

Appendix 4D

Half year report

Name of Entity:	Advanced Braking Technology Ltd
ABN:	66 099 107 623
Reporting period:	Half-year ended 31 December 2019
Previous corresponding period:	Half-year ended 31 December 2018

Results for announcement to the market

			31 December 2019 \$A'000	31 December 2018 \$A'000
Revenue from ordinary activities	up	26%	4,632	3,672
(Loss) from ordinary activities after income tax attributable to members	down	99.5%	(6)	(1,199)
Net (loss) for the period attributable to members	down	99.5%	(6)	(1,199)
Dividends No dividends have been declared for the half-year ended 31 December 2019 or for the previous corresponding period.				

Net tangible assets	31 December 2019 cents	31 December 2018 cents
Net tangible asset backing per ordinary share	0.66	0.60

This information should be read in conjunction with the 2019 Annual Report and the Half Year Report for the period ended 31 December 2019.

Highlights

The highlights for the half-year to 31 December 2019 and subsequent period to this report include:

- Operating revenue of \$4.31M and gross margin of 46% for the half year to 31 December 2019.
- Gross margin of 46%, an improvement on the prior corresponding period of 39%, representing a 19% increase.
- Strong financial turnaround achieved with improved sales and margins, in conjunction with a reduction in costs, contributing to an after tax, net loss for the half-year of \$0.006M, in addition to being cash flow positive from operating activities for the half-year.
- Strategy of customer and industry diversification continues to make good progress with sales made into both Chile and Antarctica for the first time during the period, in addition to further sales being made into the civil construction, waste management and the electric light vehicle market for use within the mining industry.
- Repayment or conversion of significant debt totalling \$2.25M allows the Company to become substantially debt free.
- Patent portfolio further strengthened by the filing of a provisional patent for the Terra Dura sealed disc brake technology.

Financial Performance

Revenue from continuing operations for the first half of FY20 was \$4.31M (FY19 \$3.28M), representing a 32% increase on the corresponding period for FY19. The Company has maintained a focus on operational efficiencies and achieved a gross margin of 46%, representing a 19% increase in margin from the corresponding period for FY19.

Expenses for the first half of FY20 totalled \$2.32M (FY19 \$2.87M), representing a 19% decrease in expenses compared to the prior year. This cost saving, together with improved margins has resulted in an after tax, net loss for the half-year of \$0.006M.

Operations

During the period the Company observed strong sales performance of its core product, Failsafe, with December year-to-date product sales being materially higher than the prior period.

Operating revenue of \$4.31M for the period was predominantly made up of Failsafe sales. Failsafe continues to remain a key product within our product portfolio and with further diversification of both customers and industries, is expected to achieve further sales growth in the future.

The Terra Dura product contributed to sales during the period, however with the sales focus being on Failsafe, Terra Dura has not yet achieved the sales growth that it is capable of, primarily because the product continues to be refined in order to meet customer requirements. With work being undertaken to finalise a metal housing and to increase the vehicle applications to which Terra Dura can be fitted, including the Toyota Hilux and Isuzu D-MAX in the near future, the addressable market for Terra Dura remains largely untapped.

During the period the strategic initiative to diversify continued. This strategy resulted in diversification of products, customers, industries and geographic regions which has helped the Company mitigate the risk of being solely dependent on customers within the mining industry. This strategy has allowed the Company to generate revenue from the civil construction, defence and waste management industries, and with the recent supply of product into both Chile and Antarctica means ABT products can now be found in all 7 continents.

In order to continuously innovate and improve its product portfolio, during the period the Company filed formal patent protection for the Terra Dura sealed disc brake technology. The Company is already successfully using existing Terra Dura technology within the mining industry, however with the design evolution now undertaken, the Company believes that the technology can 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.

In addition to product development and sales the Company continues to work on the intangible aspects of the business including corporate culture, systems and processes and stakeholder management, all of which improves business performance and creates the foundation to allow the Company to implement its growth strategy.

Outlook

The outlook for ABT remains positive as we continue to build the financial performance and foundations of the Company in order to successfully implement our growth strategy and pursue the numerous opportunities that it has in front of it.

Our strategy of diversification will continue as we look to increase our product portfolio to allow the Company further growth opportunities with new customers, industries and the geographic regions to which we supply.

Failsafe will continue to be our core product in the near term, but this will be further supplemented by Terra Dura following the finalisation of the metal cover design and increasing the vehicle applications in which it can be used.

The short to medium term market for Terra Dura will remain in mining. However, given the sealed brake technology that has been designed and patented, we believe there will be opportunities for this technology to be used in on-highway applications in the future in markets where the environmental impact of brake dust emissions are well understood and where sustainable transport solutions of the future are being developed.

We believe the technology developed by ABT can assist in creating sustainable braking solutions of the future and it is with this technology that the Company plans to become known within the global braking industry in the near future.

Separately, as we look to grow the business through organic growth, the Company will also continue to investigate opportunities that will allow it to achieve size and significantly upscale the business through either acquisitions, strategic partnerships or joint ventures.

Corporate

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

In September 2019, the Company drew down on the second tranche of the R&D prepayment loan facility with R&D Capital Partners Pty Ltd, in the amount of \$200k. The short-term facility had a limit of \$620k, with the first draw down of \$420k occurring in April 2019. During December 2019, the Company repaid the R&D prepayment loan facility of \$620,000 to R&D Capital Partners Pty Ltd, following the receipt of the ATO R&D tax incentive refund of approximately \$689,000.

During November and December 2019, 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.

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.

During October 2019, Ms Paige Exley was appointed as the Company's Chief Financial Officer.

Details of entities over which control has been gained or lost

There were no entities over which control was gained or lost during the period.

Details of associates and joint ventures

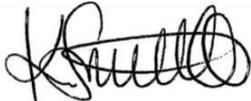
Not applicable. The Company has not engaged in the acquisition of associates nor has it engaged in joint ventures in the half year ended 31 December 2019.

Accounting Standards

The information compiled in this report has been prepared on using the Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's review report

This report is based on the financial statements for the half year ended 31 December 2019. The financial statements have been subject to a review by an independent auditor, Moore Stephens and the review is not subject to qualification.



Sign here: Company secretary

Date: 25 February 2020

Print name: Kaitlin Smith