

Chief Executive Officer Update

Introduction

The 2012 financial year was a period of significant progress for Advanced Braking Technology Group (ABT). Substantial human and financial capital was invested over the year in the development of our revolutionary garbage truck brake and I am pleased to report that this “company making” product is now poised for commercial rollout in 2013.

Furthermore, advancements were also made to our existing business in the mining sector. Here, considerable enhancements were made to our product offering and the Company's market positioning was maintained despite challenging macro industry conditions.

Year's Highlights

- Readiness for commercial production and roll-out of the SIBS Garbage Truck Brake during FY13
- Development of an ABS (anti-skid) version of the SIBS Garbage Truck Brake
- Confirmation of the significant environmental benefits of the SIBS Garbage Truck Brake
- The transition to the improved SIBS II version of the light commercial vehicle brake across various Landcruiser models
- The expansion of the existing mining vehicle market by the development for the SIBS II variant for the Toyota Hilux and other similar sized vehicles.
- A successful \$2.1 million capital raising in April 2012
- A small loss combined with a substantial investment in upgraded products
- An expanded workforce with bolstered expertise across sales and technical areas to support planned expansion of the mining business and the new garbage truck business.

SIBS® Garbage Truck Brake

ABT has developed a revolutionary new garbage truck braking product which aims to deliver significant “triple bottom line” benefits to fleet operators. These include: substantially reduced servicing costs, more consistent and reliable braking performance and the elimination of noise and dust emissions.

Importantly, Board approval was provided in July 2012 for the Group to progress towards the commercial rollout of its garbage truck brake in the second half of the 2013 financial year. This decision follows the culmination of a four year product development program and a comprehensive assessment of the products technical and commercial viability.

We strongly believe our garbage truck braking product has the potential to transform ABT and drive significant shareholder value over the long term. Put simply, the product's business fundamentals are compelling. Consider:

- The market opportunity – large, recession resistant, global market
- The customer proposition – significant savings, superior operating performance and environmental benefits
- Competition – none currently and protection is provided via a broad patent portfolio
- The commercial model based on healthy margins designed for scalability

Furthermore, the technical risk associated with our garbage truck braking product is considered to be very low. Our confidence in this assessment is based on:

- The ABT team's significant experience and expertise with the associated technology
- The Group's long history of successfully utilising this technology for other applications
- The extensive and successful testing process which has been undertaken through our multi-year product development phase

Importantly, our product development activities have confirmed that all of the key desired performance attributes established at the outset of the project will be delivered to customers. These comprise:

- **Significantly extended brake overhaul intervals**

A compelling driver for the widespread adoption of this new approach to truck braking is that extensive testing has shown that the major brake overhaul interval on a garbage truck can be extended from an average of 5 months to potentially over 24 months.

- **Compatibility with modern anti-skid systems (ABS)**

The Company has confirmed that the SIBS Garbage Truck Brake can interface with and is compatible with standard anti-lock braking. This will enable the system to be available on new truck models that are factory fitted with ABS and also provide the opportunity to provide an ABS upgrade for those operators wishing to retro-fit our system to their existing fleets.

- **Availability as a retro-fit braking system**

A key design goal of ABT was to ensure that the SIBS Garbage Truck Brake could be retrofitted the garbage trucks. After fuel, brake repair and maintenance is the second highest cost of operating a garbage truck. The ability to retro-fit the system without any modifications to the vehicle provides huge benefits to potential customers and the immediate access to an enormous worldwide market for the Company.

- **A compelling commercial proposition**

All current testing has indicated that the Group will be able to offer a braking system that will allow operators a payback on their initial investment of around two years and ongoing annual savings per truck of up to \$15,000. From the Company's position, it has been confirmed that a selling price that will be attractive to fleet operators will also deliver the Group a gross margin in-line with expectations.

- **Environmental benefits**

Apart from the supply of a key product to the waste collection industry, the commercial roll-out of the SIBS brake technology has significant community benefits. Firstly, standard braking systems on garbage trucks are a major source of noise pollution. Brake squeal is one of the most cited community complaints – especially by those awoken by brake squeal during early morning bin collection. The SIBS Garbage Truck Brake eliminates all brake squeal.

Company research and testing has also confirmed that the SIBS Garbage Truck Brake will assist in improving the air quality by eliminating up to 30 kilograms of fine brake dust particles every year, for every truck that uses our system. In Australia, this translates to over 90 tonnes of fine particulate matter that could be eliminated from the atmosphere per annum if all garbage trucks used the SIBS Garbage Truck Brake.

ABT is currently finalizing all necessary arrangements to facilitate commercial rollout during the current financial year. Final testing and validation of the pilot production sample will take place during the first half of FY13. The Group's aim is to have the SIBS Garbage Truck Brake sets available for sale during the second half of FY13. These final steps prior to the commercial release of the brakes continue to be supported with Commonwealth funding assistance through the Commercialisation Australia – Early Stage Commercialisation program. The Company's own investment in this activity is being matched with Commonwealth funding.

The year ahead for ABT is full of potential. The Group is being transformed and is well positioned for exponential growth as it prepares for first entry into the global waste industry, with a compelling new patented product.

Mining Products

Advanced Braking continues to offers a range of braking products based around its proprietary SIBS technology which allows mine operators to improve the safety, reliability and operating cost of the vehicle they use to support their mining activities. These vehicle fall into three categories; light commercial vehicles, such as Toyota Landcruisers, medium duty trucks, such as Fuso Canter, and heavy rigid trucks, such as Mack. The Company offers SIBS brakes for each of these three categories.

The Group experienced strong sales in the first three quarters of the year with sales as at 31 March being 17% ahead of the prior year. A softer than expected 4th quarter resulted in sales for the full year being 3% ahead of the prior year. This softening towards year end was due to a number of short term external factors impacting the resource sector resulting in capital expenditure being delayed and many mine expansions being curtailed.

The strong demand experienced through most of the year indicates that SIBS brakes are fulfilling a clear market need and are now well established as the benchmark product for safer braking systems in the mining sector with many mines having equipped their entire fleet of light vehicles.

The benefits of the upgraded SIBS II mining brake were realised across the Company's customer base with improved serviceability and reliability and reduced operating cost. SIBS II has replaced SIBS I our standard product offering across the Landcruiser range in Australia and is being carried across to other products.

Importantly, export sales now account for 22% of total sales – up from 19% in the prior year. This reflects an increasing awareness of our product internationally and demonstrates its global rollout potential.

Ongoing product development activities aimed at enhancing the attractiveness of the mining products and widening the areas of product application are expected to yield increased sales in the coming year.

The mining sales force has also increased with two additional sales staff to cover the eastern states of Australia and also augment the existing sales activity in South Africa.

The mining division contributed \$1.33 million of profit to the group.

Results Discussion

Total revenue in the year for the Group increased 10% to \$7.97 million (2011 - \$7.24 million) and a net loss after tax of \$123,000 was recorded compared to a profit last year of \$550,000.

The main profit driver was the mining side of the business with a segment profit (before tax) of \$1.33 million on sales of \$6.4 million.

The increased investment in development activities aimed at enhancing growth prospects, supported by the cash generated by the mining division and external funding sources, served to reduce the mining profit to the small loss reported.

The engineering services division that is responsible for all Group development activities, had income of \$1.6 million (grant and R&D incentives) and overall expenditure including depreciation of \$3.78 million. Of this expenditure, \$1.25 million was capitalised as pre-production and development expenditure relating to the SIBS Garbage Truck Brake. R&D expenditure on mining products is expensed as it is incurred. This division recorded a net loss of \$927,000.

The net loss in the engineering division of \$927k, combined with other unallocated costs (IP amortization, finance and legal fees) of \$427k reduce the mining division profit of \$1.33 million to a net after tax for the Group of \$123k.

The Company benefits from two Commonwealth assistance programs in support of its development and commercialisation activities. In April 2011 it was awarded a \$2 million Commercialisation Australia Early Stage Commercialisation grant. This year the Company recognized income of \$761,000 from this grant and further amounts totalling up to \$862,000 towards eligible expenditure will be receivable up to the completion of grant period on 30th June 2013.

The introduction of the new Commonwealth R&D Tax Incentive arrangements will provide a 45% cash rebate on eligible R&D expenditure from 1st July 2012. An amount of \$780,000 has been accrued and is expected as a cash payment following lodgment of the Company's 2012 tax return.

From a cash flow perspective, net cash used from operations for the 12 month period was \$415,000 compared to cash provided over the previous year of \$141,000. The cash balance at year's end was \$2.925 million. Included in the investment activities for the 12 month period was the purchase of property plant and equipment of \$647k and expenditure on capitalised pre-production activity of \$1,252 million.

Included in the current assets at year's end is inventory of \$2.25 million - up \$452,000 on the previous year. Current and non-current interest bearing liabilities totaled \$406k and comprised hire purchase and lease arrangements, primarily for test vehicles. Net assets increased by \$2 million to \$9.74 million this year as a result of a capital raising during the year.

Outlook

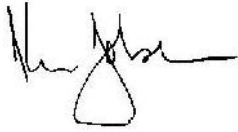
With the decision to commence commercial production of the SIBS Garbage Truck Brake this financial year, ABT will begin its transition from being a leading player in the small mine vehicles market to being a significant player in the global waste collection industry. In contrast to the highly cyclical mining sector, the shift into the waste industry provides solid growth potential in a recession proof sector.

The mining business will continue to play an important part in the Company's business as it grows and extends what has been proven as a viable business model across to the waste collection market. This business model combines low cost offshore manufacturing with ABT's proprietary technology to deliver significant value to customers and is expected to generate increasing shareholder value.

Acknowledgements

I would like to acknowledge the significant contribution over the period from all ABT staff members and the continued and valued support from our customers.

My appreciation also goes to a supportive Chairman and Board of Directors through a year in which the prospects of the Group have shown considerable improvement.

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

Ken Johnsen

Chief Executive Officer and Managing Director

27 August 2012