

ASX RELEASE

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Operational Update

Highlights:

- **Q1 FY20 operating sales 41% greater than corresponding Q1 FY19 period**
- **Q1 FY20 operating sales 12% greater than previous Q4 FY19 period**
- **Positive EBITDA and net profit result achieved for Q1 FY20, continuing the strong financial turnaround**
- **Positive cash flow achieved for Q1 FY20**
- **Product margins remain steady at 47% for Q1 FY20**
- **Strategy of customer and industry diversification continues to make good progress with:**
 - 1. Initial supply of Failsafe brakes into the Chilean mining industry for use by Orica**
 - 2. Successful tender win for the supply of Failsafe Driveline brakes to the Department of the Environment and Energy for use by the Australian Antarctic Division**
- **Successful conclusion to the design and testing of the Hawkei Project braking solution**
- **Successful introduction of braking solutions to both the civil construction and waste management industries**

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 growth strategy.

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

These achievements place the Company in a strong position that will allow it to implement its growth strategy which is expected to generate increased shareholder value.

Revenues and Cost Management

The Company achieved a significant increase in sales for Q1 FY20, with operating sales being \$2.267m which represents a 41% increase over the corresponding Q1 FY19 period.

The operating sales revenue for Q1 FY20 was also a 12% increase over the previous Q4 FY19 period.

Importantly, the Company was able to achieve a positive cash inflow from operating activities for the September quarter of \$93k. The increased sales also resulted in another positive EBITDA result, which now means the Company has been able to achieve a positive EBITDA result for each of the last 8 months since February 2019. As such, the Company has been able to achieve its stated objective of returning to a break-even position that was first announced back in Q3 FY19.

Product sales margins for Q1 FY20 have also held steady at 47% which is consistent with the full FY19 product margin result of 46%.

The Company was able to achieve an unaudited positive EBITDA result of \$185k and a small net profit of \$21k for the quarter. Both of these results highlight that the Company has the leadership team now in place, in conjunction with a product portfolio and customer base, to allow it to grow and maintain a profitable business model.

Terra Dura

It is worth noting that the improved product sales have primarily resulted from sales of our core Failsafe product range, with only a limited contribution from our updated and improved Terra Dura product as the sales focus has been on our Failsafe product. The market for Terra Dura remains strong and we are confident that this product will be a material contributor to revenue growth in the future as we finalise the development of the metal casing version and increase the vehicle types to which Terra Dura can be fitted.

The metal cover will be appropriate in those conditions that are considered too harsh for the polymer cover. 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.

The design and testing of the alternative metal cover, and the increased vehicle applications to which Terra Dura can be fitted, are expected to be finalised in the current quarter which will significantly increase the addressable market for Terra Dura. At present the Terra Dura market is limited to the Toyota Landcruiser. However, this will soon be supplemented by both the Toyota Hilux and the Isuzu D-MAX which will represent a significant increase of the market for Terra Dura both here in Australia and in the major mining provinces around the world.

The sales outlook for both Failsafe and Terra Dura remains strong.

Supply into the Chilean mining industry

During the September quarter, the Company received an initial order for Failsafe brakes from Minecorp-Chile on behalf of SALFA, which will be installed on the Isuzu NPS 4X4 truck. This order represented a new international market with ABT products being supplied into Chile and the broader Latin American market for the first time. For more information please refer the ASX announcement dated 7 August 2019.

The end user of these Isuzu NPS trucks is Orica Chile S.A. who will use the trucks in two underground mine operations in northern Chile. The Isuzu NPS 4X4 was first introduced to the Chilean market by General Motors in April 2019 and the ABT Failsafe brakes were fitted to some of the first trucks delivered into Chile.

The Company is pleased to advise that the first four sets of Failsafe brakes have been successfully installed in Chile and the trucks are now fully operational.

The Chilean mining industry represents a real growth opportunity for ABT. Minecorp-Chile is already in early stage discussions with other potential customers for an ABT Failsafe solution across other truck and light duty vehicle applications.

Order received from the Department of the Environment and Energy

During the September quarter, the Company was successful in winning the tender and subsequently receiving an order from the Department of the Environment and Energy for the supply of Failsafe Driveline brakes to be installed on the Isuzu NPS 300 truck. The end user of these trucks will be the Australian Antarctic Division. For more information please refer the ASX announcement dated 17 September 2019.

Due to the operating conditions in Antarctica, the standard park brake cannot be used effectively as the vehicles are required to operate in one of the world's harshest environments. Ambient temperatures will range from -40° to +10° Celsius and wind speeds in excess of 270 km/h can carry precipitation varying from very fine, dry drift snow to wet sleet. Antarctica is the world's coldest, driest and windiest of all the continents and further demonstrates that ABT's braking solutions can operate in any environment.

With this order, ABT braking solutions are now being used in 16 countries around the world, across all 7 continents. This order, and the recent orders for Failsafe brakes to be used by Rio Tinto in Mongolia and by Orica in Chile, is further illustration that our international distribution network allows ABT to capture business development opportunities across the globe.

Defence Industry

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

ABT has been working closely with Thales Australia during the design, prototype development and testing of a braking solution for the Hawkei vehicle. The Company is pleased to advise that the field testing of the prototype is almost complete and the results to date have been positive, with design approval expected during November. This will conclude the first stage of a two stage process, whereby 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 currently reviewing the tender documentation to determine how it is best placed to participate in the supply and manufacture of the brake in order to balance the return on investment and the supply risk associated with a defence contract of this nature.

ABT now has a competitive advantage to offer our customised design solutions services to other international specialised fleet providers including those used for military applications, humanitarian support and emergency services.

Waste Management Industry

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

ABT has been working closely with Cleanaway during the design, prototype development and testing of a hill-hold braking mechanism for skip bin trucks used within the Perth hills. The Company is pleased to

advise that the field testing of the prototype was successfully concluded during October with Cleanaway approving the brake design for fitment to the other two skip bin trucks as per the original order. With the feedback received from truck operators being very positive, the intention is to install the hill-hold solution to other selected vehicles within the Perth fleet whilst simultaneously working with Cleanaway to identify other opportunities within their national skip bin fleet.

ABT now has a competitive advantage to engage with other national waste management companies to provide safety solutions that will help protect both employees and equipment.

Civil Construction Industry

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

The Company is pleased to advise that the first 10 sets of Failsafe brakes have been successfully fitted to vehicles being used in tunnelling operations and a second order for an additional 10 sets was received in September. The value of this second order is for approximately \$160,000 which will be further supplemented by the ongoing supply of spares and consumables.

This was the second order from the joint venture, as it is intended that the entire Toyota Landcruiser fleet of approximately 30 vehicles will be fitted with Failsafe brakes. Furthermore, a separate order for Failsafe Driveline brakes was also received from the joint venture during the September quarter for installation on two different truck applications, these being the Isuzu NPS and the Mitsubishi Fuso Canter. This further demonstrates that the ABT product portfolio is suitable across a number of vehicle types.

ABT continues to have discussions with other companies involved with tunnelling projects as the cost and downtime required for brake maintenance within the tunnelling industry 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.

ABT CEO, Mr John Annand stated, "the Company has made significant progress towards the implementation of its growth strategy with further diversification of the customers, industries and geographic regions to which we supply our expanding product portfolio. Furthermore, the financial performance of the company continues to improve and it is pleasing to report to shareholders that the September quarter was both EBITDA and cash flow positive which was achieved on significantly higher product sales over the corresponding Q1 FY19 quarter and the previous Q4 FY19 quarter.

Management continue to be 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 look forward to implementing our growth strategy in a structured and disciplined manner and advising shareholders of our progress."

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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 7 continents across the globe.