

ASX ANNOUNCEMENT

CODE: SRJ



30 April 2021

March 2021 Activity Report

SRJ Technologies (ASX:SRJ; “SRJ” or “the Company”) is pleased to release its March Quarterly Report and provide an update on recent operational and corporate achievements. The Company has also attached the Appendix 4C to the end of this report.

Highlights

- **Mitsui & Co strategic alliance delivering initial purchase orders from MODEC, Woodside Energy and ZOMCO**
- **Agency agreement signed with UAE company Euro Mechanical to enable participation in regional tenders including ADNOC opportunities**
- **Purchase orders received from SBM Offshore and Piping Speciality Supply Service Ltd**
- **Cooperative Research Centres (CRC) Grant submission for development of hydrogen compatible pipe connection technologies in partnership with Curtin University and SixDe**
- **SRJAnalytics, a new digital platform, was launched to the market as a digital solution to improve efficiency in managing major assets.**

Mitsui & Co strategic alliance delivering with initial purchase orders from MODEC, Woodside Energy and ZOMCO

In March 2021, SRJ received its first purchase order from MODEC, the world’s largest floating production storage and offloading (FSPO) unit fleet owner/operator in the world, with 18 vessels in operation and a further four currently under construction.

In December 2020, SRJ signed a services agreement with MODEC for the provision of SRJ products and services to its floating platform and the first purchase order follows several months of engagement between the two companies, including completion of vendor approval and signing of a service agreement. MODEC were introduced to SRJ through SRJ’s strategic alliance with Mitsui & Co (Australia) Ltd , an investor in SRJ.

Mitsui & Co (Australia) Ltd also introduced SRJ to Woodside Energy, which led to an initial purchase order in March 2021. Woodside is the largest operator of oil and gas production in Australia and also Australia's largest independent dedicated oil and gas company.

Subsequent to the end of the quarter, the Company announced a further initial purchase order in the Kingdom of Saudi Arabia, following the appointment of ZAMIL Operations and Maintenance Co Ltd (“ZOMCO”) as exclusive agent in the Kingdom in Q4 CY20. SRJ’s introduction to ZOMCO came through its strategic alliance with Mitsui & Co (Australia). The contract is to design, manufacture and install SRJ asset integrity solutions for the repair and maintenance of pipeline equipment for Saudi Basic Industries Corporation (SABIC) facilities in Jubail Industrial City. SABIC, a global leader in chemical manufacture and production, headquartered in Riyadh, operates in around 50 countries and is majority owned by Saudi Aramco.

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While these initial orders are immaterial from a financial perspective, upon successful deployment of SRJ's products, SRJ would expect to generate more substantial orders from all three parties.

Further agreement supporting execution of growth plans

On 1 March 2021, the Company signed an agency agreement with Euro Mechanical and Electrical Contracting Company LLC (Euro Mechanical) to participate in various tenders in the UAE. Three significant opportunities with Abu Dhabi National Oil Company (ADNOC) have already been identified and quoted on. ADNOC is the state-owned oil company of the United Arab Emirates (UAE) and is one of the world's largest energy companies measured by both reserves and production.

Purchase Orders from SBM Offshore and PSSS

Three further SBM Offshore purchase orders have been received in FY21 for asset integrity consulting services. These purchase orders lay solid foundations to generate product sales opportunities during H2 FY21.

The prior quarter saw the Company announce the signing of a Memorandum of Understanding (MoU) with Australian company Piping Speciality Supply Service Ltd (PSSS) as a rental provider for the BoltEx® Bolt exchange flange clamps. The first rental commenced in Q1 CY21 for a bolting scope at a Power Plant in Victoria.

Financial performance

Sales in the quarter highlighted the green shoots of recovery relative to the prior quarter with cash generation of £98k (A\$176k) an uplift of 277% compared to Q4 2020 of £26k (A\$46k). Purchase orders for FY21 (up to the release date of this document) that have either been fulfilled or are being processed are £143k (A\$262k).

The Company believes that although the revenue and orders remain low in the context of the significant market opportunity ahead, the strategic progress being made is very positive. Repair and maintenance activities are now being planned and SRJ is well placed to take advantage of opportunities.

Research & development

As previously announced, appraisals for a Joint Industry Project (JIP) commenced in Q4 CY20 to evaluate and adapt the SRJ coupling for use in high pressure hydrogen gas service. A formal grant application was submitted in April 2021 to the Cooperative Research Centre (CRC) for the development of hydrogen compatible pipe connection technologies. A successful application would see SRJ partnering with Curtin University and SixDe Engineering.

This proposed project focuses on the proof of concept and manufacturing commercialisation of a new weld-free coupling technology for pipelines. This would eliminate the need for welding of pipeline joints, thereby mitigating the occurrence of hydrogen embrittlement or weld cracking. This project will also explore the further enhancement of manufacturing materials and processes with specific application to hydrogen.

SRJAnalytics was also launched in the quarter as a digital solution to improve efficiency in managing major assets. SRJAnalytics utilises a unique risk assessment tool that proactively categorises repair and maintenance requirements and allows management to monitor their assets live from any web-enabled device.

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Outlook

This quarter showed positive signs of a re-engagement of activities within the energy sector. The initial and repeat purchase orders received in the quarter, point to a validation of our product and service offerings and moves SRJ further along the path of increasing market penetration and growth. Management remain confident that SRJ has positioned itself to benefit from industry re-engagement. Early indications are that planned maintenance campaigns will focus on H2 CY21 and SRJ expect to secure further orders in Q2/Q3 CY21.

Supporting this view, during this month, the finalisation of a significant manufacturing run will occur on BoltEx[®] that will enable SRJ to place strategic inventories in key geographic locations globally to capitalise on opportunities in advanced stages of negotiation for planned bolting campaigns. Building on the relationships with MODEC and SBM Offshore, recent business development activities have focused on Offshore West African opportunities where significant shut down and maintenance activities are scheduled throughout CY21 and FY22.

SRJ's strategic alliance with Mitsui & Co (Australia) Ltd continues to grow. In addition to the significant MODEC and Woodside opportunities, a range of opportunities have been identified for SRJ asset integrity solutions with Mitsui's global portfolio of infrastructure assets. The partnership is working hard to analyse and target those opportunities with the where efficiency gains are greatest.

SRJ has now built up the infrastructure to support its strategic aim of delivering a consistent, globally approved asset integrity solution to the two largest global FPSO operators. SRJ will then look to replicate this model across other operators in the energy sector.

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 March 2021 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 source of funds	9,583	5,180

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	740	400	1,033	579	(293)	(179)
Research & development	2,035	1,100	509	275	754	423	(246)	(148)
Working capital	3,428	1,853	857	463	976	547	(119)	(84)
Costs of the Offer	1,160	627	1,160	627	1,062	595	98	32
Total uses of funds	9,583	5,180	3,266	1,765	3,826	2,143	(560)	(378)

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Notes:

Variance IPO to date

There has been an overspend of approximately £378k since IPO in areas of sales and marketing and research and development. SRJ has now completed the setup of the Australian office and hired additional engineering and business development staff in Australia and the United Kingdom.

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 teams 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 wages for the CEO and independent Directors/Chairman remuneration including superannuation and pension as applicable or consulting fees.

- Ends -

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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 March 2021

Consolidated statement of cash flows	Current quarter GBP £'000	Year to date (3 months) GBP £'000
1. Cash flows from operating activities		
1.1 Receipts from customers	98	98
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(29)	(29)
(c) advertising and marketing	(3)	(3)
(d) leased assets	-	-
(e) staff costs	(392)	(392)
(f) administration and corporate costs	(219)	(219)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(546)	(546)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(1)

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Consolidated statement of cash flows	Current quarter GBP £'000	Year to date (3 months) GBP £'000
(d) investments	-	-
(e) intellectual property	(7)	(7)
(f) other non-current assets	(33)	(33)
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	(41)	(41)

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)	(7)
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	(7)	(7)

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Consolidated statement of cash flows		Current quarter GBP £'000	Year to date (3 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	4,093	4,093
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(546)	(546)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(41)	(41)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7)	(7)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,499	3,499

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	3,499	4,093
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)	3,499	4,093

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	(91)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(91)
<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)	(546)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,499
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,499
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6 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: 30 April 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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