | 4,107 | - | 390 | - | - | 71,500 | 75,997 |
| *Executive Directors:* | | | | | | | |
| Lewis E Utting | 368,666 | 100,000 | 34,833 | 44,311 | 34 | 169,887 | 717,731 |
| *Other Key Management Personnel:* | | | | | | | |
| John Fehon (a) | 108,333 | - | 10,291 | 8,230 | - | 59,382 | 186,236 |
| Heath Roberts | 244,795 | - | - | - | - | 4,237 | 249,032 |
| | 840,344 | 100,000 | 56,386 | 52,541 | 34 | 360,006 | 1,409,311 |

(a) John Fehon was appointed Chief Financial Officer on 3 February 2020. The above reported remuneration relates to the period from 3 February 2020 to 30 June 2020.
(b) The amounts included in the share-based remuneration represent the grant date fair value of options, amortised on a straight-line basis over the expected vesting period. Expenses are reversed where rights are forfeited due to a failure to satisfy the service conditions or there is a revision of share rights expected to vest.
(c) The share-based payments (options) granted to Directors in July 2019 were subject to approval by shareholders, which was obtained on 23 July 2019. The option remuneration as presented in the 30 June 2020 Remuneration Report, was determined based on a May 2019 grant date valuation, rather than the date the options were approved by shareholders (23 July 2019). Accordingly, the prior year comparatives for all of the Directors and KMP have been adjusted to update for this valuation change. The previous total of $143,029 has been restated to $360,006. The impact of this change has been updated (as applicable) throughout the Remuneration Report.

The proportion of remuneration linked to performance and the fixed proportion are as follows. The 2020 figures have been restated:

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| *Non-Executive Directors:* | | | | | | |
| Trevor A Jones (Chairman) | 100% | 73% | - | - | - | 27% |
| Simone Watt | 100% | 64% | - | - | - | 36% |
| Jon Gourlay | 100% | 6% | - | - | - | 94% |
| Dan O'Toole | 100% | - | - | - | - | - |
| *Executive Directors:* | | | | | | |
| Lewis E Utting | 66% | 62% | 25% | 14% | 9% | 24% |
| *Other Key Management Personnel:* | | | | | | |
| John Fehon | 90% | 68% | - | - | 10% | 32% |
| Heath Roberts | 98% | 98% | - | - | 2% | 2% |

The proportion of the cash bonus paid/payable or forfeited is as follows: The 2020 figures have been restated:

| Name | Cash bonus paid/payable 2021 | Cash bonus paid/payable 2020 | Cash bonus forfeited 2021 | Cash bonus forfeited 2020 |
|---|---|---|---|---|
| *Executive Directors:* | | | | |
| Lewis Utting | 100% | 50% | - | 50% |

***Service agreements***
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements at the date of this report are as follows:

| | |
|---|---|
| Name: | Lewis E Utting |
| Title: | Managing Director and Chief Executive Officer |
| Agreement commenced: | 30 April 2019, revised March 2020 |
| Term of agreement: | Ongoing |
| Details: | Base salary of $450,000 plus superannuation. Mr Utting is also entitled to an STI bonus of $200,000 per 12 month period subject to meeting certain performance based milestones and an LTI of $250,000 in performance based equity (options or shares) under the terms of the Company's ESS. The terms of the LTI grant have not been finalised and issued to Mr Utting for CY2020 because of the COVID-19 pandemic.<br><br>Mr Utting's salary, allowances and performance bonus is reviewed annually by the Nomination and Remuneration Committee.<br><br>The contract may be terminated by 6 months' notice from either party. |

| | |
|---|---|
| Name: | John Fehon |
| Title: | Chief Financial Officer |
| Agreement commenced: | 3 February 2020 |
| Term of agreement: | On-going |
| Details: | Base salary of $260,000 plus superannuation and performance-based $60,000 bonus. The contract may be terminated by 3 months' notice from either party. |

| | |
|---|---|
| Name: | Heath Roberts |
| Title: | Company Secretary & General Counsel |
| Agreement commenced: | 1 March 2017 |
| Term of agreement: | On-going |
| Details: | Consulting per diem rate equal to that of $240,000 for full-time employment and services. The agreement may be terminated by 1 months' notice from either party. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

*Voluntary Remuneration Reductions Commencing 1 July 2020 - 30 September 2020*
Recognising the uncertainty on world financial markets as a result of COVID-19, certain members of the KMP volunteered base pay reductions during the period from 1 July 2020 to 30 September 2020. These voluntary reductions did not accrue and are not to be repaid to the member of KMP at a future point in time. The KMP that have volunteered reductions of between 20%-30% are Managing Director & Chief Executive Officer Lewis Utting, Chief Financial Officer John Fehon and Company Secretary & General Counsel Heath Roberts.

***Share-based compensation***

*Issue of shares*
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

*Options*
The terms and conditions of the prior year grants of options over ordinary shares are as follows:

| Name | Number of options granted | Grant date | Vesting date | Expiry date | Exercise price | Fair value per option at grant date (a) | Vested % |
|---|---|---|---|---|---|---|---|
| Trevor Jones | 250,000 | 23/07/2019 | 23/07/2019 | 23/07/2022 | $0.12 | $0.11 | 100% |
| Lewis Utting | 800,000 | 23/07/2019 | 23/07/2019 | 23/07/2022 | $0.10 | $0.13 | 100% |
| Lewis Utting | 800,000 | 23/07/2019 | 30/06/2021 | 23/07/2022 | $0.10 | $0.17 | 100% |
| Simone Watt | 250,000 | 23/07/2019 | 23/07/2019 | 23/07/2022 | $0.12 | $0.11 | 100% |
| Jon Gourlay | 650,000 | 23/07/2019 | 23/07/2019 | 23/07/2022 | $0.12 | $0.11 | 100% |
| John Fehon | 75,000 | 03/02/2020 | 03/02/2020 | 23/07/2022 | $0.12 | $0.61 | 100% |
| John Fehon | 75,000 | 03/02/2020 | 30/06/2021 | 23/07/2022 | $0.12 | $0.63 | 100% |
| Heath Roberts | 200,000 | 16/05/2019 | 16/05/2019 | 23/07/2022 | $0.10 | $0.00 | 100% |
| Heath Roberts | 200,000 | 16/05/2019 | 30/06/2021 | 23/07/2022 | $0.10 | $0.04 | 100% |

(a) The fair value per option has been restated to reflect changes to the grant date as outlined above.

With the exception of the options granted to Lewis Utting (Managing Director and Chief Executive Officer), which had performance conditions which were required to be met in order to earn the grant, all the other options granted had no performance conditions.

The options granted to Mr Utting consist of 2 tranches. The options formed part of Mr Utting's contracted remuneration package which was disclosed when he was appointed Managing Director and Chief Executive Officer of the Company (ref: ASX announcement 30 April 2019). The issue of these options were subsequently approved by shareholders on 23 July 2019. Mr Utting voluntarily redistributed some of his options to other members of the executive team. The first tranche vested on grant date and the second tranche was subject to a service vesting condition and a performance condition related to achieving break-even less Directors' costs.

The options issued to the Directors were premium priced options and reported as remuneration over the vesting period.

The options granted to John Fehon (CFO) consists of 2 tranches. The first tranche were not premium priced options and are subject to reporting as remuneration in the year of grant. The second tranche is subject to a service vesting condition and is reported as remuneration over the vesting period.

The options granted to Heath Roberts (Company Secretary & General Counsel) consists of 2 tranches. The first tranche were not premium priced options and are subject to reporting as remuneration in the year of grant. The second tranche is subject to a service vesting condition and is reported as remuneration over the vesting period.

These options were issued under the Company's ESS, the options expire on the earlier of their expiry date or termination of the employee's employment. The Board has discretion under the ESS to apply good leaver provisions in certain cases. Options issued to Directors of the company were first approved by the company's shareholders, as required by ASX Listing Rules. The options do not entitle the holders to participate in any share issue, bonus or distribution by the Company unless first exercised in accordance with the option terms.

Options granted carry no dividend or voting rights. There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

| | Value of options granted during the year 2021 $ | Value of options exercised during the year 2021 $ | Value of options granted during the year 2020 $ | Value of options exercised during the year 2020 $ |
|---|---|---|---|---|
| Trevor Jones | - | - | 27,500 | 27,500 |
| Lewis Utting | - | 104,000 | 240,000 | - |
| Simone Watt | - | - | 27,500 | - |
| Jon Gourlay | - | - | 71,500 | 71,500 |
| John Fehon | - | - | 93,000 | 45,750 |
| Heath Roberts | - | - | 8,000 | - |

There were no options for directors and other key management personnel that lapsed during the year ended 30 June 2021.

*Performance rights*
During the year, the Company issued 2,133,399 performance rights, in two tranches of 1,408,399 and 725,000 respectively, under the terms of the Company's ESS. In order for the performance rights to vest (convert to fully paid ordinary shares) the holder must meet:
- A test related to SciDev share price performance ($2.00), and
- A test related to relevant segment cashflow performance ≥ break-even, and
- A continued employment or 'good leaver' test

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of rights granted | Grant date | Vesting date and exercisable date | Expiry date | Share price hurdle for vesting | Fair value per right at grant date |
|---|---|---|---|---|---|---|
| John Fehon | 130,000 | 15/12/2020 | 31/10/2022 | 31/10/2022 | $2.000 | $0.49740 |
| Heath Roberts | 120,000 | 15/12/2020 | 31/10/2022 | 31/10/2022 | $2.000 | $0.49740 |

The Performance Rights carry none of the rights of ordinary shares and, in particular, no right to vote, receive dividends or participate in bonus or rights issues. No Directors of the company participated in the grant of performance rights.

The vesting conditions of these performance rights are forecast not to be met, and therefore no expense has been recognised in remuneration in respect of these rights in the period.

None of the rights granted during the year vested.

***Additional information***
The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

| | 2021 $ | 2020 $ | 2019 $ | 2018 $ | 2017 $ |
|---|---|---|---|---|---|
| Sales revenue | 42,524,908 | 17,906,551 | 2,655,799 | 2,029,373 | 1,846,985 |
| Profit/(loss) after income tax | 3,452,968 | (875,238) | (2,032,527) | 1,001,869 | (597,340) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Share price at financial year end ($) | 0.85 | 0.58 | 0.09 | 0.07 | 0.12 |
| Basic earnings per share (cents per share)* | 2.26 | (0.69) | (2.69) | 2.02 | (2.30) |

* The earnings per share for 2018 and 2017 have been adjusted for the effect of the share consolidation completed in December 2018.

***Additional disclosures relating to key management personnel***

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received during the year on the exercise of options | Additions/ other | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Vaughan Busby | - | - | - | - | - |
| Trevor A Jones | 1,088,303 | - | 114,247 | - | 1,202,550 |
| Lewis E Utting | 5,367,421 | 800,000 | 30,707 | (749,999) | 5,448,129 |
| Simone Watt | 5,063,280 | - | - | - | 5,063,280 |
| Jon Gourlay | 856,349 | - | 98,279 | - | 954,628 |
| Dan O'Toole | - | - | - | - | - |
| John Fehon | 288,333 | - | 21,326 | - | 309,659 |
| Heath Roberts | 100,000 | - | 6,093 | - | 106,093 |
| | 12,763,686 | 800,000 | 270,652 | (749,999) | 13,084,339 |

*Option holding*

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Lewis E Utting | 1,600,000 | - | (800,000) | - | 800,000 |
| Simone Watt | 250,000 | - | - | - | 250,000 |
| John Fehon | 75,000 | - | - | - | 75,000 |
| Heath Roberts | 400,000 | - | - | - | 400,000 |
| | 2,325,000 | - | (800,000) | - | 1,525,000 |

*Loans to key management personnel and their related parties*

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2021.

*Other transactions with key management personnel and their related parties*

A director, Simone Watt, is a director of Kanins International Pty Ltd and has the capacity to significantly influence decision making of that company. Kanins International Pty Ltd provided SciDev Limited with a US$350,000 working capital facility that matures on 1 October 2021. The facility is secured against the consolidated entity's inventory and incurs interest at 15% per annum. $nil (2020: $nil) was drawn down on this facility and $nil (2020: $nil) repaid during the 2021 financial year. The loan balance at 30 June 2021 was $nil (2020: $nil).

A director, Simone Watt, is a director of Sinoz Chemicals and Commodities Pty Ltd (Sinoz) and has the capacity to significantly influence the decision-making of the company. The consolidated entity has leased premises from Sinoz during the 2021 financial year. The lease contract was based on normal commercial terms and conditions.

*Amounts recognised as expenses*
Rent and related expenses: $6,030 (2020: $nil)
Finance costs: $nil (2020: $nil)

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2021.

***This concludes the remuneration report, which has been audited.***

**Shares under option**
Unissued ordinary shares of SciDev Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 23 July 2019 | 23 July 2022 | $0.100 | 800,000 |
| 23 July 2019 | 23 July 2022 | $0.120 | 250,000 |
| 16 May 2019 | 23 July 2022 | $0.100 | 400,000 |
| 16 May 2019 | 23 July 2022 | $0.120 | 850,000 |
| | | | 2,300,000 |

All of the unexercised options were granted under the SciDev Employee Share Scheme (see note 40).

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

**Shares under performance rights**
Unissued ordinary shares of SciDev Limited under performance rights at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under rights |
|---|---|---|---|
| 15 December 2020 | 31 October 2022 | $0.000 | 1,408,399 |
| 26 May 2021 | 30 June 2022 | $0.000 | 725,000 |
| | | | 2,133,399 |

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**
There were 1,425,000 ordinary shares of SciDev Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

**Shares issued on the exercise of performance rights**
There were no ordinary shares of SciDev Limited issued on the exercise of performance rights during the year ended 30 June 2021 and up to the date of this report.

**Indemnity and insurance of officers**
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of Ernst & Young**
There are no officers of the company who are former partners of Ernst & Young.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**
Ernst & Young was appointed auditor on 10 June 2021. They serve in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Lewis E Utting
Managing Director

31 August 2021
Sydney

Building a better working world

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## Auditor's Independence Declaration to the Directors of SciDev Limited

As lead auditor for the audit of the financial report of SciDev Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SciDev Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Siobhan Hughes

Siobhan Hughes
Partner
31 August 2021

**SciDev Limited**
**Consolidated statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2021**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Revenue** | 5 | 42,524,908 | 18,061,342 |
| Other income | 6 | 1,711,761 | 587,855 |
| Interest revenue | | 923 | 2,784 |
| **Expenses** | | | |
| Changes in inventories, and raw materials and consumables used | | (32,366,160) | (14,954,716) |
| Contractors | | (629,918) | (97,582) |
| Depreciation and amortisation expense | | (929,771) | (377,760) |
| Employee benefits expense | | (6,253,852) | (2,845,448) |
| Engineering and other consultants expenses | | (978,648) | (535,834) |
| Insurance | | (275,161) | (165,406) |
| Loss on disposal of assets | | - | (6,902) |
| Listing and share registry expenses | | (121,761) | (150,999) |
| Professional fees | | (381,870) | (706,810) |
| Short-term facility expenses and outgoings | | (167,657) | (199,136) |
| Travel, accommodation and conference | | (312,854) | (294,832) |
| Write-off of assets | | (39,671) | - |
| Other expenses | | (827,078) | (556,454) |
| Finance costs | 7 | (147,532) | (35,688) |
| **Profit/(loss) before income tax benefit** | | 805,659 | (2,275,586) |
| Income tax benefit | 8 | 2,647,309 | 1,400,348 |
| **Profit/(loss) after income tax benefit for the year attributable to the owners of SciDev Limited** | | 3,452,968 | (875,238) |
| **Other comprehensive income/(loss)** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax | | 810,289 | - |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (1,080,723) | (36,310) |
| Other comprehensive income/(loss) for the year, net of tax | | (270,434) | (36,310) |
| **Total comprehensive income/(loss) for the year attributable to the owners of SciDev Limited** | | 3,182,534 | (911,548) |
| | | **Cents** | **Cents** |
| Basic earnings/(loss) per share | 39 | 2.26 | (0.69) |
| Diluted earnings/(loss) per share | 39 | 2.23 | (0.69) |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**SciDev Limited**
**Consolidated statement of financial position**
**As at 30 June 2021**

| | Note | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 7,010,025 | 4,481,783 |
| Trade and other receivables | 10 | 7,682,728 | 2,170,036 |
| Contract assets | 11 | 441,551 | - |
| Inventories | 12 | 3,792,740 | 4,805,023 |
| Income tax refund due | | 3,049 | 32,623 |
| Other | | 336,718 | 153,254 |
| Total current assets | | 19,266,811 | 11,642,719 |
| **Non-current assets** | | | |
| Financial assets at fair value through other comprehensive income | 13 | 2,720,887 | 1,502,900 |
| Property, plant and equipment | 14 | 6,383,862 | 1,196,808 |
| Intangibles | 15 | 24,129,773 | 11,402,074 |
| Deferred tax | 16 | 3,603,973 | 1,364,362 |
| Other | | 45,282 | 64,053 |
| Total non-current assets | | 36,883,777 | 15,530,197 |
| **Total assets** | | 56,150,588 | 27,172,916 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 9,528,707 | 8,500,186 |
| Contract liabilities | 18 | 262,646 | - |
| Lease liabilities | 20 | 2,465,441 | 182,780 |
| Employee benefits | 21 | 400,391 | 126,448 |
| Provisions | 22 | 3,538,664 | 285,258 |
| Total current liabilities | | 16,195,849 | 9,094,672 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | 279,883 | 284,918 |
| Lease liabilities | 20 | 2,384,957 | 70,655 |
| Provisions | 22 | 5,675,342 | 313,500 |
| Total non-current liabilities | | 8,340,182 | 669,073 |
| **Total liabilities** | | 24,536,031 | 9,763,745 |
| **Net assets** | | 31,614,557 | 17,409,171 |
| **Equity** | | | |
| Issued capital | 23 | 100,996,733 | 89,874,533 |
| Other equity | 24 | 307,800 | 569,975 |
| Reserves | 25 | 25,070 | 132,677 |
| Accumulated losses | | (69,715,046) | (73,168,014) |
| **Total equity** | | 31,614,557 | 17,409,171 |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**SciDev Limited**
**Consolidated statement of changes in equity**
**For the year ended 30 June 2021**

| | Issued capital $ | Other equity $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | 76,899,789 | - | 2,210,703 | (74,411,471) | 4,699,021 |
| Loss after income tax benefit for the year | - | - | - | (875,238) | (875,238) |
| Other comprehensive income/(loss) for the year, net of tax | - | - | (36,310) | - | (36,310) |
| Total comprehensive income/(loss) for the year | - | - | (36,310) | (875,238) | (911,548) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity (note 23) | 13,152,292 | - | - | - | 13,152,292 |
| Transaction costs net of tax (note 23) | (299,598) | - | - | - | (299,598) |
| Share-based payments (note 40) | - | - | 199,029 | - | 199,029 |
| Options exercised and lapsed (note 23) | 122,050 | - | (2,885,944) | 2,763,894 | - |
| Contingent consideration (note 24) | - | 569,975 | - | - | 569,975 |
| Transfer from reserves to accumulated losses | - | - | 645,199 | (645,199) | - |
| Balance at 30 June 2020 | 89,874,533 | 569,975 | 132,677 | (73,168,014) | 17,409,171 |

| | Issued capital $ | Other equity $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2020 | 89,874,533 | 569,975 | 132,677 | (73,168,014) | 17,409,171 |
| Profit after income tax benefit for the year | - | - | - | 3,452,968 | 3,452,968 |
| Other comprehensive income/(loss) for the year, net of tax | - | - | (270,434) | - | (270,434) |
| Total comprehensive income/(loss) for the year | - | - | (270,434) | 3,452,968 | 3,182,534 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Share-based payments (note 40) | - | - | 162,827 | - | 162,827 |
| Contributions of equity (note 23) | 10,927,000 | - | - | - | 10,927,000 |
| Transaction costs net of tax (note 23) | (191,975) | - | - | - | (191,975) |
| Options exercised (note 23) | 125,000 | - | - | - | 125,000 |
| Contingent consideration (note 24) | 262,175 | (262,175) | - | - | - |
| Balance at 30 June 2021 | 100,996,733 | 307,800 | 25,070 | (69,715,046) | 31,614,557 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**SciDev Limited**
**Consolidated statement of cash flows**
**For the year ended 30 June 2021**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 41,852,628 | 20,452,172 |
| Payments to suppliers and employees (inclusive of GST) | | (43,370,670) | (20,397,597) |
| | | (1,518,042) | 54,575 |
| Short term facility and outgoings | | (167,657) | (199,136) |
| Government grants and subsidies | | 105,501 | - |
| Interest received | | 923 | 2,784 |
| R&D tax incentive received | | 380,361 | - |
| Interest and other finance costs paid | | (147,532) | (35,688) |
| Income taxes refunded | | 29,574 | - |
| Net cash used in operating activities | 38 | (1,316,872) | (177,465) |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 35 | (1,700,000) | (870,765) |
| Payments for property, plant and equipment | 14 | (414,493) | (752,768) |
| Payments for intangibles | 15 | (186,551) | (118,275) |
| Payments for security deposits | | - | (50,878) |
| Payments for contingent consideration | | (267,031) | - |
| Proceeds from disposal of property, plant and equipment | | 64,900 | - |
| Proceeds from release of security deposits | | 17,706 | - |
| Net cash used in investing activities | | (2,485,469) | (1,792,686) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 7,000,000 | 5,071,902 |
| Proceeds from borrowings | | 1,093,139 | 284,918 |
| Repayment of leases | | (870,760) | - |
| Proceeds from exercise of share options | | 125,000 | - |
| Share issue transaction costs | | (191,975) | - |
| Repayment of borrowings | | (817,639) | (661,095) |
| Net cash from financing activities | | 6,337,765 | 4,695,725 |
| Net increase in cash and cash equivalents | | 2,535,424 | 2,725,574 |
| Cash and cash equivalents at the beginning of the financial year | | 4,481,783 | 1,756,209 |
| Effects of exchange rate changes on cash and cash equivalents | | (7,182) | - |
| Cash and cash equivalents at the end of the financial year | 9 | 7,010,025 | 4,481,783 |



*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. General information

The financial statements cover SciDev Limited as a consolidated entity consisting of SciDev Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is SciDev Limited's functional and presentation currency.

SciDev Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| **Registered office** | **Principal place of business** |
|---|---|
| Unit 1<br>8 Turbo Road<br>Kings Park<br>NSW 2148 | C/-Boardroom Pty Limited<br>Level 12, Grosvenor Place<br>225 George Street, Sydney<br>NSW 2000 |

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2021. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*
*Amendments to IFRS 3 Definition of a Business*
*Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform*
*Amendments to IAS 1 and IAS 8 Definition of Material*

The consolidated entity has adopted the revised Accounting Standards and Interpretations from 1 July 2020 but they have not had a material impact on the consolidated entity's financial statements.

**Basis of preparation**
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through other comprehensive income.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Note 2. Significant accounting policies (continued)**

*Comparative information*
Some comparative information has been reclassified for presentation purposes.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SciDev Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. SciDev Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Foreign currency translation**
The financial statements are presented in Australian dollars, which is SciDev Limited's functional and presentation currency.

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Income tax**
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

**Note 2. Significant accounting policies (continued)**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

SciDev Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

**Note 2. Significant accounting policies (continued)**

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

*Financial assets at fair value through other comprehensive income*
Upon initial recognition, the consolidated entity can elect to classify irrevocably its equity investments as equity instruments designated at fair value through Other Comprehensive Income (OCI) when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The consolidated entity elected to classify irrevocably its non-listed equity investments under this category.

*Impairment of financial assets*
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income.

**Impairment of non-financial assets**
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Finance costs**
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Goods and Services Tax ('GST') and other similar taxes**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

## Note 2. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**
The following Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet completed a detailed review of these, however does not expect any of them to have a material impact on the financial results upon adoption.

Amendments to AASB 3: Reference to Conceptual Framework
Amendments to AASB 137: Onerous Contracts – Costs of Fulfilling a Contract
Amendments to AASB 116: Property, Plant and Equipment: Proceeds before Intended Use
Amendments to AASB 137: Onerous Contracts – Costs of Fulfilling a Contract
Amendments to AASB 101: Classification of Liabilities as Current or Non-current
Amendments to AASB 101 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
Amendments to AASB 108 – Definition of Accounting Estimates
Amendments to AASB 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Coronavirus (COVID-19) pandemic*
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Carrying value of goodwill and non-financial assets*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the consolidated entity is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the consolidated entity. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 15.

*Fair value of contingent consideration*
The consolidated entity has estimated the fair value of contingent consideration payable in connection with business combinations by determining the present value of expected future payments, discounted using a risk-adjusted discount rate. The estimate of future payments is based on forecast EBITDA of the acquired business over a three-year period. The acquisition accounting is provisional at 30 June 2021.

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits and the availability of past losses for use.

## Note 4. Operating segments

*Identification of reportable operating segments*
The consolidated entity operates in primarily two geographical segments: Australia and the United States. The primary business segment is the treatment of industrial waste.

Operating and business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

*Intersegment transactions*
Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

*Intersegment receivables, payables and loans*
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

*Major customers*
During the year ended 30 June 2021, revenue from 1 customer amounted to $6,936,531 arising from sales in the Australia segment, and revenue from 1 customer amounted to $4,760,454 arising from sales in the United States segment.

During the year ended 30 June 2020, revenue from 2 customers amounted to $5,868,415 arising from sales in the Australia segment, and revenue from 1 customer amounted to $3,054,467 arising from sales in the United States segment.

No other customer contributed 10% or more to the consolidated entity's revenue for both 2021 and 2020.

**Note 4. Operating segments (continued)**

*Operating segment information*

| 2021 | Australia $ | United States $ | Eliminations and adjustments $ | Total $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 25,593,180 | 16,931,728 | - | 42,524,908 |
| Intersegment sales | - | 99,923 | (99,923) | - |
| Total sales revenue | 25,593,180 | 17,031,651 | (99,923) | 42,524,908 |
| Interest revenue | 923 | - | - | 923 |
| **Total revenue** | 25,594,103 | 17,031,651 | (99,923) | 42,525,831 |
| | | | | |
| **Adjusted EBITDA*** | 2,964,131 | (671,026) | (204,714) | 2,088,391 |
| Depreciation and amortisation | | | | (929,771) |
| Interest revenue | | | | 923 |
| Finance costs | | | | (147,532) |
| Professional fees in connection with business combinations | | | | (206,352) |
| **Profit before income tax benefit** | | | | 805,659 |
| Income tax benefit | | | | 2,647,309 |
| **Profit after income tax benefit** | | | | 3,452,968 |
| | | | | |
| **Assets** | | | | |
| Segment assets | 64,954,166 | 12,224,296 | (21,027,874) | 56,150,588 |
| **Total assets** | | | | 56,150,588 |
| *Total assets includes:* | | | | |
| Acquisition of non-current assets | 414,493 | 186,551 | - | 601,044 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 42,476,655 | 3,087,250 | (21,027,874) | 24,536,031 |
| **Total liabilities** | | | | 24,536,031 |

* Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings because of isolated or non-recurring events.

## Note 4. Operating segments (continued)

| 2020 | Australia $ | United States $ | Eliminations and adjustments $ | Total $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 12,286,522 | 5,620,029 | - | 17,906,551 |
| Intersegment sales | 2,574,870 | 2,271,474 | (4,846,344) | - |
| Total sales revenue | 14,861,392 | 7,891,503 | (4,846,344) | 17,906,551 |
| Other revenue | 142,345 | 12,446 | - | 154,791 |
| Interest revenue | 2,784 | - | - | 2,784 |
| **Total revenue** | 15,006,521 | 7,903,949 | (4,846,344) | 18,064,126 |
| | | | | |
| **Adjusted EBITDA*** | (1,431,852) | (345,838) | 813 | (1,776,877) |
| Depreciation and amortisation | | | | (377,760) |
| Interest revenue | | | | 2,784 |
| Finance costs | | | | (35,688) |
| Professional fees in connection with business combinations | | | | (88,045) |
| **Loss before income tax benefit** | | | | (2,275,586) |
| Income tax benefit | | | | 1,400,348 |
| **Loss after income tax benefit** | | | | (875,238) |
| | | | | |
| **Assets** | | | | |
| Segment assets | 21,012,266 | 11,681,957 | (5,521,307) | 27,172,916 |
| **Total assets** | | | | 27,172,916 |
| *Total assets includes:* | | | | |
| Acquisition of non-current assets | 2,871,201 | 8,509,546 | - | 11,380,747 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 10,554,626 | 4,730,426 | (5,521,307) | 9,763,745 |
| **Total liabilities** | | | | 9,763,745 |

* Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings because of isolated or non-recurring events.

*Accounting policy for operating segments*
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## Note 5. Revenue

| | 2021 $ | 2020 $ |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Treatment fees and product sales | 42,524,908 | 17,906,551 |
| | | |
| *Other revenue* | | |
| Other revenue | - | 154,791 |
| | | |
| Revenue | 42,524,908 | 18,061,342 |

**Note 5. Revenue (continued)**

*Disaggregation of revenue*
The disaggregation of revenue from contracts with customers is based on the location of the customers as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Geographical regions* | | |
| Australia | 21,067,988 | 10,922,996 |
| United States | 18,033,927 | 5,551,031 |
| Asia | 3,422,993 | 1,432,524 |
| | 42,524,908 | 17,906,551 |
| *Timing of revenue recognition* | | |
| Goods transferred at a point in time | 40,568,581 | 17,906,551 |
| Services transferred over time | 1,956,327 | - |
| | 42,524,908 | 17,906,551 |

*Accounting policy for revenue recognition*
The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Warranties associated with contracts are recorded as provisions.

*Sale of goods*
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

*Consulting services and treatment fees*
Consulting services and treatment fees are recognised using the percentage-of-completion method, based on inputs, for fixed-fee arrangements or as the services are provided for time-and-materials arrangements. The performance obligations relating to these arrangements are expected to have a duration of one year or less.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## Note 5. Revenue (continued)

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

## Note 6. Other income

| | 2021 $ | 2020 $ |
|---|---|---|
| Net foreign exchange gain | 200,265 | 83,123 |
| Net gain on disposal of property, plant and equipment | 27,490 | - |
| Subsidies and grants | 1,462,064 | 501,527 |
| Sundry | 21,942 | 3,205 |
| Other income | 1,711,761 | 587,855 |

Other income includes research and development tax incentive and government grants. Research and development tax incentive is recognised in the period in which the grant submission is completed. Government grants are recognised when there is reasonable assurance that the consolidated entity will comply with the conditions attached to it and that the grant will be received.

## Note 7. Expenses

| | 2021 $ | 2020 $ |
|---|---|---|
| Profit/(loss) before income tax includes the following specific expenses: | | |
| *Finance costs* | | |
| Interest and finance charges paid/payable on borrowings | 99,756 | 21,800 |
| Interest and finance charges paid/payable on lease liabilities | 47,776 | 13,888 |
| Finance costs expensed | 147,532 | 35,688 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 289,283 | 187,239 |

## Note 8. Income tax benefit

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Income tax benefit* | | |
| Deferred tax - origination and reversal of temporary differences | (2,647,309) | (1,400,348) |
| Aggregate income tax benefit | (2,647,309) | (1,400,348) |
| Deferred tax included in income tax benefit comprises: | | |
| Increase in deferred tax assets (note 16) | (2,647,309) | (1,364,362) |
| Decrease in deferred tax liabilities | - | (35,986) |
| Deferred tax - origination and reversal of temporary differences | (2,647,309) | (1,400,348) |
| *Numerical reconciliation of income tax benefit and tax at the statutory rate* | | |
| Profit/(loss) before income tax benefit | 805,659 | (2,275,586) |
| Tax at the statutory tax rate of 30% (2020: 27.5%) | 241,698 | (625,786) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible expenses | 9,293 | 245,985 |
| Government grants | - | (27,500) |
| | 250,991 | (407,301) |
| Prior year temporary differences not recognised now recognised | - | (43,655) |
| Recognition of additional carry forward losses | (2,579,670) | (997,958) |
| Tax losses relating to overseas subsidiaries not recognised | 227,402 | 189,124 |
| Deferred tax prior period adjustment | - | (35,986) |
| Impact of change in tax rates on opening deferred tax balance | (124,033) | - |
| Research and development tax credit | (421,999) | (104,572) |
| Income tax benefit | (2,647,309) | (1,400,348) |

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Amounts charged directly to equity* | | |
| Deferred tax expense (note 16) | 407,698 | - |
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 56,240,036 | 64,080,927 |
| Potential tax benefit @ 30% | 16,872,011 | 19,224,278 |

Management have determined that it is prudent to recognise prior year tax losses in the amounts included above and are in the process of assessing the availability of other historical tax losses.

Tax losses will only be recognised and obtained if it is probable:
(i) the consolidated entity will derive future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses and temporary difference to be realised;
(ii) the consolidated entity complies with the conditions for deductibility imposed by the tax legislation such as continuity of ownership and same business test; and
(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from deductions for the losses and temporary differences.

## Note 9. Cash and cash equivalents

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current assets* | | |
| Cash at bank | 6,960,025 | 4,481,783 |
| Cash on deposit | 50,000 | - |
| | 7,010,025 | 4,481,783 |

*Accounting policy for cash and cash equivalents*
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Note 10. Trade and other receivables

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current assets* | | |
| Trade receivables | 6,521,610 | 2,111,383 |
| Other receivables | 1,161,118 | 58,653 |
| | 7,682,728 | 2,170,036 |

*Allowance for expected credit losses*
The consolidated entity calculates its expected credit losses (ECL) based on the consolidated entity's historical credit loss experience, adjusted for forward-looking factors specific to its receivables and the economic environment.

The consolidated entity does not have any history of impairment of its trade receivables. The consolidated entity transacts with a limited number of established customers and operates under strict credit policies approved by the Board of Directors.

No impairment loss has been recognised for trade receivables.

*Accounting policy for trade and other receivables*
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 11. Contract assets

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current assets* | | |
| Contract assets | 441,551 | - |

The balance at 30 June 2021 represents contract assets associated with the SciDev Water Services business. The business was acquired during the current financial year (refer note 35).

*Accounting policy for contract assets*
Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

## Note 12. Inventories

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current assets* | | |
| Stock in transit - at cost | 226,529 | 547,877 |
| Stock on hand - at cost | 3,566,211 | 4,257,146 |
| | 3,792,740 | 4,805,023 |

*Accounting policy for inventories*
Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. No inventory on hand at 30 June 2021 is being recorded at net realisable value.

## Note 13. Financial assets at fair value through other comprehensive income

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Non-current assets* | | |
| Unlisted equity securities | 2,720,887 | 1,502,900 |

*Reconciliation*
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Opening fair value | 1,502,900 | 1,502,900 |
| Revaluation increments | 1,217,987 | - |
| Closing fair value | 2,720,887 | 1,502,900 |

## Note 13. Financial assets at fair value through other comprehensive income (continued)

*Investment in Tartana Resources Limited*
Included in the total value of unlisted securities at 30 June 2021 is an investment of $2,717,987 in Tartana Resources Ltd (Tartana). On 25 October 2017, SciDev Limited (SciDev) entered into a conditional sale agreement to dispose of Intec Zeehan Residues Pty Ltd (IZR), whose principal asset was the Zeehan Zinc Project. The disposal was completed on 22 January 2018, on which date control of IZR passed to the acquirer, Tartana. The total consideration was 15,000,000 ordinary shares in Tartana at a deemed price of 10 cents per share and $500,000 in cash. SciDev received $300,000 of the cash component and 7,760,000 ordinary shares in Tartana.

SciDev and Tartana subsequently agreed to vary the terms of the sale agreement resulting in an additional 5,000,000 Tartana shares to be issued to SciDev and the deletion of the $500,000 cash component of the transaction. SciDev agreed to repay the $300,000 it received from Tartana and used the proceeds from the sale of 6,410,256 Tartana shares to fund the repayment. The total consideration for the transaction of $2,000,000 remained unchanged.

On 4 February 2021, R3D Resources Limited (ASX:R3D) announced an off-market all scrip takeover bid for 100% of the fully paid ordinary shares and 100% of the options in Tartana. The offer closed on 31 July 2021 and at that date R3D had a relevant interest in 99.89% of Tartana shares. SciDev received 13,589,935 R3D shares and 2,727,987 attaching options for the shares it held in Tartana. The options are exercisable at $0.40 within 5 years from the date of issue.

Refer to note 28 for further information on fair value measurement.

## Note 14. Property, plant and equipment

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Non-current assets* | | |
| Office buildings and warehouses - at cost | 567,886 | 186,480 |
| Less: Accumulated depreciation | (297,060) | (86,068) |
| | 270,826 | 100,412 |
| | | |
| Plant and equipment - at cost | 7,077,063 | 2,204,673 |
| Less: Accumulated depreciation | (1,534,336) | (1,247,984) |
| | 5,542,727 | 956,689 |
| | | |
| Motor vehicles - at cost | 668,159 | 284,340 |
| Less: Accumulated depreciation | (117,121) | (164,395) |
| | 551,038 | 119,945 |
| | | |
| Office equipment - at cost | 38,942 | 61,090 |
| Less: Accumulated depreciation | (19,671) | (41,328) |
| | 19,271 | 19,762 |
| | | |
| | 6,383,862 | 1,196,808 |

## Note 14. Property, plant and equipment (continued)

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Office buildings and warehouses $ | Plant and equipment $ | Motor vehicles $ | Office equipment $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | - | 286,266 | - | 17,188 | 303,454 |
| Additions | - | 742,632 | - | 10,136 | 752,768 |
| Additions through business combinations | - | 196,782 | 132,897 | - | 329,679 |
| Disposals | - | (6,902) | - | - | (6,902) |
| Adoption of AASB 16 | 186,480 | - | - | - | 186,480 |
| Exchange differences | - | (4,301) | (4,469) | - | (8,770) |
| Depreciation expense | (86,068) | (257,788) | (8,483) | (7,562) | (359,901) |
| Balance at 30 June 2020 | 100,412 | 956,689 | 119,945 | 19,762 | 1,196,808 |
| Additions | - | 402,269 | 10,053 | 2,171 | 414,493 |
| Additions through business combinations (note 35) | - | 4,883,096 | 356,048 | 6,709 | 5,245,853 |
| Disposals | - | (28,202) | (9,208) | - | (37,410) |
| Adjustments | - | 1,503 | (25) | - | 1,478 |
| Exchange differences | 1,208 | (25,319) | (6,444) | - | (30,555) |
| Recognition of right-of-use asset | 381,406 | - | 111,976 | - | 493,382 |
| Depreciation expense | (212,200) | (647,309) | (31,307) | (9,371) | (900,187) |
| Balance at 30 June 2021 | 270,826 | 5,542,727 | 551,038 | 19,271 | 6,383,862 |

Included in the above line items are right-of-use assets over the following:

| | Office buildings and warehouses $ | Plant and equipment $ | Motor vehicles $ | Total $ |
|---|---|---|---|---|
| Recognition of right-of-use asset | 186,480 | - | - | 186,480 |
| Additions through business combinations (note 33) | - | - | 91,857 | 91,857 |
| Exchange differences | - | - | (4,469) | (4,469) |
| Depreciation expense | (86,068) | - | (8,483) | (94,551) |
| Balance at 30 June 2020 | 100,412 | - | 78,905 | 179,317 |
| Recognition of right-of-use asset | 381,406 | - | 111,976 | 493,382 |
| Additions through business combinations (note 33) | - | 4,723,664 | - | 4,723,664 |
| Exchange differences | 1,208 | - | (6,444) | (5,236) |
| Depreciation expense | (212,200) | (363,359) | (23,008) | (598,567) |
| Balance at 30 June 2021 | 270,826 | 4,360,305 | 161,429 | 4,792,560 |

## Note 14. Property, plant and equipment (continued)

*Accounting policy for property, plant and equipment*
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments of $167,657 on short-term leases were expensed to profit or loss as incurred (2020: $199,136).

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | |
|---|---|
| Plant and equipment | 4-7 years |
| Motor vehicles | 4-5 years |
| Office equipment | 2-8 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## Note 15. Intangibles

| | 2021 $ | 2020 $ |
|---|---|---|
| *Non-current assets* | | |
| Goodwill - at cost | 23,606,453 | 10,987,134 |
| | | |
| Trade marks and intellectual property - at cost | 798,080 | 670,125 |
| Less: Accumulated amortisation | (274,760) | (255,185) |
| | 523,320 | 414,940 |
| | | |
| | 24,129,773 | 11,402,074 |

## Note 15. Intangibles (continued)

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Goodwill $ | Trade marks and intellectual property $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2019 | 1,030,018 | 216,281 | 1,246,299 |
| Additions | - | 118,275 | 118,275 |
| Additions through business combinations | 9,957,116 | 42,001 | 9,999,117 |
| Exchange differences | - | (2,897) | (2,897) |
| Adjustment | - | 59,139 | 59,139 |
| Amortisation expense | - | (17,859) | (17,859) |
| Balance at 30 June 2020 | 10,987,134 | 414,940 | 11,402,074 |
| Additions | - | 186,551 | 186,551 |
| Additions through business combinations (note 35) | 13,687,501 | - | 13,687,501 |
| Exchange differences | (1,068,182) | (7,438) | (1,075,620) |
| Write off of assets | - | (41,149) | (41,149) |
| Amortisation expense | - | (29,584) | (29,584) |
| Balance at 30 June 2021 | 23,606,453 | 523,320 | 24,129,773 |

*Impairment testing for goodwill*
The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by the Directors and extrapolated for a further 4 years (within the company's 5-year plan) using variable rates, together with a terminal value. The exception to this is the provisional goodwill balance of $13,687,501 which was recognised through business combinations in May 2021 (refer note 35). The recoverable amount of the Australia 2 cash generating unit (CGU), which forms part of the Australia group of CGUs, has been determined based on fair value less costs of disposal given the proximity of the transaction to period end.

Goodwill is monitored by management at the following level:

| | **2021 $** | **2020 $** |
|---|---|---|
| Australian Group of CGUs | | |
| - Australia 1 | 3,002,084 | 3,002,084 |
| - Australia 2 | 13,687,501 | - |
| United States CGU | 6,915,868 | 7,985,050 |
| | 23,605,453 | 10,987,134 |

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

Key assumptions in the discounted cashflow model for the Australia 1 CGU (measured by value-in-use) include:
(a) Post-tax discount rate of 6.5% (2020: 6%) per annum;
(b) Average revenue growth over the five-year period of 47.9% (2020: 43.9%);
(c) Average growth in gross margin over the five-year period of -1.3% (2020: 2.1%); and
(d) Average per annum increase in operating expenses of 31.4% (2020: 34.7%).

**Note 15. Intangibles (continued)**

Key assumptions in the discounted cashflow model for the United States CGU include:
(a) Post-tax discount rate of 14% (2020: 6%) per annum;
(b) Average revenue growth over the five-year period of 47.8% (2020: 53.3%);
(c) Average growth in gross margin over the five-year period of 14.8% (2020: 2.6%); and
(d) Average per annum increase in operating expenses of 30.4% (2020: 26.4%).

The discount rate reflects management's estimate of the time value of money and the weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is prudent and justified, based on management's expectations of the business development pipeline for each CGU.

The budgeted gross margin is based on past performance and management's expectations for the future.

Management has budgeted for operating costs based on the current structure of each CGU, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

Sensitivity to change of assumptions:
Increases in discount rates or changes in other key assumptions, may cause the recoverable amount to fall below carrying values. Based on current economic conditions and CGU performances, there are no reasonably possible changes to key assumptions used in the determination of CGU recoverable amounts that would result in a material impairment to the consolidated entity.

*Accounting policy for intangible assets*
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Trade marks and intellectual property*
Significant costs associated with trade marks and intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

## Note 16. Deferred tax

| | 2021 $ | 2020 $ |
|---|---|---|
| *Non-current assets* | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Breakdown of closing deferred tax balances: | | |
| Tax losses | 3,888,078 | 1,306,813 |
| Employee benefits | 120,117 | 49,849 |
| Accrued expenses | 52,834 | 7,700 |
| Equity instruments at fair value through other comprehensive income | (407,698) | - |
| Prepayment | (49,358) | - |
| Deferred tax asset | 3,603,973 | 1,364,362 |
| *Movements:* | | |
| Opening balance | 1,364,362 | - |
| Credited to profit or loss (note 8) | 2,647,309 | 1,364,362 |
| Charged to equity (note 8) | (407,698) | - |
| Closing balance | 3,603,973 | 1,364,362 |

## Note 17. Trade and other payables

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 7,617,673 | 7,823,591 |
| Payable to the vendors of Haldon Industries | 879,685 | - |
| BAS payable | 280,775 | 238,775 |
| Other payables | 750,574 | 437,820 |
| | 9,528,707 | 8,500,186 |

Refer to note 27 for further information on financial instruments.

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## Note 18. Contract liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Contract liabilities | 262,646 | - |

## Note 18. Contract liabilities (continued)

*Unsatisfied performance obligations*
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $262,646 as at 30 June 2021 ($nil as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

| | 2021 $ | 2020 $ |
|---|---|---|
| Within 6 months | 262,646 | - |

*Accounting policy for contract liabilities*
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

## Note 19. Borrowings

| | 2021 $ | 2020 $ |
|---|---|---|
| *Non-current liabilities* | | |
| Loan - Paycheck Protection Program (USA) | 279,883 | 284,918 |

*Paycheck Protection Program loan*
The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses (located in the USA) to keep their workers on the payroll. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. The following are the key terms and conditions of the loan:

- The loan has an interest rate of 1%.
- Loans issued prior to 5 June 2020 have a maturity of 2 years. Loans issued after 5 June 2020 have a maturity of 5 years.
- Loan payments have been deferred for six months.
- The loan is unsecured.

Movements in Paycheck Protection Program loan:

| | 2021 $ | 2020 $ |
|---|---|---|
| Opening balance | 284,918 | - |
| Debt converted into subsidy | (266,459) | - |
| Receipts | 275,500 | 284,918 |
| Exchange differences | (14,076) | - |
| Closing balance | 279,883 | 284,918 |

Refer to note 27 for further information on financial instruments.

Subsequent to 30 June 2021, the loan was forgiven (refer note 37).

## Note 19. Borrowings (continued)

*Financing arrangements*
Unrestricted access was available at the reporting date to the following lines of credit:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Total facilities | | |
| Bank loan | - | 3,529,000 |
| Loan - Kanins International Pty Ltd | 490,000 | 510,000 |
| Loan - Paycheck Protection Program (USA) | 279,883 | 284,918 |
| Leases | 4,850,398 | 253,435 |
| Invoice purchase facility | 6,000,000 | 5,000,000 |
| | 11,620,281 | 9,577,353 |
| Used at the reporting date | | |
| Bank loan | - | - |
| Loan - Kanins International Pty Ltd | - | - |
| Loan - Paycheck Protection Program (USA) | 279,883 | 284,918 |
| Leases | 4,850,398 | 253,435 |
| Invoice purchase facility | - | - |
| | 5,130,281 | 538,353 |
| Unused at the reporting date | | |
| Bank loan | - | 3,529,000 |
| Loan - Kanins International Pty Ltd | 490,000 | 510,000 |
| Loan - Paycheck Protection Program (USA) | - | - |
| Leases | - | - |
| Invoice purchase facility | 6,000,000 | 5,000,000 |
| | 6,490,000 | 9,039,000 |

The above facilities have the following maturity dates:
- Loan - Kanins International Pty Ltd - 2 October 2021
- Loan - Paycheck Protection Program - 10 March 2026
- Invoice purchase facility - no maturity date

*Accounting policy for borrowings*
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

**Note 20. Lease liabilities**

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Lease liability - land and buildings | 276,770 | 89,574 |
| Lease liability - motor vehicles | 73,225 | 93,206 |
| Lease liability - equipment | 2,115,446 | - |
| | 2,465,441 | 182,780 |
| *Non-current liabilities* | | |
| Lease liability - land and buildings | 16,985 | 15,594 |
| Lease liability - motor vehicles | 123,061 | 55,061 |
| Lease liability - equipment | 2,244,911 | - |
| | 2,384,957 | 70,655 |
| | 4,850,398 | 253,435 |

Refer to note 27 for further information on financial instruments.

Land and buildings:
The consolidated entity has leases for warehouses and offices. Rental contracts are typically made for a fixed period of 3 - 5 years with options to extend. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position. The consolidated entity classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Most extension options have been included in the lease liability.

Motor vehicles:
The consolidated entity leases motor vehicles under finance lease and hire purchase. The leases are secured over the individual motor vehicles that the lease relates to.

Equipment:
The consolidated entity leases certain equipment under a lease that expires on 30 June 2023 and there are no options to extend. The lease is secured over the individual asset the lease relates to.

*Accounting policy for lease liabilities*
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are subsequently remeasured by increasing the carrying value to reflect interest on the lease liabilities, reducing the carrying value to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## Note 21. Employee benefits

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Annual leave | 399,559 | 126,320 |
| Long service leave | 832 | 128 |
| | 400,391 | 126,448 |

*Accounting policy for employee benefits*

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Defined contribution superannuation expense*
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

## Note 22. Provisions

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current liabilities* | | |
| Contingent consideration | 3,538,664 | 267,031 |
| Warranties | - | 18,227 |
| | 3,538,664 | 285,258 |
| *Non-current liabilities* | | |
| Contingent consideration | 5,675,342 | 313,500 |
| | 9,214,006 | 598,758 |

*Contingent consideration*
The contingent consideration relates to the acquisition of Haldon Industries and ProSol Pty Ltd and represents the cash component of the contingent consideration. It is measured at the present value of the estimated liability.

*Movements in provisions*
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

| **2021** | Contingent consideration $ | Warranties $ |
|---|---|---|
| Carrying amount at the start of the year | 580,531 | 18,227 |
| Additions through business combinations (note 35) | 8,900,506 | - |
| Payments | (267,031) | - |
| Unused amounts reversed | - | (18,227) |
| Carrying amount at the end of the year | 9,214,006 | - |

## Note 22. Provisions (continued)

*Accounting policy for provisions*
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Note 23. Issued capital

| | 2021 Shares | 2020 Shares | 2021 $ | 2020 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 158,370,242 | 140,889,052 | 100,996,733 | 89,874,533 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2019 | 107,263,157 | | 76,899,789 |
| Share placement (a) | 20 September 2019 | 16,000,000 | $0.260 | 4,160,000 |
| Options exercised | 3 October 2019 | 100,000 | $0.250 | 25,000 |
| Options exercised | 3 October 2019 | 200,000 | $0.250 | 50,000 |
| Options exercised | 3 October 2019 | 2,250,000 | $0.250 | 562,500 |
| Options exercised | 1 November 2019 | 200,000 | $0.250 | 50,000 |
| Options exercised | 19 November 2019 | 500,000 | $0.250 | 125,000 |
| Options exercised | 19 November 2019 | 50,000 | $0.250 | 12,500 |
| Shares issued to service provider (a) | 19 November 2019 | 192,307 | $0.260 | 50,000 |
| Options exercised | 19 November 2019 | 650,000 | $0.250 | 162,500 |
| Shares issued to acquire ProSol Australia Pty Ltd (c) | 25 November 2019 | 684,000 | $0.590 | 403,560 |
| Options exercised | 13 December 2019 | 675,000 | $0.120 | 81,000 |
| Options exercised | 16 January 2020 | 350,000 | $0.120 | 42,000 |
| Options exercised | 10 February 2020 | 75,000 | $0.120 | 9,000 |
| Options exercised | 27 February 2020 | 325,000 | $0.120 | 39,000 |
| Shares issued to acquire Highland Fluid Technology Inc. (d) | 28 February 2020 | 11,349,588 | $0.650 | 7,377,232 |
| Options exercised | 26 June 2020 | 25,000 | $0.120 | 3,000 |
| Share issue expenses | | - | $0.000 | (299,598) |
| Options exercised - transfer from share-based payments reserve | | - | $0.000 | 122,050 |
| Balance | 30 June 2020 | 140,889,052 | | 89,874,533 |
| Share placement (a) | 24 July 2020 | 7,692,308 | $0.650 | 5,000,000 |
| Options exercised | 29 July 2020 | 125,000 | $0.120 | 15,000 |
| Shares issued to the vendor of ProSol Australia Pty Ltd (c) | 29 July 2020 | 436,959 | $0.600 | 262,175 |
| Share purchase plan (b) | 21 August 2020 | 3,076,923 | $0.650 | 2,000,000 |
| Options exercised | 17 November 2020 | 800,000 | $0.100 | 80,000 |
| Options exercised | 26 November 2020 | 125,000 | $0.120 | 15,000 |
| Options exercised | 15 January 2021 | 75,000 | $0.120 | 9,000 |
| Options exercised | 3 May 2021 | 50,000 | $0.120 | 6,000 |
| Shares issued to vendor of the Haldon Industries business (e) | 12 May 2021 | 5,100,000 | $0.770 | 3,927,000 |
| Share issue expenses | | - | $0.000 | (191,975) |
| Balance | 30 June 2021 | 158,370,242 | | 100,996,733 |

**Note 23. Issued capital (continued)**

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(a) Share placement and shares issued to service provider
*- 30 June 2020*
On 20 September 2019 SciDev Limited announced the placement of 16,000,000 new ordinary shares with local institutional and sophisticated investors at an issue price of $0.26 per share. The company issued 192,307 ordinary shares to the advisor assisting with the placement for services rendered.

*- 30 June 2021*
On 24 July 2020 SciDev Limited announced the placement of 7,692,308 new ordinary shares with two leading Australian Fund Managers at an issue price of $0.65 per share.

(b) Share purchase plan
*- 30 June 2021*
On 21 August 2020 SciDev Limited issued 3,076,923 new ordinary shares at $0.65 per share pursuant to a Share Purchase Plan (SPP).

(c) Shares issued to acquire ProSol Australia Pty Ltd
*- 30 June 2020*
On 25 November 2019 SciDev Limited issued 684,000 ordinary shares at $0.59 per share to acquire ProSol Australia Pty Ltd.

*- 30 June 2021*
On 29 July 2020 SciDev Limited issued 436,959 ordinary shares at $0.60 per share to the vendor of ProSol Australia Pty Ltd (ProSol) being part of the first tranche of milestoned consideration under the terms of acquisition of ProSol Australia Pty Ltd (see note 24).

(d) Shares issued to acquire Highland Fluid Technology Inc
*- 30 June 2020*
On 28 February 2020 SciDev Limited issued 11,349,588 ordinary shares at $0.65 per share to acquire Highland Fluid Technology Inc.

(e) Shares issued to the vendor of Haldon Industries
*- 30 June 2021*
On 12 May 2021 SciDev Limited issued 5,100,000 ordinary shares at $0.77 per share to acquire the Haldon Industries business (refer note 35).

*Capital risk management*
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings and lease liabilities (current and non-current) less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

## Note 23. Issued capital (continued)

There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2020 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital (current assets less current liabilities) of the consolidated entity at 30 June 2021 was $3,070,962 (2020: $2,548,047).

*Accounting policy for issued capital*
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 24. Other equity

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Contingent consideration | 307,800 | 569,975 |

The contingent consideration relates to the acquisition of ProSol Pty Ltd and represents the fair value of the consideration to be settled by the issue of SciDev Ltd shares.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Opening balance | 569,975 | - |
| Acquisition of ProSol Pty Ltd | - | 569,975 |
| Issue of shares | (262,175) | - |
| Closing balance | 307,800 | 569,975 |

## Note 25. Reserves

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Revaluation reserve | 810,289 | - |
| Foreign currency reserve | (1,117,033) | (36,310) |
| Share-based payments reserve | 331,814 | 168,987 |
| | 25,070 | 132,677 |

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 25. Reserves (continued)**

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| | Revaluation reserve $ | Foreign currency reserve $ | Share-based payments reserve $ | Transactions with non-controlling interests $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | - | - | 2,855,902 | (645,199) | 2,210,703 |
| Foreign currency translation | - | (36,310) | - | - | (36,310) |
| Share-based payments | - | - | 199,029 | - | 199,029 |
| Options exercised and lapsed | - | - | (2,885,944) | - | (2,885,944) |
| Transfer to accumulated losses | - | - | - | 645,199 | 645,199 |
| Balance at 30 June 2020 | - | (36,310) | 168,987 | - | 132,677 |
| Revaluation - gross | 1,217,987 | - | - | - | 1,217,987 |
| Deferred tax | (407,698) | - | - | - | (407,698) |
| Foreign currency translation | - | (1,080,723) | - | - | (1,080,723) |
| Share-based payments | - | - | 162,827 | - | 162,827 |
| Balance at 30 June 2021 | 810,289 | (1,117,033) | 331,814 | - | 25,070 |

**Note 26. Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Note 27. Financial instruments**

***Financial risk management objectives***
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

Risk management is carried out by company management and the Board of Directors. Financial risks are identified and evaluated and where considered necessary strategies are put in place to investigate and/or minimise such risks.

***Market risk***

*Foreign currency risk*
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity has a trade finance facility utilised for the purchase of US$ denominated invoices. Purchases through the facility are transacted at the prevailing spot A$/US$ exchange rate and the outstanding amount under the facility is always denominated in A$. The consolidated entity has not entered into any foreign currency hedging contracts during the year.

**Note 27. Financial instruments (continued)**

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | 2021 $ | 2020 $ |
|---|---|---|
| Assets - cash - US dollars | 1,731,680 | - |
| Assets - receivables - US dollars | 1,219,796 | 126,688 |
| Liabilities - US dollars | (3,091,804) | (6,872,057) |
| Net liabilities denominated in foreign currencies | (140,328) | (6,745,369) |

The following table shows how profit or loss and equity would have been affected by changes in USD that were reasonably possible at the reporting date. The percentage change is the expected overall volatility of the USD, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

| | AUD strengthened | | | AUD weakened | | |
|---|---|---|---|---|---|---|
| **2021** | **% change** | **Effect on profit before tax** | **Effect on equity** | **% change** | **Effect on profit before tax** | **Effect on equity** |
| US Dollar | 10% | 14,033 | 14,033 | 10% | (14,033) | (14,033) |

| | AUD strengthened | | | AUD weakened | | |
|---|---|---|---|---|---|---|
| **2020** | **% change** | **Effect on profit before tax** | **Effect on equity** | **% change** | **Effect on profit before tax** | **Effect on equity** |
| US dollar | 10% | 674,537 | 674,537 | 10% | (674,537) | (674,537) |

The actual foreign exchange gain for the year ended 30 June 2021 was $200,265 (2020: $83,123).

*Price risk*
The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*
The consolidated entity was exposed to variable interest rate risks on cash deposits. A reasonably possible increase of 100 basis points (2020: 100 basis points) in interest rates at the reporting date would have increased the profit before tax by $70,100 (2020: $44,818). The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

As at the reporting date, the consolidated entity had the following deposits:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Weighted average interest rate %** | **Balance $** | **Weighted average interest rate %** | **Balance $** |
| Cash at bank and on deposit | - | 7,010,025 | - | 4,481,783 |
| Net exposure to cash flow interest rate risk | | 7,010,025 | | 4,481,783 |

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

**Note 27. Financial instruments (continued)**

***Credit risk***
The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. There was no expected credit loss provision at 30 June 2021 and 30 June 2020 and there were no movements in the provision during the 2021 financial year as there were no changes in the credit risk of customers. There were no debts written off during the 2021 financial year (2020: nil).

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. There is no significant concentration of credit risk to any single entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There is no trade debtor or other receivable amount where collateral has been received as security or pledged.

***Liquidity risk***
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| **2021** | 1 year or less<br>$ | Between 1 and 2 years<br>$ | Between 2 and 5 years<br>$ | Over 5 years<br>$ | Remaining contractual maturities<br>$ |
|---|---|---|---|---|---|
| *Non-interest bearing* | | | | | |
| Trade payables and other payables | 9,528,707 | - | - | - | 9,528,707 |
| Contingent consideration | 3,568,664 | 2,814,311 | 3,620,000 | - | 10,002,975 |
| *Interest-bearing - fixed rate* | | | | | |
| Other loans | - | 279,883 | - | - | 279,883 |
| Lease liability | 2,551,989 | 2,500,671 | 82,532 | - | 5,135,192 |
| Total non-derivatives | 15,649,360 | 5,594,865 | 3,702,532 | - | 24,946,757 |

**Note 27. Financial instruments (continued)**

| **2020** | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|
| *Non-interest bearing* | | | | | |
| Trade payables and other payables | 8,500,186 | - | - | - | 8,500,186 |
| Contingent consideration | 267,031 | 313,500 | - | - | 580,531 |
| | | | | | |
| *Interest-bearing - fixed rate* | | | | | |
| Other loans | - | 284,918 | - | - | 284,918 |
| Lease liability | 182,780 | 70,655 | - | - | 253,435 |
| Total non-derivatives | 8,949,997 | 669,073 | - | - | 9,619,070 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 28. Fair value measurement**

*Fair value hierarchy*
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

| **2021** | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Equity securities | - | 2,717,987 | - | 2,717,987 |
| Equity securities - other | - | 2,900 | - | 2,900 |
| Total assets | - | 2,720,887 | - | 2,720,887 |
| | | | | |
| *Liabilities* | | | | |
| Contingent consideration | - | - | 9,214,006 | 9,214,006 |
| Total liabilities | - | - | 9,214,006 | 9,214,006 |

| **2020** | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Equity securities | - | 1,500,000 | - | 1,500,000 |
| Equity securities - other | - | 2,900 | - | 2,900 |
| Total assets | - | 1,502,900 | - | 1,502,900 |
| | | | | |
| *Liabilities* | | | | |
| Contingent consideration | - | - | 580,531 | 580,531 |
| Total liabilities | - | - | 580,531 | 580,531 |

There were no transfers between levels during the financial year.

## Note 28. Fair value measurement (continued)

*Valuation techniques for fair value measurements categorised within level 2 and level 3*
Level 2: Equity securities
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The balance in equity securities at 30 June 2021 represents shares held in Tartana Resources Ltd (an unlisted entity) which were exchanged for ordinary shares and options in ASX listed R3D Resources Ltd in July 2021 following the completion of a takeover offer (note 13). All significant inputs required to value the shares in Tartana at 30 June 2021 were based on the quoted market price for the R3D securities (based on the listing price per the prospectus lodged with the ASX).

Level 3: Contingent consideration
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The valuation model for the contingent consideration considers the present value of expected future payments, discounted using a risk-adjusted discount rate. The significant unobservable inputs are the assumed probability-adjusted revenue and EBITDA. The estimate of the input is 89% and an increase to 100% (decrease to 78%) would increase (decrease) fair value by $1,078,473.

*Level 3 assets and liabilities*
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

| | Contingent consideration $ | Total $ |
|---|---|---|
| Balance at 1 July 2019 | - | - |
| Transfers into level 3 | 580,531 | 580,531 |
| Balance at 30 June 2020 | 580,531 | 580,531 |
| Additions | 8,900,506 | 8,900,506 |
| Payments | (267,031) | (267,031) |
| Balance at 30 June 2021 | 9,214,006 | 9,214,006 |

There were no gains or losses relating to level 3 liabilities held at 30 June 2021 and 30 June 2020.

*Accounting policy for fair value measurement*
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

## Note 28. Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## Note 29. Key management personnel disclosures

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Short-term employee benefits | 1,342,152 | 940,344 |
| Post-employment benefits | 97,684 | 56,386 |
| Long-term benefits | 22,139 | 52,575 |
| Share-based payments | 107,494 | 360,006 |
| | 1,569,469 | 1,409,311 |

The 30 June 2020 amounts have been restated. Refer to the Remuneration Report for further details.

## Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company, and its network firms:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Audit services - Ernst & Young* | | |
| Audit or review of the financial statements | 90,000 | - |
| *Other services - Ernst & Young** | | |
| Tax compliance services | 6,300 | - |
| Transaction services | 119,620 | - |
| | 125,920 | - |
| | 215,920 | - |
| *Audit services - Rothsay Chartered Accountants* | | |
| Audit or review of the financial statements | 12,000 | 40,000 |
| *Other services - Rothsay Chartered Accountants* | | |
| Tax compliance services | 5,000 | - |
| | 17,000 | 40,000 |

* All non-audit services provided by Ernst & Young were performed and paid prior to Ernst & Young's appointment as auditor.

## Note 31. Contingent liabilities

The consolidated entity did not have any contingent liabilities other than those disclosed in Note 22 and Note 33 as at 30 June 2021 (2020: none other than those disclosed in Note 22 and Note 33).

## Note 32. Commitments

There were no capital commitments as at 30 June 2021 for the consolidated entity (2020: nil).

## Note 33. Related party transactions

*Parent entity*
SciDev Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 36.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

*Transactions with related parties*
Details of transactions between the consolidated entity and related parties are disclosed below:

| | 2021 $ | 2020 $ |
|---|---|---|
| Payment for other expenses: | | |
| Rent paid to other related party | 6,030 | - |

A director, Simone Watt, is a director of Sinoz Chemicals and Commodities Pty Ltd (Sinoz) and has the capacity to significantly influence the decision-making of the company. The consolidated entity has leased premises from Sinoz during the 2021 financial year. The lease contract was based on normal commercial terms and conditions.

*Receivable from and payable to related parties*
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*
A director, Simone Watt, is a director of Kanins International Pty Ltd and has the capacity to significantly influence decision making of that company. Kanins International Pty Ltd provided SciDev Limited with a US$350,000 working capital facility that matures on 1 October 2021. The facility is secured against the consolidated entity's inventory and incurs interest at 15% per annum. $nil (2020: $nil) was drawn down on this facility and $nil (2020: $nil) repaid during the 2021 financial year. The loan balance at 30 June 2021 was $nil (2020: $nil).

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent 2021 $ | Parent 2020 $ |
|---|---|---|
| Profit/(loss) after income tax | 1,127,889 | (542,813) |
| Other comprehensive income/(loss) for the year, net of tax | 810,289 | - |
| Total comprehensive income/(loss) | 1,938,178 | (542,813) |

*Statement of financial position*

| | Parent 2021 $ | Parent 2020 $ |
|---|---|---|
| Total current assets | 1,399,920 | 446,893 |
| Total non-current assets | 31,554,000 | 19,663,035 |
| Total assets | 32,953,920 | 20,109,928 |
| Total current liabilities | 829,495 | 617,439 |
| Total non-current liabilities | - | 329,094 |
| Total liabilities | 829,495 | 946,533 |
| Net assets | 32,124,425 | 19,163,395 |
| Equity | | |
| Issued capital | 101,303,248 | 90,181,048 |
| Other equity | 307,800 | 569,975 |
| Revaluation reserve | 810,289 | - |
| Share-based payments reserve | 239,806 | 76,979 |
| Accumulated losses | (70,536,718) | (71,664,607) |
| Total equity | 32,124,425 | 19,163,395 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020, other than under the terms of the acquisition of the Haldon business by SciDev Water Services Pty Limited (SWSPL). The parent entity irrevocably and unconditionally guarantees the due and punctual performance of SWSPL's present and future obligations and the payment of all present and future liabilities of SWSPL under that acquisition agreement.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

**Note 34. Parent entity information (continued)**

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 35. Business combinations**

**Current year business combinations**
*Haldon Industries*
On 12 May 2021, SciDev Water Services Pty Ltd Limited acquired the business operations and assets of Haldon Industries Pty Ltd (Haldon). Haldon is an Australian-based environmental solutions company focused on the water treatment sectors. The acquisition of Haldon provides the consolidated entity with presence and scale in the infrastructure and water verticals via Haldon's key services of water treatment, remediation, groundwater dewatering and onsite liquid waste treatment.

The total consideration for the acquisition was $15,407,191 consisting of a cash payment of $2,579,685, 5,100,000 SciDev Limited shares valued at $3,927,000, and contingent consideration of $8,900,506. The contingent consideration is based on the achievement of EBITDA targets for the 2021, 2022, and 2023 financial years with EBITDA subject to a minimum of 20% of revenue. The fair value of the contingent consideration arrangement was estimated using a discounted cash flow (DCF) method. The key assumption was the assumed probability-adjusted EBITDA.

The goodwill of $13,687,501 is attributable to the expected future benefits of the acquired business increasing SciDev's presence and scale in the infrastructure, water, and wastewater verticals via Haldon's key services of water treatment, remediation, groundwater dewatering and onsite liquid waste treatment.

As a result of the proximity of the transaction to year end and the business integration activities required, the acquisition accounting is not yet complete and accordingly, the assets acquired and liabilities assumed are measured on a provisional basis. If new information obtained within twelve months from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

**Note 35. Business combinations (continued)**

Details of the acquisition are as follows:

| | Fair value $ |
|---|---|
| Trade receivables | 1,987,329 |
| Plant and equipment | 159,432 |
| Office equipment | 6,709 |
| Motor vehicles | 356,048 |
| Equipment - right-of-use assets | 4,723,664 |
| Trade and other payables | (385,626) |
| Employee benefits | (147,018) |
| Lease liability - equipment | (4,723,664) |
| Lease liability - other | (257,184) |
| Net assets acquired | 1,719,690 |
| Goodwill | 13,687,501 |
| Acquisition-date fair value of the total consideration paid and payable | 15,407,191 |
| Representing: | |
| Cash paid to vendor | 1,700,000 |
| Cash payable to vendor | 879,685 |
| SciDev Limited shares issued to vendor | 3,927,000 |
| Contingent consideration | 8,900,506 |
| | 15,407,191 |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 15,407,191 |
| Less: payments to be made in future periods | (879,685) |
| Less: contingent consideration | (8,900,506) |
| Less: shares issued by company as part of consideration | (3,927,000) |
| Net cash used | 1,700,000 |

*Revenue and profit contribution*
If the acquisitions had occurred on 1 July 2020, the consolidated pro-forma revenue and profit for the year ended 30 June 2021 would have been as follows:

| | Haldon Industries $ | SciDev Ltd and its other controlled entities $ | Total $ |
|---|---|---|---|
| Revenue | 9,145,236 | 40,568,581 | 49,713,817 |
| Net profit/(loss) for the period after tax | 676,070 | 3,488,359 | 4,164,429 |

The acquired business contributed revenues of $1,956,327 and a net loss of $35,391 to the consolidated entity for the period from 12 May 2021 to 30 June 2021.

*Acquired receivables*
The fair value of acquired trade receivables is $1,987,329 and the gross contractual amount for trade receivables due is $1,987,329. Consequently, there was no loss allowance recognised on acquisition.

**Note 35. Business combinations (continued)**

*Acquisition-related costs*
Acquisition-related costs totalling $206,352 that were not directly attributable to the issue of shares are included in *Professional fees* in the statement of profit or loss and other comprehensive income.

**Prior year business combinations**
The following prior year business combinations were completed during the current financial year and there were no changes to the provisional balances recorded in the prior year as disclosed in note 33 in the 2020 Annual Report.

On 1 March 2020 SciDev Limited acquired 100% of issued capital of Highland Fluid Technology Inc (Highland). The total consideration for the acquisition of $7,377,232, consisting of 11,349,588 SciDev Limited shares valued at $0.65 per share. Goodwill of 7,985,050 was recognised on acquisition.

On 28 November 2019 SciDev Limited acquired 100% of the issued capital of ProSol Australia Pty Limited (Prosol). Total consideration for the acquisition was $2,482,079 consisting of a cash payment of $928,013, 684,000 SciDev Limited shares valued at $403,560 and contingent consideration of $1,150,506, based on the sales achieved during the earn-out period (payable in cash and shares) on 31 July 2020 and 31 July 2021. Goodwill of $1,972,506 was recognised on acquisition.

*Accounting policy for business combinations*
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

## Note 36. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| | | **Ownership interest** | |
|---|---|---|---|
| **Name** | **Principal place of business / Country of incorporation** | **2021 %** | **2020 %** |
| Highland Fluid Technology Inc | United States | 100% | 100% |
| Intec Copper Pty Ltd | Australia | 100% | 100% |
| Intec Envirometals Pty Ltd | Australia | 100% | 100% |
| ProSol Australia Pty Ltd | Australia | 100% | 100% |
| Science Developments Pty Ltd | Australia | 100% | 100% |
| SciDev International Holdings Pty Ltd | Australia | 100% | 100% |
| SciDev (US) LCC* | United States | 100% | 100% |
| SciDev Water Services Pty Ltd | Australia | 100% | - |

* SciDev (US) LCC is a wholly-owned subsidiary of SciDev International Holdings Pty Ltd.

## Note 37. Events after the reporting period

On 26 August 2021, the company received confirmation that the loan owing by its subsidiary Highland Fluid Technology Inc, in terms of the Paycheck Protection Program (USA), had been forgiven. The balance outstanding on the loan at 30 June 2021 was US$209,809 (A$279,883).

On 4 February 2021, R3D Resources Limited (ASX:R3D) announced an off-market all scrip takeover bid for 100% of the fully paid ordinary shares and 100% of the options in Tartana. The offer closed on 31 July 2021 and at that date R3D had a relevant interest in 99.89% of Tartana shares. SciDev received 13,589,935 R3D shares and 2,727,987 attaching options for the shares it held in Tartana. The options are exercisable at $0.40 within 5 years from the date of issue. Refer to note 13 for further information.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 38. Cash flow information**

*Reconciliation of profit/(loss) after income tax to net cash used in operating activities*

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Profit/(loss) after income tax benefit for the year | 3,452,968 | (875,238) |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 929,771 | 377,760 |
| Share-based payments | 162,827 | 199,029 |
| Write off of assets | 39,671 | - |
| Net loss/(gain) on disposal of non-current assets | (27,490) | 6,902 |
| Paycheck Protection Program (USA) subsidy | (266,459) | - |
| R&D tax incentive | (422,918) | - |
| Other - non-cash | - | (32,623) |
| Foreign currency differences | 13,116 | (24,643) |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (3,102,445) | 44,444 |
| Increase in contract assets | (441,551) | - |
| Decrease/(increase) in inventories | 1,012,283 | (4,037,153) |
| Decrease in income tax refund due | 29,574 | - |
| Increase in deferred tax assets | (2,647,309) | (1,364,362) |
| Decrease/(increase) in prepayments | (183,464) | 10,987 |
| Increase in trade and other payables | 909,926 | 5,647,141 |
| Increase in contract liabilities | 262,646 | - |
| Decrease in deferred tax liabilities | - | (35,986) |
| Increase/(decrease) in employee benefits | 126,925 | (33,606) |
| Increase/(decrease) in other provisions | (1,164,943) | 579,553 |
| Decrease in other operating liabilities | - | (639,670) |
| | | |
| Net cash used in operating activities | (1,316,872) | (177,465) |

*Non-cash investing and financing activities*

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Shares issued to acquire ProSol Australia Pty Ltd | 262,175 | 403,560 |
| Shares issued to acquire Highland Fluid Technology Inc. | - | 7,377,232 |
| Shares issued to the Haldon Industries business | 3,927,000 | - |
| Additions to right-of-use assets | 493,382 | 186,480 |
| Paycheck Protection Program (USA) loan converted into a subsidy | 266,459 | - |

## Note 38. Cash flow information (continued)

*Changes in liabilities arising from financing activities*

| | Borrowings $ | Lease liabilities $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2019 | - | - | - |
| Net cash used in financing activities | (345,081) | (31,096) | (376,177) |
| Changes through business combinations | 629,999 | 98,051 | 728,050 |
| Recognition on adoption of AASB 16 | - | 186,480 | 186,480 |
| Balance at 30 June 2020 | 284,918 | 253,435 | 538,353 |
| Net cash from/(used in) financing activities | 275,500 | (870,760) | (595,260) |
| Paycheck Protection Program (USA) loan converted into a subsidy | (266,459) | - | (266,459) |
| Acquisition of leases | - | 493,382 | 493,382 |
| Changes through business combinations (note 35) | - | 4,980,848 | 4,980,848 |
| Exchange differences | (14,076) | (6,507) | (20,583) |
| Balance at 30 June 2021 | 279,883 | 4,850,398 | 5,130,281 |

## Note 39. Earnings per share

| | 2021 $ | 2020 $ |
|---|---|---|
| Profit/(loss) after income tax attributable to the owners of SciDev Limited | 3,452,968 | (875,238) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 152,573,170 | 127,531,298 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | 2,178,466 | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 154,751,636 | 127,531,298 |

| | Cents | Cents |
|---|---|---|
| Basic earnings/(loss) per share | 2.26 | (0.69) |
| Diluted earnings/(loss) per share | 2.23 | (0.69) |

*Accounting policy for earnings per share*

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of SciDev Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Note 40. Share-based payments**

***(a) Options***

*Employee Share Scheme*
Share-based compensation benefits are provided to employees via the SciDev Employee Share Scheme.

At the 2014 Annual General Meeting, shareholders approved the SciDev Employee Share Scheme (the Scheme). All Directors, employees and consultants are eligible to participate in the Scheme. Options granted under the Scheme to eligible participants are for no additional consideration. Options granted under the Scheme carry no dividend or voting rights. The granting of options is at the Board's discretion and no individual has a contractual right to receive options.

On 14 August 2017, the company granted 6.5 million unquoted options to executives and staff (not Directors). The options had an exercise price of $0.25, vested on grant date and had an expiry date of 28 November 2019. The value of the options granted was $30,568.

On 16 May 2019 and approved by shareholders on 23 July 2019, the Nomination & Remuneration Committee recommended, and the Board approved that the Company granted 5,200,000 unquoted options, 2,000,000 options have an exercise price of $0.10 and 3,200,000 options have an exercise price of $0.12. All options have an expiry date of 23 July 2022. As noted below, the Managing Director & Chief Executive Officer was ultimately issued 1,600,000 options at an exercise price of $0.10, being less than his contracted entitlement (2,500,000), and less than approved by Shareholders approval (2,000,000), as a result of his voluntary allocation to other executives and new staff.

On 16 May 2019, the company granted 2,150,000 unquoted options to executives and staff (not Directors). 1,750,000 have an exercise price of $0.12 and 400,000 have an exercise price of $0.10. All options have an expiry date of 23 July 2022. The first tranche of 1,075,000 options were not subject to any vesting conditions and vested on grant date and the second tranche of 1,075,000 options are subject to a service vesting condition. The value of the options granted was $46,500.

On 23 July 2019, following the 16 May 2019 Board approval, the company held a General Meeting which approved the grant of 2,750,000 unquoted options to Directors. All options have an expiry date of 23 July 2022. The Managing Director was granted 1,600,000 options. The options granted to the Managing Director have an exercise price of $0.10. The Non-executive Directors were granted 1,150,000 options which have an exercise price of $0.12 and which vested on grant date. The value of the options granted to the Directors was $366,500.

On 3 February 2020, the company granted 150,000 unquoted options to the Chief Financial Officer. The options have an exercise price of $0.12 and an expiry date of 23 July 2022. The first tranche of 75,000 options were not subject to any vesting conditions and vested on grant date and the second tranche of 75,000 options are subject to a service vesting condition. The value of the options granted was $93,000.

On 11 November 2019, the company granted 150,000 unquoted options to an employee. The options have an exercise price of $0.12 and an expiry date of 23 July 2022. The first tranche of 75,000 options were not subject to any vesting conditions and vested on grant date and the second tranche of 75,000 options are subject to a service vesting condition. The value of the options granted was $84,000.

Set out below are summaries of options granted:

2021

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 16/05/2019 | 23/07/2022 | $0.100 | 400,000 | - | - | - | 400,000 |
| 16/05/2019 | 23/07/2022 | $0.120 | 1,325,000 | - | (375,000) | - | 950,000 |
| 23/07/2019 | 23/07/2022 | $0.100 | 1,600,000 | - | (800,000) | - | 800,000 |
| 23/07/2019 | 23/07/2022 | $0.120 | 250,000 | - | - | - | 250,000 |
| 11/11/2019 | 23/07/2022 | $0.120 | 75,000 | - | - | - | 75,000 |
| 03/02/2020 | 23/07/2022 | $0.120 | 75,000 | - | - | - | 75,000 |
| | | | 3,725,000 | - | (1,175,000) | - | 2,550,000 |
| Weighted average exercise price | | | $0.109 | $0.000 | $0.106 | $0.000 | $0.111 |

**Note 40. Share-based payments (continued)**

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2021 was $0.88.

2020

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 10/12/2014 | 28/11/2019 | $0.250 | 550,000 | - | (550,000) | - | - |
| 02/02/2017 | 28/11/2019 | $0.250 | 2,250,000 | - | (2,250,000) | - | - |
| 14/08/2017 | 28/11/2019 | $0.250 | 650,000 | - | (650,000) | - | - |
| 28/12/2017 | 28/11/2019 | $0.250 | 500,000 | - | (500,000) | - | - |
| 16/05/2019 | 23/07/2022 | $0.100 | - | 400,000 | - | - | 400,000 |
| 16/05/2019 | 23/07/2022 | $0.120 | - | 1,750,000 | (400,000) | (25,000) | 1,325,000 |
| 23/07/2019 | 23/07/2022 | $0.100 | - | 1,600,000 | - | - | 1,600,000 |
| 23/07/2019 | 23/07/2022 | $0.120 | - | 1,150,000 | (900,000) | - | 250,000 |
| 11/11/2019 | 23/07/2022 | $0.120 | - | 150,000 | (75,000) | - | 75,000 |
| 03/02/2020 | 23/07/2022 | $0.120 | - | 150,000 | (75,000) | - | 75,000 |
| | | | 3,950,000 | 5,200,000 | (5,400,000) | (25,000) | 3,725,000 |
| Weighted average exercise price | | | $0.250 | $0.112 | $0.215 | $0.120 | $0.109 |

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2020 was $0.52.

Set out below are the options exercisable at the end of the financial year:

| Grant date | Expiry date | 2021 Number | 2020 Number |
|---|---|---|---|
| 16/05/2019 | 23/07/2022 | 1,350,000 | 1,725,000 |
| 23/07/2019 | 23/07/2022 | 1,050,000 | 1,850,000 |
| 11/11/2019 | 23/07/2022 | 75,000 | 75,000 |
| 03/02/2020 | 23/07/2022 | 75,000 | 75,000 |
| | | 2,550,000 | 3,725,000 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.06 years (2020: 2.06 years).

***(b) Performance rights***
The company granted performance rights to nominated employees on 15 December 2020 and 26 May 2021. The vesting of any performance rights have non-market conditions assigned to each individual based on their business unit, an employment condition and a single market condition of the company share price of $2.00 per share for 10 consecutive days. The performance rights granted on 15 December 2020 and 26 May 2021 vest on 30 June 2022 and 31 October 2022 respectively.

Set out below are summaries of performance rights granted under the plan:

2021

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 15/12/2020 | 31/10/2022 | $0.000 | - | 1,408,399 | - | - | 1,408,399 |
| 26/05/2021 | 30/06/2022 | $0.000 | - | 725,000 | - | - | 725,000 |
| | | | - | 2,133,399 | - | - | 2,133,399 |

**Note 40. Share-based payments (continued)**

Set out below are the performance rights exercisable at the end of the financial year:

| Grant date | Expiry date | 2021 Number | 2020 Number |
|---|---|---|---|
| 15/12/2020 | 31/10/2022 | 1,408,399 | - |
| 26/05/2021 | 30/06/2022 | 725,000 | - |
| | | 2,133,399 | - |

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.22 years.

The fair value of performance rights granted was measured using the Monte Carlo simulation pricing model. The valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 15/12/2020 | 31/10/2022 | $0.780 | $0.000 | 110.00% | - | 0.03% | $0.49740 |
| 26/05/2021 | 30/06/2022 | $0.755 | $0.000 | 84.00% | - | (0.12%) | $0.24190 |

***(c) Expenses arising from share-based payment transactions***

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $162,827 (2020: $199,029).

*Accounting policy for share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes or the Monte Carlo models that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other non-market conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

## Note 40. Share-based payments (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**SciDev Limited**
**Directors' declaration**
**30 June 2021**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Lewis E Utting
Managing Director

31 August 2021
Sydney

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# Independent auditor's report to the members of SciDev Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of SciDev Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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## Carrying Value of Goodwill

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| In accordance with the requirements of the Australian Accounting Standards, the Group is required to test all cash generating units (CGUs) annually for impairment where goodwill is present. The Group assesses the recoverable amount of each CGU using a discounted cash flow forecast to determined value in use (VIU).<br>As disclosed in Note 15 to the financial statements, no impairment was identified as at 30 June 2021.<br>Assumptions used in the forecast of cash flows are highly judgmental and inherently subjective. Specifically, judgement is required to assess the reasonability of forecast growth rates, margins, operating costs, discount rates and terminal growth rates.<br>As a result, of the above and the extent of audit effort and judgement required, we considered the goodwill carrying value assessment to be a key audit matter. | With the assistance of our valuation specialists, our audit procedures included the following:<br>▸ We considered the Group's identification of CGU for completeness and consistency with Australian Accounting Standards.<br>▸ We assessed whether the impairment testing methodology used met the requirements of Australian Accounting Standards.<br>▸ We tested the mathematical accuracy of the cash flow models<br>▸ We assessed the basis of preparing cash flow forecasts and considered the accuracy of the Group's previous forecasts and budgets and current performance.<br>▸ We assessed the appropriateness of the cash flow forecasts, including forecast revenue growth and margins with reference to current trading performance, historical growth rates and industry data and forecasts.<br>▸ We assessed the appropriateness the discount rates and growth rates with reference to publicly available information for comparable companies in the industry and markets in which the Group operates.<br>▸ We performed sensitivity analyses to evaluate whether a reasonably possible change in assumptions could cause the carrying amount of the CGU to exceed its recoverable amount.<br>▸ We cross-checked the recoverable amount and EBITDA multiples derived from the discounted cashflow models against a range from comparable companies and transactions.<br>▸ We considered the Group's net assets against market capitalisation.<br>▸ We evaluated the adequacy of the disclosures relating to the goodwill carrying values in the financial report, including those made with respect to judgements and estimates. |

## Acquisition of Haldon Industries Pty Ltd

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| As described in Note 35, the Group acquired the business and assets of Haldon Industries Pty Ltd ("Haldon") in exchange for cash, equity and contingent consideration (payable on achievement of EBITDA milestones).<br>The acquisition assessed to be business combination under Australian Accounting Standards. In accordance with the Australian Accounting Standards, the Group has 12 months from the acquisition date to finalise its business combination accounting. At 30 June 2021, the Group recognised the acquired assets, liabilities and contingent liabilities at their provisional fair values.<br>The accounting for business combinations is inherently complex. In particular, the inclusion of contingent | Our audit procedures included the following:<br>▸ We read the Business and Asset Sale Agreement and Amendment Deeds (collectively the "Agreement") and assessed the Group's treatment of the transaction as a business combination under Australian Accounting Standards.<br>▸ We considered the reasonability of the acquisition date based on the terms of the Agreement and the point at which control of Haledon was obtained by the Group.<br>In considering the transaction price for the business combination: |

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| Why significant | How our audit addressed the key audit matter |
|---|---|
| consideration, as part of the transaction price for the acquisition, and the provisional fair valuation of the acquired assets, liabilities and contingent liabilities requires judgement.<br><br>For this reason, and due to the significance of the transaction to the Group's balance sheet, we considered the provisional business combination accounting for the acquisition of Haldon to be a key audit matter. | ▸ We tested the fixed consideration paid by the Group with reference to share issuance documents and bank statements.<br>▸ We considered the treatment of the contingent consideration based on terms of the Agreement and the intent of the parties at the acquisition date.<br>▸ We obtained the Group's provisional calculation of the contingent consideration amount and assessed the reasonability of the assumptions used based on Group's budgets and forecasts at the time of the acquisition.<br><br>In considering the provisional business combination accounting:<br>▸ We obtained the acquisition balance sheet and tested its clerical accuracy.<br>▸ On a sample basis, tested the provisional fair values recognised for the working capital assets and liabilities acquired.<br>▸ We obtained the Group's calculation of goodwill and tested the clerical accuracy of the amount recognised as the difference between the transaction consideration and the provisional fair values attributed to acquired assets, liabilities and contingent liabilities.<br>▸ We evaluated the adequacy of the acquisition disclosures in the financial statements. |

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the

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financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are

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responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of SciDev Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Siobhan Hughes

Siobhan Hughes
Partner
Sydney
31 August 2021

**SciDev Limited**
**Corporate directory**
**30 June 2021**

| | |
|---|---|
| Directors | Vaughan Busby - Non-executive Chairman<br>Lewis E Utting - Managing Director & Chief Executive Officer<br>Simone Watt - Non-executive Director<br>Jon Gourlay - Non-executive Director<br>Dan O'Toole - Non-executive Director |
| Company secretary | Heath L Roberts |
| Registered office | C/-Boardroom Pty Limited<br>Level 12, Grosvenor Place<br>225 George Street, Sydney<br>NSW 2000<br>Phone: 1300 737 760 |
| Principal place of business | Unit 1<br>8 Turbo Road<br>Kings Park<br>NSW 2148<br>Phone: (02) 9622 5185 |
| Share register | Boardroom Pty Limited<br>Level 12<br>225 George Street, Sydney<br>NSW 2000<br>Phone: 1300 737 760 |
| Auditor | Ernst & Young<br>200 George Street<br>Sydney<br>NSW 2000 |
| Stock exchange listing | SciDev Limited shares are listed on the Australian Securities Exchange (ASX code: SDV) |
| Website | www.scidev.com.au |
| Corporate governance statement | www.scidev.com.au/about/corporate-governance |