

+Rule 4.7B

Appendix 4C
Quarterly report – Quarter Ended 31 December 2018
(Quarter 2)

Advanced Braking Technology Ltd

ABN 66 099 107 623

ASX Code ABV

SYNOPSIS

1 Cash Balance

Cash balance as at 31 December 2018 - \$1.027m

2 Net cash from operating activities – 1 October to 31 December 2018

Net cash from operating activities for the quarter was a deficit of \$1.318m.

Net cash across all activities for the quarter was a deficit of \$838k.

During the quarter, convertible notes of \$1.16m matured and the Company secured commitments to further extend \$898k of the notes to a maturity date to 30 June 2019 with a coupon rate of 15%. Following the end of the quarter, \$265k of matured convertible notes were repaid to note holders and new convertible notes totalling \$234k were issued on the same terms as the convertible notes were extended during the quarter.

The Company also entered into a \$500k loan facility with Director, David Slack, of which \$500k was drawn at the end of December 2018. The loan is repayable by 30 June 2019 with interest of 15% payable per annum. Subject to shareholder approval, the loan will be converted into a convertible note, on the same terms as the convertible notes were extended during the quarter.

Costs associated with the production of Terra Dura have increased cash outflows during the quarter and primarily relate to inventory accumulation. There were also a number of one-off payments made during the quarter relating to staff changes.

3 Company Update

During the quarter the Company observed solid performance of its core business product, the fourth generation of its proven Failsafe and Failsafe Emergency brake range, with December year-to-date Product Sales being consistent with PY.

As previously reported, during the quarter the decision was made to undertake a redesign of the Terra Dura product. A broad range of domestic and global customers had been trialling Terra Dura brakes over a number of months. Several of those trials were concluded successfully, however in trials under extreme mining conditions difficulties with the polymer housing design were experienced.

The Company has already commenced a design upgrade of Terra Dura that will allow greater performance in all extreme conditions, and particularly extremely harsh mining applications. The launch date for the redesign will be confirmed upon finalisation of the design changes and will follow comprehensive testing in harsh mining conditions. In the interim, existing Terra Dura customers will continue to be supported by the Company.

The Company wishes to confirm that the market demand for Terra Dura remains unchanged and substantial. Until Terra Dura is re-released to the market, the Company will continue to focus on sales of its proven and trusted Failsafe brakes.

During the quarter, the company undertook an organisational review which has resulted in both the leadership team being strengthened and the identification of cost saving initiatives which will result in a reduction of corporate overhead. As a result of this organisational review, John Annand was appointed Chief Executive Officer and the engineering capabilities of the Company were significantly strengthened with the appointment of Tony Van Litsenborgh as Engineering Manager. The appointment of Mr Litsenborgh brings to the Company an engineering discipline that will ensure the efficient and effective product design, development and release to market of future ABT braking and associated product solutions.

With these appointments, the Company is now well placed to achieve its ambitious growth strategy capitalising on ABT's core Failsafe product range whilst at the same time undertaking the redesign of the Terra Dura product which will address the needs of a substantial Australian and global market.

The cost saving initiatives referred to above have commenced and will continue into the current quarter. Once this program is completed the Company will inform the market of the cost savings achieved in our endeavour to returning to a cash neutral position.

In parallel to the existing product range opportunities, the Company is in early stage discussions with a number of potential customers regarding providing innovative braking solutions for non-mining applications. In addition, with the objective of achieving the Company's growth strategy, a key strategic initiative is being implemented to identify strategic partners and opportunities that will significantly upscale the business.

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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")

31 DECEMBER 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities*			
1.1 Receipts from customers		2,044	3,655
1.2 Payments for			
(a) research and development		115	(70)
(b) product manufacturing and operating costs		(1,693)	(2,604)
(c) advertising and marketing		(8)	(25)
(d) leased assets		(6)	(13)
(e) staff costs		(1,026)	(1,544)
(f) administration and corporate costs		(719)	(1,030)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		(1)	1
1.5 Interest and other costs of finance paid		(24)	(78)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	838
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(1,318)	(870)

* During the quarter, some expenditure has been reclassified from one operating activity to another which has resulted in an apparent inflow for 1.2(a) research and development, as well as some costs appearing inconsistent with the previous quarter.

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(20)	(84)
	(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	(20)	(84)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,483
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	-	(29)
3.5	Proceeds from borrowings	500	-
3.6	Repayment of borrowings	-	(600)
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	500	854

	Current quarter \$A'000	Year to date (6 months) \$A'000
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	1,865	627
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,318)	448
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(20)	(64)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	500	854
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	1,027	1,865

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	1,015	620
5.2 Call deposits	-	1,183
5.3 Bank overdrafts	-	-
5.4 Other (term deposit)	12	62
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,027	1,865

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	66
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 Directors Fees and superannuation	

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	31
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 Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company. Provision of legal services from RB Flinders, a company associated with a director of the company.	

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	500	500
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. The loan facility referred to at 8.1 is an arm's length related party loan from director, David Slack, provided on similar terms as the recent convertible note issue. The loan is repayable by 30 June 2019 with 15% interest payable per annum. The Company expects that the loan will become a convertible note, subject to shareholder approval. The only facility under 8.2 above 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. The interest rate for the NAB Invoice Finance Facility is currently 7.93%.		

9.	Estimated cash outflows for next quarter	\$A'000
9.11	Research and development	(50)
9.12	Product manufacturing and operating costs	(940)
9.13	Advertising and marketing	(8)
9.14	Leased assets	(7)
9.15	Staff costs	(714)
9.16	Administration and corporate costs	(515)
9.17	Other (provide details if material)	
	Interest and other costs of finance paid	(28)
	Payments to acquire property, plant and equipment	(5)
9.19	Total estimated cash outflows	(2,267)

9.2	Estimated cash inflows next quarter	\$A'000
9.21	Receipts from customers	1,816
9.22	Government grants and tax incentives	-
9.23	Interest received	1
9.24	Other	
	Proceeds from the disposal of property, plant and equipment	-
9.29	Total estimated cash inflows	1,817

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 31 January 2019

Print name: Kaitlin Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. External audit review of the half-year financials is in progress and scheduled for finalisation in late February 2018.