

Tuesday, 19 May 2020

Indian MOD Data Network Protection Project Update – Production of Remaining Tranche 1 Units Now 98% Completed.

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):

- **Manufacturing recommences at SFO**
- **196 of the final 200 units from the first tranche of 600 (25% of total) systems now completed**
- **Q4 FY2020 revenue to date of ~\$0.6m**

On 11 May 2020, Ava advised that the January 2020 backlog of 200 units had been shipped to the end user, confirming that payment of \$1.5m for that batch would occur in early September 2020.

Today, Ava is pleased to advise, that after several weeks of COVID-19 related manufacturing restrictions, our in-country manufacturing partner SFO Technologies ("SFO"), has resumed its manufacturing operations, and has subsequently now completed manufacturing 196 of the final batch of 200 unfinished systems started in February 2020.

This means that tranche 1 (~25% of the IMOD project) has largely now been manufactured.

Revenue for the remainder of this batch, finished in May 2020 totals approximately \$0.6m, and will be recognised in Q4 FY2020.

Ava now awaits manufacturing completion of the few remaining units in the batch, and confirmation from SFO of the Factory Acceptance Test date for this batch. Shipping of the batch to the end user is expected to occur thereafter. Ava's payment terms with SFO are 120 days from the date of shipping, and the value of this batch is ~\$1.5m.

Ava Group CEO Scott Basham said:

"The news today from our in-country partner SFO, that they have almost completed manufacturing the last remaining units from tranche 1 of the IMOD project, is significant for Ava. Not only does this mean that Ava can recognise a further ~\$0.6m on the project now in Q4 FY2020 – which is great – but the fact that the production backlog has now been essentially cleared, also opens up the possibility for more new units to be built sooner than Ava Group originally anticipated.

Obviously, this project is now clearly ramping back up at some speed, despite the continuing COVID-19 situation. I believe this positive confirmation coming out of India, and elsewhere recently, should be very encouraging for our shareholders, and validate for them that Ava Group is executing its plans, as outlined, and delivering on its commitments, as given. Ava Group has great momentum and a very exciting future ahead of it."

For further information, please contact:

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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\$18.5m)**.

Almost 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 shipped in May 2020.
- The last 200 units of this batch are now been completed, and await FAT, before onward shipping.

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 will generate at least ~A\$0.6m in additional revenues from the finalisation of this remaining batch of Tranche 1 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\$3.3m), 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.