ASX Announcement

CODE: SRJ

14 December 2021

SRJ TECHNOLOGIES GROUP PLC TO ACQUIRE STATS (UK) LIMITED

Highlights

- **SRJ Technologies has signed a share purchase agreement to acquire STATS (UK) Limited.**
- **STATS is a market leader in the provision of innovative, technology-led pressurised pipeline integrity solutions**
- **STATS generated revenue of A$78.9 million (£42.5 million) and EBITDA of A$11.3 million (£6.1 million) in FY2020.**
- **STATS has over 317 personnel and 8 offices in key target markets including UK, Canada, USA, Middle East and Asia Pacific.**
- **SRJ Technologies is undertaking a raise A$142 million to fund the purchase price for STATS and also provide working capital for the Combined Group.**
- **Morgans Corporate have been appointed as lead manager and underwriter.**
- **SRJ Technologies to apply to ASX for re-admission of its CDIs to trading on ASX.**
- **Leigh Howarth, the current CEO of STATS to be appointed as an Executive Director of SRJ Technologies.**

Perth, Australia, 14 December 2021 – SRJ Technologies Group plc (ARBN 642 229 856) (ASX: SRJ) (**SRJ** or the **Company**) is pleased to announce that it has executed a share purchase agreement (**SPA**) to acquire 100% of the issued share capital of UK based company STATS (UK) Limited (**STATS**) (**Acquisition**), subject to customary conditions including SRJ obtaining the required shareholder approvals (refer to section 11(b) of this announcement for further details of the conditions). The consideration payable by the Company to STATS shareholders will comprise a combination of SRJ shares (traded on the ASX as CHESS Depositary Interests, **CDIs**) and cash, with STATS shareholders holding approximately 5% of the issued share capital in SRJ on completion of the Acquisition and re-compliance listing (**Completion**). Refer to Appendix 4 for details of the STATS shareholders. For the purpose of this announcement, SRJ and STATS are referred to following completion of the Acquisition as the **Combined Group**.

The Acquisition supplements SRJ's business with a global energy business with a portfolio of disruptive technologies that are well positioned to capitalise on global energy market growth and the transition to green energy.

"SRJ's vision is to become a global leader in asset integrity solutions for the energy industry, and this transaction will add value, differentiation and scale to SRJ. It will drive long-term growth with meaningful revenue synergy opportunities whilst delivering a highly responsive, solutions-led service to our clients"

Alexander Wood, CEO, SRJ

SRJ's acquisition of STATS, a market leader in the provision of innovative, technology-led pressurised pipeline integrity solutions, including its BISEP® and Tecno Plug® products, will accelerate SRJ's strategic priorities in the asset integrity market. SRJ will leverage the global presence of STATS to exploit cross-selling opportunities of SRJ's disruptive products and technologies, whilst also looking to capture the significant growth opportunities in the energy transition sector with its broader range of asset integrity solutions.

A group structure chart of the Combined Group on Completion is set out in Appendix 1.

The Company has undertaken legal and financial due diligence enquiries into the assets, liabilities, financial position and performance, profits and losses, and prospects of STATS, to enable the board of the Company to be satisfied that the Acquisition is in the best interests of the Company and its shareholders. In particular, the Company and its advisers have reviewed materials relating to STATS and its subsidiaries, including corporate records and information disclosed by STATS to the Company, audited historical financial information and unaudited financial information and information maintained on public registers.

In connection with the Acquisition, the Company also intends to:

- undertake a fully underwritten offer of CDIs to raise A$142 million to fund the cash component of the purchase price for STATS and provide working capital for the Combined Group post-completion (**Offer**), with Morgans Corporate Limited (AFSL 235407) appointed as lead manager and underwriter;
- apply to ASX for re-admission of its CDIs to trading on ASX; and
- appoint Leigh Howarth (current CEO of STATS) as an Executive Director of the Company.

The Acquisition is unanimously endorsed and supported by the board of the Company.

1. About STATS

STATS is a private company limited by shares based in Scotland and incorporated on 16 February 1998.

STATS is a market leader in the provision of innovative, technology-led pressurised pipeline integrity solutions that provide leak-tight double block and bleed pipeline isolation, facilitating the safe and efficient maintenance and repair of critical pipeline infrastructure for the global energy industry - on land, offshore and subsea pipelines.

Key information on STATS

- Market leading proprietary and patent protected technology service provider with a focus on the midstream energy infrastructure sector and capability across subsea, upstream and downstream segments
- Global footprint (8 strategically located offices) and blue-chip customer base with revenues split across North America, Europe, Middle East and Asia Pacific
- Large addressable market in an industry driven by legislation, regulation and increasing socioeconomic pressures
- Growing and highly resilient financial performance notwithstanding COVID-19 and commodity price cycles highlights differentiation and criticality of STATS solutions
- Energy transition and sustainability priorities provide favourable dynamics with the growing importance of gas in the global energy mix; technology relevant to emerging carbon capture and hydrogen sectors
- Experienced management team and highly skilled workforce with a client focused and solution orientated culture
- Focus in the lucrative opex market with significant capabilities around decommissioning and repurposing assets

STATS provides innovative engineered technology solutions to the global energy industry from four primary product and service segments which are Isolation & Intervention, EPRS & Subsea, Process Plant Solutions and Repairs & Maintenance. These segments drive revenue through product sales, leasing of products and through provision of services.

For FY2020 based on STATS' FY2020 audited accounts, STATS generated revenue of A$78.9 million (£42.5 million) and EBITDA of A$11.3 million (£6.1 million). STATS has over 317 personnel and 8 offices in key target markets including UK, Canada, USA, Middle East and Asia Pacific.

"The two groups share a similar DNA that is driven by a solutions-led approach to our client's asset integrity issues. We are truly excited by the prospect of this next stage in STATS growth, not only to offer additional innovative solutions to our clients, but to do it with a trusted and capable SRJ team. We are fully aligned with SRJ's purpose and aspirations, and together, we will continue to support our clients with safe, reliable and technically superior solutions and continuous innovation."

Leigh Howarth, CEO, STATS

The key management of STATS are Peter Duguid (Executive Chairman), Leigh Howarth (Chief Executive Officer), Doug Krokosz (Engineering Director), Steven Byers (Chief Operating Officer), Angus Bowie (Regional Director, Middle East & Asia), Stephen Rawlinson (Regional Director, North America), Lisa Mitchell (Commercial Director), and Ron James (Sale Director).

Further information about STATS, including key risks associated with the STATS business, is set out in Appendix 2.

In the past 6 months, STATS has not issued any securities. Prior to the Company's completion of the Acquisition, 44,776 options and warrants will be exercised such that STATS will not have any options or warrants on issue as at completion of the Acquisition with STATS receiving £941,000 as payment for the exercise price for those options and warrants.

2. Strategic rationale for the Acquisition

For SRJ, the Acquisition presents an attractive opportunity to achieve market acceleration by expanding global client relationships and locations, supported by opportunities presented by an energy industry in transition. Combined, SRJ and STATS' complementary businesses present an opportunity to drive growth with multiple external strategic levers driving demand for products and services, including:

- ***Environmental focus.*** With the increased emphasis on Environmental, Social and Governance (ESG), pledges have been made on environmental performance with emission monitoring being a key focus. SRJ and STATS's leak containment solutions in combination with digital monitoring will assist in ensuring emission release is minimised.
- ***Greater industry regulations.*** Energy operators are now required to comply with a range of safety, environmental, emissions and material standards. This tighter regulatory framework provides opportunities for the Combined Group's asset integrity solutions.
- ***Grid decarbonisation.*** The anticipated exponential rise of renewable energy sources and repurposing of global assets to reflect this shift has already commenced, alongside asset abandonment. The Combined Group can assist with asset repurposing involving pipeline tie-ins to existing infrastructure, removal and replacement of old equipment with those more suitable to CO_2/hydrogen services and modifying process pipework to enable safe transportation of gases. Asset abandonment work will include isolation and line plugging.
- ***Renewables.*** Together with clean energies, renewables are expected to grow significantly, and facilities required for renewable energy production will follow a familiar path from design through to decommissioning. Once repurposed, these will likely experience similar maintenance issues to existing energy facilities, which are expected to generate an emerging market for the Combined Group.
- ***Digitalisation.*** This enables large amounts of data to be collected and analysed which can provide the information required to manage assets more effectively. With the availability of reliable low-cost sensors and wireless technology, large amounts of data can be monitored in real time to detect sources of fugitive emissions, pipework corrosion and machinery performance degradation; all areas that can be supported by the Combined Group.

The acquisition of STATS will bolster SRJ's suite of asset integrity management products and solutions and enable it to provide its customers with a wider and integrated approach to managing asset integrity. There are six key areas that the acquisition of STATS will enable SRJ to address:

- To leverage the global presence of STATS to exploit cross-selling opportunities of SRJ's disruptive products and technologies. The Combined Group will deliver a highly responsive solutions-led service to an evolving industry
- To offer a broader range of safe, reliable and technically superior solutions through continued innovation driven by customer demand
- To increase the level of integrated solutions thereby creating value for both SRJ's clients and the Combined Group

- To achieve market acceleration by expanding global client relationships
- To capture significant growth opportunities in the energy transition sector with a broad range of asset integrity solutions
- To provide access to capital markets, via the ASX, which will facilitate investment in strategic locations and product solutions yet to be targeted/developed to their full potential by STATS

Acquisition highlights

- **Strong industry tailwinds**
  Large and growing addressable market with ageing assets, driven by increasing regulatory pressure on energy sector operators together with energy transition opportunities drive ongoing demand for solutions.
- **Management team & culture**
  Highly skilled management team with significant global experience in the oil and gas industry with complementary 'solutions-led' culture.
- **Intellectual property**
  Portfolio of registered intellectual property with 30 patent families, totalling 139 applications, of which 126 are granted patents and 13 pending applications across 20+ countries.
- **Competitive advantage**
  Solutions-led approach complemented by a suite of innovative asset integrity management products and solutions providing customers with an integrated, end-to-end approach to managing asset integrity.
- **Sales leverage**
  Strategically aligned with global partners, providing access to blue chip clients in North America, Europe, Middle East and Asia Pacific together with a consulting team that establishes credibility with customers and provides visibility of existing and emerging problems facing the Combined Group's customers.

3. Pro forma financial information on the Combined Group

The Acquisition will have a significant impact on the financial position of the Company. Summary pro forma financial information for the Combined Group is set out below. This information has been derived from the audited/reviewed historical consolidated financial statements of SRJ and the audited historical consolidated financial statements of STATS for FY20 and the pro forma aggregated forecast income statement for the Combined Group for FY21.

The Combined Group's Pro Forma Aggregated Income Statement for FY2020 and FY2021(F) represented in Australian dollars is set out below:[1]

A$'000	Pro forma Year ended 31 December 2020	Pro forma Year ending 31 December 2021(F)
Revenue	79,320	88,335
Cost of sales	(45,336)	(52,847)
Gross profit	**33,984**	**35,488**
Overheads	(28,907)	(28,812)
Other income	134	-
Pro forma EBITDA	**5,211**	**6,676**
Depreciation and amortisation	(13,953)	(14,074)
EBIT	**(8,742)**	**(7,398)**
Interest and finance costs	(480)	(306)
NPBT/ (NLBT)	**(9,221)**	**(7,704)**
Income tax expense	(2,862)	(2,659)
NPAT/ (NLAT)	**(12,083)**	**(10,363)**
Loss on translation of foreign sub.	(622)	(180)
Comprehensive (loss)/income	**(12,705)**	**(10,543)**

Details of the Pro forma adjustments are set out in Appendix 3.

[1] *SRJ and STATS reporting currency is GBP. Figures have been converted from GBP:AUD at a rate of 1.84 in FY19 and 1.86 in FY20*

The Combined Group's Pro Forma Aggregated Statement of Financial Position as at 30 June 2021 is set out below[2]. The pro forma aggregated historical statement of financial position is provided for illustrative purposes and is not represented as being necessarily indicative of SRJ's view on its future financial position. Details of the pro forma adjustments are set out in Appendix 3.

	As at 30-Jun-21 Reviewed	Pro forma Adjustments	As at 30-Jun-21 Pro Forma	As at 30-Jun-21 Pro Forma
	£'000	£'000	£'000	A$'000
Current assets				
Cash and cash equivalents	2,549	4,105	6,654	12,177
Trade and other receivables	192	18,903	19,095	34,944
Inventory	18	2,605	2,623	4,800
Total current assets	2758	25614	28,372	51,921
Non-current assets				
PP&E	314	16,115	1,372	2,510
Intangibles	863	509	16,429	30,065
Goodwill	-	48,704	48,704	89,129
Total non-current assets	1,177	65,328	66,505	121,705
Total assets	3,935	90,942	94,877	173,625
Current liabilities				
Trade and other payables	192	11,952	12,145	22,225
Total current liabilities	192	11,952	12,145	22,225
Non-current liabilities				
Trade and other payables – non current	50	38	88	161
Total non-current liabilities	50	38	88	161
Total liabilities	242	11,990	12,233	22,386
Net assets/(liabilities)	3,693	78,952	82,644	151,239
Equity				
Share capital	22	79,639	79,660	145,778
Share premium	13,606	-	13,606	24,899
Reserves	718	-	718	1,314
Retained earnings	(10,653)	(687)	(11,340)	(20,752)
Total equity	3,693	78,952	82,644	151,239

[2] *SRJ and STATS reporting currency is GBP. Figures have been converted from GBP:AUD at a rate of 1.83.*

4. Shareholder approval and re-admission to quotation

ASX has advised the Company that the Acquisition will amount to a significant change in the scale of the Company's activities. In this circumstance, the Company is required, under Listing Rule 11.1.2, to obtain shareholder approval for the Acquisition and must, under Listing Rule 11.1.3, re-comply with Chapters 1 and 2 of the ASX Listing Rules before its securities can be re-instated to trading on the ASX.

Trading in the Company's CDIs have been suspended since 23 November 2021 and will remain suspended until the Company re-complies with Chapters 1 and 2 of the Listing Rules following Completion (**Re-Compliance Listing**). The Acquisition is conditional on the Company obtaining all necessary regulatory and shareholder approvals to effect the Acquisition and to satisfy all other requirements of ASX for the reinstatement of the Company's CDIs on the ASX (among other things). The necessary regulatory and shareholder approvals required to effect the Acquisition are noted below:

(i) the shareholder approvals under the ASX Listing Rules , including approval:

  (A) under ASX Listing Rule 11.1.2 to change the scale of the Company;

  (B) under ASX Listing Rule 7.1 to allot and issue the Consideration Shares; and

  (C) under ASX Listing Rule 7.1 to allot and issue the shares to subscribers under the Offer; and

(ii) the Company having received conditional approval from ASX to reinstate the securities of the Company to trading on terms reasonably acceptable to the Company.

ASX has absolute discretion in deciding whether to re-admit the Company to the official list and to quote its securities and therefore the transaction may not proceed if ASX exercises that discretion.

If Shareholders do not approve the Acquisition, or if the Company otherwise does not complete the Acquisition (for example, due to the non-satisfaction of any of the conditions precedent to the Acquisition), the Company will be required to investigate other alternatives to enable it to pursue its growth plans. This may include exploring collaborative arrangements with other third parties or potentially other acquisition opportunities. The Directors consider these alternatives would likely cause the Company to incur additional delays and expenditure in seeking to achieve these objectives (and for that reason consider the Acquisition to be in the best interest of the Company and its shareholders).

Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

5. Offer

The Company proposes to offer 284,000,000 CDIs under a prospectus to be prepared by the Company (**Prospectus**) to raise $142,000,000. The Offer is proposed to be underwritten by Morgans Corporate Limited (AFSL 235407) (**Morgans** or **Lead Manager**) on terms to be agreed and subject to the execution of an underwriting agreement between the Company and Morgans.

The Offer will comprise an institutional offer, a broker firm offer and a priority offer for eligible existing SRJ securityholders of up to $40 million (**Shareholder Priority Offer**).

No Directors (or their associates) or significant other parties will subscribe for CDIs under the Offer.

The Company intends to apply funds raised from the Offer as follows:

Sources of funds	A$	£	*% of funds*
Equity raising proceeds	142.0m	77.6m	100%
Total sources	**142.0m**	**77.6m**	**100.0%**
Use of funds	**A$**	**£**	**% of funds**
Funds paid to selling shareholders of STATS	123.0m	67.2m	86.6%
Payment of stamp duty on the Acquisition	0.7m	0.4m	0.5%
Costs of the Offer	7.6m	4.2m	5.4%
Repayment of RCF facility	3.1m	1.7m	2.2%
Working capital	7.6m	4.1m	5.3%
Total uses	**142.0m**	**77.6m**	**100.0%**

The above table is a statement of current intentions as of the date of this announcement. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The board of the Company reserves the right to alter the way funds are applied on this basis.

In connection with the Acquisition, the Company also intends to issue 23,533,800 new performance rights to certain of its Directors, the proposed Director, Leigh Howarth, and to certain senior management of the Company and STATS under its Equity Incentive Plans (**New Performance Rights**). The New Performance Rights will be offered under the Prospectus and will be issued upon completion of the Acquisition, subject to applicable shareholder approvals being sought at the Company's general meeting (discussed further below).

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6. Lead Manager

Morgans will act as the lead manager and underwriter to the Offer.

Pursuant to the terms of the lead manager mandate, the Company will pay Morgans the following fees as lead manager of the Offer:

(a) a management fee of 1.5% of funds raised under the Offer; and

(b) a underwriting fee of 3.0% of funds raised under the Offer.

The total fees payable to Morgans will be $6,390,000 (assuming the Company raises $142 million under the Offer).

The Company and Morgans intend to enter into an Underwriting Agreement in relation to Morgans' lead management and underwriting of the Offer.

7. Capital Structure

The Company has not issued any securities in the last 6 months. The current capital structure of the Company is as follows:

Capital Structure	Shares/CDIs	Performance Rights	Shares (fully diluted)
Existing Shareholders	119,015,369	8,014,000	127,029,369

The proposed capital structure of the Company following Completion is set out below.

Capital Structure	Shares/CDIs	Performance Rights	Shares/CDI's (fully diluted)
Existing Shareholders	119,015,369	8,014,000	127,029,369
Issue of Shares in consideration for the acquisition of STATS	21,534,708	Nil	21,534,708
Issue of Offer Shares[3]	284,000,000	Nil	284,000,000
Performance rights vesting on Completion	9,259,800	-	9,259,800
New Performance Rights	Nil	14,274,000	14,274,000
Total	**424,550,077**	**22,288,000**	**456,097,877**

Certain existing Performance Rights will continue to be subject to ASX mandatory escrow requirements that were imposed on these Performance Rights on the Company's initial admission to the ASX in September 2020.

The Company does not intend to issue securities prior to the Company's re-admission to the official list, other than the securities being offered under the Prospectus and the shares being issued under the Acquisition.

The New Performance Rights being offered under the Prospectus will have the following key terms:

- 9,259,800 New Performance Rights to be issued to certain existing Directors and senior management of the Company under the Equity Incentive Plans (**Transaction Performance Rights**), which:
    - automatically vest on completion of the Acquisition and Re-Compliance Listing with no further performance hurdles; and
    - are subject to 12 months voluntary escrow from the date or re-quotation of the Company's CDIs;
- 14,274,000 New Performance Rights to be issued to certain existing Directors and senior management of both the Company and STATS including Leigh Howarth who is the current CEO of STATS and will be an Executive Director of the Company following completion of the Acquisition and Re-Listing (**Incentive Performance Rights**), which:
    - automatically vest subject to satisfaction of the following vesting conditions and performance hurdles:
        - Vesting condition – the Incentive Performance Rights will vest following completion of the Company's Re-compliance Listing on the date it achieves a 20 day VWAP of $0.70 per CDI (ie. over 20 consecutive trading days on which the Company's securities have actually traded on the ASX);
        - Performance hurdle - the Company meets or exceeds its FY2022 pro forma forecast revenue for the Combined Group as set out in the Prospectus (being £79.3 million) as judged against the Company's revenue in its audited FY2022 financial statements uploaded on the ASX; and
    - are subject to 24 months voluntary escrow from the date of re-quotation of the Company's CDIs.

Whilst the new Performance Rights are subject to voluntary escrow, the new Performance Rights are not subject to any ASX mandatory escrow restrictions.

8. Composition of the SRJ Board of Directors and Senior Management

The Board currently comprises four members:

(a)	Robin Pinchbeck	Non-Executive Chair
(b)	Alexander Wood	Executive Director and Chief Executive Officer
(c)	Grant Mooney	Non-Executive Director
(d)	Andrew Mitchell	Non-Executive Director

Leigh Howarth, the CEO of STATS will be appointed to the SRJ Board as an Executive Director with effect from completion of the Acquisition.

Directors are not required under the Constitution to hold any Shares to be eligible to act as a Director.

Details of the directors' and proposed director's current relevant interest in the securities of the Company and their interest in securities upon Completion:

	Current		On Completion			
Name	**No. of securities**	**%**	**No. of securities**	**%**	**No. of securities (fully diluted)**	**%**
Robin Pinchbeck	316,934 CDIs 380,000 Performance Rights	0.6%	1,245,934 CDIs[1]	0.3%	1,245,934 CDIs	0.3%
Alexander Wood[2]	206,250 CDIs 2,470,000 Performance Rights	2.1%	2,951,250 CDIs 2,470,000 Existing Performance Rights[1] 2,745,000 Incentive Performance Rights	0.7%	8,166,250 CDIs	1.8%
Grant Mooney	Nil	0.0%	183,000 CDIs[1]	0.0%	183,000 CDIs	0.0%
Andrew Mitchell	36,000 CDIs	0.0%	219,000[1]	0.1%	219,000 CDIs	0.0%
Leigh Howarth	Nil	0.0%	3,003,414 CDIs[3] 1,464,000 Incentive Performance Rights	0.7%	4,467,414 CDIs	1.0%

[1] Includes Shares issued on vesting of the Transaction Performance Rights
[2] Alexander Wood (Chief Executive Officer and Director) holds 19% of the issued share capital in AVI Partners Limited (AVI). AVI is a Jersey-based investment company and historically provided the Company with business development and consulting services to support the growth of the Company. AVI Partners will hold 27,334,755 CDIs in the Company at Completion representing 6.3% of the issued share capital on an undiluted basis.
[3] CDIs issued to Leigh Howarth as a shareholder of STATS

9. Control effect of the Acquisition and Offer on the Company

There are no persons who will acquire control of, or voting power of 20% or more, of the Company.

10. Indicative Timetable

An indicative timetable for the Acquisition and the Company's Re-Compliance Listing are set out below:

Event	Date*
Execution of the SPA	10 December 2021
Lodge prospectus for the Offer with ASIC	4 February 2022
Notice of Extraordinary General Meeting for the Acquisition and Prospectus sent to Shareholders	4 February 2021
Opening date of Offer	14 February 2022
Closing date of Offer	20 January 2022
Shareholder Meeting to approve the Acquisition and Offer	23 February 2022
Completion of Acquisition	28 February 2022
Issue of shares under the Offer	28 February 2022
Despatch of holding statements	28 February 2022
Re-quotation on the ASX	7 March 2022

*Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

11. Key Terms of the Acquisition

Pursuant to the SPA, SRJ has agreed to acquire 100% of the issued share capital of STATS, subject to the satisfaction or waiver of a number of conditions precedent.

A summary of the key terms of the SPA is set out below

(a) Consideration

The aggregate purchase price for STATS is a total of £73.1 million to be satisfied as to £67.2 million in cash and the balance by the issue of 21,543,019 CDIs at a deemed issue price of A$0.50 (**Consideration Shares**). The Consideration Shares will be subject to voluntary escrow for 24 months with respect to 50% and 12 months with respect to the remaining 50% of the Consideration Shares.

(b) Conditions Precedent

Completion of the SPA will be subject to a number of conditions precedent, including but not limited to:

(i) the Company obtaining all necessary approvals to give effect to the SPA including, without limitation, shareholder approvals under the ASX Listing Rules , including approval:

a) under ASX Listing Rule 11.1.2 to change the scale of the Company;;

b) under ASX Listing Rule 7.1 to allot and issue the Consideration Shares; and

c) under ASX Listing Rule 7.1 to allot and issue the shares to subscribers under the Offer;

(ii) the Company raising at least $135 million under the Offer (less any underwriting expenses and other costs and expenses) and the underwriting agreement not being terminated in accordance with its terms;

(iii) the Company having received conditional approval from ASX to reinstate the securities of the Company to trading on terms reasonably acceptable to the Company;

(iv) Santander UK plc (**Santander**) having provided its prior written consent to completion of the Acquisition and agreement to extend STATS' existing revolving credit facility to 31 March 2023; and

(v) no material adverse change having occurred with respect to STATS prior to completion.

(c) *Break fee*

In the event that the STATS shareholders notify the Company that they no longer wish to proceed to completion, STATS must pay the Company a break fee of up to £1,000,000 in respect of all reasonably and properly incurred professional external costs in relation to the Acquisition that have been incurred by the Company since 1 November 2021.

(d) *Representations and warranties*

The Share Purchase Agreement contains customary representations and warranties covering the STATS business.

The Company will take out the warranty and indemnity insurance to provide cover for claims by the Company in respect of certain warranties and under the tax indemnity. However, this is subject to a deductible, cap and a number of carve outs to the warranties covered.

12. Shareholder Approval

The Company will convene an extraordinary general meeting, anticipated to be held on 23 February 2022 (**EGM**), at which it will seek shareholder approval for the change in the scale of its operations (in accordance with ASX Listing Rule 11.1.2) as a result of the Acquisition and all other resolutions required to give effect to the Acquisition and the Offer, including those set out below:

- the Company changing the scale of its activities pursuant to ASX Listing Rule 11.1.2;
- the issue of Consideration Shares under the SPA pursuant to ASX Listing Rule 7.1;
- the issue of CDIs under the Offer for the purposes of ASX Listing Rule 7.1;
- the approval of the Equity Incentive Plans pursuant to ASX Listing Rule 7.2;
- the approval of the New Performance Rights that are being issued under the Equity Incentive Plans pursuant to ASX Guidance Note 19 and ASX Listing Rule 10.14 (as applicable);
- the approval of a general authority of the directors authorising the Acquisition and other matters relating to the implementation of the Acquisition.

13. Waivers and confirmations obtained

The Company has sought and obtained the following waivers and confirmations from ASX:

- confirmation that the New Performance Rights are appropriate and equitable for the purposes of ASX Guidance Note 19 and that the New Performance Rights satisfy ASX Listing Rules 6.1 and 12.5;
- waiver from ASX Listing Rule 1.1, condition 12 to the extent necessary to permit the Company to have on issue no more than 23,533,800 new Performance Rights that have an exercise price of less than $0.20;
- confirmation that the mandatory escrow restrictions in clauses 1,2,3,4,7,8 and 9 of Appendix 9B do not apply to the Company on the completion of the Acquisition as STATS has a track record of revenue acceptable to ASX; and
- a waiver from the requirement for the notice of meeting for the Company's EGM to include a voting exclusion statement in accordance with ASX Listing Rule 14.11.1 in relation to ASX Listing Rule 7.1 approval for the issue of CDIs under the Shareholder Priority Offer.

14. Regulatory Matters

The Company confirms that it is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1.

ASX takes no responsibility for the contents of this announcement.

15. Confirmations

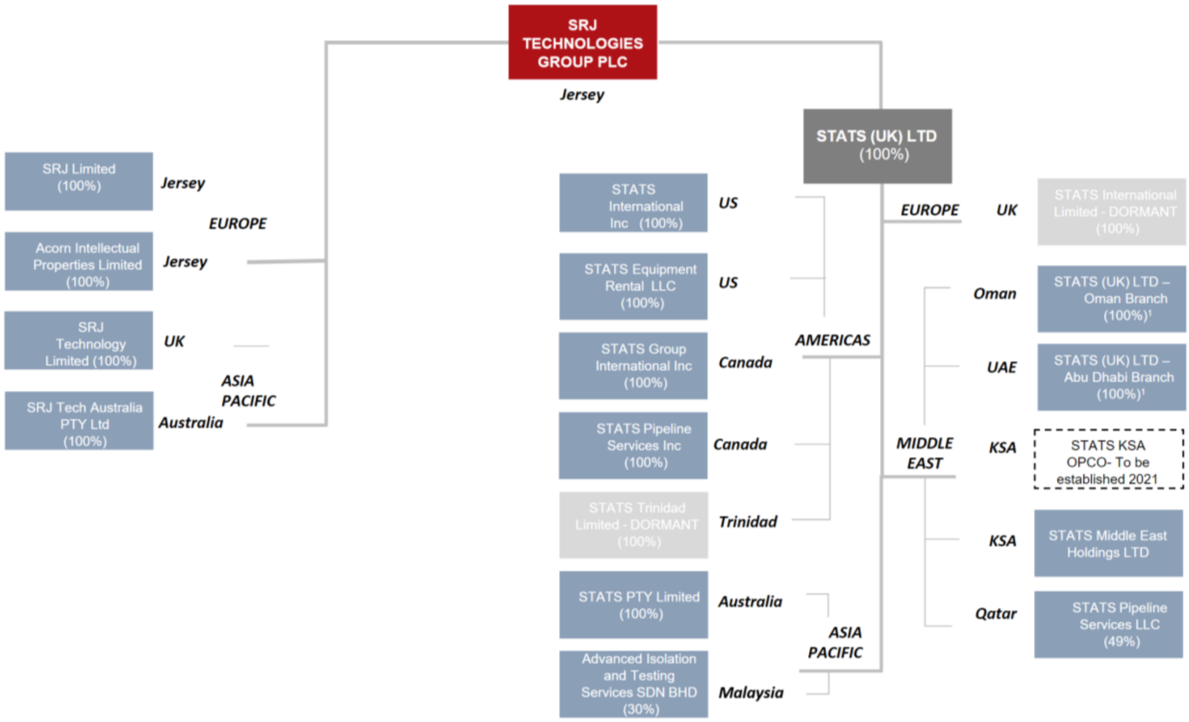
This announcement contains an overview of all material information in relation to the Combined Group that is available to the Directors.

Authorised for release by the Board of SRJ Technologies Group Plc

Important Notice

This announcement may include forward-looking statements. These forward-looking statements are based on SRJ' expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of SRJ, which could cause actual results to differ materially from such statements. SRJ makes no undertaking to update or revise the forward-looking statements made in this announcement to reflect any change in circumstances or events after the date of this announcement.

Appendix 1 – Combined Group Structure



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Appendix 2 – Information about STATS and the Combined Group

STATS

STATS is a market leader in the supply of pressurised pipeline isolation, hot tapping and plugging services to the global oil, gas and petrochemical industries. STATS DNV GL type approved isolation tools provide leak-tight double block and bleed isolation that enables safe and efficient maintenance and repair of onshore, topsides and subsea pipeline infrastructure.

STATS Group Process Plant Solutions offer hot-work barriers and localised hydrostatic test tools to verify the integrity of welds or fittings, reducing system downtime, minimising environmental impact and increasing worksite safety. Mechanical pipe connectors replace the need for welding, significantly reducing expenditure and associated risks with hot-work.

STATS has gained an excellent reputation for providing a responsive, client-centred approach combined with expertise and innovative products which:

- Enhance safety and environmental performance
- Reduce system or plant downtime
- Improve asset performance
- Support decommissioning and abandonment

The STATS Group operates across the globe in the oil, gas and petrochemical sectors through a network of operational bases, branch offices and partners.

STATS is headquartered in Aberdeen, UK, and operates a global network of operational bases. STATS has over 317 staff spread across its network.

In recent years, STATS has invested heavily in a 'regional strategy', establishing locally staffed operational bases in Houston, Texas, Edmonton, Alberta, Abu Dhabi in the UAE, Doha in Qatar and Muscat in Oman. Offices have been established in Kuala Lumpur in Malaysia and Perth in Australia. Manufacturing is undertaken in Aberdeen, UK and Edmonton, Alberta.

STATS's sources revenues from a blue chip customer base across North America, Europe, Middle East and Asia Pacific.

What are the key dependencies of the Combined Group's business models?

- **IP** – The Combined Group is dependent on its intellectual property and its ability to effectively identify, protect, defend, and in certain circumstances keep secret, its intellectual property, including business processes and know-how, copyrights, patents, trade secrets and trademarks. SRJ has sought to protect the intellectual property in individual components of the SRJ product range. Through its wholly owned subsidiary, Acorn Intellectual Properties Limited, SRJ holds 7 patent families, totalling 42 applications, of which 36 are now granted patents across 20+ countries including in key target markets. STATS has a portfolio of 23 patent families and 90 granted patents, 7 pending patents across 20+ countries. Patents are held for unique features and deployment methodologies of STATS tools in multiple jurisdictions. In terms of branded products, 13 Trademarks have been registered. The Combined Group have adopted a strategic balance between cost and benefit of patenting its products. They conduct continual research and development activities. This pool of knowledge and 'know how' is retained internally and protected via confidentiality agreements with employees and service providers.

- **Manufacturing** – STATS relies not only on its in-house manufacturing capability with which it manufactures a range of its products but also relies on outsourced third party manufacturers where required. SRJ currently operates a regional based model involving outsourced local manufacturing and installation. The opportunity exists, subject to client location and capacity, to undertake manufacturing of existing SRJ product in STATS' facilities. For installation of products and engineered solutions, the potential exists to engage STATS' field technicians, providing technical and commercial benefits to the Combined Group and reducing margin leakage to third party providers.

- **Operations** – STATS is a well-established business with a strong core of operational and administrative support in each of its operating jurisdictions. Whilst operational and administrative support are expected to increase as the business continues to scale, management expect that this will occur on a tiered basis. Based on Management's analysis of forecast overheads and utilisation, it is expected that SRJ could access significant operational and administrative support. Utilisation levels will be dependent on the growth trajectory, but such savings will allow further capital investment in revenue generating products.

- **R&D** – The Combined Group depends on its continued research and development of new and more advanced products and technologies. As such the Combined Group continues to dedicate resources and funds to research and development in order to maintain the Combined Group's competitive position.. The STATS facilities in UK, North America and Middle East will be utilised for manufacturing and prototype trials as well as customer acceptance testing. STATS has developed a system to enable remote acceptance testing which reduces costs and timescales for clients.

What are the key risks relating to STATS and the Combined Group?

Timing of purchase orders and receipt of revenues due to the customer project delay

Timing differences for orders of the Combined Group's products from customers could affect inter-year results. The timing of orders, typically in the form of purchase orders from customers, is predominantly driven by the customer's schedule of projects and maintenance plans. As a result, the timing of receipt and recognition of revenues also generally depends on when those purchase orders are received. Any significant delay in the project schedules, maintenance plans or forecasted product orders of the Combined Group's major customers or any request by these customers to defer the order date, could cause delays in the timing for the Combined Group to recognise the revenue and could therefore materially impact the Combined Group's ability to achieve its forecast financial results.

Failure to attract new customers

The success of the Combined Group's business relies on its ability to attract new business from existing customers and attract new customers including in new jurisdictions. The capacity to attract new customers and attract new business from existing customers and new customers will be dependent on many factors including the capability, cost-effectiveness, customer support and value compared to competing products.

Protection of intellectual property

The value of the Combined Group's products is dependent on its ability to effectively identify, protect, defend, and in certain circumstances keep secret, its intellectual property, including business processes and know-how, copyrights, patents, trade secrets and trademarks. There is a risk that the Combined Group may be unable to detect the unauthorised use of its intellectual property rights in all instances. Further, actions the Combined Group takes to protect its intellectual property may not be adequate or enforceable and therefore may not prevent the misappropriation of its intellectual property and proprietary information.

Certain major customers have a right to terminate on short notice

Certain of the Combined Group's major customers have the right to terminate their contracts with the Combined Group on short notice, including National Petroleum Construction Company (NPCC) contract on behalf of Saudi Aramco which is expected to be STATS' largest customer based on FY22 financial forecast. Termination of a contract by any of this major customer would have a material adverse effect on the Combined Group's revenue and financial performance.

National Petroleum Construction Company (NPCC) contract on behalf of Saudi Aramco

Based on the FY22 financial forecast, NPCC/Saudi Aramco is expected to be the largest STATS customer. However, a formal binding agreement has not yet been signed, but rather a non-binding letter of intent has been provided by NPCC. Whilst work has commenced on this project, this arrangement can be terminated by NPCC on short notice, such that if the company's relationship with NPCC/Saudi Aramco deteriorates, or should NPCC/Saudi Aramco no longer wish to continue ordering products from STATS, then the Combined Group's business and financial condition could be adversely impacted and in particular this could materially impact the Combined Group's ability to achieve its forecast financial results. Similarly, termination of any of the Combined Group's major contracts on short notice may have a material effect on the Combined Group's financial performance.

Reliance on key personnel

The nature of the Combined Group's business requires its employees in the engineering team to be highly skilled and experienced in their respective fields. Further, the Combined Group's management team consists of individuals, in particular Mr. Alexander Wood (CEO), Roger Smith (Head of EMEA), Leigh Howarth (Executive Director) and Paul Eastwood (Technical Director) and certain other senior employees of the Combined Group, who have significant knowledge of the Combined Group's technology, products and well-established relationships with the Combined Group's key customers, third party manufacturers and suppliers. The loss of key members of the management team or members of the engineering team, or any delay in their replacement, may adversely affect the Company's ability to implement its strategies and may also adversely affect the Company's future financial performance.

Ability to attract and retain direct labour

To keep up with growth in global operations, the Combined Group needs to recruit and upskill its direct employee base. The Combined Group's growth plans for STATS proposes a move towards a located technical team going forward rather than a centralised model where a large talent pool has been based in Europe and deployed to other locations. If the Combined Group is unable to attract and retain a direct labour pool that are adequately trained, the Combined Group may not be able to successfully execute its business plans which may impact the Combined Group's ability to achieve its forecast financial results.

Launch and adoption of new and existing products

The development and release of new products, or the adoption of these new products may take longer than expected, may involve additional costs and/or may delay new revenue streams. New third-party technologies could prove more advanced and be developed in less time than the Combined Group's new products.

Loss of a major global customer

The Combined Group has a number of large globally based customers that make up 91% of the Combined Group's revenue. Being global customers, the Combined Group provides products and services to these customers to service their projects across a number of jurisdictions globally. If for any reason, the Combined Group was unable to retain or lost business with any one of these global customers in a particular jurisdiction due to (for example) poor performance by the Combined Group or its products, this would likely result in the Combined Group losing business from such a customer in all jurisdictions in which the customer operates. If this was the case, this would have a significant impact on the Combined Group's revenue, which would materially adversely affect the Combined Group's financial performance.

Infringement of intellectual property rights

The ability of the Combined Group to operate without infringing the proprietary intellectual property rights of third parties is an integral part of its business. There is a risk that third parties may allege that the Combined Group's products use intellectual property derived by them or from their products without their consent or permission. Hydratight Ltd has claimed that the Company has infringed a registered design by manufacturing or importing the BoltEx® product into the United Kingdom. Whilst the Company defends the claims, regardless of the merits, of these claims or any future claims, such claims are often time consuming, expensive to litigate or settle, and cause significant diversion of management attention and may materially adversely impact the Company's revenues and overall financial performance.

Impacts of Covid-19 and associated risk of recession

The Covid-19 pandemic continues to evolve and the Combined Group considers it reasonably likely that its business will be affected in various ways (both directly and indirectly), including workforce challenges for asset owners and oil and gas operators as a result of government imposed restrictions, delays to pipeline maintenances, potential impacts on supply chains and possible decline in customer revenue arising from forced business closures. There is continued uncertainty as to the further impact of COVID-19 including in relation to further governmental action, work stoppages, lockdowns, quarantines, travel restrictions, other unforeseen changes and the potential for an economic recession either globally or in certain jurisdictions in which the Combined Group operates.

The regulatory environment in which the Combined Group will operate

The Combined Group has a global footprint operating primarily in North America, UK & Europe, the Middle East and Asia Pacific.

The oil and gas industry is highly regulated. In each territory, operators are required to meet government regulations at multiple levels (for example, country, state and local government levels). Asset owners are responsible for obtaining applicable licences for their operations. Industry participants must also comply with a range of safety, environmental, emissions and material standards.

In addition to regulatory guidelines, asset owners also have their own guidelines and approval processes which service and product providers such as the Combined Group are required to meet.

The oil and gas regulatory environment can create a substantial compliance hurdle for new oil and gas infrastructure operator entrants and for existing infrastructure operators seeking to develop and expand their infrastructure.

Appendix 3 – Pro Forma Adjustments

Set out below is a reconciliation between the Statutory Historical and Forecast Income Statements net profit/(loss) after tax to the Pro Forma Historical and Forecast Results net profits/(loss) after tax:

Combined Group Aggregated Pro Forma Adjustments to the Statutory Historical and Forecast Results

£'000	Notes	FY2020	FY2021F
Statutory (NLAT)		**(4,200)**	**(3,241)**
COVID-19 incentives	1	(233)	-
Incremental public company costs	2	(701)	(375)
Exceptional costs – facility closure	3	39	9
Interest on debt to be repaid	4	2,262	2,892
Non-operational costs incurred	5	66	165
Amortisation of goodwill	6	(4,870)	(4,870)
IPO related costs	7	1,599	322
STATS forecast Jan-22 NLAT	8	-	-
Tax effect of pro forma adjustments	9	(459)	(572)
Pro forma (NLAT)		**(6,499)**	**(5,671)**

1. ***COVID-19 incentives*** *relate to payments and incentives received from the UK government in relation to COVID-19 which are not expected to continue going forward. These are allocated to salaries and wages as a credit in the statutory financials.*
2. ***Incremental public company costs*** *include the incremental expenditure required to be a publicly listed company including Board, listing and ASX fees, over and above what is currently being incurred by SRJ as a public company since its listing in September 2020.*
3. ***Exceptional costs*** *include the rental and salary costs incurred in connection with the closure of a facility in Kendal and Inverurie.*
4. ***Interest on debt to be repaid*** *include the associated interest with the loan notes that will be repaid at completion of the Acquisition and RCF facility that is expected to be paid out using the proceeds of Offer.*
5. ***Non-operational costs*** *include one off costs incurred in connection with legal advice on share options advice and restructuring of BGF facility.*
6. ***Amortisation of goodwill*** *resulting from acquisition of STATS over 10 years in accordance with UK GAAP*
7. ***IPO offer costs*** *include legal and accounting due diligence costs, as well as corporate advisor fees and listing costs which are expensed through the Income Statement.*
8. ***STATS forecast Jan-22 NLAT*** *refers to the impact of 1 month financial performance of STATS for the month of January 2022 prior to completion of the proposed acquisition.*
9. ***Tax effect of pro forma adjustments*** *refers to the inherent tax effect of the above adjustments at a UK corporate tax rate of 19%.*

Pro forma adjustments to the Statement of Financial Position

The following transactions and events which are to take place on or before completion of the Offer, referred to as the Pro Forma Adjustments, are presented as if they, together with the Offer, had occurred on or before 30 June 2021 and are set out below.

With the exception of the pro forma transactions noted below no material transactions have occurred between 30 June 2021 and the date of this announcement, which the Directors consider require disclosure.

- the Completion of the Offer, raising A$142 million (£77.6 million), through the issue of 284,000,000 CDIs at A$0.50 per CDI;
- expenses associated with the Offer totalling £4.1 million, with £3.8 million being capitalised and £0.3 million being expensed.
- acquisition of STATS in February 2022 for cash consideration of £67.2 million and £5.9 million of consideration shares. As a result of the Acquisition, goodwill of £48.7 million would be recognised on the Balance sheet of the Group, which would need to be amortised over 10 years in accordance with UK GAAP. The amortisation of goodwill has been reflected as a pro forma adjustment to the Income Statement;
- payment of stamp duty in connection with the acquisition amounting to £0.37 million;
- repayment of revolving credit facility using the Offer Proceeds amounting to £1.7 million; and
- performance rights in respect of SRJ Management vesting as a result of the IPO. There is no accounting impact of this transaction.

Appendix 4 – Details of STATS Shareholders (ie. vendors under the SPA)

Vendor
Peter Alexander Duguid
BGF Nominees Limited (a/c BGF Investments LP)
Other