

ASX RELEASE

30 April 2020

ASX code: ABV

Operational Update

Highlights:

- **YTD FY20 operating sales 29% greater than corresponding FY19 period**
- **Q3 FY20 operating sales 23% greater than corresponding Q3 FY19 period**
- **Positive EBITDA result achieved for Q3 FY20 means the company has had 4 consecutive positive EBITDA quarters in a row**
- **Product margins continue to remain steady**
- **Despite COVID-19 business operations continue to function effectively, with operations to be adjusted should demand slow**
- **Discussions continue with Thales Australia for the production and supply of the Hawkei Project braking solution**
- **Terra Dura for Toyota Hilux ADR testing completed, awaiting formal approval**
- **New product development receives positive market reception**
- **Diversification of customers and industries continues to make good progress**
- **ABT collaborates with RMIT to undertake sealed brake studies**

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 continued to gather momentum as it continuously pursues opportunities that have resulted in product, customer and industry diversification.

As momentum continues to build, the Company is well paced 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 Q3 FY20, with operating sales being \$1.92m which represents a 23% increase over the corresponding Q3 FY19 period. For the 9-month period to March 2020, the operating sales revenue of \$6.22m represents a 29% increase over the corresponding FY19 result of \$4.83m.

Product sales margins for Q3 FY20 were 47%, which is consistent with the margins achieved in 1H FY20 of 48%. The FY20 YTD product margin remains consistent at 48% but is an improvement on the full FY19 product margin result of 46%.

The strong sales and steady product margins for Q3 FY20 has resulted in another positive EBIDTA result, which means the Company has been able to achieve a positive EBITDA result for each of the last 4 quarters. 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.

The Company was able to achieve an unaudited positive EBITDA result of \$384k and an unaudited small net loss of \$19k for the 9-month period to March 2020. 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 stronger position to allow it to capitalise on the numerous market opportunities that it has in front of it.

COVID-19

ABT reiterates its previous communication to shareholders on 7 April 2020 whereby business operations continue to function effectively and service levels are being maintained. Contingency planning has been undertaken and ABT will continue to review and adjust our business continuity measures as the situation evolves.

At present, our supply chain continues to function as per our business requirements. Current travel restrictions are not adversely impacting supply and delivery of products which has ensured the continuity of business operations without compromising the supply of products to our customers, both here in Australia and internationally, during this period of disruption.

ABT maintains a disciplined approach to costs and this will continue to be the focus of the business in these uncertain economic times.

The Company's primary customer base remains within the mining and civil construction industries which to-date continue to operate during this challenging period. However, Q4 FY20 sales may be impacted should customers in any industry to which we provide our braking solutions defer capital expenditure over the coming months.

The Company has already benefited from the financial assistance measures provided by both the Federal and Western Australia state governments to help protect both the business and its employees and will seek to utilise additional government assistance should it become eligible. ABT is continually reviewing the situation and will amend its business operations to reflect the changing operating environment.

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 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.

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 Phase 2 are continuing.

ADR approval

The Australian Design Rules (ADR) approval process commenced as planned in February 2020 for Terra Dura for the Toyota Hilux.

The testing phase was successfully completed and all required documentation has been submitted to the Department of Transport for formal ADR approval which is expected to be received during Q4 FY20.

The receipt of ADR approval will allow the Company to actively market Terra Dura for the Toyota Hilux both here in Australia and in the major mining provinces around the world.

Product Development

During the quarter, the Company continued to diversify its product portfolio through the development of an emergency driveline brake for use on light duty vehicles. This product provides a fail-to-safe emergency mechanism on light duty vehicles where the customer does not have a requirement for an enclosed wheel-end failsafe braking solution.

As an innovative brake solution provider, the emergency driveline brake was designed and developed by ABT to meet a customer's specific requirements using existing Intellectual Property. Initial trials of this new product have been successful and the Company is encouraged by the positive feedback received to date. Based on this feedback, ABT has already engaged with other customers who have a requirement for a fail-to-safe emergency solution but the less harsh operating conditions do not require an enclosed wheel-end solution.

The development of this new emergency driveline brake further demonstrates the implementation of the Company's strategy to diversify its product offering in order to broaden the addressable markets into which our products can be sold. Furthermore, this product development is being guided by the European Union requirement to have autonomous emergency braking for new cars and light commercial vehicles from 2022, which is expected to be adopted by other markets around the world.

Customer and industry diversification

ABT continues to make good progress in implementing its strategic objective of diversifying both its customer base and the industries to which it provides braking solutions. New mining customers since January 2020 include Fortescue Metals Group and Newmont's Tanami operations. In addition, Scania Australia as a OEM for trucks to be used within mining and John Holland within the civil construction industry are new customers of ABT, and discussions with interested parties within the rail support and maintenance industry are progressing.

The Company is also encouraged by early stage enquiries about our braking solutions received from international companies involved in autonomous and electric vehicles.

Collaboration with RMIT

ABT is collaborating with leading Australian research university, RMIT University (RMIT) to undertake abrasion and vibration studies on the Terra Dura braking solution. The outcome of these studies will be used to maximise the performance potential of ABT's sealed braking solution in on-highway applications in addition to the current off-highway mining market.

The Company will collaborate with the RMIT School of Engineering to conduct two separate studies, these being to:

- investigate optimum outer cover material options; and
- undertake vibration analysis of the sealed braking system.

The findings from these studies will allow ABT to ensure that material selection has been optimised to suit the broadest possible applications and environments and to study and understand the effects that vibration has on the brake assembly and its components over an extended period.

Both studies will be conducted at RMIT's state of the art material testing laboratory and the dynamics and NVH (noise, vibration, harshness) labs at the Bundoora campus. The costs of the studies will be shared by ABT and the RMIT School of Engineering through its research and development budget with ABT's contribution only being a brake assembly and outer covers.

Director of Sales and Marketing

During the quarter, Geoff Lewis, the previous Director of Sales departed ABT to pursue other opportunities. Geoff's decision to depart ABT was prior to COVID-19. The Company is very grateful for Geoff's contribution during his tenure and we wish him all the best in his future endeavours.

The recruitment process for a replacement Director of Sales and Marketing is well advanced and is anticipated to be concluded in the near future.

ABT CEO, Mr John Annand stated, "the Company continues to build momentum as it implements its growth strategy through the continued diversification of its products, customers and the industries to which we provide our innovative braking solutions. This in conjunction with the Company being able to achieve a positive EBITDA result for each of the last four quarters, now places the Company in a stronger position in which to pursue the numerous growth opportunities in front of it.

Directors and management are very cognisant of the potential impacts of COVID-19 on the business and we are continuously monitoring both customer activity and our supply chain to determine any material impacts on the Company. ABT is continually reviewing the situation and will amend our business operations to reflect the changing operating environment.

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

This release is authorised by the Board of Directors.

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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.