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Companies Announcements Office
Australian Stock Exchange

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Strong quarterly recurring revenue delivers net cash from operations

Quarterly Activities Report: Appendix 4C – September 2021

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

Q1FY22 Highlights

- Q1FY22 cash receipts of A\$12.4m and sales of A\$10.4m (versus A\$14.7 and A\$13.2m respectively in Q4FY21)
- Over 95% of revenue during the period was generated from ongoing recurring contracts as travel restrictions limited one-off project and services revenue during the period (FY 2021: 75% of revenue was generated from recurring contracts)
- SciDev maintains a strong pipeline of project and services work with both activity levels and revenue expected to build over the remainder of FY22 as travel restrictions ease
- Net cash from operations of A\$0.5m with cash and equivalents of A\$5.4m at the end of Q1
- Commenced the first commercial production of a new liquid polymer technology
- Continued focus on increasing profitability of product lines
- The completion of a scoping and feasibility study for the expansion of our Australian manufacturing capacity
- Growing pipeline of customer engagement across the PFAS sector, specifically within the mining industry and infrastructure sectors
- Healthy progression of business development opportunities with ongoing field qualifications advancing across numerous sites
- First shipment of SciDev MaxiDry chemistry from Australia for the North American tunnelling sector

SciDev Managing Director and Chief Executive Officer Lewis Utting said: *“During the quarter we continued to deliver our environmental solutions to a range of clients. Travel restrictions limited our ability to execute on project and services work during the quarter, resulting in a decrease in project and services revenue versus the June quarter. However, our underlying recurring revenue from ongoing clients continued to grow and we expect project and services revenue to build in coming quarters as travel restrictions ease. The outlook for clean technology innovation and water solutions remains strong. With our world-class technology, chemistry and application expertise we are well positioned to solve our clients operational and environmental issues and grow revenue in coming quarters.”*

Financial Review

SciDev delivered Q1FY22 cash receipts of A\$12.4m and sales of A\$10.4m, a reduction on the record levels achieved in Q4 FY21 due to:

- Decrease in services and project revenue during the quarter as travel restrictions limited SciDev’s ability to access customer sites
- More than 95% of revenue in the September quarter was derived from ongoing recurring revenue due to the reduction in project and services revenue. In FY21, recurring revenue accounted for c.75% of total revenue
- The large Melbourne Metro rail project was completed in the previous quarter and as a result there were no contributions from the project this quarter
- A decision across our oil and gas vertical to pursue higher margin opportunities

Despite the impact on project and services revenue during the quarter, the Company is confident it has a strong pipeline of opportunities with activity levels and revenue contribution from these areas expected to normalise over the remainder of FY22.

The September quarter delivered positive cashflow from operations of A\$0.5m and inventory decreased from A\$3.8m at June 2021 to A\$3.3m at the end of the quarter. Cash and cash equivalents at 30 September 2021 of A\$5.4m, down A\$1.6m over the quarter due to a cash payment of A\$1.5m for the acquisition of SciDev Water Services (Haldon industries).

In addition, the business also anticipates making a milestone payment for the acquisition of SciDev Water Services of circa A\$2.9m in the December quarter, in line with the consideration and target milestones set out upon acquisition (refer ASX release 29 March 2021).

Operational Report

SciDev is a leader in the environmental solutions market focused on water intensive industries, bringing together world-class technology, chemistry and application expertise to solve pressing operational and environmental issues for the water, oil and gas, mining and construction markets.

Table1: Revenue by vertical

Sector revenue (A\$,000s)	Mining & Mineral Processing	Oil & Gas	Construction & Infrastructure	Water	Total
Q1 FY21	\$2,962	\$3,026	\$2,695	\$690	\$9,374
Q2 FY21	\$4,248	\$4,048	\$387	\$208	\$8,891
Q3 FY21	\$2,949	\$4,858	\$3,071	\$341	\$11,219
Q4 FY21	\$4,887	\$3,637	\$951	\$3,761	\$13,239
Q1 FY22	\$3,401	\$4,000	\$54	\$2,939	\$10,394
Q1 FY22 % of revenue	33%	38%	1%	28%	100%

Mining & Mineral Processing

The Company continued to deliver products and services into all major clients such as Iluka, Yancoal, Glencore and Peabody Energy. Business development activities continued across several operations and commodities, including coal, nickel, copper, gold and mineral sands.

An expanding chemical portfolio has been well received by existing and potential clients, with trial orders received for both existing MaxiFlox® chemistry and new liquid polymer technology for field validation in the next quarter.

During the quarter, SciDev ceased providing chemistry to BHP's Olympic Dam Operation. The initial six-month trial order (ref ASX release 20 August 2020) was successful and delivered improved operating performance to the site. However, with an increase in global shipping costs and SciDev's inability to access the site due to travel restrictions, the ongoing supply terms did not meet SciDev pricing requirements. Olympic Dam remained with their incumbent supplier.

Given the travel restriction in place in Western Australia, discussions in the iron ore sector have had to be put on hold. SciDev and its client plan to re-visit discussions in the new year or when travel restrictions are lifted. Positive trial results were validated by the client's technical team and the Company looks forward to discussions recommencing in FY22.

Oil & Gas

Energy prices and activity in the US oilfields continued to improve over the quarter. With the improving activity levels, SciDev's US subsidiary Highland Fluid Technologies (HFT) continued to execute on its strategy of engaging directly with E&P companies. As a result, low margin sales to distributors were wound back during the period.

HFT's chemistries and product solutions continue to attract large E&P companies and we executed new contracts with several large North American based E&P companies. HFT's CatCheck® chemistry, that boosts well performance, continued to be utilised in commercial applications with a major European exploration and production (E&P) client. Operational performance has indicated that wells treated with CatCheck® maintain pressure longer and, importantly, produce 30-40% less wastewater per barrel of oil produced.

SciDev continues to progress business development opportunities in the oilsands sector, having most recently been invited to a new product qualification process for a new technology by an additional operator, expanding SciDev's business development activity in Canada.

Construction & Infrastructure

Construction and infrastructure projects tend to be more sporadic with regards to timing and generally have a shorter project life. So, while Covid travel restrictions in Australia have impacted our marketing activities, it is pleasing to note that during the quarter, SciDev continued to progress business development opportunities in North America with a site visit to a major infrastructure project on the West Coast of the United States. Project discussions continue to advance, with SciDev's MaxiDry® technology produced and exported from Australia for this project. A commercial proposal is currently under review by the client.

SciDev continues to advance a business development opportunity on an infrastructure project in the north-east of North America. Additional site visits and project discussions are planned for 2H FY22, with the potential for the project to utilise SciDev's MaxiDry® chemistry and associated services. The business development opportunity flowed from SciDev's success in Australia.

In addition, there continues to be strong interest in the MaxiDry® chemistry with new opportunities arising in Europe. The Company has had initial discussions on a major infrastructure project in the UK. SciDev have now been invited to conduct a laboratory program as part of the initial validation process.

SciDev development work is ongoing to expand its chemical and services portfolio to open up additional opportunities across the global tunnelling industry.

Water

SciDev Water continued to deliver on new project wins over its first full quarter since the acquisition of Haldon. The design, construction and commissioning of a Sequencing Batch Reactor Leachate Treatment Plant for Sydney's A\$2.6 billion Gateway Road Project continued during the quarter. SciDev continues to progress business development opportunities with project discussions continuing to advance on major infrastructure projects in New South Wales.

Activities in the emerging PFAS treatment sector also continue. SciDev Water has successfully treated PFAS contaminants at regional fire stations in Queensland and Victoria, as well as a Western Australian mining site where the Company achieved a reduction in contaminant levels of >99.999%, well ahead of competitor treatment levels.

The Company has been asked by a major international mining company to tender for PFAS treatment on a large mine. The Company has also provided several bespoke PFAS solution concepts for a large environmental services company.

There continues to be strong and growing client interest in our bespoke PFAS and environmental engineering solutions and associated services.

Supply Chain

SciDev sees strong future domestic demand for its unique solutions. To meet this growing demand, and provide increased supply chain certainty, the Company examined options to expand its domestic inhouse development and production capabilities. Post the completion of a scoping and feasibility study, the

Company decided to expand our manufacturing and production facilities in New South Wales. The expansion will also provide increased scope for our highly trained staff to explore the development of new solutions, such as plant and bio-based polymers, to help our clients meet their environmental and operational issues.

With greater in-house manufacturing capabilities in Australia and the USA, coupled with our relationship with Nuocer in China and other production partners globally, SciDev is well positioned to meet some of the current supply chain challenges across the globe.

Corporate Update

Governance – appointment of Independent Chairman

In August, Mr Vaughan Busby was appointed as a Non-executive Director and Independent Chair of the Board (ref ASX release 9 August 2021). Mr Busby trained as a chemist and has extensive experience as 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.

Tartana

During the Quarter, R3D Resources Ltd (ASX:R3D) successfully listed on ASX. SciDev holds 12.5% of R3D, which is subject to 2-year escrow to July 2023.

R&D, IP and Technology

SciDev continues an active programme of IP protection, in Australia, the US and other relevant jurisdictions. Several new patent applications have been advanced in the US.

Outlook

Management focus for FY22 will include:

- Ongoing focus on the health and safety of all our employees
- Driving SciDev's position as a technology and solution provider in the growing PFAS market
- Continued focus on increasing sales and cash conversion in all regions
- Progressing commercial discussions post field validation of SciDev chemistry across numerous business development opportunities
- Expanding our domestic inhouse development and manufacturing capabilities to meet the growing demand for our unique chemistries in the Australian market
- Strengthening our position as a leading provider in the environmental solutions market

Lewis Utting

Managing Director & Chief Executive Officer

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

For Further Information:

Corporate

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About SciDev

SciDev is a leader in the environmental solutions market focused on water intensive industries. SciDev brings together world-class technology, chemistry and application to solve pressing operational and environmental issues for the water, oil and gas, mining and construction markets.

Appendix 4C

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

Name of entity		
SciDev Limited		
ABN		Quarter ended ("current quarter")
25 001 150 849		30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	12,435	12,435
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(10,676)	(10,676)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(2,295)	(2,295)
	(f) administration and corporate costs	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(67)	(67)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,144	1,144
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	542	542

2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	(1,193)	(1,193)
	(c) property, plant and equipment	(349)	(349)
	(d) investments	-	-
	(e) intellectual property	(25)	(25)
	(f) other non-current assets	(7)	(7)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,574)	(1,574)
3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	30	30
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(602)	(602)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(572)	(572)
4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,010	7,010
4.2	Net cash from / (used in) operating activities (item 1.9 above)	542	542
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,574)	(1,574)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(572)	(572)
4.5	Effect of movement in exchange rates on cash held	10	10
4.6	Cash and cash equivalents at end of quarter	5,416	5,416

5	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,416	7,010
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,416	7,010

6	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	183,116
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

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

7	Financing facilities Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	4,009	4,009
7.2	Credit standby arrangements	486	-
7.3	Other - invoice purchase facilities	6,001	-
7.4	Total financing facilities	10,496	4,009
7.5	Unused financing facilities available at quarter end		6,487
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Secured	%	Maturity date
	Gulf Coast Bank (Texas USA)		Facility amount \$A'000
	(Invoice purchase facility (facility USD 1.5million))	4.25%	9/10/2021
	Kanins International Pty Limited (Australia)		2,001
	(Facility Limit USD 0.35million)	15.00%	1/10/2021
	Apricity Finance Group (Australia)		486
	(Invoice purchase facility)	21.00%	31/12/2021
	Haldon Industries Pty Limited (Australia)		4,000
	(Equipment purchase facility)	18.00%	30/06/2023
	Finance leases (motor vehicles)	6.00%	within 4 years
			166
			10,496
	Unsecured		
			10,496

8	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	542
8.2	Cash and cash equivalents at quarter end (Item 4.6)	5,416
8.3	Unused finance facilities available at quarter end (Item 7.5)	6,487
8.4	Total available funding (Item 8.2 + Item 8.3)	12,445
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	-
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

29 October 2021

Date:

By the Board

Authorised by:

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

Notes

1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.