

30th July 2010

Letter to Shareholders
Explanatory Note - Appendix 4C - Cash Flow Statement

Dear Shareholder

I wish to provide a commentary relating to the Cash Flow Statement for the quarter ending 30th June 2010.

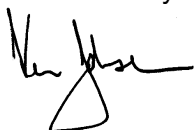
The cash utilisation in this quarter at \$604,000 is somewhat higher than in previous quarters. This comes about from several factors which reflect the Board and Management's confidence in the future of the Company and the need to invest appropriate amounts to fund the growth of the Company. These factors are:

- Included in the staff costs of \$567,000 and R&D costs of \$225,000 is expenditure on the garbage truck development program which the Company continued to fund in order to maintain the momentum ahead of embarking on the final production validation stage of the program (announced today).
- Purchase of specialised test equipment of \$99,000 to support the truck program which ordinarily would have been financed but because of its specialised nature needed to be purchased outright.
- An increase in working capital expense of \$201,000 over the previous quarter which has largely come about from a build up of inventory from \$1.1 million at 31st December 2009 to \$1.8 million at 30th June 2010. Stock levels of key product lines fell to critically low levels in February 2010. Based on the prospective sales pipeline a restocking program initiated in the March quarter was largely paid for in the June quarter.

Please see the separate ASX announcement of today's date announcing the conclusion of the Pre-Production Contract to further develop the SIBS garbage truck brake.

The Company is seeing a continued growth in sales in the mining sector and this combined with the excellent progress being towards preparing the garbage truck brake for the earliest possible commercial sale indicates prospects for your Company remain high.

Yours sincerely



Ken Johnsen
CEO

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

ADVANCED BRAKING TECHNOLOGY LTD

ABN

66 099 107 623

Quarter ended ("current quarter")

30 JUNE 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A'000	(12 months) \$A'000
1.1	Receipts from customers	1,002	3,953
1.2	Payments for		
	(a) staff costs	(567)	(2,277)
	(b) advertising and marketing	(13)	(58)
	(c) research and development	(225)	(627)
	(d) leased assets	-	-
	(e) other working capital	(663)	(2,378)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	7	59
1.5	Interest and other costs of finance paid	(20)	(46)
1.6	Income taxes paid	-	-
1.7	Other – R & D Tax Offset & EMDG	-	295
	Net operating cash flows	(479)	(1,079)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(479)	(1,079)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(99)	(244)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(99)	(244)
1.14 Total operating and investing cash flows	(578)	(1,323)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	211
1.18 Repayment of borrowings	(26)	(158)
1.19 Dividends paid	-	-
1.20 Other – Capital Raising Fees	-	-
Net financing cash flows	(26)	53
Net increase (decrease) in cash held	(604)	(1,270)
1.21 Cash at beginning of quarter/year to date	1,217	1,989
1.22 Exchange rate adjustments	(103)	(209)
1.23 Cash at end of quarter	510	510

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2(a)	75
1.25 Aggregate amount of loans to the parties included in item 1.11	-
1.26 Explanation necessary for an understanding of the transactions	
-	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
-
- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest
-

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

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Appendix 4C
Quarterly report for entities
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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	510	1,217
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		510	1,217


Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Company secretary)

Date: 30 July 2010

Print name: Kenneth McKinnon

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.