

ASX RELEASE

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Operational Update

Highlights:

- **Core revenues from Failsafe now consistently higher in recent months with the future outlook remaining positive**
- **Margins in recent months significantly higher than historically achieved**
- **Cost saving initiatives and prudent cash management have resulted in a positive month by month EBITDA position for each of the last 4 months**
- **Maturity of the Convertible Notes to be extended for a further 6-month period**
- **ABT releases updated Terra Dura braking product to the market - market demand for Terra Dura remains unchanged and substantial**
- **Strategy of product and industry diversification gains traction with:**
 1. **Selection by Thales Australia to provide brake design services to the defence industry's Hawkei Project**
 2. **Selection by Cleanaway to provide brake design services for their skip bin trucks**
 3. **Receipt of order for a new brake application for Mitsubishi Fuso trucks to be used in Rio Tinto's Oyu Tolgoi mine**
 4. **Receipt of an order for Failsafe brakes from the Lendlease Samsung Bouygues Joint Venture involved in the WestConnex motorway project**

Advanced Braking Technology Limited (ASX: ABV) ('ABT' or 'the Company') is pleased to provide an operational update that demonstrates the progress being made against our aggressive growth strategy.

The Company has made significant progress in stabilising its financial performance whilst simultaneously pursuing opportunities that have resulted in product, customer and industry diversification.

These achievements, realised with a new executive team, places the Company in a position that will allow it to implement its growth strategy, which is expected to generate increased shareholder value.

Revenues and Cost Management

The previous four months (February to May) have seen improved and steady sales performance of Failsafe and Failsafe Emergency, our core products. Whilst the sales revenue results have not been record months, the consistent level of sales has allowed the Company to more effectively manage cash flow and inventory levels.

The current expectation is that, with a renewed marketing focus on Failsafe and Failsafe Emergency, sales revenue will remain strong into the future. This performance will be supplemented by the recent orders received for Failsafe products for use within the Rio Tinto operated Oyu Tolgoi mine in Mongolia and the WestConnex civil construction project in New South Wales.

The Company's cost saving initiatives have continued and savings total in excess of \$800k on an annualised basis. The full impact of these cost savings are materialising in the business, which when combined with the recently improved sales and margin performance has resulted in an unaudited positive EBITDA position for each of the previous four months. The current expectation is that the result for June 2019 will be comparable to recent months. Hence, the cash burn of the Company has slowed significantly.

Importantly, margins in recent months are significantly higher than what was achieved for the same period last financial year and can be attributed to ending campaign selling of our core Failsafe products as well as a shift in our sales mix to higher margin products. Further details on quarterly sales and margins achieved will be provided in the upcoming Appendix 4C for the June quarter.

It is pleasing to advise shareholders that significant progress has therefore been made towards returning the Company to a cash neutral position at the earliest opportunity.

Convertible Notes

The existing convertible notes are due to mature on 30 June 2019 and are in the process of being extended for a further 6-month period on the same terms.

The extension of the notes by noteholders, including ABT Director David Slack's \$500,000 note holding, is a positive outcome and reflects the confidence in improved performance of the business in recent months.

Once completed, confirmation of the extension of the convertible notes will be advised to shareholders.

Terra Dura

The Company has released an improved version of a polymer Terra Dura braking system following a period in which the product was subject to an extensive design review. The product was also subject to rigorous testing within extremely harsh operating conditions that replicated those found on mine sites in order to test the improved sealing mechanism and durability of the outer polymer cover.

The design review and testing process brought about a number of design enhancements including an improved sealing mechanism, which will contribute to better protection of the internal components of the brake. In addition, the reduction of the overall number of brake components resulted in a much simpler assembly procedure, reduced build time as well as significantly improved ease of installation and maintenance by end users.

ABT is, in addition, progressing an alternative metal cover design. The metal cover would be appropriate in those conditions considered to be too harsh for the polymer cover. The metal cover version of Terra Dura is expected to be available for sale to both the Australian and international markets in the latter part of calendar year 2019. The polymer Terra Dura, if required, can then retrospectively be fitted with a metal cover. Having both a metal and polymer cover variant will provide further opportunities for customer and industry diversification.

Sales of the updated polymer Terra Dura product have already commenced to customers within the mining industry.

For more information please refer the ASX announcement dated 19 June 2019.

Defence Industry

The Company has been selected to provide brake related design and prototype development and testing services to Thales Australia, who have been contracted by the Commonwealth of Australia to supply 1,100 Hawkei PMV-L vehicles as part of the LAND 121 project.

ABT's contract with Thales represents the first stage of a two-stage process. Upon the successful design and testing of a prototype (Phase 1), ABT will be invited to participate in the tender for the manufacture and supply of 1,100 specialised hill-hold brake mechanisms that will be fitted to each Hawkei vehicle (Phase 2).

ABT is working closely with Thales Australia during the design phase with good progress being made to date. Finalisation of the design is expected shortly, which will then allow for the prototype development and testing phase to commence in line with the original project schedule.

ABT now has a competitive advantage to offer our customised design solution services to other international specialised fleet providers and, should ABT be successful in being awarded Phase 2 of the project, will allow ABT to become an Original Equipment Manufacturer. This generates further growth opportunities. International specialised fleets include vehicles used in military applications, humanitarian support and emergency services.

For more information please refer the ASX announcement dated 13 May 2019.

Waste Management Industry

The Company has received an order to provide brake design services for a small number of skip bin trucks used in high gradient areas by Cleanaway Pty Ltd, a leading waste management company.

The Company will provide brake design, prototype development and testing of a hill-hold braking mechanism for skip bin trucks used within the Perth hills.

This order provides ABT with a competitive advantage to engage with national waste management companies to provide safety solutions that will help protect both employees and equipment.

For more information please refer the ASX announcement dated 27 May 2019.

Rio Tinto operated Oyu Tolgoi mine

The Company has received an order to provide Failsafe Emergency brake kits for a new truck application in Mongolia.

The Company has been contracted to supply driveline brakes for Mitsubishi Fuso trucks to be used at the Rio Tinto operated Oyu Tolgoi mine, one of the most significant mines in the world. This order follows the previous supply in Q3 FY19 of Failsafe Emergency brake kits that were fitted in Mongolia to a new truck application - the Mercedes Benz Actros, which are also used underground at the Oyu Tolgoi copper and gold mine. Oyu Tolgoi is anticipated to be fully operational in 2020 and has a mine-life that will see production sustained for many decades. ABT is being hopeful that it can provide braking solutions to the mine for years to come.

The Mitsubishi Fuso order is for a new application of ABT brakes that requires only minor engineering changes to an existing brake design. The use of both the Mitsubishi Fuso and Mercedes Benz Actros trucks at the Oyu Tolgoi mine expands the potential market for ABT Failsafe Emergency brakes both within Mongolia and globally.

This order provides ABT with a competitive advantage to engage with other Mitsubishi Fuso truck users internationally to provide a safety solution that will help protect both employees and equipment.

For more information please refer the ASX announcement dated 3 June 2019.

Civil Construction Industry

The Company has received an initial order for Failsafe brakes from the Lendlease Samsung Bouygues Joint Venture which is involved in the WestConnex M4-M5 Link twin tunnel motorway project in New South Wales.

Tunnelling projects have similar operating conditions to those found in underground mining in that they are both abrasive and corrosive, which impacts the life of a vehicle's brakes. As such, similar to underground mining, the cost and downtime required for brake maintenance is a primary driver for using ABT's specialised braking solutions, in addition to providing a safety solution that helps protect both employees and equipment.

This order is further demonstration that our Failsafe range of braking products has a place in vehicles in a range of industry applications where safety and cost efficiencies are paramount.

For more information please refer the ASX announcement dated 21 June 2019.

ABT CEO, Mr John Annand stated, "it has been a busy six months for ABT as we worked hard to stabilise the financial performance of the company whilst at the same time exploring new growth opportunities which we have been successful in securing.

Management are excited about the future and with the current product range and additional product offerings that will be developed, the prospects for the company are very promising. Given the ever-increasing focus by all industries on the safety of their people and equipment, the environment and the cost of downtime due to repairs and maintenance, ABT has a product offering that can address all of these concerns.

We are only at the commencement of the journey and we look forward to implementing our growth strategy in a structured and disciplined manner."

ABT Chairman, Ms Dagmar Parsons added, "it is very pleasing to see that the changes made as a result of the organisation review, including a number of key executive appointments, have already resulted in tangible benefits to the Company. Greatly improved engineering, sales and finance functions within ABT have achieved significant results within a short timeframe. It is expected that, with the new results driven mindset within the Company, the growth strategy can be achieved. Directors are looking forward to seeing the new executive team continue to implement the strategy and to sharing the results with shareholders."

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