For personal use only

ASX Release

30 October 2020

Babylon Quarterly Update and Appendix 4C

Highlights

- **Strong first quarter for FY21, with revenue of c. $5.4M**
- **Cash receipts from customers of $5.2M in Q1 FY21 up 36% on the prior corresponding period**
- **Funds deployed to support ongoing growth with investment to build inventories and expand the specialty rental business**
- **Increased capacity at Primepower Qld providing core engines ready for service exchange**
- **Funding available to support ongoing growth**

The Board of 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 September 2020.

The Board is delighted to report strong revenue of approximately $5.4 million for the first quarter of FY21. Cash received from the convertible note offering in June 2020 has been strategically invested into operations and deployed into working capital to support and accelerate growth.

This investment has been focussed on enhancing and expanding the fleet of equipment for Babylon's specialty rental business, and on building inventory in the diesel maintenance division, including completing the rebuild of 5 large diesel engines with a value in excess of $2M. As a result of this investment there was a net cash outflow from operating activities for the quarter of $1.5M. The Company expects to yield the benefit of this investment in growth in revenues and cash receipts in coming quarters.

The Company continues to hold c. $5.3M of available cash and funding to facilitate continued growth.

Operations Update

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

- Rental of specialty diesel driven pumping and power generation equipment
- Maintenance and rebuild services for large diesel driven equipment

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 appointed its first dedicated business development manager to focus on growing the rental business.

For personal use only

As announced on 1 October 2020, Babylon entered into an agreement during the quarter to acquire assets from Tilbrook Ryder Investments Company Pty Ltd, including multiple large dewatering pump units. These high flow, high head dewatering pumps have been quoted to multiple operators for deployment in the upcoming wet season.

The immediate outlook for dewatering services is positive as the Australian Bureau of Meteorology issued a climate outlook for November 2020 to February 2021 stating this period is likely to be wetter than average for nearly all of Australia. (http://www.bom.gov.au/climate/ahead/outlooks/). The Board is confident that increased wet season activity coupled with more rental assets and a dedicated sales campaign will result in growing the specialty rental business.

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 client list has continued to grow with the addition of CITIC Pacific Mining', the developer and operator of Sino Iron in the northwest of Western Australia.

The first quarter of FY21 saw a record number of rebuilt engines completed in the Primepower Qld Mackay facility. This quarter has seen the Company accelerate its service exchange program to have multiple engines ready for exchange for the first time. This investment allows the Company to proactively meet market engine demands with shorter lead times, providing improved customer service. Current core engines ready for client exchange include:

- 3516B 789C
- QSK45-R9250 Liebherr
- QST30-SKF/Reedrill
- QSK50-Hitachi EX2600/EX5600
- QSK50-R9400 Liebherr

Summary and Outlook

The Board is confident in the ongoing growth in our current service offerings. Additionally, the smooth integration and growth of Primepower Qld since acquisition in September 2019 gives confidence Babylon can execute successful and value accretive future growth through acquisition as opportunities arise.

The Company's Appendix 4C follows for the quarter ended 30 September 2020.

For more information, please contact:

Michael Shelby
Executive Chairman
+61 (0) 8 9454 6309
mshelby@babylonpumpandpower.com

Appendix 4C

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

For personal use only

Name of entity

Babylon Pump & Power Limited

ABN	**Quarter ended ("current quarter")**
47 009 436 908	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (…3...months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	5,193	5,193
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(5,168)	(5,168)
	(c) advertising and marketing	(4)	(4)
	(d) leased assets		
	(e) staff costs	(989)	(989)
	(f) administration and corporate costs	(389)	(389)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(296)	(296)
1.6	Income taxes paid	31	31
1.7	Government grants and tax incentives	75	75
1.8	Other (provide details if material)	31	31
1.9	**Net cash from / (used in) operating activities**	**(1,516)**	**(1,516)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses	(398)	(398)
	(c) property, plant and equipment	(1,238)	(1,238)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

For personal use only

Consolidated statement of cash flows		Current quarter $A'000	Year to date (…3...months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	11	11
	(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**	**(1,625)**	**(1,625)**

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	(4)	(4)
3.5	Proceeds from borrowings	1,405	1,405
3.6	Repayment of borrowings	(1,618)	(1,618)
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**	**(217)**	**(217)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,554	3,554
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,516)	(1,516)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,625)	(1,625)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (…3...months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(217)	(217)
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**196**	**196**

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	166	3,533
5.2	Call deposits	30	30
5.3	Bank overdrafts		
5.4	Other (provide details)	-	(9)
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**196**	**3,554**

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)	108
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.

For personal use only

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	5,507	(4,279)
7.2	Credit standby arrangements		
7.3	Other (please specify) Invoice finance Fac.	4,100	(234)
7.4	**Total financing facilities**	9,607	(4,513)

7.5	**Unused financing facilities available at quarter end**	5,094

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.

- NAB invoice finance facility $4,100,000, rate variable +/- 6.58%, secured by GSA, subject to review on 30 April 2021.
- NAB asset finance facility $3,507,457, rate variable +/- 6.16%, secured by GSA, subject to review on 30 April 2021.
- NAB Import trade facility $2,000,000, rate variable +/- 6.58%, secured by GSA, subject to annual review on 30 April 2021.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,516)
8.2	Cash and cash equivalents at quarter end (item 4.6)	196
8.3	Unused finance facilities available at quarter end (item 7.5)	5,094
8.4	Total available funding (item 8.2 + item 8.3)	5,290
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.49

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.

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

For personal use only

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: .....30th October 2020.....

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.

For personal use only