

ASX RELEASE

30 April 2019

March 2019 Quarterly Report and Appendix 4C

Highlights:

- Cost saving initiatives of ~ \$800k create positive impact on cash flow
- Terra Dura re-design progressing well with sales to existing customers imminent
- Solid YTD sales performance of Failsafe brakes continue to support cash flow
- Key Executive Appointment to Sales Director role

Advanced Braking Technology Limited (ASX: ABV) ('ABT' or 'the Company') advises that the group cash position as at 31 March 2019 was \$360k. Net trade receivables as at the same date were \$213k.

Net cash flows from operating activities for the period 1 January 2019 to 31 March 2019 was a deficit of \$634k. Net cash flows across all activities for the quarter was a deficit of \$667k.

Post quarter-end the Company has entered into a R&D prepayment loan facility with R&D Capital Partners Pty Ltd. This short-term loan facility has a limit of \$620k, the first \$420k of which has already been drawn down by the Company, with the remaining \$200k available as a second drawdown if required. This loan will be repaid upon receipt of the 2019 R&D claim under the R&D Tax Incentive from the ATO. For further details please refer to the ASX announcement dated 24 April 2019.

During the quarter, and subsequent to the maturity of convertible notes on 23 December 2018, \$265k of matured convertible notes were repaid to note holders. New convertible notes totalling \$234k were issued on 15 January 2019. For further details please refer to the ASX announcement dated 15 January 2019.

Operations

During the quarter the Company observed solid performance of its core product, the fourth generation of its proven Failsafe brake range. March 2019 year-to-date Product Sales of \$4.8m are within 90% of the prior year results for the same period of \$5.3m. With a renewed sales focus on the Failsafe range of products it is anticipated that sales of Failsafe will remain solid in the current quarter.

The Company's cost saving initiatives continued during the quarter and now total approximately \$800k on an annualised basis. The full impact of these cost savings will be felt in the current and future quarters. However, they have already contributed to a reduction in the quarterly cash deficit from \$838k in the December 2018 quarter to a deficit of \$667k in the March 2019 quarter. The resulting reduced corporate overhead will continue to have a positive impact on cash flow in the current quarter. This combined with a new sales strategy to increase sales in the short to medium term will assist with our endeavour to returning the Company to a cash neutral position at the earliest opportunity.

Engineering

The re-design of Terra Dura has made significant progress during the March quarter, which will allow the Company to resume sales to selected existing Terra Dura customers in the current quarter. Design enhancements from the previous version include an improved sealing mechanism, which will contribute to better protection of the internals of the brake as well as significantly improving the ease of installation and maintenance by end users.

Results from the extensive in-house testing undertaken have demonstrated that with regular maintenance by the end-user Terra Dura can continue to be sold with a polymer cover when used in certain mine environments. The polymer cover will be sold to customers as a consumable item.

The Company is encouraged by the number of enquiries received regarding the re-release of Terra Dura, which highlights that demand remains strong. This has contributed to the decision to return the product for sale to selected customers. Feedback from these selected customers should then allow the Company to market Terra Dura with the polymer cover to a broader range of customers, both in Australia and internationally.

Sales of Terra Dura in the near term will assist with cash flow and will allow the Company to utilise existing inventory. Existing Terra Dura customers have continued to be supported with the sale of spares and consumables during the re-design process.

The re-design process is continuing and is expected to result in an alternative, more durable outer metal cover that has been designed after comprehensive testing, which simulated real-life mine site conditions. The metal cover would be appropriate in those conditions that would be considered too harsh for the polymer cover.

The metal cover version of Terra Dura is expected to be available for sale to both the Australian and international markets in the latter part of calendar year 2019. The current version of Terra Dura, if required, then can retrospectively be fitted with a metal cover.

Corporate

The Company made a key executive appointment with Geoff Lewis joining the Company in the role of Sales Director during the quarter. The appointment of Mr Lewis completes the executive changes made following the organisational review undertaken in late 2018 and follows the appointments of John Annand as Chief Executive Officer and Tony Van Litsenborgh as Engineering Manager. With these changes implemented, the leadership team is now all centrally located in the Company's Perth premises.

Mr Lewis brings significant sales and business development experience to the role of Sales Director gained in executive roles within the steel, hydraulic hose and ship construction industries. His most recent role was as Sales Director / Business Area Manager (Asia Pacific) for Swedish Steel (SSAB). In this role Mr Lewis had full regional responsibility for the SSAB Services business unit in the Asia Pacific region including development of the sales and distribution networks, with a strong focus on clients in the Australian and Asian mining industries.

With the executive team changes being finalised, the Company is now well placed to achieve its ambitious growth strategy capitalising on ABT's core Failsafe product range whilst undertaking the re-design of the Terra Dura product, which will address the needs of a substantial Australian and global market. In addition, the change in the executive team has already resulted in discussions with other potential customers about providing innovative braking solutions for non-mining applications, which may lead to diversification outside of the mining industry and our current product range.

With the objective of achieving the Company's ambitious growth strategy, a key initiative is being implemented to identify strategic partners and opportunities that will significantly upscale the business. Grange Consulting was appointed during the quarter to help identify merger, acquisition or partnering opportunities. This process has commenced and will continue into the current quarter.

Business Development

It is encouraging to note that the Company has been approached by a number of diverse companies from various industries, both in Australia and internationally, seeking assistance with the development of innovative braking solutions. These discussions are still preliminary in nature, but it does align with our corporate strategy of seeking both industry and product diversification. The Company will advise the market accordingly should these discussions develop to being contractual in nature.

During the quarter the Company also learnt that its Failsafe product is being used on the Voltra eCruiser, an 100% electric drive Landcruiser 79 Series that is currently being trialled at BHP's Olympic Dam. The vehicle has been fitted out with all mine specification equipment including ABT's Failsafe brakes. During the 12-month trial it is hoped that BHP will prove the benefits of zero harmful emissions underground, as well as increased fleet availability and a saving on maintenance and operational costs.

ABT's Failsafe brakes are already used on the Olympic Dam site on conventional Landcruisers. However, the use of our product on leading edge technology demonstrates that our products are seen as part of the solution for both the environmental and safety concerns being addressed by BHP. In addition to the environmental and safety benefits, the use of Failsafe brakes will assist with reduced maintenance and operational costs of the Voltra eCruiser.

During the quarter an initial order for two Failsafe Emergency driveline brake kits were fitted in Mongolia to a new truck application - the Mercedes Benz Actros. This truck will be used underground at the Rio Tinto Oyu Tolgoi copper and gold mine, which has a resource in place that could see production sustained for many decades. This was a new application for ABT brakes that required an innovative braking solution to an existing brake application. Use of the Mercedes Benz Actros within the Oyu Tolgoi mine has the potential to increase in the short to near term that may lead to additional brake orders being placed with ABT.

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For further information, please contact:

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About Advanced Braking Technology

Advanced Braking Technology Ltd (ABT) is an Australian company listed on the Australian Stock Exchange (ASX: ABV) focusing on the development, manufacturing and marketing of high performance brakes to the automotive, transport and mining industry. This incorporates the internationally patented sealed integrated brake technology, as used in the ABT Failsafe product range and the new Terra Dura[®] polymer brake. The Company has manufacturing bases in Australia with its Head Office in Perth.

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 MARCH 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,460	5,097
1.2	Payments for		
	(a) research and development	(9)	(152)
	(b) product manufacturing and operating costs	(938)	(3,403)
	(c) advertising and marketing	-	(25)
	(d) leased assets	(4)	(17)
	(e) staff costs	(676)	(2,221)
	(f) administration and corporate costs	(441)	(1,410)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(26)	(104)
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	(634)	(1,396)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1)	(124)
	(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	(1)	(124)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,483
3.2	Proceeds from issue of convertible notes	234	234
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(98)
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 – Payments for redeemed convertible notes	(266)	(266)
3.10	Net cash from / (used in) financing activities	(32)	1,253

	Current quarter \$A'000	Year to date (9 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	1,027	627
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(634)	(1,396)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(124)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(32)	1,253
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	360	360

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	348	1,015
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (term deposit)	12	12
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	360	1,027

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	53
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	-
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 Not applicable.	

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 7.88%. Post quarter-end a R&D prepayment loan facility was entered into with R&D Capital Partners Pty Ltd. The loan facility has a limit of \$620,000, the first \$420,000 of which has been drawn down, with the remaining \$200,000 available as a second draw down if required. The loan is repayable upon receipt of the 2019 R&D claim under the R&D Tax Incentive from the ATO, or 30th November 2019, whichever occurs first. The interest rate is 1.25% per month on amounts drawn. The lender has a primary security interest of the present and after acquired property of Advanced Braking Pty Ltd. The company has Convertible Notes maturing on 30 June 2019. Should any of these notes be redeemed for cash at maturity, payment will occur within 5 business days.		

9. Estimated cash outflows for next quarter	\$A'000
9.11 Research and development	(10)
9.12 Product manufacturing and operating costs	(900)
9.13 Advertising and marketing	(10)
9.14 Leased assets	(7)
9.15 Staff costs	(600)
9.16 Administration and corporate costs	(470)
9.17 Other (provide details if material)	
Interest and other costs of finance paid	(96)
Payments to acquire property, plant and equipment	(5)
9.19 Total estimated cash outflows	(2,098)

9.2 Estimated cash inflows next quarter	\$A'000
9.21 Receipts from customers	1,800
9.22 Government grants and tax incentives	-
9.23 Interest received	1
9.24 Other	
Proceeds from the disposal of property, plant and equipment	-
Draw down of R&D prepayment loan	420
9.29 Total estimated cash inflows	2,221

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: 30 April 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.