

20 May 2019

Anjuli Sinniah
Senior Adviser, Listings Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

Via email: anjuli.sinniah@asx.com.au

Dear Ms Sinniah,

Babylon Pump & Power Limited – ASX Price Query

Babylon Pump & Power Limited (ASX: BPP) (“the Company” or “BPP”) refers to your query dated 16 May 2019 regarding the request for information (“ASX Query”).

The Company provides the following response in respect to the ASX Query.

1. Does BPP expect that it will continue to have negative operating cash flows for the time being and, if not, why

As per the Company’s business strategy, BPP is currently in the growth phase of its business lifecycle and accordingly, negative cash outflows are expected for the short to medium term as the Company continues to grow revenue.

In respect to forecast cash flows, the Company notes the following:

- BPP’s current debtor position is c\$2.2M, of which c\$1.45M is made up of tier 1 mining clients;
- The Company’s current debtor position of c\$2.2M is substantially greater than the Company’s current creditors of c\$1.02M;
- Cash of c\$1.6M has been received this quarter to date;
- Further cash inflows of c\$1.5M are expected to be received this quarter from the Company’s current debtors; and
- Receipt of revenue with tier 1 mining clients is often 70 + days net of invoice date, which is where the Company’s invoice finance account assists with the payment lag for working capital requirements.

It should be noted the Company is working towards being a positive cash generating business, although in the interim it is expected some quarters will continue to fluctuate between net cash inflows and net cash outflows. This will be determined by (i) the timing of revenue, (ii) revenue growth, and (iii) prompt client payment.



2. **Has BPP 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?**

Yes, refer to the below comments:

- The Company is actively reviewing acquisition opportunities to assist with the Company's corporate growth strategy;
- Major shareholders have advised the Company of their willingness to support future growth plans; and
- The Company is currently in discussions with financiers about re-financing current loans and providing an additional working capital loan.

3. **Does BPP expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes, refer to the below comments:

- The Company has access to an invoice finance facility;
- The Company expects material cash receipts to be paid into Company's bank account this quarter; and
- Noting the Company's strong debtor position, BPP's financier has indicated initial support to raise the current debtor finance facility and increase the existing asset finance facility to assist with the BPP's working capital requirements moving forward.

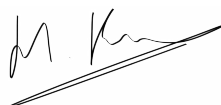
4. **Please confirm that BPP is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.**

Yes – no further information.

5. **Please confirm that BPP's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BPP with delegated authority from the board to respond to ASX on disclosure matters.**

Yes.

Yours sincerely



Michael Kenyon
Company Secretary





16 May 2019

Mr Matt Power
Company Secretary

By email:

Dear Mr Power

Babylon Pump & Power Limited ('BPP'): Appendix 4C Query

ASX refers to BPP's Appendix 4C quarterly report for the period ended 31 March 2019 lodged with the ASX Market Announcements Platform and released on 30 April 2019 (the 'Appendix 4C').

ASX notes that BPP has reported:

- negative net operating cash flows for the quarter of \$748,000;
- cash at the end of the quarter of \$960,000; and
- estimated cash outflows for the next quarter of \$1,169,000.

It is possible to conclude, based on the information in the Appendix 4C, that if BPP were to continue to expend cash at the rate indicated by the Appendix 4C, BPP may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks BPP to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does BPP expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has BPP 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?
3. Does BPP expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that BPP is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that BPP's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BPP with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that BPP considers may be relevant to ASX forming an opinion on whether BPP is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AWST Tuesday, 21 May 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in BPP's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, BPP's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to BPP's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that BPP's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in BPP's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Regards

Anjuli Sinniah
Senior Adviser, Listings Compliance (Perth)