

ASX ANNOUNCEMENT

31 January 2022

December 2021 Quarterly Activities Report and Appendix 4C

Advanced Braking Technology Ltd (ASX: ABV) ('ABT' or 'the Company' or 'the ABT Group'), the pre-eminent supplier of fail-safe brakes for commercial vehicles in Australia, is pleased to provide an overview of the results for Q2 FY22 along with the Quarterly Activities Report and Appendix 4C.

Q2 FY22 Highlights

- Solid result in **Operating Sales** of \$2.62m¹ (a decrease of 3% on Q1 FY22 and an 18% increase on previous corresponding period (pcp))
- **Stable Product Sales Margins** of 45.2% for the quarter, reflecting a 1.1% margin increase on Q1 FY22 and a 0.4% margin decrease on pcp
- Positive net operating cash inflow of \$138k providing a marginal increase in **cash position of \$1.57m** (\$1.51m at 30 September 2021)
- **Positive trend continued** in unaudited net profit and EBITDA
- **Actively assessing strategic growth opportunities** to drive scale and revenue diversification

ABT continues to build on the quality of its product offering, providing a reliable and cost-effective braking solution for customers within the mining services, defence and similar industries. The Company once more delivered a solid quarter with solid results across all key metrics with operating sales revenue of \$2.62m, and strong underlying demand from new and existing customers.

Recently appointed Acting CEO, Andrew Booth commented that, *"The results over this past quarter speak to the validity of the underlying strategic agenda of ABT and the ability of the business to execute on this strategy. The next stage for the business will be to leverage off of this strong base; expanding our current product offering and accelerating our customer acquisition strategy. We are successfully navigating the ongoing impacts of the current global pandemic and the Company remains proactive in managing these challenges and mitigating any impacts."*

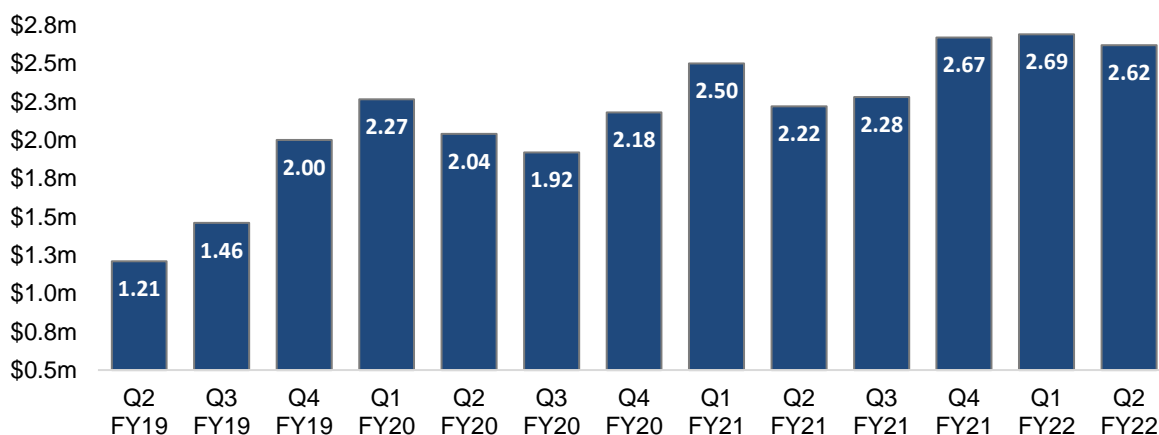
We are advancing the strategic conversations with a number of key customers and strategic partners on the applications of ABT products which will drive accelerated growth and revenue diversification as part of our organic and inorganic growth strategies."

¹ All revenue, sales and profit metrics are unaudited

Financial Update

Sales results were stable with total operating sales of \$2.62m, showing continued demand for the products. The Company delivered stable results with a small decrease of 3% in sales over Q1 FY22 and an 18% increase on Q2 FY21, demonstrating momentum and continued benefits of the diversification strategy implemented in the past few years.

Total Operating Sales by Quarter



Product sales margins for the quarter were 45.2% (Q1 FY22: 44.1%), a 1.1% margin increase on the prior quarter. Overall, braking systems sales account for approximately 50.4% (FY21: 54.8%) of operating sales with the balance of sales revenue coming from engineering design services, installation services and a strong proportion from the ongoing sale of spares and consumables.

The Company continues to generate positive, unaudited net profit and EBITDA results. During the quarter, ABT had a net operating cash inflow of \$138k and has maintained an ongoing improved cash position of \$1.57m as at 31 December 2021 (Q1 FY22: \$1.51m).

The Company continued to improve its financial position by diversifying its domestic customer base, driving sales of all products in ABT's portfolio and through internal rigorous cost controls. ABT is positioned to ensure adequate funding for working capital and further progress product innovation within the business.

Operational Update

Western Australia is a recognised world leader in the field of automation for the mining sector, placing ABT firmly in the epicentre of this exciting technology driven industrial revolution. As a result, ABT is proactively engaged in conversations on industry trends and progress pertaining to the megatrends of automated, electric and connected vehicles in industrial settings.

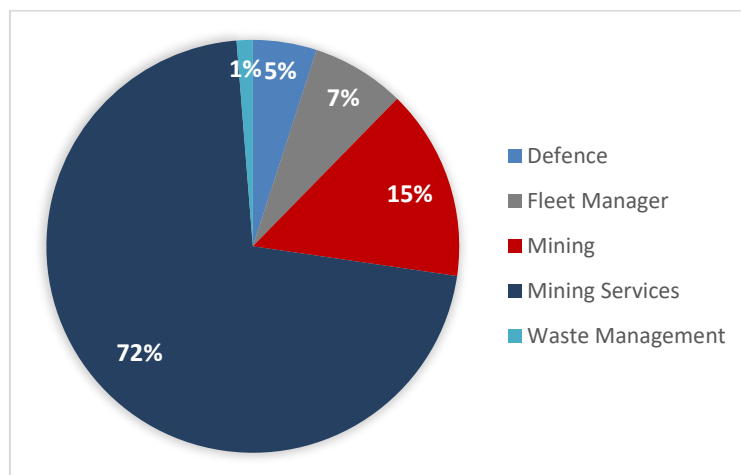
As noted by WA Innovation and ICT Minister Don Punch in relation to the Automation precinct being established in Neerabup, "Western Australia is a recognised world leader in the field of automation for the mining sector, and the new [51-hectare Australian Automation and Robotics Precinct] will see this same success mirrored across a range of industries."²

The increasing ESG focus within the industrial sector both within Australia and internationally has benefited ABT with strong growth in export sales. In particular, ABT have seen increasing demand within

² Source: Australian Mining, 'Automation precinct to accelerate WA technology', October 2, 2021 – Michael Phillips

the Asian and African regions with ABT commencing a new customer relationship in Africa, yielding strong initial order flow. ESG concerns have been front and centre despite the global health crisis, as noted by S&P Global³, and have taken on a new level of importance as companies' responsibilities toward workers and community health have come to the fore. For the mining sector, ESG was previously focused mainly on the environmental impacts however, the spread of coronavirus and the impact on societies across the world has refocused the industry towards a more holistic approach. ABT SIBs Failsafe solutions are strongly positioned to address the safety aspect encompassed within good corporate governance and the social impact by addressing the working environments of our customers in challenging industrial workplace settings.

Q2 FY22 Sales By Industry



ABT is nearing completion of the VEEM/Thales' Hawkei Protected Mobility Vehicle Light project and maintains a growing pipeline of opportunities from both new and existing customers.

The continued impact from COVID-19 on the operating environment both within Australia and internationally remains a key area of focus for the Company. ABT has proactively taken measures to address this changed operating environment through improved forward inventory planning management and remaining in close, routine dialogue with ABT suppliers, as well as the supply chains of our customers. In particular, closely monitoring the development and evolution of the Toyota LandCruiser 70 series vehicle platform and other models on which the ABT product range is installed.

Although, ABT's primary customer base is in the mining and mining services industries within Australia, the ongoing impact on transport and supply chain is having a moderate impact on the length of time to procure certain component parts. However, given the structure of ABT's business and procurement, the Company has seen minimal financial impact and continues to monitor the operating environment.

Corporate Update

Post quarter end, John Annand stepped down as Chief Executive Officer by mutual agreement with the Board. The Board has commenced an executive search to appoint a suitable replacement. During the interim period, Andrew Booth, Director of Strategy and Commercial has assumed the role of Acting Chief Executive Officer.

Payments to related parties and their associates during the quarter included in operating activities totalled \$90k, which included non-executive directors' fees and superannuation totalling \$69k, which

³ Source: S&P GLOBAL PLATTS 13 July, 2020. [ESG and mining: sustainability after coronavirus | S&P Global \(spglobal.com\)](https://www.spglobal.com)

were paid to Directors' personally or via a related entity. Payments for services rendered of \$7k to AE Administrative Services Pty Ltd for company secretarial services, is associated with a director of the company. Payments for legal services rendered of \$14k to Rockwell Bates, is associated with a director of the company.

Outlook

The industry is seeing a strong focus on safety and compliance as a key driver of innovation and product development. ABT is well positioned with a solid foundation for growth with quality products and service underpinned by a culture of both safety and environmental impacts. The Company is focused on strategic growth opportunities and are currently assessing key initiatives to drive scale, revenue diversification and enhance innovation for the business.

On the outlook for ABT, Acting CEO Andrew Booth stated, *"ABT's solid quarter on quarter result reflect an unwavering focus on ensuring that ABT is well positioned to participate in technology-driven industrial trends and remain true to our core ethos of safety and the environment. Furthermore, we continue to progress our strategic mandate to identify additional market opportunities for our sealed braking solutions, and we will pursue these opportunities with vigour over the coming months."*

This release is authorised by the Board of Directors.

- ENDS-

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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")

31 DECEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,750	5,644
1.2 Payments for		
(a) research and development	(10)	(51)
(b) product manufacturing and operating costs	(1,525)	(3,153)
(c) advertising and marketing	(7)	(27)
(d) leased assets	(24)	(48)
(e) staff costs	(648)	(1,270)
(f) administration and corporate costs	(397)	(780)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	138	312
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(16)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	(16)

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	(65)	(129)
3.7	Transaction costs related to loans and borrowings	(7)	(11)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(72)	(140)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,506	1,411
4.2	Net cash from / (used in) operating activities (item 1.9 above)	138	312
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(16)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(72)	(140)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,567	1,567

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	1,525	1,464
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits)	42	42
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,567	1,506

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	90
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

- 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 - \$7k
- c) Provision of legal services from Rockwell Bates, a company associated with a director of the company - \$14k

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1	86	86
7.2	500	-
7.3	13	13
7.4 Total financing facilities	599	99
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.	
	<p>The loan facility at 7.1 above is 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 4 months is \$85,721. The interest rate of the funding is approx. 4.5% pa.</p> <p>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 4.69%.</p> <p>7.3 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 approx. 1 month, is \$13,156.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1	138
8.2	1,567
8.3	500
8.4	2,067
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: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

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

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: Board of Directors
(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.