

Monday, 11 May 2020

Indian MOD Data Network Protection Project Update – 200 More Units Shipped

Ava Risk Group Limited (ASX: AVA) (Ava Group or Company) today provides the following market update with respect to the large-scale supply of FFT's SecureLink technology to protect data communications cables for the Indian Ministry of Defence (IMOD):

- 200 units in backlog since end January 2020 have now shipped to the end user
- 120 day payment terms will result in ~\$1.5m cash being received by Ava in early September 2020

As previously advised on 04 May 2020, Ava Group's major IMOD program had been disrupted by country-wide COVID-19 restrictions being enforced across India. These restrictions had delayed equipment production and further Factory Acceptance Testing (FAT) by IMOD officials of completed systems. The restrictions also stalled forward deliveries of finished goods that were awaiting dispatch which were held in the warehouse of Ava's in-country manufacturing partner, SFO Technologies Pvt. Ltd (SFO).

Due to the critical nature of the project, Ava is pleased to advise that SFO has confirmed that shipments to the end user have now recommenced. The 200 units built in January 2020, and which had already passed FAT prior to COVID-19 restrictions, have now been shipped to the end user.

Revenue for these units was recognised in Q3, at the time when Ava provided its software licences to SFO as part of the manufacturing process. Now that these units have been shipped, Ava will receive payment of circa \$1.5m in early September 2020, in line with the agreed 120 days payment terms of the project.

Ava Group CEO Scott Basham said: "This news on the IMOD project getting back underway is tremendously encouraging and reflects the importance of our systems to the end user. We know that our in-country partner SFO have been eager to come out of lockdown and get back to work on the project. So, hearing this confirmation from them, that the 'January batch' of systems, that had been delayed in their warehouse during the lockdown, has now been shipped, is fantastic".

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Please refer to Note 1 below.

Approved for release for and on behalf of the Board of Directors by:



Leigh Davis

Company Secretary

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About the Ava Group

The Ava Group, comprising world leading technology divisions Future Fibre Technologies (FFT) and BQT Solutions (BQT) 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 (Ava Global) 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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Note 1

IMOD Contract Background:

The total contract value to Ava for this project is estimated at **US\$11.9m (A\$18.3m)**.

More than 500 of the first 600 units (~25% of project) have now been built by Ava's in-country partner SFO:

- The first 200 units passed FAT and shipped in late Dec 2019.
- The second 200 units passed FAT in late Jan 2020 and have been shipped to the End User.
- The last 200 units of this batch are under various stages of completion awaiting program progress delayed by COVID-19 restrictions.

In H1 FY2020, Ava recognised **~US\$1.0m (~A\$1.5m)** of the order, being **~US\$0.9m (~A\$1.3m)** as top line sales revenue, and **~US\$0.1m (~A\$0.2m)** as an income tax credit. In Q3 FY2020 Ava recognised a further **~US\$1.4m (~A\$2.3m)** as top line sales revenue and **~US\$0.14m (~A\$0.23m)** as an income tax credit.

Whilst Ava does expect to generate at least A\$0.5m in additional revenues in Q4 FY2020, given the COVID-19 disruptions and delays, Ava expects that the balance of this project will be recognised as revenue in FY2021.

SFO's Bank Guarantee to Ava for **~US\$2.1m (~A\$3.2m)**, to cover the 120 days payment terms remains in place.

Further information on the IMOD project is available via previous market announcements (see www.asx.com.au)

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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.