

ASX RELEASE

31 January 2020

ASX code: ABV

Appendix 4C – Quarterly Report

Highlights:

- **Positive operating cash flow achieved for Q2 FY20**
- **Repayment or conversion of significant debt totalling \$2.25m**
- **Q2 FY20 operating sales 23% greater than corresponding Q2 FY19 period**
- **1H FY20 operating sales 32% greater than corresponding 1H FY19 period**
- **Positive EBITDA and minor, unaudited before tax, net loss result achieved for H1 FY20, continuing the strong financial turnaround**

Advanced Braking Technology Limited (ASX: ABV) ('ABT' or 'the Company') is pleased to advise that the ABT Group had a cash position of \$0.84m at 31 December 2019. Net cash flows from operating activities for the quarter was a positive inflow of \$383k, with net cash flows across all activities being an outflow of \$236k.

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. 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 during the quarter, the Company is, with the exception of some minor equipment leases, now debt free.

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.

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 strong sales and improved product margins for Q2 FY20 has resulted in another positive EBITDA result, which now means the Company has been able to achieve a positive EBITDA result for each of the last 3 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 \$317k and an unaudited, before tax, small 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 market opportunities that it has in front of it.

Related Party payments during the quarter

During in the quarter, the ABT Group made payments to related parties or associates of related parties, totalling approximately \$100,000. These payments were for the following purposes:

- a) Non-Executive directors fees and superannuation - \$54k
- b) Reimbursement of director expenses - \$6k
- c) Provision of legal services from RB Flinders, a company associated with a director of the company - \$3k
- d) Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company - \$18k
- e) Quarterly interest paid at 15%pa to a related party for convertible notes with a face value of \$500,000 - \$19k. The convertible notes were converted to shares during the quarter.

- ENDS -

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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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ADVANCED BRAKING TECHNOLOGY LTD

ABN

66 099 107 623

Quarter ended ("current quarter")

31 DECEMBER 2019

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	2,311	4,853
1.2 Payments for		
(a) research and development	(9)	(29)
(b) product manufacturing and operating costs	(1,604)	(2,843)
(c) advertising and marketing	(5)	(7)
(d) leased assets	(15)	(73)
(e) staff costs	(537)	(1,098)
(f) administration and corporate costs	(357)	(767)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(91)	(183)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	689	689
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	383	544
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(14)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	31	79
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	29	65

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	214
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(16)	(48)
3.5	Proceeds from borrowings	-	200
3.6	Repayment of borrowings	(620)	(620)
3.7	Transaction costs related to loans and borrowings	(5)	(10)
3.8	Dividends paid	-	-
3.9	Other (Repayment of convertible debt)	(7)	(221)
3.10	Net cash from / (used in) financing activities	(648)	(485)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,076	716
4.2	Net cash from / (used in) operating activities (item 1.9 above)	383	544
4.3	Net cash from / (used in) investing activities (item 2.6 above)	29	65

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(648)	(485)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	840	840

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	799	1,035
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	41	41
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	840	1,076

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

81

19

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

- 6.1 a) Non-Executive directors fees and superannuation - \$54k
b) Reimbursement of director expenses - \$6k
c) Provision of legal services from RB Flinders, a company associated with a director of the company - \$3k
d) Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company - \$18k
- 6.2 Quarterly interest paid at 15%pa to a related party for convertible notes with a face value of \$500,000 - \$19k. The convertible notes were converted to shares during the quarter.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	500	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	-

7.5 **Unused financing facilities available at quarter end** 500

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The facility at 7.2 above is a NAB Invoice Finance Facility, which 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 by a general security over the assets of the Company. This facility been in place since 2013. The interest rate for the NAB Invoice Finance Facility is currently 6.11%.

Other Arrangements

The Company has two other finance arrangements that it does not consider financing facilities, as funds are not able to be drawn upon for working capital. The details of the arrangements totalling approximately \$92k are below.

The Company has an unsecured finance arrangement for the Company's annual insurance premiums with Attvest Finance Pty Ltd. The amount outstanding for the remaining period of the arrangement, being 5 months, is \$65,800. The interest rate of the funding is approximately 4.35% pa.

The Company has a secured vehicle finance arrangement with Toyota Finance Australia Limited for the purchase of a Toyota Hilux, at an interest rate of 5.43%. The outstanding balance for the remaining period of the arrangement, being 2 years, is \$26,700.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	383
8.2 Cash and cash equivalents at quarter end (Item 4.6)	840
8.3 Unused finance facilities available at quarter end (Item 7.5)	500
8.4 Total available funding (Item 8.2 + Item 8.3)	1,340
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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.

Date: 31 January 2020

Authorised by: By the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.