



**ADVANCED BRAKING TECHNOLOGY LTD
AND CONTROLLED ENTITIES**

ABN 66 099 107 623

HALF-YEAR REPORT

31 DECEMBER 2019

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CORPORATE DIRECTORY

Directors

Dagmar Parsons
David Slack
Adam Levine
Mark Lindh

Chief Executive Officer

John Annand

Chief Financial Officer

Paige Exley

Company Secretary

Kaitlin Smith

Registered Office

19 Creative Street
Wangara, WA 6065
Telephone +61 8 1800 317 543
Telephone: + 61 8 9302 1922

Auditors

Moore Stephens
Level 15, Exchange Tower
2 The Esplanade
Perth, WA, 6000

ASX Home Branch

Australian Securities Exchange (ASX)
Level 40, Central Park
152-158 St George's Terrace
Perth, WA, 6000

Bankers

National Australia Bank Ltd
12/100 St Georges Terrace
Perth, WA, 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, WA, 6000
Telephone: + 61 8 9323 2000
Facsimile: + 61 8 9323 2033

ASX Code

ABV – Fully Paid Ordinary shares

Country of Incorporation

Australia

DIRECTORS' REPORT

The Directors of Advanced Braking Technology Ltd (**ABT** or the **Company**) and its controlled entities (the **Group** or the **Consolidated Group**) submit the financial report of the Consolidated Group for the half-year ended 31 December 2019.

Directors

The names of Directors who held office during or since the end of the half-year and until the date of this report are:

Name	Position	Appointment Date
Dagmar Parsons	Non-Executive Chairman	22 April 2018
David Slack	Non-Executive Director	9 September 2009
Adam Levine	Non-Executive Director	9 April 2013
Mark Lindh	Non-Executive Director	27 June 2017

REVIEW OF OPERATIONS

Business Overview

Advanced Braking Technology Ltd (ABT) is an Australian company listed on the Australian Securities Exchange (ASX:ABV) that 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.

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

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2019

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

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
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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.

Events subsequent to the balance date

The Directors are not aware of any significant events since the end of the reporting period

Rounding of Amounts

The Consolidated Group has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Auditor's Independence Declaration

The lead auditor's independence declaration under s307C of the Corporations Act 2001 is set out on page 6 for the half year ended 31 December 2019.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Director: Dagmar Parsons, Chairman
Dated 25 February 2020

AUDITOR'S INDEPENDENCE DECLARATION

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355

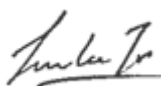
F +61 (0)8 9225 6181

www.moorestephens.com.au

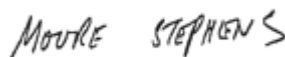
**AUDITOR'S INDEPENDENCE DECLARATION UNDER
S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ADVANCED BRAKING TECHNOLOGY LIMITED**

As lead auditor for the review of Advanced Braking Technology Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



SUAN-LEE TAN
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of February 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Notes	Consolidated Group	
		31 December 2019 \$'000	31 December 2018 \$'000
Revenue from continuing operations	11	4,309	3,275
Cost of sales		(2,317)	(1,999)
Gross Profit		1,992	1,276
Revenue from other activities		321	397
Interest income		2	-
Expenses			
Amortisation of IP		(32)	(32)
Bad and doubtful debts		(8)	-
Borrowing costs		(241)	(110)
Computer related expenses		(21)	(52)
Consulting fees		(177)	(123)
Consumables and minor equipment		(31)	(124)
Depreciation expense		(106)	(77)
Employee expenses		(1,306)	(1,541)
Insurance		(70)	(116)
Inventory obsolescence expense		-	(143)
Legal fees		(24)	(38)
Marketing and advertising		(7)	(58)
Patents		(31)	(17)
Property expenses		(25)	(80)
Telephone and other communication		(16)	(18)
Travel and accommodation		(84)	(152)
Other expenses		(142)	(191)
Total expenses		(2,321)	(2,872)
Loss before income tax		(6)	(1,199)
Income tax		-	-
Loss after income tax		(6)	(1,199)
Total comprehensive loss for the period		(6)	(1,199)
		Cents	Cents
Loss per share attributed to ordinary equity holders - basic & diluted (cents)		(0.002)	(0.404)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2019

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	Consolidated Group	
		31 December 2019 \$'000	30 June 2019 \$'000
CURRENT ASSETS			
Cash and cash equivalents		840	716
Trade and other receivables	4	1,053	1,295
Inventories		2,113	1,836
Other assets		303	677
Total current assets		4,309	4,524
NON-CURRENT ASSETS			
Property, plant and equipment		347	463
Right of use assets	5	520	-
Intangible assets		703	735
Total non-current assets		1,570	1,198
TOTAL ASSETS	11	5,879	5,722
CURRENT LIABILITIES			
Trade and other payables	6	1,289	1,295
Interest bearing liabilities	7	117	2,129
Provisions	8	231	201
Total current liabilities		1,637	3,625
NON-CURRENT LIABILITIES			
Interest bearing liabilities	7	500	59
Provisions	8	12	4
Total non-current liabilities		512	63
TOTAL LIABILITIES		2,149	3,688
NET ASSETS		3,730	2,034
EQUITY			
Issued capital	9	55,819	54,200
Reserves		83	-
Accumulated losses	10	(52,172)	(52,166)
TOTAL EQUITY		3,730	2,034

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2019

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Issued Capital	Accumulated losses	Reserves	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	54,200	(52,166)	-	2,034
Total net loss for the period	-	(6)	-	(6)
Subtotal	54,200	(52,172)	-	2,028
Issue of ordinary shares	11	-	-	11
Conversion of convertible notes	1,624	-	-	1,624
Cost of share issue	(16)	-	-	(16)
Issue of Options	-	-	83	83
Balance at 31 December 2019	55,819	(52,172)	83	3,730
Balance at 1 July 2018	52,805	(50,453)	-	2,352
Total net loss for the period	-	(1,199)	-	(1,199)
Subtotal	52,805	(51,652)	-	1,153
Issue of ordinary shares	1,483	-	-	1,483
Conversion of convertible notes	10	-	-	10
Cost of share issue	(98)	-	-	(98)
Balance at 31 December 2018	54,200	(51,652)	-	2,548

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2019

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Consolidated Group	
	31 December 2019 \$'000	31 December 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,853	3,637
Payments to suppliers and employees	(4,817)	(5,160)
Interest received	2	1
Finance costs	(183)	(78)
Proceeds from grants and research & development incentive	689	838
Net cash provided by / (used in) operating activities	544	(762)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	79	-
Purchase of property, plant and equipment	(14)	(123)
Net cash provided by / (used in) investing activities	65	(123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	200	500
Repayment of borrowings	(627)	(600)
Borrowing costs	(42)	-
Proceeds from issue of shares	-	1,483
Share issue costs	(16)	(98)
Net cash provided by / (used in) financing activities	(485)	1,285
Net increase in cash held	124	400
Cash and cash equivalents at beginning of period	716	627
Cash and cash equivalents at end of period	840	1,027

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards

This interim financial report is intended to provide users with an update on the latest annual financial statements of Advanced Braking Technology Ltd and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 25 February 2020.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those as described below.

c. New & Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

- AASB 16: Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed below in note 2.

d. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Advanced Braking Technology Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

e. Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies

The critical estimates and judgments are consistent with those applied and disclosed in the June 2019 annual report.

f. Going Concern

The financial statements of the Group have been prepared on a going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. During the half year ended 31 December 2019, the Group reported a net loss after tax of \$6 thousand, net operating cash inflow of \$0.544 million and closing cash/bank balance of \$0.84 million.

The Directors believe that the going concern basis is appropriate, primarily based on current working capital available combined with budgeted cashflows expected to be generated from trading operations over the next 12 months.

The Directors believe that as at the date of signing the financial statements there are reasonable grounds to believe that, having regards to the matters set out above, the Group will be able to continue to operate as a going concern and to meet its obligations as and when they fall due, for at least the next 12 months.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 16: *Leases* on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

Despite the changes in the Group’s accounting policies, prior year financial statements have not been restated as permitted under AASB 16.

a. Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTE 2: CHANGES IN ACCOUNTING POLICIES (continued)

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Initial Application of AASB 16: Leases

The Group has adopted the modified retrospective approach under AASB 16: *Leases* at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where the Group is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: *Leases* and Interpretation 4: *Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 8%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTE 3: DIVIDENDS

No dividends were provided for or paid during the half year to 31 December 2019 and no dividends were provided for or paid during the preceding half year to 31 December 2018.

CONSOLIDATED GROUP

31 December 2019 \$'000	30 June 2019 \$'000
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NOTE 4: RECEIVABLES

Current

Trade debtors	1,066	1,305
Less: provision for doubtful debts	(18)	(10)
Other receivables	5	-
Total current	1,053	1,295

NOTE 5: RIGHT-OF-USE ASSETS

The Group's lease portfolio currently includes buildings. This lease runs for a period of 5 years with an option to renew for a further 5-year period after that period. The extension option which management were reasonably certain to be exercised have been included in the calculation of the lease liability. Previously, this lease was classified as an operating lease under AASB 17.

The Group has elected not to recognise right-of-use assets for low value items and any short-term leases.

	31 December 2019 \$000
(i) AASB 16 related amounts recognised in the balance sheet	\$000
Right-of-use assets	
Leased building	553
Accumulated depreciation	(33)
	520
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	
Depreciation expense for the half-year ended	33
Net carrying amount	520

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTE 5: RIGHT-OF-USE ASSETS

	31 December 2019
(ii) AASB 16 related amounts recognised in the statement of profit or loss	\$000
Depreciation charge related to right-of-use assets	33
Interest expense on lease liabilities (under finance cost)	22
Short-term leases expense	-
Low-value asset leases expense	28
Variable lease payment expense	-

	31 December 2019	31 December 2018
	\$000	\$000
(iii) Total half-yearly cash outflows for leases		
- Financing cash outflow (principal repaid)	25	-
- Operating cash outflow (finance costs)	22	-

CONSOLIDATED GROUP

31 December 2019	30 June 2019
\$'000	\$'000

NOTE 6: TRADE AND OTHER PAYABLES

Current

Trade creditors	982	1,069
Other payables	157	63
Accrued expenses	150	163
Total current	1,289	1,295

NOTE 7: INTEREST BEARING LIABILITIES

(a) Current

R&D prepayment loan	-	420
Other	7	17
	7	437

Lease Liability - Right of Use Asset (c)	48	-
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Convertible notes (1)	-	1,632
Accrued interest on convertible notes	62	60
	62	1,692
Total current	117	2,129

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTE 7: INTEREST BEARING LIABILITIES (continued)

(1) During November and December 2019, the Company converted convertible notes with a face value of \$1,624,867 into 81,243,334 shares at \$0.02 per share. A note holder elected to redeem convertible notes to the value of \$6,833, which was paid on 11 December 2019. The convertible notes had a coupon rate of 15% pa and \$61,692 was payable to convertible note holders at 31 December 2019, which was paid on 3 February 2020.

	CONSOLIDATED GROUP	
	31 December 2019 \$'000	30 June 2019 \$'000
(b) Non-current		
Other	20	59
Lease Liability - Right of Use Asset (c)	480	-
Total non-current	500	59

(c) Lease Liabilities – Right Of Use Asset

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-of-use assets equals to the lease liabilities and there was no adjustment to the retained earnings. The lease liabilities are presented below:

Operating lease commitments disclosed at 30 June 2019	322	-
Changes to extension options assumptions & discounting using incremental borrowing rate at date of initial application	231	-
Balance at 1 July 2019	553	-
Payments	(47)	-
Interest charges during the period	22	-
Balance at 31 December 2019	528	-

NOTE 8: PROVISIONS

Current

Employee entitlements	154	133
Warranty	77	68
Total current	231	201

Non-current

Employee entitlements	12	4
Total non-current	12	4

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTE 9: ISSUED CAPITAL

Ordinary Shares

	31 December 2019		30 June 2019	
	Number of Shares	\$'000	Number of Shares	\$'000
Fully paid ordinary shares	379,148,766	55,819	297,049,796	54,200
At the beginning of the financial period / year	297,049,796	54,200	2,224,120,936	52,805
10 Aug 2018 – Institutional Entitlement Offer			219,720,665	439
12 Sep 2018 – Retail Entitlement Offer			420,427,270	841
14 Sep 2018 – Entitlement Offer Shortfall			101,226,319	203
02 Oct 2018 - Convertible notes converted to shares			5,000,000	10
12 Dec 2018 – Share consolidation 10:1 basis			(2,673,445,394)	-
24 Jul 2019 – Issue of shares to a consultant	855,636	11		
23 Oct 2019 - Convertible notes converted to shares	950,000	19		
29 Oct 2019 - Convertible notes converted to shares	500,000	10		
11 Nov 2019 - Convertible notes converted to shares	72,541,668	1,451		
14 Nov 2019 - Convertible notes converted to shares	1,500,000	30		
09 Dec 2019 - Convertible notes converted to shares	5,751,666	115		
Sub-total	379,148,766	55,835	297,049,796	54,298
Transaction costs relating to share issues		(16)		(98)
Balance at end of financial period / year	379,148,766	55,819	297,049,796	54,200

CONSOLIDATED GROUP

**31 December
2019
\$'000**

**30 June
2019
\$'000**

NOTE 10: ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial period / year	(52,166)	(50,453)
Net loss attributable to members of the parent entity	(6)	(1,713)
Accumulated losses at the end of the financial period / year	(52,172)	(52,166)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 11: SEGMENT REPORTING

The Group's principal activities are commercialisation, research, development, manufacture and installation of the Failsafe® and Terra Dura® brake and associated braking systems. The Group's activities are predominantly conducted in Australia and via distribution arrangements to other countries.

For management purposes, the Group is organised into one main operating segment. All the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. The financial results from this segment are equivalent to the financial statements of the Group.

The performance of the operating segment is evaluated based on profit before tax and net finance costs (profit before interest and tax) and is measured in accordance with the Group's accounting policies. The Group's financing requirements, finance income, finance costs and taxes are managed on a group basis.

Revenue attributable to external customers is disclosed below, based on the location of the external customer.

	For the six months ended 31 December 2019 \$'000	For the six months ended 31 December 2018 \$'000
i) Revenue from continuing operations		
Australia	3,044	2,370
Export (Overseas)	1,265	905
Total revenue from continuing operations	<u>4,309</u>	<u>3,275</u>

ii) Assets by geographical region

The location of assets is disclosed below by geographical location of the assets:

	Balance as at 31 December 2019 \$'000	Balance as at 30 June 2019 \$'000
Australia	5,879	5,722
Other	-	-
Total Assets	<u>5,879</u>	<u>5,722</u>

Intangible assets are treated as located in Australia.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

NOTE 12: RELATED PARTY TRANSACTIONS

		CONSOLIDATED GROUP	
		31 December 2019 \$'000	30 June 2019 \$'000
Directors	Note		
Convertible note – Maturing 31 December 2019	a)	-	500
Convertible note interest	a)	19	18
Total		19	518

- a) During the period, Director, David Slack, held a \$500,000 convertible note in the name of DASI Investments Pty Ltd (DASI), an entity of which Mr Slack is director and shareholder. The convertible note had a coupon rate of 15% and DASI received interest payments totalling \$37,397. An amount of \$18,904 was payable to DASI convertible note interest at 31 December 2019. On 11 November 2019, the convertible note was converted to 25 million shares at \$0.02 per share.

		31 December 2019 \$'000	31 December 2018 \$'000
Directors	Note		
Company Secretarial Services	b)	31	34
Legal Services	c)	3	4
Directors fees	d)	10	-
Total		44	38

- b) AE Administrative Services Pty Ltd provides company secretarial services to the Company, which is a related party of Director, Mark Lindh.
c) Rockwell Bates Pty Ltd T/A R.B. Flinders provides legal services to the Company, which is a related party of Director, Adam Levine.
d) Rockwell Group Holdings Pty Ltd received \$10 thousand in director's fees, which is a related party of Director, Adam Levine.

NOTE 13: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting period.

NOTE 14: EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2019

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 19 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director & Chairman

Dagmar Parsons

Dated 25 February 2020

INDEPENDENT AUDITOR'S REPORT

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

INDEPENDENT AUDITOR'S REVIEW REPORT

PO Box 5785, St Georges Terrace,
WA 6831

TO THE MEMBERS OF ADVANCED BRAKING TECHNOLOGY LIMITED

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

Report on the Half-Year Financial Report

www.moorestephens.com.au

Conclusion

We have reviewed the accompanying half-year financial report of Advanced Braking Technology Limited (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

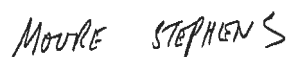
- a. giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

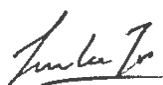
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.



MOORE STEPHENS
Chartered Accountants



SL TAN
Partner

Dated this 25th February 2020 in Perth, Western Australia