

ASX RELEASE

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Operational Update

Highlights:

- **1H FY20 operating sales 32% greater than corresponding 1H FY19 period**
- **Q2 FY20 operating sales 23% greater than corresponding Q2 FY19 period**
- **Positive EBITDA result achieved for Q2 FY20, continuing the strong financial turnaround**
- **Positive cash flow from operating activities achieved for Q2 FY20**
- **Product margins continue to improve to 49% for Q2 FY20**
- **Repayment or conversion of significant debt totalling \$2.25m allows ABT to be debt free**
- **Strategy of customer and industry diversification continues to make good progress with:**
 - 1. ABT braking solutions now installed on multiple electric light vehicle platforms**
 - 2. Civil construction demand exceeds original expectations**
- **Discussions continue with Thales Australia for the production and supply of the Hawkei Project braking solution**
- **Patent portfolio strengthened**

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 position 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 strong sales result for Q2 FY20, with operating sales being \$2.04m which represents a 23% increase over the corresponding Q2 FY19 period. For the 6-month period to December 2019, the operating sales revenue for 1H FY20 of \$4.31m represents a 32% increase over the 1H FY19 result of \$3.27m.

Product sales margins for Q2 FY20 were 49%, which is an improvement on both the Q1 FY20 margin of 47% and the full FY19 product margin result of 46%.

The Company was able to achieve an unaudited positive EBITDA result of \$317k and an unaudited, before tax, net loss of \$6k for the 6-month period to 31 December 2019. Both of these results highlight that the Company has been able to continue the strong financial turnaround that first commenced back

in February 2019 which has placed the Company in a solid financial position to allow it to capitalise on the numerous growth opportunities that it has in front of it.

For more information please refer the Appendix 4C released to the ASX on 31 January 2020.

Debt Management

During Q2 FY20, the Company was able to significantly reduce its debt levels through the repayment or conversion of \$2.25 million of borrowings.

During December 2019, the Company repaid the R&D prepayment loan facility of \$620k to R&D Capital Partners Pty Ltd, following the receipt of the ATO R&D tax incentive refund of approximately \$689k. For further details please refer to the ASX announcement dated 5 December 2019.

During the quarter, the Company's convertible notes totalling \$1.631m, that were due to mature on 31 December 2019, were extinguished by the conversion of \$1.624m through the issue of 81,243,334 shares at \$0.02 per share and \$0.007m of the notes were repaid to a note holder in cash. For further details please refer to the ASX announcement dated 11 December 2019.

With the repayment of the R&D prepayment loan facility and the extinguishment of the convertible notes, the Company is, with the exception of some minor equipment leases, now debt free.

Electric Light Vehicle trials

The use of electric vehicles within the global mining industry continues to gather pace and ABT is actively engaged with the developers of this emerging technology.

ABT has aligned itself with a number of providers of electric light vehicles to the global mining industry and our brakes are now installed on multiple electric vehicle platforms around the world which are either being demonstrated or trialled within various mine site environments in Australia, Europe, Canada and South Africa.

As the adoption of electric light vehicle technology within the mining industry increases, ABT is well positioned to participate in this growth market with multiple providers of electric light vehicle technology now incorporating our brakes into their vehicle platforms.

The electric light vehicle market remains a key growth opportunity for the Company for FY20 and beyond as the technology is adopted by the major miners over the coming years.

Civil Construction

In June 2019 the Company received an initial order for 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 since that initial order, additional orders have been received from the joint venture, resulting in the total number of kits supplied or ordered now exceeding the original demand forecast. To date, orders for the civil construction industry now exceed \$650k which will be further supplemented by the ongoing supply of spares and consumables.

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.

With future tunnelling projects already announced in a number of Australian cities, and with infrastructure spend on the increase across numerous mega-projects, ABT sees the civil construction industry as an exciting growth opportunity for the company.

Defence

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 field testing of the prototype is now complete and the results to date have been positive, with final design approval now provided by Thales Australia. The approved design includes background intellectual property developed by ABT. This concludes the first stage of a two-stage process.

Following the successful design and testing of a prototype (Phase 1), ABT was 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).

Discussions between ABT and Thales Australia regarding different supply options for Phase 2 are continuing.

Patent portfolio protection

As part of ABT's strategy to continuously innovate and improve its product portfolio, the Company has filed formal patent protection for its Terra Dura sealed disc brake technology. For more information please refer the ASX announcement dated 16 December 2019.

The Company is already successfully using existing Terra Dura sealed brake technology within the mining industry. With the design evolution being the subject of the new patent, we believe that the technology can also be incorporated into transport solutions of the future, not only within mining but within any industry where the protection of the environment and the safety of people and equipment are paramount.

The Company believes that a sealed disc brake mechanism has a number of advantages over traditional disc brake mechanisms for the following reasons:

1. prevents brake particle emissions being released to the atmosphere by protecting the external environment from the internal contaminants;
2. protects the internal environment from any external contaminants which cause premature wear of the braking components, which consequentially leads to improved safety, braking performance and extends the life of the brakes;
3. provides an enclosed environment which improves brake management and reduces risk through controlling the variables to which the brake system is exposed; and
4. reduces the Total Cost of Ownership for shared, electric, autonomous and commercial fleet operators.

With the recent filing of the patent, the Company will now be looking to collaborate with other brake industry and transport professionals in developing solutions that will help create sustainable transport solutions of the future.

Terra Dura market

The improved product sales in H1 FY20 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. However, it should also be noted that after a period of operational use, customers have placed additional orders for Terra Dura following the design upgrade, which confirms the design changes have been successful and the product provides an operational and cost advantage over standard brakes.

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 Australian Design Rules (ADR) approval process is about to commence on Terra Dura for the Toyota Hilux and is expected to be concluded during February. This ADR approval process will be followed shortly thereafter by Terra Dura for the Isuzu D-MAX.

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 in the addressable market for Terra Dura, both here in Australia and in the major mining provinces around the world.

In addition to mining, with the patent protection now in place for Terra Dura, we believe that this sealed brake technology has the potential to contribute to the development of sustainable braking solutions for use in on-highway vehicles in markets where the environmental concerns regarding braking emissions are well understood. Also, Terra Dura has the potential to decrease the Total Cost of Ownership for shared, electric, autonomous and commercial fleet operators that are developing sustainable transport solutions of the future. These global markets will become a focus for ABT in FY20 and beyond.

ABT CEO, Mr John Annand stated, "the Company continues to make significant progress towards the implementation of its growth strategy. This has been greatly assisted by the recent repayment or conversion of debt, which means ABT is now debt free. This, in conjunction with the Company being able to achieve a positive EBITDA result for each of the last three quarters, now places the Company in a much stronger financial position in which to pursue the numerous growth opportunities in front of it.

It is pleasing to report to shareholders that our strategy to diversify our customer base and the industries to which we provide our products has assisted in achieving the result for the 6-month period to December. This period was both EBITDA and cash flow positive from operating activities which was achieved on significantly higher product sales over the corresponding 1H FY19.

Management continue to be excited about the future opportunities of our suite of products, as we look to further diversify our customers and the industries to which we provide our innovative braking solutions.

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.