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Successful contract negotiation for deployment of Future Fibre Technologies SecureLink technology for major military secure data network project

AVA Risk Group Limited (ASX: AVA), a market leader of risk management services and technologies, announced today that it had concluded contract negotiations with its in-country manufacturing partner, SFO Technologies Private Limited (SFO) in respect of the major Letter of Intent award announced to the ASX on 5 September 2018, as updated:

- SFO has formally notified Ava that contract negotiations with the prime contractor are now complete and the formal PO will be issued to SFO next week.
- The value of the licence fee has increased, and it is now estimated that Ava will receive US\$11.9m (A\$16.86m) over the next 14 months.
- Based on the current production and delivery schedules, it is anticipated that between US\$0.35m and US\$1.0m (A\$0.5m and A\$1.5m) revenue will be generated in FY2019 with the remaining revenue of between US\$11.55m and US\$10.9m (A\$16.36m and \$15.4m) expected in FY2020.
- In addition, there is expected to be additional revenue after the initial 3-year warranty period from a subsequent 7-year spares and maintenance contract, which has been estimated at US\$3.4m (A\$4.8m) over the warranty period.
- Given the licence fee nature of the project, the contract will be highly profitable for Ava Group. Moreover, it's expected that the project win should lead to further opportunities in the secure data network market.
- Under the revised contract terms, Ava will be paid on 120-day terms (ex-works) and benefit from a bank guarantee equivalent to 200 units of product (circa 20% of total production volumes).

Ava Group Chief Executive, Scott Basham said: *"The finalisation of the contractual negotiations for this contract represents a major milestone for Ava Group. Significant profits will be delivered from this award and when combined with our laser focus on profitable growth, Ava is extremely well positioned to capitalise on our strong base of leading products to deliver strong financial returns for our shareholders in FY2020 and beyond".*

Refer to Note 1 attached.

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About the Ava Group

The Ava Group, comprising world leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT) is a market leader in the provision of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control as well as the secure international logistics and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

Contact

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Note 1

Forward Looking Statements

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

To the maximum extent permitted by law, the Company, its officers, employees and agents do not assume any obligation to release any updates or revisions to the information (including any forward-looking statements) in this presentation to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this presentation or its content.