

ASX RELEASE

27 July 2018

June 2018 Quarterly Report and Appendix 4C

Highlights:

- **ABT achieved record revenues of ~\$8m for FY18, representing a 4% increase on the prior year**
- **Operating Revenue for the Quarter was \$1.7m, down (15% on the prior quarter) due to a combination of variability of order book and market weakness**
- **Sales to a growing number of blue-chip customers (Glencore, South 32, Westgold Resources, Grange Resources, Barmenco, Byrnegut, Yancoal, and Newcrest Mining)**
- **Strong international interest continues with 20 Terra Dura[®] sets having now been delivered to Canadian distributors**
- **Initial fully paid customer orders (1-3 sets) have been for the purposes of trialing ABT's innovative technology. ABT expects large(r) volume orders for roll-out across vehicle fleets both domestically and internationally during the second quarter of FY19 as trials successfully conclude**
- **Investment in supply chain, product applications, and business development**
- **Trial with a European distributor of a global OEM successfully concluded**
- **Terra Dura[®] passed all critical tests (rough road, dust ingress, thermal shock, cold climate field trial)**

Advanced Braking Technology Limited (ASX: ABV) ('ABT' or 'the Company') is pleased to announce that for FY18, the Company achieved record revenues of ~A\$7.99m, which represents a 4% increase on the prior year.

The Company achieved solid operating revenue for the June quarter of ~A\$1.7m. This figure is 15% down on the prior quarter and did not surpass the levels observed Q4 FY17, during which the Company benefited from a very large one-off international order for its Failsafe product range. An additional contributing factor was increased global demand for the Landcruiser 70 that led to temporary domestic shortages.

The net cash from operating activities for Q4 FY18 (-\$0.799m) and FY18 (-\$1.529m) represents the continued investment in supply chain, product applications and business development which is required as the Company gears up for new product launches and increased global sales. Impacted from those investments is also the unaudited full-year result of (-\$1.463m).

The Company expects that these investments will result in tangible fiscal benefits from FY19 onward.

Operations

During FY18, the Company resolved to increase investments totalling almost \$1m in the areas of sales, business development and supply chain management structures, application engineering as well as in measures to establish a robust and scalable supply chain for the Terra Dura® braking system.

Specifically:

- ABT invested in additional tooling that was commissioned for second component manufacturers in both China and Australia. The domestic supply chain is now fully operational and supports the current production and supply of Terra Dura®. An additional source, located in China, has been successfully commissioned at the end of the financial year. This additional capacity represents a critical pillar in managing a scalable, redundant, and reliable supply chain. As this overseas source is being readied for volume production, the Company expects a margin improvement over the second half of FY19.
- ABT also deployed resources and measures to improve the supply chain of its established Failsafe brake portfolio. The focus has been on improving its cost position through negotiations and on evaluation of rationalisation and re-design opportunities as well as on risk mitigation strategies for the most critical components. The results of those activities are expected to be realised over FY19.
- Following the volume launch of the Landcruiser 70 Terra Dura® in January, investments continued in the next wave of product releases. As a result, the Company is working toward the following launches: Terra Dura® Isuzu D-Max (October 2018), Terra Dura® Toyota HiLux (November 2018), first Terra Dura® front wheel application (March 2019), and Terra Dura® Mitsubishi Triton (June 2019). These new product launches will greatly broaden the Company's product line and set the foundation for significantly increased sales potential.
- ABT strengthened its sales and product management structures to ensure a focused and effective deployment of business development resources. As a result, the company secured a range of Terra Dura® fully paid trial orders from domestic blue-chip customers and delivered about half of its Terra Dura® shipments to critical global expansion markets in Canada and Europe.

Terra Dura Roll-out

ABT is pleased with the initial market acceptance of Terra Dura®, which has resulted in sales to a variety of blue-chip mining customers (Glencore, South 32, Westgold Resources, Grange Resources, Barminco, Byrnescut, Yancoal, and Newcrest Mining). These customers have purchased 1-3 sets each for the purposes of undertaking field trials before committing to a larger roll-out.

Additionally, there has been strong international interest for Terra Dura® with 20 sets having now been delivered to Canadian distributors. Similar to the domestic sales, these orders have been delivered to a number variety of customers for the purposes of undertaking field trials.

On basis of the existing Terra Dura® trials from domestic and global mining customers and upcoming product launches, ABT expects large volume orders for roll-out across vehicle fleets both domestically and globally from Q2 of FY19.

Terra Dura® – European Distributor of Global OEM

Terra Dura® units that had been delivered to a European distributor of a global OEM manufacturer have successfully undergone and concluded their extensive trials. ABT and the distributor are working jointly through preparation for a launch and first shipment of a volume order before the end of 2018.

There is potential for the Terra Dura® to become a dealer fit option to complement a ‘ruggedized’ utility vehicle in their range, which is specifically targeted at the European mining sector. This could mean the Terra Dura® Brake is a ‘tick the box’ option when ordering the vehicle (for both retail and commercial orders). ABT looks forward to the progression of this relationship as it could dramatically increase the accessibility and therefore sales of the Terra Dura® but ABT notes these types of arrangements take time to set in place.

Terra Dura Testing

During the quarter, the Terra Dura® was subjected to a variety of vigorous tests, all of which it passed with great results. These tests were:

- **Rough road testing** - 6,000 km of both rough road and normal road use. Terra Dura® internals remained dry, the hub to spline wear was minimal and pad wear measures were less than 1mm.
- **Dust ingress testing** - globally recognised IP6x standard dust ingress testing method in order to expose any weak points in the Terra Dura® seals.
- **Cold Climate Testing** - Globally recognised MIL-STD-810G standard thermal shock testing method in order to expose any weak points in the Terra Dura® brake design.
- **Cold climate vehicle trials** - field trials at two different mines sites in Canada. The trials were completed successfully. The Terra Dura® brake operated without any problems and met performance expectations.

Post Balance Date Events

The Company expects the cash balance to increase materially in the next quarter as a result of an Accelerated Entitlement offer. Those funds will be used to support the roll-out of the ground-breaking Terra Dura® across the Australian mining sector and ABV’s existing blue-chip customer base, before targeting high-growth opportunities in selected global markets.

- ENDS -

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About Advanced Braking Technology

Advanced Braking Technology Ltd (ABT) is an Australian company listed on the Australian Stock Exchange (ASX: ABV) focusing on the development, manufacturing and marketing of high performance brakes to the automotive, transport and mining industry. This incorporates the ground-breaking and internationally patented sealed integrated brake technology, as used in the ABT Failsafe product range, plus the new Terra Dura® polymer brake. The Company has manufacturing bases in Australia with its Head Office in Perth and a corporate office in Melbourne.



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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 2018

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	1,672	8,203
1.2 Payments for		
(a) research and development	(344)	(1,072)
(b) product manufacturing and operating costs	(981)	(5,268)
(c) advertising and marketing	(27)	(75)
(d) leased assets	(6)	(23)
(e) staff costs	(755)	(2,789)
(f) administration and corporate costs	(298)	(1,226)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	9
1.5 Interest and other costs of finance paid	(75)	(132)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	13	844
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(799)	(1,529)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(14)	(224)
	(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	(14)	(224)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	47
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	600	600
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	600	647

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	840	1,733
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(799)	(1,529)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(224)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	600	647
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	627	627

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	346	560
5.2	Call deposits	219	218
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	62	62
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	627	840

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	(68)
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	

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	-
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	

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	600	600
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.		
8.1	Is a loan provided by R&D Capital Partners Pty Ltd. The facility is secured, has an interest rate of 1.25% per month and is repayable no latter than 31 October, 2018.		
8.2	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 but has never drawn down. The interest rate for the NAB Invoice Finance Facility as at 31 March 2018 is 7.59%		

9.	Estimated cash outflows for next quarter	\$A'000
9.11	Research and development	(207)
9.12	Product manufacturing and operating costs	(1,227)
9.13	Advertising and marketing	(60)
9.14	Leased assets	(8)
9.15	Staff costs	(882)
9.16	Administration and corporate costs	(367)
9.17	Other (provide details if material)	
	Interest and other costs of finance paid	(75)
	Payments to acquire property, plant and equipment	(290)
	Repayment of convertible notes	-
9.19	Total estimated cash outflows	(3,116)

9.2	Estimated cash inflows next quarter	\$A'000
9.21	Receipts from customers	1,949
9.22	Government grants and tax incentives	-
9.23	Interest received	3
9.24	Other	
	Proceeds from issue of shares	2,069
9.29	Total estimated cash inflows	4,021

