

ASX Release

22 April 2021

Babylon Quarterly Update and Appendix 4C

Highlights

- **Strong revenue of c. \$5.8M and positive EBITDA in Q3 FY21 (unaudited)**
- **Record monthly revenue in March and strong business momentum**
- **Strong end market activity and new Tier 1 clients added**
- **Highly complementary acquisition of Ausblast adds third growth pillar**
- **Positive equity raising and favourable increase in bank financing facilities achieved**
- **Well positioned for future growth with cash and facilities of c. \$9.0M**

Specialist resources services provider Babylon Pump & Power Limited (“Babylon” or “the Company”), (ASX: BPP), is pleased to present a quarterly update and its quarterly cash flow report for the quarter ended 31 March 2021.

The Board is pleased to report strong revenue of c. \$5.8M and positive EBITDA for Q3 FY21 (unaudited).

The Board is also delighted to report record monthly revenue in March and that the Company is generating strong momentum from its key service offerings and strategy.

Seasonality of reduced client invoicing in December and January resulted in lower cash collection in the latest quarter reporting period. A strong close to the quarter resulted in accounts receivable of c. \$6.5M at the close of the reporting period.

The Company successfully strengthened its balance sheet during the quarter and holds c. \$9.0M of cash and undrawn debt facilities to fund continued growth.

Operations Update

Babylon continues to pursue its business model which is focussed on three complementary areas in high demand in the resources sector:

- Rental of specialty equipment;
- Maintenance and rebuild services for large diesel driven equipment; and
- Speciality services including high pressure water and abrasive blasting and ancillary services to the resources sector (via acquisition of Ausblast completed during the quarter).



Specialty Rental

The Company continues to grow the specialty rental business through investment in rental assets and increasing sales and marketing efforts. During the quarter the Company mobilised rental assets to miners including BHP and Mount Gibson as well as leading mining service providers. Cash was applied during the quarter to mobilise equipment for long term rental projects. Moving into Q4 FY21, the Company is experiencing high utilisation of rental pumping assets and will add multiple high horsepower rental pumps to the rental fleet during the next quarter to keep pace with market demand.

Diesel Maintenance

Demand for the Company's diesel maintenance services continues to grow. The Company has continued multiple client engine rebuild programs during the quarter in iron ore, coal and bauxite mining sectors. New clients added during the quarter included South 32 and Premier Coal. The Company had significant operating cash outflows during the quarter supporting supply of parts and completing service exchange engines. The investment in exchange engines allows the Company to proactively meet market demands with shorter lead times and improved customer service. Since the close of the end of the quarter the Company received orders for two service exchange engines completed during the quarter for delivery in Q4 FY21. Other current engines now ready for client exchange include:

- QSK45-R9250 Liebherr
- 2x K1800 E Liebherr 996
- QSK50-R9400 Liebherr
- 3516B Cat 789C

The Company's Primepower Queensland business continued to focus on complete engine rebuild programs during the quarter and generated a 12% increase in parts sales for the quarter compared to the previous quarter.

Strengthening and broadening of the Company's parts supply chain in response to COVID-19 has led to increased opportunity for parts sales to existing clients. Increased parts sales and planned increased field service to support maintenance activities will assist with smoothing the Company's diesel maintenance revenue which is currently dominated by lumpy cash receipts from major engine rebuild programs.

Speciality Services

The Company completed the highly complementary acquisition of Pilbara Trucks Pty Ltd trading as Ausblast ("Ausblast") on 5 March 2021.

Ausblast is a specialised mining services business providing high-pressure water blasting to Tier 1 clients in Western Australia and adds a third service offering and growth pillar for the Company.

Consideration for the acquisition consisted of an upfront cash payment of \$4.4M and \$1M in Babylon shares (escrowed for 12-months), with a future milestone payment of \$1M in FY23 subject to future earnings performance.





The Company is pleased to welcome the Ausblast vendors as Babylon shareholders and Ausblast's leading management team and dedicated workforce as important parts of Babylon's business and growth strategy.

The integration of Ausblast into Babylon has been seamless to date. Ausblast has a material pipeline of opportunities in FY22 and received a shortlist notice from a leading gold producer during the quarter.

Corporate Update

The Company successfully undertook a strongly supported \$4.8M equity raising to assist with funding the acquisition of Ausblast and future growth during the quarter.

The Company also secured \$3.5M via a short-term unsecured bridge loan to assist with funding the Ausblast acquisition. This facility has been repaid after the reporting period.

Late in the quarter the Company successfully increased its financing facilities with NAB to a combined facility total of \$13.5M.

Summary and Outlook

The Company's Board is confident in the ongoing growth in current service offerings and strategy. The Company continues to experience strong levels of enquiry from industry in both the rental, diesel maintenance and speciality service offering and is looking forward to delivering record results for the full year FY21. Operating cash spend during the reporting period is expected to drive record cash flows in Q4 FY21.

The Company's Appendix 4C follows for the quarter ended 31 March 2021.

For more information, please contact:

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Appendix 4C

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

Name of entity

Babylon Pump & Power Limited

ABN

47 009 436 908

Quarter ended ("current quarter")

31 March 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (...9...months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 2,847 | 12,508 |
| 1.2 Payments for | | |
| (a) research and development | | |
| (b) product manufacturing and operating costs | (3,876) | (12,897) |
| (c) advertising and marketing | (4) | (15) |
| (d) leased assets | | |
| (e) staff costs | (1,422) | (3,559) |
| (f) administration and corporate costs | (434) | (1,501) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | | |
| 1.5 Interest and other costs of finance paid | (442) | (927) |
| 1.6 Income taxes paid | 70 | 184 |
| 1.7 Government grants and tax incentives | 81 | 219 |
| 1.8 Other (provide details if material) | 19 | 35 |
| 1.9 Net cash from / (used in) operating activities | (3,161) | (5,953) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | | |
| (b) businesses | (5,571) | (6,375) |
| (c) property, plant and equipment | (231) | (2,001) |
| (d) investments | | |
| (e) intellectual property | | |
| (f) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (...9...months) \$A'000 |
|--------------------------------------|---|----------------------------|--|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | 658 | 691 |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) 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 | (5,144) | (7,685) |

| | | | |
|-------------|---|---------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 5,300 | 5,500 |
| 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 | (289) | (297) |
| 3.5 | Proceeds from borrowings | 5,690 | 9,553 |
| 3.6 | Repayment of borrowings | (411) | (2,378) |
| 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 | 10,290 | 12,378 |

| | | | |
|-----------|--|---------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 309 | 3,554 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (3,161) | (5,953) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (5,144) | (7,685) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (...9...months) \$A'000 |
|---|--|------------------------------------|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 10,290 | 12,378 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 2,294 | 2,294 |

| 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 \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 2,264 | 279 |
| 5.2 | Call deposits | 30 | 30 |
| 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) | 2,294 | 309 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 (Directors remuneration) | 131 |
| 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.

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <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> | | |
| 7.1 Loan facilities | 14,012 | (9,167) |
| 7.2 Credit standby arrangements | | |
| 7.3 Other (please specify) Invoice finance Fac. | 4,100 | (2,223) |
| 7.4 Total financing facilities | 18,112 | (11,390) |
| 7.5 Unused financing facilities available at quarter end | | 6,722 |
| 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. | <ul style="list-style-type: none"> NAB invoice finance facility \$4,100,000, rate variable +/- 6.72%, secured by GSA, subject to review on 30 April 2022. NAB asset finance facility \$6,431,873, rate variable +/- 5.54%, secured by GSA, subject to review on 30 April 2022. NAB Import trade facility \$3,000,000, rate variable +/- 4.29%, secured by GSA, subject to annual review on 30 April 2022. Shareholder unsecured loans \$4,580,000, rates variable between 8% to 12% repayable by 31 May 2021. | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (3,161) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 2,294 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | 6,722 |
| 8.4 Total available funding (item 8.2 + item 8.3) | 9,016 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 2.85 |
| <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

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:22nd April 2021.....

Authorised by: 
(By the board)

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.