ASX ANNOUNCEMENT | 31 JANUARY 2024 December 2023 Quarterly Activities Report

#### **HIGHLIGHTS**

- Cash receipts in quarter of £457k (A\$871k) marking SRJ's second-best performing quarter to date
- Unaudited Revenue secured for FY23 totals £1.94m (A\$3.6m) representing 112% year-on-year growth in AUD terms, despite a provision against a material invoice
- Contract awarded by international energy sector service provider, Baker Hughes
- Collaboration secured with global robotic inspections company
- Foothold secured in US market following order wins
- Secured Purchase Orders for FY24 Revenue totals £218k (A\$395k)

SRJ Technologies Group Plc (ASX: SRJ; "SRJ", or the "Company") is pleased to present its Quarterly Activities Report for the period ended 31 December 2023 ("Quarter", "Reporting Period"), in what has been another strong quarter for the Company.

#### **Overview**

Headlining this productive quarter was the confirmation of a global partnership with robotic inspections company Air Control Entech Limited ("ACE"), SRJ's entrance into the significant US oil and gas market, and further contracts secured with leading international companies.

Revenue momentum continued during the final Quarter of the year, with receipts being the second-best to date since listing, standing at £457k (A\$871k). This concludes a strong 2023 with the three best quarters to date occurring in Q2, Q3 and Q4 2023. The Company's cash receipts for FY23 stand at £1.654m (\$A3.14m) versus FY22 total receipts of £920k (A\$1.6m) an increase of 79% (ignoring foreign exchange movements).

The progress made on additional exclusive license deals in Q3 23 did not close as forecast in Q4 23 but this continues to progress and the team are still working hard to get these over the line in Q1/Q2 FY24.

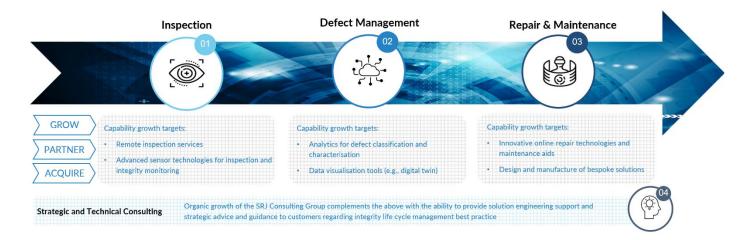
Having had a strong year of growth in 2023, consolidating key account relationships and further strengthening our track record, we are well placed to continue on this growth trajectory. We have made significant progress with sales to several new customers who are major global players in the maintenance and repair sector and who will represent the opportunity for ongoing recurring revenues in 2024/25.

Multinational companies such as Baker Hughes, Petrofac and Woodside will expand our global footprint and good progress has been made in penetrating the US market with sales to Black Hills Energy and Magnolia Torque & Testing. Our partnerships with Mitsui, EFTECH, Air Control Entech and Cokebusters continue to develop, enabling us to bring new asset integrity technology to high margin niche markets in line with our long-term strategy.

#### Strategic developments

As highlighted in the announcement on 24 January 2024, to achieve its strategic vision, SRJ is pursuing growth in the scope of its capabilities across the three key components of the asset integrity management cycle (see diagram below). This can be achieved through:

- 1. Organic growth/development, acquisition, partnering or any combination thereof;
- 2. Identification of advanced enabling technologies to drive client digitisation; and
- 3. Strategic focus on the Energy sector, with functionality to expand into other targeted sectors



During the Quarter SRJ announced a three-year Global Collaboration Agreement with Air Control Entech Limited ("ACE"). Established and headquartered in the UK, ACE is a global specialist provider of advanced robotic inspection services to the energy sector, including unmanned aerial vehicles and remote operating vehicles.

The strategic collaboration provides SRJ with the capability to target opportunities in the 'Inspection' sector highlighted above. The inter-company synergy will be another building block for SRJ's stated strategy to build a fully integrated digital Asset Integrity Management business. This strategic direction is based on strong customer feedback signalling the accelerated move to the adoption of advanced digital platforms for analysis and visualisation of inspection data.

ASX RELEASE 31 JANUARY 2024

#### **Entry into US market**

In December 2023, SRJ secured two contracts in the United States for supply of BoltEx<sup>®</sup> product by two companies operating in American West and Gulf of Mexico which marked SRJ's entry into the US oil and gas markets. The two initial contracts had a combined value of AUD\$225k (USD\$126k) but with management confident that other opportunities will follow.

The first contract was secured with Black Hills Energy Corp LLC (NYSE:BKH; "Black Hills Energy"), to support asset integrity management of their US gas distribution network. Black Hills Energy is a producer and distributor of natural gas and electricity, servicing 1.3 million customers in eight states across the US.

The second contract was secured with Magnolia Torque & Testing Inc for the supply of BoltEx<sup>®</sup> flange clamps to support maintenance work offshore in the Gulf of Mexico. Magnolia is a maintenance and repair contractor specialising in Flange Management Services, and clients including BP, Shell, Chevron, OXY and ConocoPhillips, amongst others.

Having gained this US foothold late in 2023, 2024 will see a targeted efforts to exploit the significant sales opportunities in this jurisdiction.

#### Multiple global contracts secured

SRJ was successful in the procurement of multiple global contracts during the quarter, extending the Company's reach into a broad range of markets including West Africa, the UK, and Malaysia.

SRJ's products were secured by international energy companies including, Baker Hughes EnQuest, and Southey Contracting Limited.

For Baker Hughes, the first two projects will confirm their future demand levels and potentially trigger a more significant stock uptake in readiness for a vast amount of additional bolting opportunities. Baker Hughes also contracted SRJ to provide training to qualify its site engineers in using BoltEx<sup>®</sup> in the field, which was carried out in Malaysia, in conjunction with SRJ's regional partner, EFTECH.

By actively collaborating with organisations at this scale, the Company is both enhancing the capabilities of these global companies while progressing SRJ's strategic reach into global energy markets.

#### Malaysian Licensing Agreement – EFTECH

The EFTECH Licensing Agreement (ELA) announced on 22 May 2023, is starting find traction with first rental royalties invoiced in for FY 23 Q4 with full complement of stock only delivered in FY23 Q3. The Malaysian customer base continues to grow with SRJ BoltEx® product being utilised across PTTEP, Hibiscus and Petrofac, with Nippon Oil, EnQuest, Prefchem and Petronas having introductory meetings and further technical discussions. Petronas has planned a test demonstration with the SRJ BoltEx® product in Q1 FY24 to complete their iGAP investigations for approval across all of their facilities.

Ongoing discussions continue with EFTECH for expansion plans to activate License Agreements in further regions which are expected to be concluded in Q1/Q2 FY24.

#### Asset integrity consulting and business development

In the final quarter of 2023, the initiatives undertaken in business development yielded results for SRJ Consulting. These efforts culminated with the win and execution of the initial phase of a high-impact project on the asset integrity framework of a leading FPSO operator.

In addition to this accomplishment, SRJ Consulting has positioned itself for continued success with the following proposals submitted during the same period:

- A five-phase extension for the event-based learning project discussed above showcasing our commitment to delivering comprehensive and sustainable solutions
- Development of a hot-bolting procedure for EnQuest, to support the recent purchase order for SRJ's flange bolt integrity solutions

Our forward-looking approach to business development extends beyond current projects. Advancing discussions are underway to support a significant oil and gas operator in the design and development of Carbon Capture Utilisation and Storage (CCUS) module structures. These discussions demonstrate our commitment to addressing emerging industry needs and staying at the forefront of technological advancements.

Amidst this momentum, SRJ Consulting remains dedicated to delivering ongoing consulting projects. Key among these is the API 14C reliability methodology development project, where our team continues to contribute valuable insights and expertise.

#### **Financial performance**

During the Quarter cash receipts of £457k (A\$871k) marked SRJ's second best quarter on record and took the Company's total receipts for FY23 to £1.65m (\$A3.14m), which exceeds FY22 total receipts of £920k (A\$1.6m) by 79% (ignoring foreign exchange movements).

Cash outflows used in operating activities for the Quarter was £101k (A\$173k) compared to the previous quarter's cash outflow position of £271k (A\$514k). Whilst there was an expectation of net cash inflows the delayed payment by clients pushed cash receipts into Q1 FY24. SRJ remains committed to minimising cash tied up in working capital and is taking a proactive stance on minimising debtor days.

An invoice was issued in the Quarter for £753k (A\$1.4m) for an unreturned BoltEx<sup>®</sup> inventory that has been retained offshore by the client since mobilisation. This is currently under discussion with the client, however, the industry norms in this situation deem the client responsible for all rental charges whilst the equipment is mobilised. There may be a negotiated settlement of this invoice and a provision has been made against this in accordance with Company policy on this. No further details will be provided at this time as it remains commercially sensitive and incomplete.

RELEAS

The amount in 6.1 includes wages and some travel expenses for the CEO and Managing Director – Europe & Middle East. The Non-Executive Director agreed to suspend payment of fees for an unspecified time but these continue to be accrued.

#### FOR FURTHER INFORMATION PLEASE CONTACT

#### **INVESTORS**

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#### This announcement has been authorised for release by the Board.

#### **ABOUT SRJ TECHNOLOGIES**

SRJ Technologies provides specialised engineering services and containment management solutions, elevating customer's integrity management performance.

We see real value in offering a wider range of asset integrity consulting services helping our customers to better understand the operational risks and where best to focus resource to minimise these risks.

SRJ's range of industry accredited products are designed to maintain and assure the integrity of pressure containment systems and therefore play an important role in the overall integrity of operating facilities.

Using pre-qualified service providers and manufacturers local to customer, SRJ is geolocation flexible and able to deliver a range of high quality, agile and cost-conscious solutions globally.

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#### **Appendix 4C**

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

Name of entity	
SRJ Technologies Group plc	
ABRN	Quarter ended ("current quarter")
642 229 856	31 December 2023

Co	onsolidated statement of cash flows	Current quarter GBP £'000	Year to date (12 months) GBP £'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	457	1,654
1.2	Payments for		
	(a) research and development	-	-
	<ul> <li>(b) product manufacturing and operating costs</li> </ul>	(85)	(183)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(275)	(1,215)
	(f) administration and corporate costs	(199)	(754)
1.3	Dividends received	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(1)	(107)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other - foreign exchange and tax refund	2	69
1.9	Net cash from / (used in) operating activities	(101)	(536)

	Ca	sh flows from investing activities	
2.1	Pay	ments to acquire or for:	
	(a)	entities	-
	(b)	businesses	-
	(c)	property, plant and equipment	-
	(d)	investments	-
	(e)	intellectual property	-
	(f)	other non-current assets	-

Со	nsolidated statement of cash flows	Current quarter GBP £'000	Year to date (12 months) GBP £'000
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(I) 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	-	(13)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	633
3.2	Proceeds from issue of convertible debt securities	-	775
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(66)
3.5	Proceeds from borrowings	50	50
3.6	Repayment of borrowings	(2)	(963)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	(303)
3.10	Net cash from / (used in) financing activities	48	126

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	189	560
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(101)	(536)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(13)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	48	126

Co	nsolidated statement of cash flows	Current quarter GBP £'000	Year to date (12 months) GBP £'000
4.5	Effect of movement in exchange rates on cash held	(8)	(9)
4.6	Cash and cash equivalents at end of period	128	128

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 GBP £'000	Previous quarter GBP £'000
5.1	Bank balances	128	189
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)	128	189

6.	Payments to related parties of the entity and their associates	Current quarter GBP £'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(44)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
	f any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include ation for, such payments.	a description of, and an

The amount in 6.1 includes wages and some travel expenses for the CEO and Managing Director – Europe & Middle East. The Non-Executive Director agreed to suspend payment of fees for an unspecified time but these continue to be accrued.

7.	<b>Financing facilities</b> Note: the term "facility' includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.	Total facility amount at quarter end GBP £'000	Amount drawn at quarter end GBP £'000
7.1	Loan facilities	37	37
7.2	Credit standby arrangements	-	-
7.3	Other	50	50
7.4	Total financing facilities	87	87
7.5	Unused financing facilities available at qua	arter end	-
7.6	Include in the box below a description of each rate, maturity date and whether it is secured of facilities have been entered into or are proposi include a note providing details of those facility	or unsecured. If any add sed to be entered into af	itional financing
	7.1 Loan to acquire a commercial vehicle in Australia from Australian Alliance Automotive Finance Pty Limited that is secured on the vehicle. The interest rate of 4.99% is over a 5-year period. The first repayment occurred in April 2021.		
	7.3 Short term unsecured, interest free loan free 2023 and settled on 4 January 2024 to cover		

8.	Estimated cash available for future operating activities	GBP £'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(101)
8.2	Cash and cash equivalents at quarter end (item 4.6)	128
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	128
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.4
	Note: if the entity has reported positive net operating cash flows in item 1.9, answer item figure for the estimated quarters of funding available must be included in item 8.5.	8.5 as "N/A". Otherwise, a

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 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: Debtor payments have been slower than anticipated resulting in a Net cash outflow position at the end of Q4. The expectation is that such debtors will now settle in Q1 FY24 leading to a net cash inflow position , together with increases in sales revenue.

8.6.2 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: Yes. As noted in various announcements, the Company has taken steps to reduce its expenses. In addition, the Company continues to explore capital raising opportunities, with a number of discussions ongoing with interested parties.



8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answe	r: Yes. The entity does expect to continue its operations and meet its business objectives.
	The Company has achieved its best sales revenue since incorporation. Slow payment by creditors is expected to be resolved, with trade debtors outstanding of A\$1.7m. The Company is actively pursuing settlement of these creditors to reduce pressure on working capital.
Note: wh	here item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

#### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2024

Authorised by the Board of SRJ Technologies Group Plc.

#### 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.