

ASX RELEASE

30 April 2020

ASX code: ABV

Appendix 4C – Quarterly Report

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**

Advanced Braking Technology Limited (ASX: ABV) ('ABT' or 'the Company') is pleased to advise that the ABT Group had a cash position of \$0.45m as at 31 March 2020. Net cash flows from operating activities for the quarter is an outflow of \$478k, with net cash flows across all activities being an outflow of \$388k.

FY20 YTD net cash flows from operating activities is an inflow of \$67k. YTD net cash flows across all activities is an outflow of \$263k, primarily due to the repayment of borrowings during H1 FY20.

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 EBITDA 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.

Payments to related parties of the entity and their associates during the quarter

Payments to related parties and their associates included in operating activities totalled \$94k, and were comprised of:

- ABT's Non-Executive Directors received directors' fees and superannuation totalling \$69k, which were paid to Directors' personally or via a related entity;
- Final quarterly interest payment of \$19k was paid, at a rate of 15%pa, to a related party for convertible notes with a face value of \$500,000, that were converted to shares in the December 2019 quarter;
- ABT received company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company and made payments for those services in the amount of \$4k; and
- Payments were made for the reimbursement of director expenses in the amount of \$2k.

Further Information

For a more detailed outline of the Company's recent activities, please refer to the Operational Update released to the ASX on 30 April 2020.

This release is authorised by the Board of Directors.

- ENDS -

For further information, please contact:

Mr. John Annand

Chief Executive Officer

T: +61 (0) 8 9302 1922

www.advancedbraking.com

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 MARCH 2020

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		1,884	6,737
1.2 Payments for			
(a) research and development		(26)	(55)
(b) product manufacturing and operating costs		(1,273)	(4,118)
(c) advertising and marketing		(10)	(17)
(d) leased assets		(29)	(122)
(e) staff costs		(564)	(1,662)
(f) administration and corporate costs		(397)	(1,162)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	3
1.5 Interest and other costs of finance paid		(64)	(226)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	689
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(478)	67
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(8)	(22)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	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	(8)	57

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	-	(48)
3.5	Proceeds from borrowings	103	303
3.6	Repayment of borrowings	-	(620)
3.7	Transaction costs related to loans and borrowings	(5)	(15)
3.8	Dividends paid	-	-
3.9	Other (Repayment of convertible debt)	-	(221)
3.10	Net cash from / (used in) financing activities	98	(387)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	840	716
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(478)	67
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	57

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	98	(387)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	453	453

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	412	799
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)	453	840

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**

94

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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 - \$69k
- b) The final quarterly interest payment of \$19k was paid at a rate of 15%pa to a related party for convertible notes with a face value of \$500,000, that were converted to shares in the December 2019 quarter.
- c) Provision of company secretarial services from AE Administrative Services Pty Ltd, a company associated with a director of the company - \$4k
- d) Reimbursement of director expenses - \$2k

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	(103)
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	(103)

7.5 **Unused financing facilities available at quarter end** 397

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 5.78%.

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 approx. \$51k 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 2 months, is \$26,320. The interest rate of the funding is approx. 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 1.75 years, is \$25,107.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(478)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	453
8.3 Unused finance facilities available at quarter end (Item 7.5)	397
8.4 Total available funding (Item 8.2 + Item 8.3)	850
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.78

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: Yes, however ABT is continually reviewing market conditions to determine any cash flow impacts due to COVID-19.

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: Yes, ABT is reviewing its working capital funding options and expects to be able to utilise COVID-19 government cash flow initiatives for small businesses or access an R&D prepayment loan facility, which the Company has utilised in recent years, to fund its R&D activities.

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: Yes, ABT expects to continue its operations on the basis of its customer demand for its core products. ABT continues to focus on incremental business improvements, which have delivered a YTD 29% increase on prior year sales revenue, in order to maintain a break-even and cash neutral net operating position for FY20.

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: 30 April 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.