

23 April 2021

The Manager
Market Announcements Office ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Relodging of Appendix 4C

The Appendix 4C for the period ended 31 March 2021 lodged earlier today by Ava Risk Group Limited inadvertently contained two numerical errors in the second paragraph on page 2. The Appendix 4C is now re-lodged below with these errors corrected.

Yours sincerely,



Leigh Davis
Company Secretary

ASX RELEASE

23 April 2021

Q3 FY2021 Quarterly Activities Report & Appendix 4C

- Net cash from operating activities of \$3.0m in Q3 FY2021 compared to \$1.1m in Q3 FY2020
- Cash receipts of \$14.8m in Q3 FY2021, a 66% increase on \$9.0m in Q3 FY2020
- \$4.4m in dividends paid on 10 March 2021 related to special dividend of 2cps
- Strong financial position with consolidated net cash of \$11.7m and no debt
- COVID-19 Update: Continues to affect some areas of our operations but has also created opportunities to deliver innovative solutions to our customers

Ava Risk Group Limited (ASX: AVA) (“Ava Group” or “the Company”) today provides its quarterly cash flow and activities summary for the period ended 31 March 2021. Ava Group is a global leader in risk management services and technologies through its Future Fibre Technologies (FFT) and BQT Solutions (BQT) divisions and a provider of international secure logistics services via Ava Global.

Ava Group CEO Rob Broomfield said: “Ava Group’s capital light operating model and strategies for delivering positive operating cashflow and EBITDA have resulted in another period of strong growth. Despite the uncertainty caused by COVID-19 in some markets, we have continued to provide our customers with world-leading technologies that ensure the protection and delivery of critical assets. In India, the rollout of our contract with the Ministry of Defence remains on track generating interest from other government agencies and highlighting the merits of our partner model.

We are also excited by the success of our “Proof of Value” trials for our innovative Aura IQ conveyor health monitoring solution which enhances mining safety and performance and represents an important opportunity for future growth. We continue to focus on developing our new multi-year comprehensive maintenance offering, leveraging cross-business opportunities via our strong customer relationships. The Services division continues to perform well growing its share of customer spend and winning new clients as it demonstrates the adaptability of our customer offering in rapidly changing circumstances.”

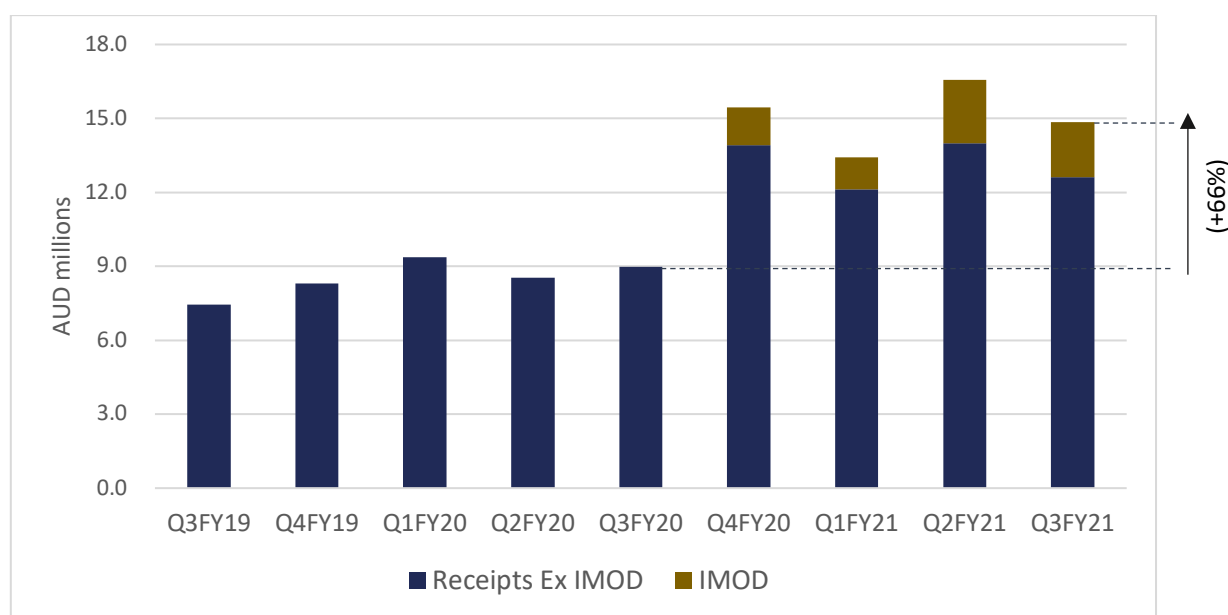
Technology Division - Future Fibre Technologies (FFT) and BQT Solutions (BQT)

During Q3 FY2021, Ava Group received a \$2.2m payment relating to the Indian Ministry of Defence (IMOD) contract for the deployment of FFT’s SecureLink technology to protect more than 40,000 kilometres of data communications cables. The Company will receive additional IMOD payments of circa \$1.3m in Q4 FY2021 for amounts already invoiced.

The total contract value of the IMOD project is estimated at US\$11.9m (A\$15.4m) inclusive of income tax credits with \$4.8m in revenue recognised in FY2020 and \$7.7m in H1 FY2021. The Australian-Indian Double Taxation Avoidance Agreement (DTAA) means that income tax credits are also available to Ava Group to offset income tax payable.

Chart 1 shows that the IMOD project has contributed to the growth in customer receipts since Q4 FY2020 but was not the only factor. Receipts growth has also come from a range of different product and customer wins across the three divisions. In Q3 FY2021, Ava Group receipts increased by 66% on pcp and by 41% if the IMOD contract is excluded.

Chart 1: Strong growth in customer receipts across Technology and Services divisions¹



At 31 March 2021, over 1,900 units have been shipped to the end user with more than 300 units remaining under the contract. The balance of project deliveries are expected to occur during the remainder of H2 FY2021 but some deferral into Q1 FY2022 is possible given the worsening COVID-19 crisis in India. Ava Group holds a Bank Guarantee as security for ~US\$2.1m (~A\$2.7m), to cover payments when due.

Both FFT and BQT continued their COVID-19 control measures to maintain production and order fulfilment. Although the ability to deliver site services (such as commissioning) was restricted for FFT, Ava Group commenced the delivery of services for the initial orders of a new multi-year Comprehensive Maintenance offering, which includes a remote monitoring service.

The FFT Aura IQ conveyor health monitoring solution continues to generate significant commercial interest. A number of “Proof of Value” Trials were initiated during the March quarter despite some delays from COVID-19 travel restrictions. The Company progressed commercial negotiations and expects to enter new contracts to deploy Aura IQ to multiple sites during Q4 FY2021.

¹ Chart 1 based on Receipts from customers as reported in AVA Group’s Appendix 4C for each quarter. This is unaudited financial information.

In an industry first, FFT successfully commissioned its new Machine Learning configuration at two major high security projects internationally and demonstrated increased levels of intrusion sensitivity along with significant reductions in nuisance alarms.

During the quarter, BQT successfully completed the current program order of smart reader and card systems for the Department of Human Services (DHS) contract as part of a larger Australian Government master contract.

Services Division - AVA Global Logistics

In the Services Division, Ava Global has benefited from a significant increase in client activity during FY2021, and this ongoing growth was supported during the quarter with the addition of several new clients including mining companies, precious metals refiners, and central and commercial banks. Ava Global has also benefited from increased investment in capability and the consolidation of major players in the international secure logistics market.

The Services Division continued to deliver revenue and profit growth through the provision of a full range of services to its customers despite ongoing limitations on global air freight capacity due to COVID-19. In response to these restrictions, Ava Global has provided its customers with an innovative range of bespoke cargo and charter aircraft solutions that ensured the continual delivery of currency, precious metals and other valuable goods.

Appendix 4C Cash Flow Report

Cash receipts from customers in Q3 FY2021 of \$14.8m included \$2.2m from the IMOD project. This was 66% higher than cash receipts of \$9m in Q3 FY2020² but below the \$16.6m received in Q2 FY2021, which included \$2.5m from the IMOD project. The next IMOD payment of USD\$1.2m (A\$1.6m) is expected in April 2021 and reflects the 120 days project payment terms. A further USD \$2.5m (A\$3.3m) is due to be received in July 2021.

During Q3 FY2021, the Company maintained a number of COVID-19 safety measures including supporting staff to work from home. Ava Group received circa \$0.1m in Q3 FY2021 from various government COVID-19-related initiatives across the globe. A similar amount was received in Q2 FY2021.

Operating cash outflows for the quarter of \$11.8m were mostly related to product manufacturing and operating costs (\$8.4m), staff costs (\$2.7m), R&D (\$0.3m) and administration and corporate costs (\$0.4m).

Operating costs were circa \$0.4m lower than Q2 FY2021, and \$4.0m higher than Q3 FY2020 driven by higher payments for product manufacturing and operating costs which increased \$0.1m quarter on quarter and \$3.7m on pcp as a result of increased sales. The Group also continued development of the Aura Ai and Aura IQ platforms, continuing its R&D and intellectual property spend during the quarter, which was at a slightly lower level compared to Q2 FY2021.

Net operating cashflows in the quarter were positive \$3.0m, a decrease of \$1.4m on the previous quarter, and a \$2.0m improvement on Q3 FY2020. This was due to a decrease in cash collections from customers compared to the prior quarter, down \$1.7m, but up \$5.9m on the same quarter last year.

² The first IMOD cash payment of \$1.5m was received in Q4 FY20.

Ava Group's strategies for delivering profitable growth and generating positive operating cashflow produced a planned decrease of \$1.4m in net cash holdings for the quarter ended 31 March 2021, reflecting the payment of \$4.4m in dividends to shareholders.

At 31 March 2021 the Company had \$11.7m cash at bank and no debt.

During the quarter, the Company made payments of approximately \$254,000 to Directors and their associates. This includes all Executive Directors and Non-executive fees, salaries, cash bonuses, and consultancy and service fees paid to related or associated parties of Directors, including in respect of subsidiary operations whereby directors are related parties.

ENDS

Approved for release by the Board of Directors.

For further information, please contact:

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About Ava Group

The Ava Group comprises world-leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT), and international secure logistics services division Ava Global. The Group is a market leader in the provision of risk management services and technologies, and 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.

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.

Appendix 4C

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

Name of entity

Ava Risk Group Limited

ABN

67 064 089 318

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	14,848	44,831
1.2 Payments for		
(a) research and development	(300)	(904)
(b) product manufacturing and operating costs	(8,411)	(23,454)
(c) advertising and marketing	(67)	(139)
(d) leased assets	-	-
(e) staff costs	(2,716)	(8,206)
(f) administration and corporate costs	(351)	(1,533)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(7)	(31)
1.6 Income taxes paid	-	(13)
1.7 Government grants and tax incentives	43	669
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	3,039	11,220
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(68)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(e) intellectual property	(146)	(605)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	-
(j) investments	-	-
(k) intellectual property	-	-
(l) 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	(153)	(673)

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	38	732
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(4)	(19)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	(4,448)	(6,786)
3.9 Other (provide details if material)	(53)	(200)
3.10 Net cash from / (used in) financing activities	(4,467)	(6,273)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	13,398	7,703
4.2 Net cash from / (used in) operating activities (item 1.9 above)	3,039	11,220

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(153)	(673)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4,467)	(6,273)
4.5	Effect of movement in exchange rates on cash held	(71)	(231)
4.6	Cash and cash equivalents at end of period	11,746	11,746

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	11,677	13,329
5.2	Call deposits	69	69
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)	11,746	13,398

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	(254)
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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	3,039
8.2	Cash and cash equivalents at quarter end (item 4.6)	11,746
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	11,746
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:	
	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:	
	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:	
	<i>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.</i>	

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:23/04/2021.....

Authorised by: 

(By the Board of Directors)

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 – e.g. 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.