

ASX RELEASE

30 October 2020

ASX code: ABV

Appendix 4C – Quarterly Cash Flow Report & Quarterly Activities Report

Highlights:

- **Q1 FY21 Total Operating Sales were \$2.5m (unaudited)**
- **Q1 FY21 Net Profit result of \$0.2m (unaudited)**
- **Q1 FY21 operating sales 19% greater than Q4 FY20 and 12% greater than Q1 FY20**
- **ABT reports full year FY20 Net Profit result of \$0.2m, a turnaround of \$1.9m from FY19**
- **ABT received \$0.5m tax offset for eligible research and development (R&D) expenditure**

Advanced Braking Technology Limited (ASX: ABV) ('ABT' or 'the Company') is pleased to provide the Quarterly Activities Report and Appendix 4C – Quarterly Cash Flow Report for Q1 FY21.

1. Quarterly cash flow summary

The ABT Group had a cash position of \$0.939m at 30 September 2020. Net cash flows from operating activities for the quarter is an inflow of \$436k, with Q1 net cash flows across all activities being an inflow of \$423k.

During September, ABT received approximately \$534,000 as a refundable tax offset for eligible R&D expenditure in FY20 relating to the development of its innovative braking solutions.

Due to the improved financial performance and position of the Company, there was no requirement to enter into a R&D prepayment loan facility to assist with cash flow management. As a result, the entire amount is immediately available as working capital and the Company saved on both loan establishment and interest costs.

2. Revenues and Product Margin

The Company achieved a strong sales result for Q1 FY21, with total operating sales of \$2.54m. This unaudited result represents:

- a 19% increase over the prior Q4 FY20 period;
- a 12% increase over the corresponding Q1 FY20 period; and
- a 57% increase over the corresponding Q1 FY19 period.

The unaudited result for Q1 FY21 is a Net Profit of \$0.2m (FY20: Net Profit of \$0.02m) and a positive EBITDA of \$0.27m (FY20: positive \$0.18m).

During the quarter, the Company reported a full year FY20 net profit of \$0.171 (FY19: net loss \$1.713m), an improvement of 110% on the prior year and a \$1.88m turnaround for the Company.

Product sales margins for Q1 FY21 were 44%, which is lower than margins achieved Q1 FY20 of 47%, due to the sales product mix whereby a greater quantity of lower margin products were sold during the quarter.

3. COVID-19

ABT is continually reviewing the COVID-19 operating environment and will amend its business operations as required to reflect the changing conditions. ABT maintains a disciplined approach to costs and this will continue to be the focus of the business in these uncertain economic times. The Company's primary customer base remains within the mining and civil construction industries which to-date continue to operate during this challenging period.

ABT has been advised by its logistics partners that given the significant reduction in international flights due to COVID-19 that international trade with Australia has become heavily reliant on sea freight in a very short period. This increase in demand for sea freight has resulted in major port congestion which has caused lengthy delays and sailing schedules being adjusted. ABT understands from its overseas customers that they are experiencing these delays and ABT is assisting where possible. As ABT's primary customer base is within Australia, the financial impact to the business has not been material with only a small number of international customers currently impacted, however we continue to monitor the situation.

The Company has benefited from the financial assistance measures provided by both the Federal and Western Australian governments, to help protect both the business and its employees, and will seek to utilise government assistance should it become eligible. During Q1 FY21, the Company received approximately \$0.08m in COVID-19 financial assistance.

4. Technology Licence Agreement with VEEM Ltd to provide a braking solution for the Hawkei PMV-L project

During the previous quarter, the Company entered into a Technology Licence Agreement with VEEM Ltd (ASX: VEE) for VEEM to manufacture and supply ABT's specialised park brake mechanism for Thales' Hawkei Protected Mobility Vehicle – Light project. The customer, Thales Australia Limited is part of the Thales Group, the world leading aerospace, defence, transport and security technology company headquartered in Paris, France.

During the quarter, ABT supplied components for approximately 300 of the 1,100 park brake mechanisms to be manufactured and supplied by VEEM. In addition to component sales, ABT's licence and engineering support fees result from VEEM's supply of completed brake mechanisms to Thales. Refer to the Company's ASX announcement on 3 July 2020 for further details.

5. Diversification and Business Development

ABT continues to implement its strategy to diversify both its customer base and the industries to which it provides innovative braking solutions. During the quarter, ABT has seen a material increase in its supply to the civil construction industry through sales to the Rozelle Interchange project in NSW to the John Holland and CPB Contractors JV.

In support of ABT's strategy, the Company is also actively pursuing business development opportunities that, if successful, would result in its current failsafe product portfolio being used in new vehicle applications. Some of these opportunities are outside ABT's traditional customer and industry bases and would result in further diversification of our revenue streams.

6. Site visit by the Governor of Western Australia

Subsequent to the end of the quarter, ABT had the privilege to be visited by the Governor of Western Australia, The Honourable Kim Beazley AC. The team had the opportunity to show him the innovative braking solutions that have been developed and how these products are supporting both the Australian defence and mining industries, in addition to supporting companies around the globe by providing safety solutions that protect both people and equipment.

This visit follows the opportunity in July for ABT to also meet with The Honourable Melissa Price MP, Minister for Defence Industry, to outline ABT's role in the design, manufacture and supply of the park brake mechanism for Thales' Hawkei Protected Mobility Vehicle – Light project.

7. Payments to related parties of the entity and their associates during the quarter

Payments to related parties and their associates included in operating activities totalled \$80k, and were comprised of:

- ABT's Non-Executive Directors received directors' fees and superannuation totalling \$69k, which were paid to Directors' personally or via a related entity.
- ABT received company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company and made payments for those services in the amount of \$11k.

Further Information

For a more detailed outline of the Company's recent activities, please refer to the Company announcements during the quarter.

This release is authorised by the Board of Directors.

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For further information, please contact:

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About Advanced Braking Technology

Advanced Braking Technology Ltd (ABT) designs, manufactures and distributes its innovative braking solutions worldwide. From its head office in Perth, Western Australia, ABT continues to develop its product portfolio for a diverse range of industries that have a strong requirement for safety and environmental responsibility, including the mining, defence, civil construction and waste management industries.

ABT's innovative braking solutions are well known for their unparalleled safety, improved productivity, zero emissions and durability in the world's harshest conditions. As its reputation has grown, demand for ABT's brakes has expanded internationally with its braking solutions being used in all seven continents across the globe.

Appendix 4C

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

Name of entity

ADVANCED BRAKING TECHNOLOGY LTD

ABN

66 099 107 623

Quarter ended ("current quarter")

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	2,289	2,289
1.2 Payments for		
(a) research and development	(20)	(20)
(b) product manufacturing and operating costs	(1,446)	(1,446)
(c) advertising and marketing	(10)	(10)
(d) leased assets	(23)	(23)
(e) staff costs	(588)	(588)
(f) administration and corporate costs	(380)	(380)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	616	616
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	436	436
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(5)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	-	-
	(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	(5)	(5)
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(8)	(8)
3.8	Dividends paid	-	-
3.9	Other (Repayment of convertible debt)	-	-
3.10	Net cash from / (used in) financing activities	(8)	(8)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	516	516
4.2	Net cash from / (used in) operating activities (item 1.9 above)	436	436
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)

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)	(8)	(8)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	939	939

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	897	475
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	42	41
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	939	516

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

80

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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

- 6.1 a) Non-Executive directors fees and superannuation - \$69k
b) Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company - \$11k

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

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	-	-
7.2 Credit standby arrangements	500	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	-

7.5 **Unused financing facilities available at quarter end** 500

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.

The facility at 7.2 above is a NAB Invoice Finance Facility, which provides finance of 80% of Australian Trade Receivables up to the value of \$500,000. This facility is secured by the Company's debtors and by a general security over the assets of the Company. This facility been in place since 2013. The interest rate for the NAB Invoice Finance Facility is currently 5.72%.

Other Arrangements

The Company has two other finance arrangements that it does not consider financing facilities, as funds are not able to be drawn upon for working capital. The details of the arrangements totalling \$151,768 are below.

The Company has an unsecured finance arrangement for the Company's annual insurance premiums with Attvest Finance Pty Ltd. The amount outstanding for the remaining period of the arrangement, being 8 months, is \$129,961. The interest rate of the funding is approx. 4.5% pa.

The Company has a secured vehicle finance arrangement with Toyota Finance Australia Limited for the purchase of a Toyota Hilux, at an interest rate of 5.43%. The outstanding balance for the remaining period of the arrangement, being 1.25 years, is \$21,807.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	436
8.2 Cash and cash equivalents at quarter end (Item 4.6)	939
8.3 Unused finance facilities available at quarter end (Item 7.5)	500
8.4 Total available funding (Item 8.2 + Item 8.3)	1,439
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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?

N/A

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?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

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

Authorised by: .The Board of Advanced Braking Technology Limited
(Name of body or officer authorising release – see note 4)

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.