Ava Risk Group Limited

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Wednesday 28 October 2020

ASX RELEASE: AVA Appendix 4C

- **$3.7m positive operating cash flows for the quarter**
- **Increased cash holdings, consolidated net cash position of $11.6m**

Ava Risk Group Limited (ASX: AVA), ("Ava Group" or "the Company"), a market leader of risk management services and technologies, today releases its cash flow report (Appendix 4C) and provides an update on the key areas of activity for the quarter ended 30 September 2020.

Principal Activities
Ava Group is a security technology and services company, that develops and commercialises a range of high security perimeter and access control products to protect military, government, industrial and commercial critical assets and infrastructure. These products are sold through its Future Fibre Technologies (FFT) and BQT Solutions (BQT) brands. In addition, the Company operates Ava Global, its international secure logistics division, delivering clients with reliable secure delivery for bank notes, precious metals, and other valuables.

Key areas of activity during the first quarter of the 2021 financial year related to:

- Our strategies for delivering profitable growth and generating positive cashflow produced an increase of $3.9m in net cash holdings as at 30 September 2020, reflective of continued revenue growth, customer cash collections, positive EBITDA performance, and our capital light operating model.

- During Q1 FY2021 we received a $1.3m payment relating to the IMOD contract for FFT's data network security technology, and the Company will receive an additional IMOD payment of circa $2.6m in November 2020. The total contract value for this project is estimated at US$11.9m (A$16.7m). We recognised $3.6m of revenue in Q1, and a total of $4.8m in FY2020, with a further $0.8m in income tax credits under the Australian Indian DTAA to date. To the end of September 2020, 800 units have been shipped to the end user with another 300+ units completed awaiting shipment. We expect the balance of circa $6.6m, excluding tax credits, to be recognised as revenue in FY2021. Ava Group holds a Bank Guarantee as security for ~US$2.1m (~A$2.9m), to cover payments when due.

- Services Division saw the benefits of our strategy implemented in the past 12 months, including to broaden out our customer base and service offerings.

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- Across the Ava Group, and outside of usual business activity, managing the impacts of COVID-19 continued to be a key focus of the board and management during Q1 FY2021. The business continued its programme initiated in Q3 to educate our employees and to maintain appropriate COVID-19 hygiene measures, including supporting work from home infrastructure and support reducing the need for people to come into our offices across the globe, based on local conditions. The health and safety of our staff and customers remains a paramount priority for the business.

- The Company received circa $0.5m during Q1 FY2021related to various global government initiatives to support businesses during these unusual times.

  The Services Division continued to provide a full range of services to all of its customers, despite the continued reduction in air freight capacity around the world due to COVID-19. These restrictions allowed Ava Global the opportunity to innovate and offer a range of bespoke cargo and charter aircraft solutions to ensure that it could continue to deliver currency, precious metals and other valuable goods for its customers. Client activity has significantly increased during Q1, with the addition of both new clients, and a wider breadth of services offered as a result. This has been ably facilitated thanks to the depth of skills and experience within the Services Division.

- For the Technology Division, both FFT and BQT continued COVID-19 control measures to enable us to continue production at our factories, ship and deliver orders, and to provide service support to keep products running smoothly. FFT continued its marketing efforts of its Aura IQ conveyor health monitoring solution, with three “Proof of Value” Trials completed and another six underway around the world during the quarter. During the quarter BQT supplied the majority of readers for the contract from the Australian Department of Defence (DoD) for the supply of its security products to a number of DoD sites around Australia. FFT expanded it productisation and marketing of new multi-year Comprehensive Maintenance Agreements including remote services.

- Operating cash outflows for the quarter of $10.2m was mostly comprised of product manufacturing and operating costs ($6.8m), staff costs ($2.5m), and administration and corporate costs ($0.6m).

- During the quarter the Company made payments of approximately $380,000 to Directors and their associates. This includes all Executive Directors and Non-executive fees, salaries, cash bonuses, and consultancy and service fees paid to related or associated parties of Directors including in respect of subsidiary operations whereby directors are related parties.

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Commentary on Appendix 4C Cash Flow Report

Net operating cashflows in the quarter were positive $3.7m a small decrease of $0.3m on the previous quarter, but a $2.8m improvement on the same time last year. This was due to a decrease in cash collections from customers compared the prior quarter, down $1.5m, but up $4.5m on the same time last year, and lower payments for operating costs, which were circa $1.1m lower than the prior quarter, and $1.7m higher than the same time last year driven by higher payments for product manufacturing and operating costs which increased $1.7m as a result of increased sales. The Group also continued development of the Aura Ai and Aura IQ platforms, continuing its R&D spending and intellectual property spending during the quarter, but at a reduced level compared to the previous quarter.

Cash receipts from customers in Q1 included $1.3m from the Indian MoD project. The next payment from this project is expected during November, being an amount of USD$1.9m (A$2.6m), in line with the 120 days project payment terms.

At 30 September 2020 the Company had $11.6m cash at bank.

ENDS.

Approved for release by the Board of Directors.
For further information, please contact:

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About Ava Group

The Ava Group, comprising world leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT), and international secure logistics services division Ava Global, is a market leader in the provision of risk management services and technologies, trusted by some of the most security conscious commercial, industrial, military and government clients in the world.

The Group features a range of complementary solutions including intrusion detection for perimeters, pipelines and data networks, biometric and card access control as well as the secure international logistics and storage of high value assets. Through decades of innovation, the Ava Group continues to build upon a comprehensive portfolio of premium services and technologies for the most complex and demanding markets.

Our business truly serves a global market, with our knowledgeable team spread across six continents, providing market and industry expertise directly to customers. With thousands of sites protected, the Ava Group is proven to deliver first class services and technologies that surpass the expectations of our partners and end users.

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Forward Looking Statements

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

To the maximum extent permitted by law, the Company, its officers, employees and agents do not assume any obligation to release any updates or revisions to the information (including any forward looking statements) in this presentation to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this presentation or its content.

+Rule 4.7B

Appendix 4C

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

Name of entity

Ava Risk Group Limited

ABN	**Quarter ended ("current quarter")**
67 064 089 318	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	13,940	13,940
1.2	Payments for		
	(a) research and development	(231)	(231)
	(b) product manufacturing and operating costs	(6,775)	(6,775)
	(c) advertising and marketing	(28)	(28)
	(d) leased assets	-	-
	(e) staff costs	(2,534)	(2,534)
	(f) administration and corporate costs	(590)	(590)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(12)	(12)
1.6	Income taxes paid	(22)	(22)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**3,748**	**3,748**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(21)	(21)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) investments	-	-
	(e) intellectual property	(225)	(225)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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**	**(246)**	**(246)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	412	412
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(10)	(10)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(70)	(70)
3.10	**Net cash from / (used in) financing activities**	**332**	**332**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,703	7,703
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,748	3,748
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(246)	(246)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	332	332
4.5	Effect of movement in exchange rates on cash held	47	47
4.6	**Cash and cash equivalents at end of period**	**11,584**	**11,584**

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	11,515	7,634
5.2	Call deposits	69	69
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**11,584**	**7,703**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(383)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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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	1,000	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	1,000	-

7.5	**Unused financing facilities available at quarter end**	1,000

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.

Secured Business overdraft facility with Westpac Banking Corporation. Interest rate is variable with the lender's base business lending rate.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	3,748
8.2	Cash and cash equivalents at quarter end (Item 4.6)	11,584
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,000
8.4	Total available funding (Item 8.2 + Item 8.3)	16,332
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	4.4

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

1. 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:

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:

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. The calculation at 8.5 above is reported as required by ASX but note that this calculation makes no sense in respect to funding, given the net cash flows from operating activities per item 8.1 is positive.

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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: .....28/10/2020.....

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 – e.g. 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.