

20<sup>th</sup> October 2010

**Letter to Shareholders  
First Quarter Commentary and Appendix 4C - Cash Flow Statement**

Dear Shareholder

The first quarter of the 2010/2011 financial has seen continued growth in products sales and the commencement to the final phase of the Garbage Truck Development Program.

First quarter sales and orders received exceed internal targets. Orders in hand, including the \$800,000 Xstrata order announced earlier today, and a strong prospective sales pipeline are indicating a further likely improvement in sales growth.

The contract to cover the final phase of the Garbage Truck Development program was finalised at the end of July and an initial quarterly instalment of \$0.25 million was received under this contract.

The Pre-Production phase of the Garbage Truck program is now underway and the production representative SIBS brake sets currently under construction. When complete these brake sets will be installed on a fleet of 5 trucks for an extensive in-field trial in order to provide a final validation ahead of offering the product for sale.

The quarter in review saw an increase in cash from \$0.510 million at June 30, 2010 to \$2.635 million at September 30, 2010.

The cash inflow includes \$1.123 million from customers, \$2.929 million as a result of capital raising activities \$1.856 million of which is shown on the accompanying statement as proceeds from the issue of shares and \$1.073 million which is shown as borrowings which includes \$0.994 million that relates to share subscription funds held in trust pending shareholder approval to issue shares at the forthcoming AGM on 26<sup>th</sup> October 2010.

The net operating cash outflow for the period was \$0.475 million. The Company has seen an increase in sales activity during the quarter and this is reflected in an increase in receivables as at September 30<sup>th</sup> by \$0.277 million over the level outstanding at June 30<sup>th</sup>, 2010 (The majority of this outstanding amount has since been collected). When this and other working capital movements are taken into account the underlying cash usage for the business is at a very low level.

In summary the Company's performance is currently tracking above its internal projections and every indication is that this trend will continue.

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 SEPTEMBER 2010

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A'000	(3 months) \$A'000
1.1	Receipts from customers	1,123	1,123
1.2	Payments for (a) staff costs	(524)	(524)
	(b) advertising and marketing	(10)	(10)
	(c) research and development	(145)	(145)
	(d) leased assets	-	-
	(e) other working capital	(913)	(913)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5	5
1.5	Interest and other costs of finance paid	(11)	(11)
1.6	Income taxes paid	-	-
1.7	Other – R & D Tax Offset & EMDG	-	-
	<b>Net operating cash flows</b>	<b>(475)</b>	<b>(475)</b>

+ 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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(475)	(475)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(188)	(188)
(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)	-	-
<b>Net investing cash flows</b>	(188)	(188)
<b>1.14 Total operating and investing cash flows</b>	(663)	(663)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	1,856	1,856
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	1,073	1,073
1.18 Repayment of borrowings	(58)	(58)
1.19 Dividends paid	-	-
1.20 Other – Capital Raising Fees	(113)	(113)
<b>Net financing cash flows</b>	2,758	2,758
<b>Net increase (decrease) in cash held</b>	2,095	2,095
1.21 Cash at beginning of quarter/year to date	510	510
1.22 Exchange rate adjustments	30	30
<b>1.23 Cash at end of quarter</b>	2,635	2,635

---

+ 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)	89
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Item 1.17 Proceeds from Borrowing above includes the amount of \$994,000 paid by parties subscribing to shares, the issue of which is subject to shareholder approval at the Company's AGM to be held on the 26th October 2010.	

**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	-	-

---

+ See chapter 19 for defined terms.

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

---

**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	2,635	510
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)		2,635	510


**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: 20 October 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.