

ASX/MEDIA RELEASE

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## Business Update

Advanced Braking Technology Ltd (ASX: ABV) is pleased to provide the following business update for the September quarter FY2013.

### Highlights:

- **SIBS<sup>®</sup>** Truck Brake design finalised and approved for production
- Initial production batch for the **SIBS<sup>®</sup>** Truck Brake well underway in Thailand
- Successful in-service testing of two trucks at the City of Swan reinforces the low wear and reliability of SIBS truck brakes
- On track for commercial roll out of the **SIBS<sup>®</sup>** Truck Brake commencing January 2013
- **SIBS<sup>®</sup>** mining brakes showcased at the MinExpo in Las Vegas – consolidated international reputation and interest from overseas customers

### SIBS<sup>®</sup> Truck Brake Production Program

A range of activities have been undertaken following the decision in July to commit to commercial production of the SIBS<sup>®</sup> truck brake for first application on garbage trucks. These have included:

- Purchase orders were placed for the first batch of production brake sets and the manufacture of these are currently well underway in Thailand.
- The finalisation of all aspects of the production design of the entire brake system has been achieved including the final design of the production brake cooling system.
- Extensive testing of an upgraded and simpler cooling system has confirmed its capability to meet the most demanding load conditions.
- In-service testing at the City of Swan over the last 6 months with 2 trucks added further validation of the low wear and reliability capabilities of the SIBS<sup>®</sup> truck brake. This testing confirmed:
  - The current wear rate of the brakes in-service is such that the major overhaul interval exceeds two years and could possibly be up to four years. (Standard brakes typically require overhaul and part replacement two to three times per year)
  - Enhanced uniform braking across all brakes on the six-wheel test trucks, leading to 30 per cent reduction in tyre wear.
  - Feedback from drivers, fleet operators and public was excellent, with reports indicating good brake feel, low downtime and elimination of brake squeal and brake dust.
  - A reduction of the vehicle servicing downtime which in some cases may allow for reduced overall fleet size because of greater vehicle availability.
- The Mayor of the City of Swan, Charlie Zannino stated; "Along with fuel costs, the brake system is the major operating cost for the waste management vehicles so this type of technology is important to the City to help it minimise the overall operating costs of its fleet."
- Test track, test bench and dynamometer testing confirmed other aspects of the brake design, in terms of fatigue testing, heavy load cooling capacity and compliance with requisite test standards.

The production preparations will culminate with the first installation of a "sale ready" brake set on the Company's own truck in December 2012. This installation will document final assembly procedures for production brakes as a precursor to installations on customer trucks scheduled to commence in January 2013. This initial truck fitted with the SIBS<sup>®</sup> truck brake is also targeted for sale to a waste customer.

## **SIBS® Truck Brake Addressable Market**

The SIBS® truck brake has been designed in the first instance for application on waste collection vehicles. It has been specifically designed for both retro-fit and original equipment (factory fit) applications. These vehicles suffer high levels of brake wear and the sector is the most attractive within the truck industry to target with the SIBS® truck brake.

In Australia there is an estimated 800 new waste vehicle sold each year and up to 8,000 trucks in service. The SIBS® truck brake, along with new truck sales, is also being targeted for retro-fit to in-service trucks where it can deliver immediate cost, safety and operational benefits to fleet operators. The North American market is estimated to be 200,000 new waste trucks per annum and an in service fleet of up to 200,000 trucks.

Due to the widespread use of common drivetrains and axles across the entire truck market the SIBS® truck brake is readily adaptable to various other trucks in other market sectors. These would include other frequently stopping vehicles, like buses, and vehicles that have high brake wear, like heavy haulage vehicles in mountainous terrains.

## **Other Development Activity (Mining Products)**

The recent introduction of ABS (anti-skid brakes) on the Toyota Landcruiser models used by the Company's mining customers has necessitated an upgrade of the SIBS® II braking system. This upgrade is well advanced and the Company is well placed to meet customer sales demand for brake sets on the new Landcruiser.

The recently released SIBS® II Toyota Hilux brake that incorporates a modular hydraulic control unit is the basis for generic brake set for application on various ANCAP 5 rated light commercial vehicles. The move to ANCAP 5 vehicles, such as the Ford Ranger, by several of ABT's customers is being watched with interest. Some observers are predicting that this class of light commercial vehicle, being somewhat lighter duty than heavier four wheel drives like the Toyota Landcruiser and Nissan Patrol, may not stand up to the rigours of harsh mining conditions. The Company is in a ready position to adapt its SIBS® system to the vehicles selected by mining companies and contractors to meet their future needs.

## **Mining Sales Activity**

The SIBS® technology was showcased in September at the Las Vegas MinExpo – the world's largest mining equipment exhibition that takes place every four years. ABT's North America agent, Mobile Parts Inc. (MPI), displayed a Landcruiser fitted with SIBS® - this exhibit was a major drawcard to the conference attendees.



ABT's Australian customer base was well represented at the Las Vegas MinExpo. The strong reputation and verification of the SIBS<sup>®</sup> technology by North American customers is an excellent endorsement for existing and prospective Australian and international customers. There was also significant interest in the SIBS<sup>®</sup> mining product from various companies operating in the African and South America mining regions.

ABT's brake set sales have continued the trend that started in Q4 of 2011/12 following the weakening of the resource sector. Total mining sales for the first quarter of 2013 were \$1.1 million, compared \$1.6 million for the prior corresponding period. The spare parts component of this revenue is slightly up on the prior corresponding period, thus reflecting lower capital spending by mining customers.

In light of the softer sales the Company has taken action to reduce costs. Staff numbers in Australia have been reduced in the period with total staff dropping from 37 at 30<sup>th</sup> June 2012 to 32 at 30<sup>th</sup> September 2012. The mining and truck brake engineering teams have been combined as a common engineering resource pool, providing the Company with the opportunity to reduce costs relating to both engineering and support staff.

The Company's forward sales pipeline is building, with improved sales expected in the second quarter. This is expected to be buoyed by strong orders from offshore customers.

Increased focus on both safety and operational productivity will continue to be the main customer driver for the Company's mining products. A Safety Alert entitled "Heavy rigid truck runaways on the increase" was issued by the Queensland Mines Inspectorate on 16<sup>th</sup> October 2012. This cited four serious incidents in Queensland concerning uncontrolled vehicle movements in the six months ending September 2012. ABT's heavy driveline brake (AGI Brake) is a viable solution for reducing or eliminating this type of mine safety incident. Product details have been circulated to Mines Inspectors in Queensland in response to this Safety Alert.

## **Cash Flow**

The cash flow statement issued for the first quarter of 2012/13 financial year details a cash balance of \$1.626 million at 30<sup>th</sup> September 2012. In addition to expected stronger sales in the next quarter, the Company's cash position will be bolstered by approximately \$800,000 of proceeds from its R&D Tax Incentive Claim for the 2011/12 financial year. Furthermore, the Company is receiving quarterly instalments for expenditure under the Commercialisation Australian grant and is entitled to receive further payments totalling up to \$680,000 in support of eligible expenditure for the 12 months ending 30<sup>th</sup> June 2013.

In line with the planned use of proceeds as part of the Company's capital raising in April 2012, cash is being directed towards the launching of the production of the truck brake, with investments made in tooling and working capital for the initial brake sets. Supporting engineering activity to achieve the commercial launch is also consuming working capital however is further enhancing the investment in the technology.

## **Conclusion and Outlook**

The Company is poised to enter the truck brake markets with its first sales to the waste industry commencing this financial year. All indicators suggest that there will be a strong demand for this product in the waste market. The capital raised last year is being directed towards this launch and is being supported by both R&D Tax Incentives and the Commercialisation Australian grant. A progressive and controlled launch is planned to commercially roll out this product.

Mining sales continue to play an important part in the overall strength of the Company and every effort is being focused towards increasing mining sales through the introduction of new products and expansion into new markets.

Based on the current sales outlook, operational budgets and external sources of cash, the Company is well positioned to achieve the goals set out for this financial year.

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## About Advanced Braking Technology Ltd

Advanced Braking Technology Ltd (ASX: ABV) develops innovative braking systems, with its main product being the Sealed Integrated Braking System (SIBS<sup>®</sup>), a comprehensively patented Australian invention, now used widely in light commercial vehicles in the mining industry.

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 minimise wear. 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 better safety, improved productivity and lower operating costs, and are engineered to survive the harshest conditions. The proven technology is environmentally friendly, eliminating brake dust emissions and noise and squealing, and provides benefits for on-road, off-road and industrial applications in terms of safety, reliability, performance and adaptability.

Following the success of the product in the mining sector, the Company has branched into the waste disposal sector, developing the SIBS<sup>®</sup> technology into an innovative garbage truck braking system. After four years of development, the project is now in its final testing phase before commercialisation of the product.

Based in Perth, Western Australia, Advanced Braking has a manufacturing plant in Thailand, worldwide patents on its technology and an extensive reseller network.