

ASX ANNOUNCEMENT

CODE: SRJ



29 October 2021

Quarterly Activities Report for September 2021

SRJ Technologies Group Plc (ASX: SRJ; “SRJ” or “the Company”) is pleased to present its Quarterly Activities Report for the period ended 30 September 2021. During the September quarter, SRJ was focused on a number of initiatives aimed at strengthening its relationships with key strategic partners and building a solid pipeline of purchase orders, which are anticipated to provide revenue growth in the December 2021 quarter.

Key Highlights

- Received first order in UAE with Abu Dhabi National Oil Company (ADNOC) for a ‘fast-track’ project where SRJ will design, manufacture and install pipeline asset integrity solutions
- Consulting contract for safety system integrity on SBM Offshores’ FPSO vessels
- Successfully completed a trial of its weld-free SRJ Coupling product with global industry leader, Keppel FELS. Discussions are ongoing to finalise a strategy that incorporates SRJ’s technologies across its offshore operations
- Secured agreement with Natural Ocean Well Co (NOWCo) to provide expert engineering consultancy services on the development and implementation of its Portable Offshore Desalination Systems (PODS)
- Announced partnership with Curtin University (Corrosion Centre) and SixDe Pty Ltd to develop hydrogen compatible pipe technology, including opportunities to patent new coupling technologies and associated manufacturing processes for hydrogen applications
- Adopted an Environmental, Social and Governance (ESG) framework, including 21 core and 34 expanded metrics and disclosures created by the World Economic Forum (WEF).
- Purchase orders for CY21 total £602k (A\$1.13m), up from £362k (A\$684k) on the previous Quarterly Activities Report

Building relationships with global industry leaders

ADNOC

Producing in excess of 3 million barrels of oil per day, ADNOC is the world's 12th largest oil company by production, employing more than 50,000 people. It has extensive onshore and offshore production and processing facilities, including a mixture of new and mature assets, which presents a significant addressable market for SRJ’s asset integrity products and consulting services.

The contract is to design, manufacture and install pipeline asset integrity solutions for pipeline/flange/valve systems on Das Island, which will enable the use of adjoining facilities by eliminating the risk of gas leaks. The project is anticipated to complete by the end of December CY21, with an additional purchase order anticipated for phase 2.

Keppel FELS

Following the successful trial of its weld-free SRJ Coupling product with global industry leader Keppel FELS, discussions are ongoing alongside Mitsui & Co. (Australia) to identify the commercial benefits of SRJ Coupling and other SRJ technologies across both greenfield and brownfield scenarios. Keppel FELS provides services for global offshore and marine industries. It constructs, fabricates and repairs offshore production facilities and

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drilling rigs, including floating production storage and offloading vessels, semi-submersibles, power barges, specialized vessels and other offshore production facilities.

Engineering Consulting growth

SBM Offshore

SRJ's rapidly growing consulting group has been awarded two new contracts and a contract extension totalling A\$184k (£100k) by SBM Offshore who are based in Monaco.

SBM Offshore's main activity is to design, supply, install, operate and maintain complex FPSO vessels, which are essential to offshore energy industries, particularly in remote areas. SRJ was previously awarded a contract in July 2021 to undertake detailed reviews, finite element modelling of structures and develop technical guidance to support the engineering design FPSO vessels as part of its Fast4Ward® program. The Fast4Ward® program is a new initiative of SBM Offshore that is focused on reducing cycle time to energy delivery, de-risking projects and improving quality and safety. Following the successful completion of the initial contract, SRJ have been awarded an extension for additional analysis, which will enable SBM to optimize the design of its FPSO vessels, without compromising integrity and long-term reliability. It also anticipated to deliver additional cost savings.

In addition, two new contracts have been awarded to SRJ by SBM Offshore. One contract is to undertake reliability analysis and maintenance optimization to ensure safety and system integrity of its FPSO vessels. The second contract is to undertake detailed vibration analysis of machinery modules for the FPSO Almirante Tamandare, which is currently being designed and constructed at the Búzios field in the Santos Basin approximately 180km offshore Rio de Janeiro in Brazil.

NOWCo

SRJ have also partnered with NOWCo to provide its engineering consulting expertise to NOWCo, as part of its development and implementation of subsea desalination systems as an innovative solution for global water shortages. The partnership supports the client-led solutions model adopted by SRJ, as well as its adoption of an ESG framework that occurred in early August. The framework includes 21 core metrics and disclosures created by the World Economic Forum (WEF) and will require the Company to set up an impact measurement plan for each sustainability area. This includes, but is not limited to, governance, anti-corruption practices, ethical behaviour, human rights, carbon emissions, land use, ecological sensitivity, water consumption, diversity and inclusion, pay equality and tax payments.

Research & development

This quarter saw SRJ announce its partnership with Curtin University (Corrosion Centre) and SixDe Pty Ltd to develop hydrogen compatible pipe technology in its endeavours to support low-carbon energy systems. As global economies increasingly look to incorporate progressively higher proportions of renewables as a part of their energy mix, demand for infrastructure and services that support the efficient storage and transport of hydrogen continues to grow. This is supported by the prediction for hydrogen to provide up to 18% of the world's energy demand by 2050, according to Global Hydrogen Council. As a result, SRJ has identified opportunities to patent the new coupling technologies and the associated manufacturing processes for hydrogen applications once developed.

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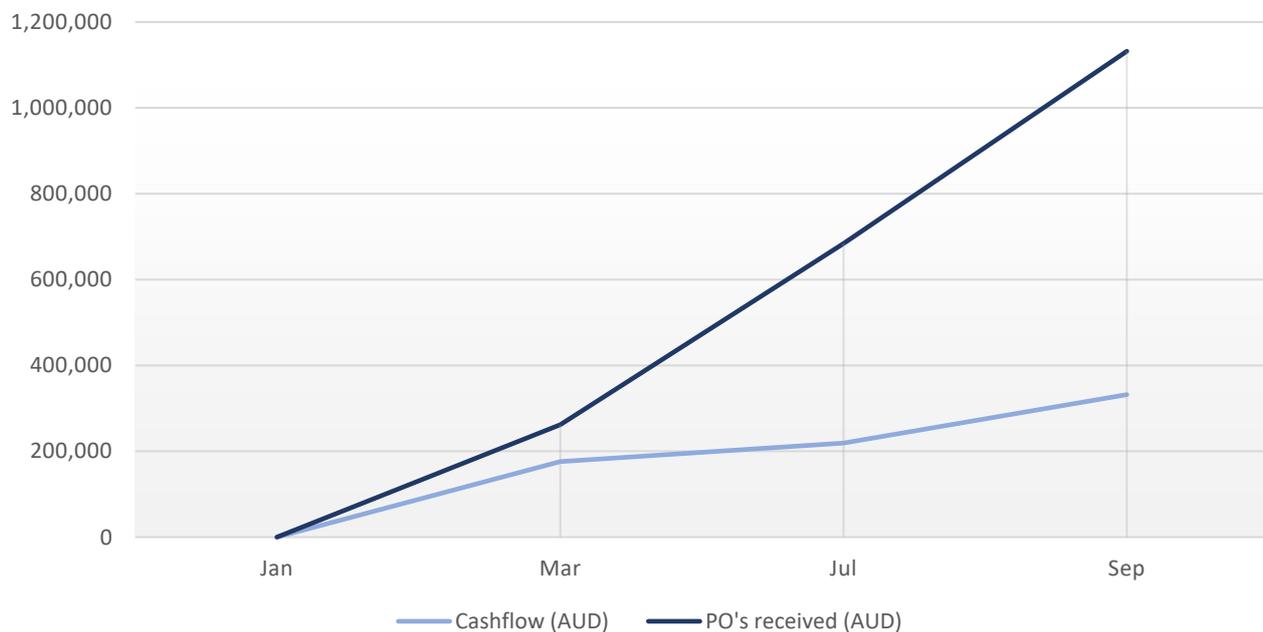


Financial performance

Cash receipts increased by 150% from £24k (A\$43k) in Q2 FY21 to £60k (A\$113k). Cash outflows used in operating activities were £589k (A\$1.11m), representing a c.23% decline on the previous quarter £769k (A\$1.38m), mostly due to a reduction in operating costs coupled with the increase in cash receipts.

Purchase orders for CY21 (up to the release date of this document) that have either been fulfilled or currently being processed are £602k (A\$1.13m), up from £362k (A\$684k) compared to the previous quarter. Conversion from opportunities to receipt of funds remains protracted, but as the industry adapts to the pandemic and adopts SRJ's technologies, management expects this to reduce.

2021 Cumulative Performance



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Outlook

The Company was listed on the ASX on 18 September 2020. Given its one-year anniversary has now passed, it is an opportune time to reflect on the progress since then. Figure 1 below outlines the progress and milestones achieved in SRJ's Growth Plan, as detailed in the Prospectus, as well as outlining the areas yet to be addressed. Management will continue to focus on all areas of this growth plan into the next quarter.

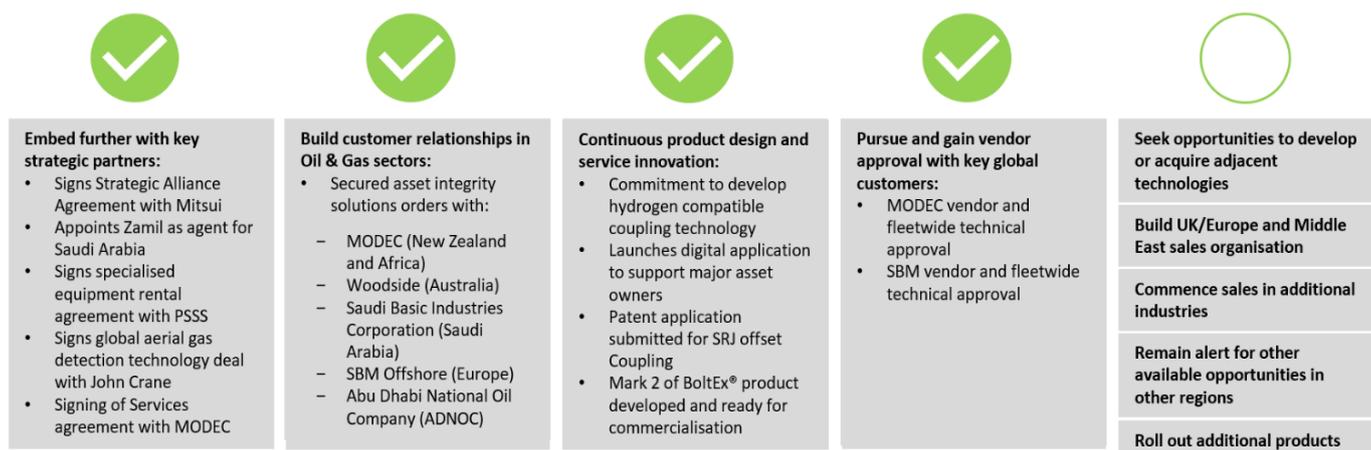


Fig 1: SRJ's Growth Plan progress

Use of Funds

SRJ listed on the ASX on 18 September 2020 following the completion of an IPO, which raised \$8m. The period from admission to 30 September 2021 is covered by a use of funds statement in the IPO prospectus that was lodged with the ASX under Listing rule 1.1 condition 3.

A comparison of the Company's actual expenditure since admission to 30 September 2021 against the estimated expenditure in the use of funds statement is set out below as required by ASX Listing Rule 4.7 C.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 source of funds	9,583	5,180

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Use of Funds	Est. Expenditure at IPO		Pro-rata Est. Expenditure from IPO to date		Actual Expenditure to date		Variance between Pro-rata and Actual Expenditure to date	
	A\$'000	£'000	A\$'000	£'000	A\$'000	£'000	A\$'000	£'000
Sales and marketing	2,960	1,600	1,480	800	2,205	1,176	(725)	(334)
Research & development	2,035	1,100	1,018	550	1,173	625	(155)	(108)
Working capital	3,428	1,853	1,714	927	2,295	1,224	(581)	(198)
Costs of the Offer	1,160	627	1,160	627	1,116	595	44	32
Total uses of funds	9,583	5,180	5,372	2,904	6,789	3,619	(1,417)	(716)

Notes:

Variance IPO to date

There is a difference relative to the pro-rata estimate of expenditure of approximately £608k since IPO in the areas of sales and marketing, research and development and working capital which is reflective of the fact that expenditure settlement doesn't occur in a smooth timely manner. SRJ has now completed the setup of the Australian office, hired additional engineering and business development staff in Australia and the United Kingdom and now holds inventory for rapid deployment to clients.

Research and development

A portion of salaries and wages in the use of funds is allocated to R&D which is not reflected in the 4C (below). This is due to the fact a percentage of the engineering team's time is focused on developing systems, procedures and tools for SRJ to sell to its customers. It is expected that SRJ will achieve a R&D refund for a portion of the work related to these activities in various jurisdictions.

Working capital

SRJ use working capital to pay for manufacturing of products by third party manufacturers, establish new offices, corporate administration, directors' fees, share registry fees, legal, audit, company secretarial, insurance and travel costs. There are also realised foreign exchange gains and losses included in working capital.

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 salary for the CEO and independent Director's/Chairman remuneration including superannuation and pension as applicable, or consulting fees.

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Investor Inquiries

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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")

30 September 2021

Consolidated statement of cash flows	Current quarter GBP £'000	Year to date (9 months) GBP £'000
1. Cash flows from operating activities		
1.1 Receipts from customers	60	192
1.2 Payments for		
(a) research and development	-	(6)
(b) product manufacturing and operating costs	(57)	(314)
(c) advertising and marketing	(14)	(27)
(d) leased assets	-	-
(e) staff costs	(443)	(1,238)
(f) administration and corporate costs	(181)	(588)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	47	48
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(589)	(1,936)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(10)	(74)
(d) investments	-	-
(e) intellectual property	(15)	(26)

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Consolidated statement of cash flows	Current quarter GBP £'000	Year to date (9 months) GBP £'000
(f) other non-current assets	(1)	1
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)	-	-
2.6 Net cash from / (used in) investing activities	(26)	(99)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(7)
3.5 Proceeds from borrowings	(2)	57
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	(2)	50

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,723	4,093
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(589)	(1,936)

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Consolidated statement of cash flows		Current quarter GBP £'000	Year to date (9 months) GBP £'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(26)	(99)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	50
4.5	Effect of movement in exchange rates on cash held	(1)	(3)
4.6	Cash and cash equivalents at end of period	2,105	2,105

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	2,105	2,723
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)	2,105	2,723

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	(73)
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.

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

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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	57	57
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.		
	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.		

8.	Estimated cash available for future operating activities	GBP £'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(589)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,105
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,105
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4 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	
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	
	<i>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.</i>	

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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: 29 October 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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