

ASX RELEASE

31 July 2019

June 2019 Quarterly Report and Appendix 4C

Highlights:

- **Core revenues from Failsafe consistently higher in the June quarter with the future outlook remaining positive**
- **Product sales margin achieved for Q4FY19 higher than prior corresponding period Q4FY18**
- **Cost saving initiatives and prudent cash management have resulted in a positive EBITDA position for the June quarter**
- **Maturity of the Convertible Notes have been 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') advises that the group cash position as at 30 June 2019 was \$716k. Net trade receivables as at the same date were \$244k.

Net cash flows from operating activities for the period 1 April 2019 to 30 June 2019 was a deficit of \$55k. Net cash flows across all activities for the quarter was a positive inflow of \$356k.

During the quarter the Company drew down the first \$420k of a R&D prepayment loan facility with R&D Capital Partners Pty Ltd. This short-term loan facility has a limit of \$620k. The remaining \$200k is available as a second drawdown if required. This loan will be repaid upon receipt of the 2019 R&D claim under the R&D Tax Incentive from the ATO. For further details please refer to the ASX announcement dated 24 April 2019.

The convertible notes that matured on 30 June 2019 have been extended for a further 6-month period to 31 December 2019. Subsequent to the maturity of the convertible notes, \$214k of matured convertible notes were repaid to note holders and new convertible notes totalling \$214k were issued on 30 July 2019. For further details please refer to the ASX announcement dated 30 July 2019.

Operations

During the quarter the Company achieved sales revenue that was at higher and more consistent levels than those achieved during both the corresponding FY18 June quarter and the FY19 March quarter. This allowed for greatly improved cash flow and inventory management.

Sales revenue for the quarter of \$2.0 million was 23% higher than the prior corresponding FY18 June quarter and 30% higher than the previous FY19 March quarter.

The product margin for brake kits and consumable sales has improved with the June quarter achieving 50% which compares favourably to the 30% achieved for the prior corresponding FY18 June quarter. A product margin of 50% was achieved for 2H FY19 which is also an improvement when compared to 1H FY19 when a product margin of 42% was achieved.

These improved sales and margin results, combined with cost saving initiatives that total in excess of \$800k on an annualised basis, allowed the company to achieve a positive EBITDA result for the June quarter and significantly reduce the monthly cash burn. Net of financing funds received from the draw down of the R&D prepayment loan facility, the cash burn for the quarter was a deficit of \$64k, well down on the previous two quarter deficits of \$838k and \$667k.

The sales pipeline and forward order book for Failsafe products remains solid. This combined with the release of the updated Terra Dura product should see revenue levels at least maintained at current levels for the next quarter.

Engineering

During the quarter, the Company 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 commenced within the June quarter to customers within the mining industry.

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

Business Development

During the quarter the Company made significant progress against its strategic objective of diversifying its customer, industry and product portfolio.

Defence Industry

During the quarter, the Company was 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 has been working closely with Thales Australia during the design phase with good progress being made. Finalisation of the design has been agreed with Thales which now allows 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

During the quarter, the Company 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

During the quarter, the Company 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

During the quarter the Company 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.

- ENDS -

For further information, please contact:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ADVANCED BRAKING TECHNOLOGY LTD

ABN

66 099 107 623

Quarter ended ("current quarter")

30 JUNE 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,785	6,882
1.2 Payments for		
(a) research and development	(15)	(167)
(b) product manufacturing and operating costs	(818)	(4,221)
(c) advertising and marketing	-	(25)
(d) leased assets	(4)	(21)
(e) staff costs	(575)	(2,795)
(f) administration and corporate costs	(349)	(1,759)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(80)	(184)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	838
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(55)	(1,451)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(9)	(133)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(9)	(133)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,483
3.2	Proceeds from issue of convertible notes	-	234
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(98)
3.5	Proceeds from borrowings	420	920
3.6	Repayment of borrowings	-	(600)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Payments for redeemed convertible notes	-	(266)
3.10	Net cash from / (used in) financing activities	420	1,673

		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	360	627
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(55)	(1,451)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(133)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	420	1,673
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	716	716

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	675	348
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	41	12
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	716	360

6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	48
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 Directors Fees and superannuation	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	10
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company. Provision of legal services from RB Flinders, a company associated with a director of the company.	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	620	420
8.2	Credit standby arrangements	500	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. <p>At the commencement of the quarter, an arm's length related party loan from director, David Slack, for \$500,000 existed on similar terms as the convertible notes on issue. This loan was repayable by 30 June 2019 with 15% interest payable per annum. During the quarter shareholder approval was received to convert the loan into convertible notes on the same terms as the existing notes on issue. These notes were extended for a further 6-month period with a new maturity date of 31 December 2019.</p> <p>The only facility under 8.2 above is a NAB Invoice Finance Facility, which presently 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 has been in place since 2013. The interest rate for the NAB Invoice Finance Facility is currently 6.58%.</p> <p>During the quarter a R&D prepayment loan facility was entered into with R&D Capital Partners Pty Ltd. The loan facility has a limit of \$620,000, the first \$420,000 of which has been drawn down, with the remaining \$200,000 available as a second draw down if required. The loan is repayable upon receipt of the 2019 R&D claim under the R&D Tax Incentive from the ATO, or 30th November 2019, whichever occurs first. The interest rate is 1.25% per month on amounts drawn. The lender has a primary security interest of the present and after acquired property of Advanced Braking Pty Ltd.</p> <p>The Company has Convertible Notes totalling \$1,631,700, maturing on 31 December 2019. Should any of these notes be redeemed for cash at maturity, payment will occur within 5 business days.</p>		

9.1	Estimated cash outflows for next quarter	\$A'000
9.11	Research and development	(20)
9.12	Product manufacturing and operating costs	(1,100)
9.13	Advertising and marketing	(10)
9.14	Leased assets	(5)
9.15	Staff costs	(600)
9.16	Administration and corporate costs	(420)
9.17	Interest and other costs of finance paid	(80)
9.18	Payments to acquire property, plant and equipment	(5)
9.19	Total estimated cash outflows	(2,240)

9.2	Estimated cash inflows next quarter	\$A'000
9.21	Receipts from customers	2,000
9.22	Government grants and tax incentives	-
9.23	Interest received	1
9.24	Proceeds from the disposal of property, plant and equipment	30
9.25	Loan draw down - R&D prepayment loan	200
9.26	Other	-
9.29	Total estimated cash inflows	2,231

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.



Sign here: _____
(Company secretary)

Date: 31 July 2019

Print name: Kaitlin Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.