

28 July 2021

Babylon June Quarterly Update and Appendix 4C

BABYLON DELIVERS POSITIVE CASHFLOW, RECORD CASH RECEIPTS

Highlights¹

- **Record cash receipts for Q4FY21 of \$7.55M, a 165% increase on previous quarter**
- **Revenue for FY21 of \$21.2M, up 23% on FY20**
- **Positive Operating Cashflow of \$154,781 in the quarter**
- **Receivables of \$4.0M due from blue-chip client base**
- **Finished inventory of >\$1.6M in service exchange engines available for immediate client requirements**
- **Well positioned for continued future growth with cash and undrawn debt facilities of \$6.1M**

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 30 June 2021.

The Board is pleased to report a significant turnaround in net cash from operating activities from the previous quarter with positive operating cashflow of \$154,781 for the June Quarter 2021. This net cash inflow was on the back of record cash receipts from customers of \$7.55 million for the period, a 165% increase on March Quarter 2021 cash receipts from customers of \$2.85 million.

Independent of these receipts, Babylon has receivables of \$4.02 million from a blue-chip client base including BHP, Alcoa and EMECO which position the Company for favourable cash flow to begin the new financial year.

Revenue for the quarter is estimated at \$5.6 million, which is a slight reduction on the previous quarter’s revenue of \$5.8 million. However, the June quarter is traditionally a slower period in the maintenance industry owing to traditional end of financial year spending constraints and the Company believes that the June results compare favourably to the previous March period.

Full year revenue of \$21.2 million is a 23% increase over FY20 revenues of \$17.2 million.

The Company holds \$6.1 million of cash and undrawn debt facilities at the end of the June Quarter to fund continued growth.

¹ All revenue and financial figures provided in this announcement are unaudited.



Operations Update

On the operational front, the Company has increased its Business Development team and appointed Craig Batterham to National General Manager to oversee and coordinate the Perth and Mackay workshops.

The Company's new Perth workshop for Babylon Operations is currently under development and is slated to be in operation in early 2022 providing extra capacity and capability for future growth.

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 Ausblast

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 has begun a capex program to increase its rental fleet including available pumping units. Additional pump units and diesel generators have been mobilized with existing clients and June Quarter rental revenue is the highest of the financial year.

Diesel Maintenance

Demand for the Company's diesel maintenance services continues to grow, with a consistent revenue base from our current customers and ongoing enquiries from multiple new companies in the industry.

The Company's focus in previous quarters (on accelerating its service exchange program to have multiple engines ready) has provided benefit in June Quarter with the Company selling Cummins service exchange engines during the period. Current service exchange inventory includes QSK50, QSK45 and two K1800E engines.

The Perth workshop has begun works on multiple Caterpillar 3500 series engine rebuild programs for clients in southwest WA. These programs provide repeatable work with efficiencies while also providing diversification outside of the iron ore market segment.

The Company's Primepower Queensland business continued to win work to rebuild complete truck modules following an emphasis to develop the larger truck engine market to complement its traditional digger engine focus.



Specialty Services

The June Quarter 2021 represented the first full quarter of operations of Pilbara Trucks Pty Ltd trading at Ausblast (“Ausblast”) since its acquisition on 5th 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.

Whilst the June Quarter was quiet due to end of financial year client spending constraints and high iron ore prices delaying shut downs, a significant sales funnel for the new financial year has provided an immediate uptick with works for new clients such as lithium producer Pilbara Minerals.

Smaller value works have been postponed in the new financial year due to COVID site restrictions, however equipment utilization and commitments have increased in the early stages of Q1FY22. The company expects to utilize existing asset finance available to grow the Ausblast fleet and capability in H1FY22. Significant proposals and quotations remain outstanding for award later in the calendar year in which the Company is confident in its high value offering to potential clients.

Summary and Outlook

The Company’s Board is confident in the ongoing growth in current service offerings and strategy across its Speciality Rental, Diesel Maintenance and Specialty Services divisions with opportunities in early FY22 driving growth to exceed FY21 results. Structural and management changes have been made and initiatives introduced to streamline Company operations and provide efficiencies in communication and operations.

The Company’s Appendix 4C follows for the quarter ended 30 June 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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...12...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,551	20,059
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(4,500)	(17,396)
(c) advertising and marketing	(26)	(42)
(d) leased assets		
(e) staff costs	(1,784)	(5,343)
(f) administration and corporate costs	(640)	(2,141)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(413)	(1,341)
1.6 Income taxes paid	(78)	106
1.7 Government grants and tax incentives	13	232
1.8 Other (provide details if material)	32	68
1.9 Net cash from / (used in) operating activities	155	(5,798)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		(6,375)
(c) property, plant and equipment	(82)	(2,083)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...12...months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	5	696
(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	(77)	(7,762)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,151	7,651
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	(55)	(351)
3.5 Proceeds from borrowings	3,035	12,587
3.6 Repayment of borrowings	(6,471)	(8,849)
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	(1,340)	11,038

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,294	3,554
4.2 Net cash from / (used in) operating activities (item 1.9 above)	155	(5,798)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(77)	(7,762)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...12...months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,340)	11,038
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,032	1,032

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	1,002	2,264
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)	1,032	2,294

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 (Director remuneration)	127
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.

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

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	9,902	(8,003)
7.2 Credit standby arrangements		
7.3 Other (please specify) Invoice finance Fac.	4,100	(909)
7.4 Total financing facilities	14,002	(8,912)
7.5 Unused financing facilities available at quarter end		5,090
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 +/- 5.72%, secured by GSA, subject to review on 30 April 2022. • NAB asset finance facility \$6,152,606, rate variable +/- 4.54%, 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. • Toyota Finance asset finance facility \$750,000, rate variable +/- 4.13%, secured by GSA, subject to review on 7 May 2022 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	155
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,032
8.3 Unused finance facilities available at quarter end (item 7.5)	5,090
8.4 Total available funding (item 8.2 + item 8.3)	6,122
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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:28th July 2021.....

Authorised by: By the Board of Babylon Pump and Power Ltd

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.