

ASX ANNOUNCEMENT

CODE: SRJ



28 January 2021

Company Update and December 2020 Activity Report

SRJ Technologies (ASX:SRJ; “SRJ” or “the Company”) is pleased to provide the following December quarterly activity report and an update of its recent operational and corporate achievements.

Highlights

- **Proactive response to the COVID pandemic, which though deferring revenues has provided the opportunity to access new customer relationships**
- **Executing on growth strategy and expanding into new markets**
- **Global collaboration agreement signed with US-based John Crane to detect and mitigate fugitive emissions**
- **Services agreement signed with MODEC, the global supplier and operator of offshore floating platforms (FPO’s and FPSO’s)**
- **Memorandum of Understanding signed with Australian company Piping Speciality Supply Service Ltd (PSSS) with minimum revenue targets for 2021**

Significant agreements supporting execution of growth plans

On 9 November 2020, the Company announced that it had signed a global collaboration agreement with John Crane – a US subsidiary of diversified multinational group Smith Group Plc – to detect and mitigate fugitive methane emissions.

On 2 December 2020, the Company signed a services agreement with MODEC Management Services PTE Ltd (“MODEC”) for the provision of SRJ products and services to its floating platforms as outlined in the Prospectus. MODEC is majority owned by Mitsui and currently has 17 floating production and operation (FPO)/floating production storage offloading (FPSO) platforms in operation globally with a further 6 under construction. The services agreement is on normal commercial terms, with no expiry date and the nature of the agreement means that the materiality results cannot be quantified.

On 22 October 2020, the Company announced the signing of a Memorandum of Understanding (MoU) signed with Australian company Piping Speciality Supply Service Ltd (PSSS) as a rental provider for the BoltEx® Bolt exchange flange clamps. The revenue target for rental income under the MoU for 2021 is A\$470-500k, with SRJ retaining 75% under a revenue sharing arrangement.

Also, as previously reported in the September Activity report, on 22 October 2020, the Company appointed Zamil Operations and Maintenance Co Ltd (“ZOMCO”) as its agent for the lucrative oil and gas and pipeline market in the Kingdom of Saudi Arabia.

Both the MODEC and ZOMCO agreements are as a direct result of working with Mitsui to promote SRJ products across Mitsui’s global portfolio and evidences the Company executing on its growth strategy. These four agreements coupled with the Mitsui strategic alliance agreement provide the Company with significant leverage into both established and new markets but more importantly quickly position SRJ to take advantage of already established networks to secure contracts and work.

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Investor engagement and media coverage

The Company held its annual general meeting on 16 December 2020 via teleconference (due to COVID restrictions) where Security holders were encouraged to either submit questions beforehand or raise them after the formal business of the meeting had been concluded. The Company also continues to engage with fund managers, brokers as well as investors. Morgans Financial Ltd issued an analyst report on 15 December 2020 which is included on the Company website.

Financial performance

Sales in the quarter were negatively affected by the impact of the global pandemic on repair and maintenance activities, resulting in cash generation in Q4 of £26k (A\$46k).

However, the Company is encouraged by the pipeline of work that is building from delayed projects which are being pushed back into 2021.

The key points are:

- Asset Life Extension - the pandemic has provided SRJ with significant opportunities to sell its containment solutions to operators that are looking for ways to extend the life of existing assets rather than replace them.
- Operator-led delays - as operators try to interpret and react to the impact of the evolving pandemic, planned maintenance shutdowns are being pushed out to 2021 thereby deferring anticipated revenues for the Company, however opportunities are in general being postponed rather than cancelled and SRJ remains confident it is well placed to react to changing business practices and the opportunities this will present.
- The Company has a number of opportunities under negotiation at present and is confident of delivering additional signed contracts in the first quarter.

Research & development

Appraisals for a Joint Industry Project (JIP) commenced in Q4 2020 to evaluate and adapt the SRJ coupling for use in high pressure hydrogen gas service. The principal driver for the JIP would be to provide additional flexibility for future hydrogen gas 'plant piping' design, in situations where welded connections are not practical or where avoiding the presence of hydrogen during field welding is particularly onerous or costly. The availability of a hydrogen compatible mechanical coupling solution will be essential for the cost-effective design and operation of industrial and smaller scale hydrogen production and transportation facilities.

Discussions with potential participants commenced in January 2021.

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Outlook

The global pandemic has challenged us to adapt our approach to rapidly changing circumstances right across our business from business development through to human resources. As a nimble, highly flexible team led by experienced management we have risen to this challenge. We have adapted and continue to execute our growth plans and nurture relationships with key partners. Delays to activity are mostly out of our control but our responsive, supportive approach to our clients has created access to a wealth of opportunities for revenue growth and we are confident we can deliver on this during 2021.

Key operational objectives in the immediate term remain as:

- Increasing sales and market penetration in existing markets of Australia, which will be assisted by the PSSS MoU, and pushing to close identified opportunities in the UK and USA;
- Development of new sales and distribution networks for sales penetration into the USA and the Middle Eastern markets; and
- Continued development of new technology and patents.

Use of Funds

The Company was admitted to the official list of the ASX on 18 September 2020 following completion of an IPO raising \$8m. The period from admission to 31 December 2020 is included in a period covered by a use of funds statement in the IPO prospectus lodged with ASX under Listing rule 1.1 condition 3.

A comparison of the Company's actual expenditure since admission to 31 December 2020 against the estimated expenditure in the use of funds statement is set out below as required by ASX Listing Rule 4.7C.2.

Source of Funds	A\$'000	£'000
Estimated cash at IPO date	1,583	856
Offer proceeds from the issue of new CDIs	8,000	4,324
Total	9,583	5,180

Use of Funds	Est. Expenditure at IPO		Actual Expenditure to date	
	A\$'000	£'000	A\$'000	£'000
Sales and marketing	2,960	1,600	679	376
Research & development	2,035	1,100	560	310
Working capital	3,428	1,853	485	268
Costs of the Offer	1,160	627	1,074	595
Total Use of Funds	9,583	5,180	2,798	1,550

Related party payments

For the purpose of Section 6 of the Appendix 4C, all payments made to related parties have been paid in relation to wages for the CEO and independent Directors/Chairman remuneration including superannuation and pension as applicable or consulting fees.

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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

642 229 856

Quarter ended ("current quarter")

31 December 2020

Consolidated 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	26	124
1.2 Payments for		
(a) research and development	(4)	(37)
(b) product manufacturing and operating costs	(28)	(91)
(c) advertising and marketing	(4)	(44)
(d) leased assets	-	-
(e) staff costs	(408)	(1,486)
(f) administration and corporate costs	(178)	(697)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	58
1.8 Other (provide details if material)	(70)	(224)
1.9 Net cash from / (used in) operating activities	(667)	(2,401)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(39)

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Consolidated statement of cash flows	Current quarter GBP £'000	Year to date (12 months) GBP £'000
(d) investments	-	-
(e) intellectual property	(5)	(32)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	-
(j) investments	-	-
(k) intellectual property	-	-
(l) 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)	-	(1)
2.6 Net cash from / (used in) investing activities	(12)	(72)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,551
3.2 Proceeds from issue of convertible debt securities	-	1,788
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(352)	(1,060)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
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	(352)	5,279

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Consolidated statement of cash flows		Current quarter GBP £'000	Year to date (12 months) GBP £'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,058	1,216
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(601)	(2,335)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(72)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(352)	5,279
4.5	Effect of movement in exchange rates on cash held	-	5
4.6	Cash and cash equivalents at end of period	4,093	4,093

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	4,093	5,058
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)	4,093	5,058

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	82
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p>		

The amount in 6.1 includes wages for the CEO and independent Directors/Chairman remuneration including superannuation and pension as applicable or consulting fees.

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7.	Financing facilities <i>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.</i>	Total facility amount at quarter end GBP £'000	Amount drawn at quarter end GBP £'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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.		
	N/A		

8.	Estimated cash available for future operating activities	GBP £'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(601)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,093
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,093
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	7 Quarters
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
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: N/A	
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: N/A	

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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?

Answer: N/A

Note: where 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: 28 January 2021

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.

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