

MEDIA/ASX RELEASE

24 August 2010

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## **ABT DELIVERS 25% INCREASE IN REVENUE TO UNDERPIN MAJOR GROWTH PUSH**

*Sales Revenue of \$4.7M in FY2010 as Diversification Strategy Gathers Momentum*

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Advanced braking systems manufacturer, Advanced Braking Technology Ltd (ASX: **ABV**), has demonstrated a strong recovery from the Global Financial Crisis, today announcing a 25% increase in revenue to A\$4.7 million for the 12 months to 30 June.

The result was based on strengthening sales of the Company's revolutionary Sealed Integrated Braking System (or "SIBS<sup>®</sup>") product to the international mining sector, and confirms a strong turnaround for the Company following the impact of the GFC, with sales in 2010 surpassing pre-GFC levels.

The positive growth in sales revenue enabled Advanced Braking to slash its after-tax loss for the year to A\$1.3 million, a 35% improvement over the previous corresponding period (2009: A\$1.9M loss). Depreciation and amortisation accounted for \$330,000 of the loss.

Advanced Braking Managing Director Ken Johnsen said the result, together with the finalisation the SIBS<sup>®</sup> Garbage Truck Brake design phase, gave the Company a solid foundation on which to further expand sales of the original SIBS product while also diversifying its product portfolio to target a wider variety of markets.

"The result demonstrates a pleasing recovery for the Company following the GFC, with a significant portion of the being loss attributable to depreciation and IP amortisation, as well as additional expenditure required to support our ongoing product development," Mr Johnsen said.

"2010 has undoubtedly been a very positive year for Advanced Braking Technology, with the Company delivering a number of key outcomes that are expected to make a significant contribution to our near-term profitability.

"Sales of SIBS products have returned to pre-GFC levels, with particularly strong growth in Australia, and we have a range of new products under development with potential to greatly expand our customer base."

A key highlight has also been 'proof of concept' sign-off in March on a new SIBS<sup>®</sup> product designed for garbage trucks, where the Company's patented technology can provide significant operational cost savings and environmental benefits.

A typical domestic garbage truck makes over 5 million brake stops in a 10-year service life. Testing on prototype SIBS<sup>®</sup> Garbage Truck brake during 2010 has demonstrated that SIBS brakes exhibit just 1% brake pad wear after 420 hours of real world use, compared to standard brakes which show 50% brake pad wear after similar use.

The technology also offers advantages including elimination of noise and particle emission pollution from vehicles which are typically used in built up areas.

"This is a hugely exciting project for Advanced Braking Technology in a mainstream, recession-proof industry," Johnsen said. "After receiving proof of concept sign off in March this year, our aim is to now complete commercialisation of this product so we can take it to market."

The next stage of the project is to complete a Pre-Product Contract (entered into on 30<sup>th</sup> July 2010) that will include testing a fleet of 5 SIBS<sup>®</sup> equipped garbage trucks in a range of real world operating conditions to ensure there are no design or reliability issues ahead of offering the product for commercial sale.

The pre-production testing is scheduled to take up to 18 months using production representative brake sets fitted to 5 trucks and accumulating 7500 hours of in-field running. Initial feedback from the trial over the first 9 to 12 months will place the Company in a position to begin to secure commitments for commercial sales of the product.

In the mining sector Mr Johnsen said new product applications are making an increasing significant contribution to revenue, with the new SIBS<sup>®</sup> AGI driveline brake accounting for approximately 24% of total brake sales revenue in 2010. Initially designed for certain Mack, Sterling and Isuzu truck models its applicability has been expanded to include various Hino and MAN models.

"Mining sales remain a core component of our future growth strategy, and we believe increased product diversity will contribute to further growth from this sector. We now have SIBS<sup>®</sup> products available for a wide range of light, medium and heavy vehicles used in mining operations"

"With a strong outlook for increasing sales in the international mining industry and very positive results emerging from our garbage truck development work, Advanced Braking is an excellent position to deliver further growth in 2011," Mr Johnsen said.

## **ENDS**

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**On behalf of:**  
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**Chief Executive**  
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### **Background Information – Advanced Braking Technology Ltd (ASX: ABV)**

Perth-based Advanced Braking Technology Ltd (ASX: ABV) is dedicated to innovative braking systems. The Company's key asset is the Sealed Integrated Braking System (SIBS<sup>®</sup>), a comprehensively patented Australian invention.

SIBS<sup>™</sup> is a fully enclosed, single rotor, high speed wet brake. The brake rotor runs in a bath of oil that serves to cool the brake and minimize wear at the braking interface. An innovative fail safe feature is incorporated into the rear axle brake. As a result, the brakes are virtually wear and maintenance-free and may outlast the vehicles they are fitted to, unlike conventional drum and disc brakes. SIBS<sup>®</sup> brakes deliver unparalleled safety, improved productivity and lower operating costs, and are engineered to survive the world's harshest conditions.

The proven technology is also environmentally friendly, eliminating brake dust emissions and noise and squealing, and provides a wide-range of benefits for on-road, off-road and industrial applications in terms of safety, reliability, performance and adaptability.

## Appendix 4E

### Preliminary final report

Rule 4.3A  
Introduced 1/1/2003

**Name of entity:** Advanced Braking Technology Ltd  
**ABN:** 66 099 107 623

- 1. Reporting period (“current period”):** Year ended 30 June 2010  
**Previous corresponding period:** Year ended 30 June 2009

**2. Results for announcement to the market**

				\$A'000
Revenue from ordinary activities	up	25.3%	to	4,679
Profit (loss) from ordinary activities after tax attributable to members	down	34.9%	to	(1,266)
Net profit (loss) for the period attributable to members	down	34.9%	to	(1,266)

	Amount per share cents	Franked amount per share cents
<i>Dividends</i>		
Final	Nil	N/A
Interim	Nil	N/A

Record date for determining entitlements to dividends: N/A

Brief explanation of figures in 2.1 to 2.4 (if necessary):

N/A

### 3. Condensed consolidated statement of financial performance

	Current period \$'000	Previous corresponding period \$'000
Revenues from trading activities	4,452	3,524
Revenues from other activities	227	210
<b>Total revenue</b>	<u>4,679</u>	<u>3,734</u>
Cost of sales	(1,252)	(1,147)
Employee expenses	(2,438)	(2,661)
Depreciation expense	(132)	(113)
Amortisation of IP	(198)	(199)
Borrowing costs	(34)	(32)
Bad and doubtful debts	-	(26)
Legal fees	(16)	(20)
Insurance	(76)	(102)
Patents	(84)	(77)
Marketing and advertising expenses	(58)	(40)
Travel and accommodation	(164)	(187)
Consulting fees	(676)	(290)
Telephone and other communication expenses	(40)	(53)
Rental expenses	(334)	(280)
Consumables and minor equipment	(396)	(173)
Computer related expenses	(59)	(53)
Cost of employee share options	(57)	(65)
Other expenses	(226)	(460)
<b>Total expenses</b>	<u>(6,240)</u>	<u>(5,978)</u>
<b>Loss from continuing activities before related income tax benefit</b>	(1,561)	(2,244)
Income tax expense / R&D rebate	295	298
<b>Loss from continuing activities after related income tax benefit</b>	<u>(1,266)</u>	<u>(1,946)</u>

#### 4. Condensed consolidated statement of financial position

	Current period	Previous corresponding period
	\$'000	\$'000
<b>CURRENT ASSETS</b>		
Cash and Cash equivalents	510	1,989
Trade and other Receivables	697	589
Inventories	1,338	1,418
Other current assets	47	33
	<hr/>	<hr/>
<b>Total current assets</b>	2,592	4,029
	<hr/>	<hr/>
<b>NON-CURRENT ASSETS</b>		
Trade and other Receivables	34	57
Property, plant and equipment	504	398
Other Financial Assets	-	-
Intangibles	2,189	2,387
	<hr/>	<hr/>
<b>Total non-current assets</b>	2,727	2,842
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	5,319	6,871
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Trade and other Payables	738	431
Interest bearing liabilities	143	107
Provisions	98	112
Deferred Income	-	585
	<hr/>	<hr/>
<b>Total current liabilities</b>	979	1,235
	<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other Payables	-	-
Interest-bearing liabilities	211	194
Deferred Income	-	-
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	211	194
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	1,190	1,429
	<hr/>	<hr/>
<b>NET ASSETS/(LIABILITIES)</b>	4,129	5,442
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<b>EQUITY</b>		
Issued Capital	40,150	40,024
Foreign Currency Reserve	(269)	(40)
Other Reserves	672	616
Accumulated losses	(36,424)	(35,158)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	4,129	5,442
	<hr/> <hr/>	<hr/> <hr/>

**5. Condensed consolidated statement of cash flows**

	Current period \$'000	Previous corresponding period \$'000
<b>Net cash flows from operating activities</b>		
Receipts from customers	3,381	4,366
Payments to suppliers, consultants & employees	(4,974)	(5,923)
Borrowing costs	(34)	(32)
Interest received	44	54
	<hr/>	<hr/>
Net cash (used in) operating activities	(1,583)	(1,535)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Advances to subsidiary	-	-
Advances from subsidiary	-	-
Proceeds from disposal of property, plant and equipment	-	2
Purchase of property, plant and equipment	(243)	(294)
	<hr/>	<hr/>
Net cash provided by / (used in) investing activities	(243)	(292)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Repayment of Directors and Director related entities	-	-
Proceeds from borrowings	224	296
Costs of issuing shares	-	(179)
Proceeds from issue of shares	-	2,080
Proceeds from R&D tax offset	295	298
Finance lease and HP repayments	(171)	(114)
	<hr/>	<hr/>
Net cash provided by financing activities	348	2,381
	<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash equivalents held</b>	(1,478)	554
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies	(1)	(2)
<b>Cash and Cash equivalents at the beginning of the financial year</b>	1,989	1,437
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<b>Cash and Cash equivalents at the end of the financial year</b>	510	1,989
	<hr/> <hr/>	<hr/> <hr/>

## 6. Dividends

### *Amount per security*

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	cents	cents	cents
Final dividend - current year	Nil	N/A	N/A
- previous year	Nil	N/A	N/A
Interim dividend - current year	Nil	N/A	N/A
- previous year	Nil	N/A	N/A

### *Total dividends on all securities for the year*

	Current period	Previous corresponding period
	\$'000	\$'000
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
Total	-	-

## 7. Dividend reinvestment plans

The dividend reinvestment plans shown below are in operation:

None

Last date for receipt of election notices for the dividend reinvestment plan: N/A

## 8. Retained earnings

	Current period	Previous corresponding period
	\$'000	\$'000
(Accumulated losses) at beginning of financial period	(35,158)	(33,212)
Net (loss)/profit attributable to members	(1,266)	(1,946)
(Accumulated losses) at end of financial period	(36,424)	(35,158)

**9. Net tangible assets**

	Current period  cents	Previous corresponding period cents
Net tangible asset backing per ordinary share	0.3	0.6

**10. Details of entities over which control has been gained or lost**

<i>Control gained over entities</i>	N/A
<i>Control lost over entities</i>	N/A

**11. Details of associates and joint venture entities**

N/A

**12. Any other significant information**

Details of any other significant information needed by an investor to make an informed assessment of the entity's financial performance and position:

N/A

**13. Accounting standards**

For foreign entities, set of accounting standards used in compiling report:

N/A

**14. Results for the period**

**14.1 Earnings per security**

	Current period  cents	Previous corresponding period cents
Basic earnings per share	(0.2)	(0.3)
	Number '000	Number '000
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	767,787	528,756



14.2 *Returns to shareholders*

N/A

14.3 *Significant features of operating performance*

N/A

14.4 *Segment results*

N/A

14.5 *Trends in performance*

N/A

14.6 Any other factors which have affected the results in the period or which are likely to affect the results in the future, including those where the effect could not be quantified:

N/A

15. This report is based on accounts to which one of the following applies:

☐

The accounts have been audited.

☐

The accounts have been subject to review.



The accounts are in the process of being audited or subject to review.

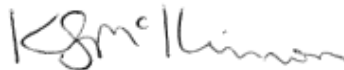
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The accounts have *not* yet been audited or reviewed.

16. Description of any likely audit dispute or qualification.

N/A

Sign here:



Date: 24 August 2010  
Company Secretary

Print name: Kenneth McKinnon

Dear Shareholder,

To accompany the release the Preliminary Final Report (Appendix 4E) it is my pleasure to provide shareholders with an overview of the operations of the Company and activities of the Board and Management for the year under review ending 30<sup>th</sup> June 2010.

### **Business Overview**

Advanced Braking Technology Ltd (ABT) is in the business of designing, developing, manufacturing and selling a range of products incorporating its internationally patented single rotor enclosed wet brake technology, the "Sealed Integrated Braking System" or SIBS<sup>®</sup>.

The Company's traditional market is the sale of SIBS<sup>®</sup> to mining customers across the globe. Its customers include some of the world's largest miners including BHPBilliton, Xstrata, Rio Tinto and others.

SIBS<sup>®</sup> offers customers:

- Improved vehicle brake maintenance costs
- Reduced vehicle downtime.
- Much reduced brake temperatures
- More reliable and consistent braking
- Fail to safe functionality
- The elimination of airborne particle emissions

SIBS<sup>®</sup> technology is also now being developed for mainstream applications in the waste collection industry where frequency of operation causes high wear, there is a fail to safe requirement, where braking temperatures may be an issue or where brake particle emissions are of concern.

The SIBS<sup>®</sup> Garbage Truck Brake is fulfilling all of its development expectations and is continuing to deliver on its promise to be a "Company Maker" product.

### **Detailed Activities**

The year in review contained a number of significant events that establishes a firm footing for the future of the Company.

- The "Proof of Concept" sign off by an independent technical expert of the SIBS<sup>®</sup> Garbage Truck brake which clears the way for the pre-production and commercialisation phase.
- The strong recovery in post GFC sales in the mining sector, particularly in Australia, which points to continued strong growth in this business area.
- The demonstration that the mining segment of the Company's operation is providing a positive contribution to the overall business.
- The penetration into several new product applications including the success of the heavy truck driveline SIBS<sup>®</sup> Agi driveline brake.

## **SIBS® Garbage Truck Brake**

The proof of concept sign off of the SIBS® Garbage Truck Brake in March 2010 demonstrated the following;

- Key Achievements:
  - 420 hrs of real world testing
  - Extensive rig testing has validated critical parts
  - Cooling Package developed
  - Core design ready for production release
  - 1% pad wear after 420hrs (average 60 microns)  
(Note – standard brakes would be approx. 50% worn at 375hrs)
  - 30% to 40% less tyre wear compared to truck on same rounds
  - Operator feedback very positive
  - Confirmed ability to retro-fit to standard truck
  - Target production cost achievable
  - Key suppliers of production parts identified
  - Braking performance in accordance with regulatory standards
  - Zero airborne dust emissions
  - No brake squeal or other noise.

In addition the above achievements the Company has kept a dialogue with key stakeholders in the waste industry who are following the project with interest and have validated the Company's value proposition for the product, namely,

- Significant reduction in brake maintenance costs which should translate to a 2.5 year payback on the up-front cost of the product.
- More consistent and reliable braking that is aimed at eliminating the requirement for frequent routine inspections and adjustment and therefore maintaining the vehicle is a safer operating condition.
- Total elimination of both fine particle emissions and the brake noise common in urban waste collection.

The next stage of the project is to complete the Pre-Product Contract (entered into on 30<sup>th</sup> July 2010) that will involve testing a fleet of 5 SIBS® equipped garbage trucks in a range of real world operating conditions to ensure there are no design or reliability issues ahead of offering the product for commercial sale. In addition to the fleet testing there will be a range of bench and other tests also carried out under the program.

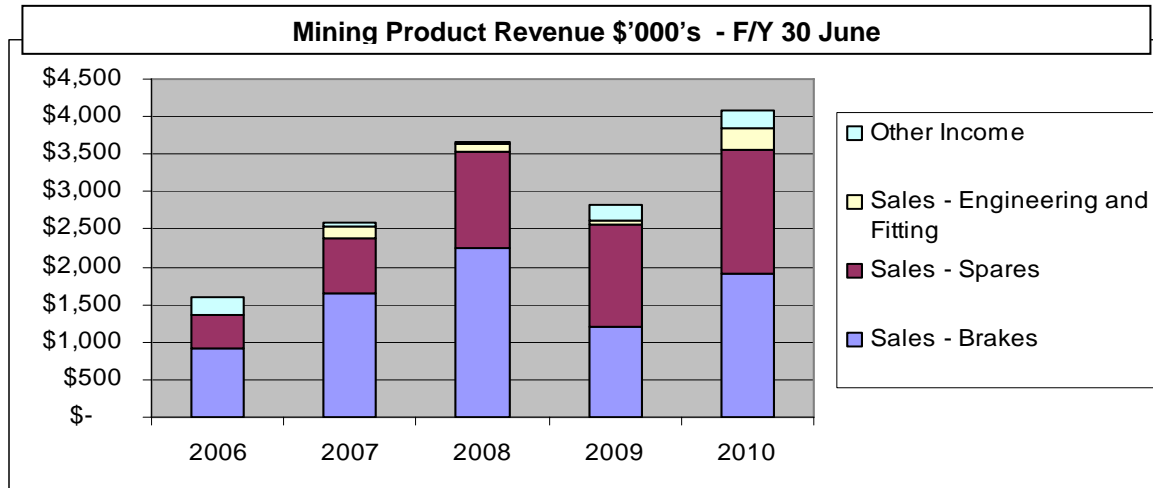
This pre-production phase is scheduled to take up to 18 months to prepare production representative brake sets, fit up 5 trucks and accumulate 7500 hours of in-field running. Initial feedback from the trial over the first 9 to 12 months will place the Company in a position to begin to secure commitments for commercial sales of the product.

## **Mining Sales**

The chart set out below shows sales to the mining sector of SIBS® products. The dip in sales in 2009 can be totally attributed to the GFC where in the last quarter of F2009 product sales slumped to minimal levels. It can be seen however that this year sales to mine customers exceeded \$4 million, notwithstanding some impact from the threatened mining super tax. This level of sales surpassed pre GFC levels. Based on the Company's forward sales pipeline, sales are expected to grow in the coming year at least at a rate exceeding the indicating trend line over the past 5 years.

Spare part sales form an important part of the Company's revenue and, despite the GFC, this component of revenue has continued to grow.

There has also been a diversity of product mix and while sales to Toyota Landcruiser has dominated brake set and spares sales in past years, part of the growth in sales has come for new product applications. For example the new SIBS<sup>®</sup> Agi driveline brake was approximately 24% of total sales of brake sets. This product diversity will contribute to an increase in growth of sales in the mining sector.



Whilst the Company has a diverse range of customers across the globe, the bulk of the Company's mining sales revenue come from a handful of key customers that now have standardised on the use of SIBS<sup>®</sup> in their mining operations. We see that, as other customers who have just started to adopt SIBS<sup>®</sup> become comfortable with the product and realise the benefits, SIBS<sup>®</sup> will become the brake of choice in harsh operating environments.

This coming year the Company has a number of product enhancement projects planned. These are part of an ongoing product improvement program that takes account of feedback from customers on areas of potential improvement in design to improve maintainability or performance. These projects, plus others aimed at further broadening the product range, are expected to enhance the growth rate of the mining sales.

Looked at from the standpoint of a stand alone business it can now be stated that the mining side of business is providing a positive contribution to the overall business. As sales volumes increase, economies of scale and efficiencies improve this will lead to increased margins and a greater contribution to the overall business that will assist in taking the Company into profitable trading.

## Product Development

In addition to the activity described above on the Garbage Truck Brake, the Company has been engaged in ongoing product development of its broader product range. Some of this development is necessary to keep pace with model changes on the vehicles to which the SIBS brakes are fitted.

One of the reasons the SIBS<sup>®</sup> AGI driveline brake has contributed the extent it has to brake sales, is that product development activity has made it readily adaptable to a wider range of vehicles. It was originally designed for certain Mack, Sterling and Isuzu vehicle models and during the year has been adapted for further Isuzu models, several Hino and several MAN models. In most cases customers contribute to the cost of adapting to a new model truck.

There have been further improvements to the Toyota Landcruiser version of SIBS® and the Toyota Hilux version has been upgraded to include a “full floating axle” conversion that increases vehicle load carrying capacity, reliability and commonality of spares with other SIBS® models.

Further activity is planned in the coming year is aimed at expanding the market presence of SIBS®. One area will be a greater focus on providing fail safe brakes, such as the Agi Brake, for on-road applications. The SIBS® Agi Brake was designed for primarily off-road mining applications. The Company sees an opportunity to offer this product for road going concrete trucks. Some modifications will be required to make it more suitable for this market.

The SIBS® Agi Brake was “Highly Commended” in the in the Industrial Product of the Year category presented by the Manufacturers’ Monthly magazine Endeavour Awards.

Discussion has continued with a Chinese brake manufacturer who is supporting the Company in offering SIBS® to a major coal mine in China. The Chinese company is also supplying some of the component parts of the SIBS® Garbage Truck Brake.

Other discussions are also ongoing looking to adapt the SIBS® to other vehicle types for use in mining operations in various parts of the world.

## **Production**

Advanced Braking’s manufacturing and assembly operations in Thailand continues provide a vital supply role in the delivery of all of the Company’s products and the support of the Company’s development projects.

The Thailand facility relies primarily on local suppliers to provide castings and machined parts which are assembled into completed brake sets at the Company’s factory.

Brake for the Pre-production phase of the Garbage Truck Project are being supplied out of Thailand and during this phase the factory will be gearing up for the commercial release of the product.

Economies of scale as volume in the mining sector grow and as truck brake sales come on stream will improve operating margins and assist in improving overall profitability of the Company.

## **Sales Strategy**

The Company has continued with its direct selling model in Australia and is assisted in North America by Mobile Parts Inc, based in Sudbury, Ontario, Canada and in South Africa by Brakecore.

The Australian mining sector has been greatest area of growth in product sales with sales in South Africa and Canada still not returning to pre-GFC levels. The overseas markets are expected to grow this year and a greater focus has been placed on certain Indonesian and PNG opportunities, as well continued activity in North America and South Africa.

Rather than be stretched far and wide to the range of smaller mining operations the Company is focussing its sales efforts on the mining companies and contractors with large fleets. Product take up within a large mining operations usually means that the wide range of contractors on the same site also adopt the use of SIBS on their vehicles.

While direct selling is the prime route to market in Australia there has been an increase in the number of accredited installers and service agents for the Company's products. For the most part, these have been new vehicle dealerships but include service companies providing contracted maintenance services.

Now that the SIBS® Garbage Truck Brake is in its last stage of development ahead of commercial sale, activity has commenced to prepare customers for the take up of the product. Key stakeholders are being kept informed of project process and are seeking involvement in the next phase. In addition, industry bodies are being provided with information the benefits of the product in order to build product awareness ahead of the commercial release.

Initial sales of the SIBS® Garbage Truck Brake are being targeted in the retro fit market and this will be followed by sales to new trucks.

An attractive aspect of the waste industry is that municipal waste collections are increasingly being managed by contractors to local government. These contractors are few in number operate on a national scale and employ large truck fleets.

## **Results Discussion**

Total revenue for the 12 month period of \$4.679 million was up 25.3% from the \$3.734 million last year.

Operating expenses for the year of \$6.240 million were slightly higher than last year (\$5.978 million). Contributing to higher costs were an increase consumables and minor equipment in support of the development activities and an increase in cost of goods sold in line with increase in the sales.

The resulting after tax loss of loss of \$1.266 million is 34.9% down on \$1.946 million in the previous year.

The loss can be attributed to main two areas, firstly depreciation and IP amortisation account for 26.9% of the loss. Secondly, the Company incurred additional expenditure in supporting both ongoing product development and the Garbage Truck program. While an R&D Tax Offset payment of \$295,000 partially supported ongoing product development, the Garbage Truck brake project required additional expenditure. Over the 2 year Garbage Truck brake design and development phase up to 31<sup>st</sup> March 2010 the Company received \$2 million of development funding. Due to the timing of the various instalments, including \$0.5 million as an advance payment in the 07/08 financial year and \$900,000 in 08/09 financial year, revenue in the 12 months ending amounted to \$600,000. As a consequence, Company expenditure over the current period exceeded revenue on the project. On 30 July 2010, the investors funding the Garbage Truck Project entered into the Pre-Production Contract under which they will contribute a further \$2 million of project funding, payable in quarterly instalments, prior to the commercial sale of the product.

## **Outlook**

As discussed above, two developments in the period under review point to a strong future for the Company. Firstly, the demonstration that the mining segment of the Company's business now can provide a positive earnings contribution to the overall business and secondly that the Company is now in the final stage of development of the Garbage Truck brake ahead of commercial sales.

Breaking into the global and recession proof waste industry will be major step in establishing the Company as the significant participant in the world braking industry.

The level of profitability on the coming year will depend on; the Company meeting its internal growth projections in the mining side of its business, which at this stage look like they can be met or exceeded, and on the level of investment required over and above external funding to ensure the production validation phase of the Garbage Truck project is successfully advanced in order to secure the earliest possible commercial release date.

It is the Company's expectation that after the completion of the last stage of development, sales in the waste sector of SIBS® Garbage Truck Brakes will quickly surpass the sales levels available in the mining sector. If no development issues are encountered in the pre-production phase a decision to embark on commercial sales could be made in as short as 12 months.

Due to a successful share placement (announced on 19<sup>th</sup> August 2010) to sophisticated investors, under which \$3 million was raised, the Company believes it has sufficient cash resources to secure the projected growth in sales in the mining sector and deliver a successful market launch of the SIBS® Garbage Truck.

### **Corporate**

In September 2009 Mr David Slack was appointed to the Board of the Company as a non-executive director. Mr Slack is Chairman of the Audit Committee of the Board and along with being the Company's largest shareholder brings 30 years of experience as a professional funds manager. The Board welcomes Mr Slack and acknowledges the contribution made since his appointment.

### **Acknowledgements**

Firstly I would like to acknowledge the magnificent efforts of the staff of the Company in achieving the proof of concept sign off of the SIBS® Garbage Truck Brake. It was significant effort to achieve each quarterly technical gateway over a 2 year period and the final sign off in March 2010, in accordance with the contracted timetable.

I would also like to acknowledge the staff involved in the production, sales and support of the mining side of the business. The demands of a dealing with an around the clock industry often goes without recognition.

My appreciation also goes to a supportive Chairman and Board of Directors through a year where the prospects of the Company have seen a definite improvement.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ken Johnsen', with a stylized, looped end.

**Ken Johnsen**

Chief Executive Officer and Managing Director