

ASX/MEDIA RELEASE

31 January 2013

Business Update

Advanced Braking Technology Ltd (ASX: ABV) is pleased to provide the following business update for the quarter ended 31 December 2012.

Highlights:

- Cash flow positive quarter with 31 December 2012 cash at bank up \$0.22 million (14%) to \$1.8 million.
- First production SIBS[®] Truck Brakes delivered to Perth in December from Thai facility.
- Installation of first production SIBS[®] Truck Brake completed. Certification testing has confirmed full compliance with Australia Design Rule (ADR) standards.
- Multiple commitments received from major waste operators to install first production SIBS[®] Truck Brake sets as a prelude to expected wider use.
- Ongoing in-service testing of two trucks at the City of Swan continues to reinforce the low wear and reliability of SIBS[®] Truck Brakes.
- Improved order book and sales pipeline in mining indicate a near-term uplift to historical sales levels.

A cash flow positive quarter

The cash balance as at 31 December 2012 was \$1.8 million, representing a \$0.22 million (or 14%) increase on the prior quarter. Cash received during the quarter included \$1.8 million in receipts from customers, a \$0.8m ATO R&D Tax Incentive receipt and a \$0.22 million Commercialisation Australia grant.

Net operating cash flow for the quarter was \$0.66 million positive with a net investment cash outflow of \$0.45 million.

SIBS[®] Truck Brake – first production batch produced

The December quarter saw the achievement of a major milestone for the Company's revolutionary truck brake with the transition from the development phase to the first production of saleable truck brake sets.

The initial batch of 10 production truck brake sets are being used to seed the market via a select group of waste operators. Installation arrangements are underway for these first brake sets beginning in February. This initiative has the dual benefit of promoting the product to key target customers and enabling the effective monitoring of user satisfaction in the product launch phase. Importantly, this will be used as a precursor to determining the likely rate of take up amongst the waste industry and future production requirements.

Full compliance with ADR standards - a pre-requisite for any commercial sale - was achieved in January 2013 following the installation in December of a production SIBS[®] Truck Brake to a current model garbage truck with factory fitted ABS.

Encouragingly, ongoing in-service testing of two trucks trialling the SIBS[®] Truck Brake at the City of Swan continues to promote and reinforce the low wear and reliability of SIBS[®] Truck Brakes. Over 2000 hours of in-service operation on these trucks has been achieved with only minor servicing.

Over the coming months, the Company is confident that waste operators will realise the benefits of the product and will begin to commit its wider use in their fleets. In preparation for this, the Company is working with its vendors to ensure that it is in a position to support the likely demand and expected ramp up in production.

Other applications outside of the waste industry are also being explored for the SIBS[®] Truck Brake in response to inquiries from potential customers.

Mining Sales Activity – forward orders suggest uplift to historical sales levels

December quarter sales were up 34% compared to the previous quarter, with total sales in mining for the first half of FY2013 reaching \$2.52 million. Exports sales accounted for approximately 34% of the December quarter sales.

The two main drivers for purchasing SIBS[®] brakes are the desire for operational cost savings and improved vehicle safety. The drive for lower operating costs in mining is enhancing the Company's sales prospects while safety remains a key focus in the mining industry.

Notably, a recent Queensland Department of Natural Resources and Mines report highlighted that mobile plant, vehicle and loss of control/unplanned movement reported safety incidents in mines dominated the safety statistics in Queensland and showed an increasing trend over the last 3 years. The SIBS[®] brake has become the benchmark standard in controlling these categories of incidents in road vehicles used in mining. This recognition is expected to drive increased penetration for our product in both local and overseas markets.

While a seasonally softer month, sales for January 2013 are currently tracking 40% ahead of the first half FY2013 monthly average. Furthermore, the current order book and predicted sales for February indicate further improvement over January sales levels. The key driver of depressed sales levels in the early months of FY2013 was spending restrictions by customers in the Australian mining sector. Recent sales activity indicates that these now appear to be lifted. Based on the current sales pipeline, the Company expects to see an improvement in sales for the second half of FY2013 resulting in a return to historical sales level for the full year.

The upgrade of the SIBS[®] II braking system to suit the new ABS equipped Toyota Landcruiser model is now completed with first deliveries to customers made this month. This quick turnaround in providing an upgraded design has led to the immediate capture of sales for this new Landcruiser model.

Export sales opportunities continue to increase with new opportunities in North America, Africa and Europe. Sales in the Hunter Valley and the Bowen Basin were soft in first half FY2013, however, current orders in January 2013 and expected future orders indicate future sales growth in these regions.

Conclusion and Outlook

The current rebound being experienced in mining sales will form an important contribution to the overall full year group earnings. With further enhancements/upgrades to our product and greater export opportunities the Company expects to see an increase in mining sales and a return back to historical levels and beyond.

The ongoing cash generation from mining sales together with the continued Commercialisation Australia grant funding, of which a further \$0.34 million is expected, and further access to R&D Tax Incentives of 45% of eligible expenditure will support and fund the SIBS[®] Truck Brake launch as it begins to generate sales revenue.

The first production of our SIBS[®] Truck Brake and the initial seeding of 10 brake sets to the market will set the stage, for what is expected to be a strong demand for this innovative product. The Company is confident that this new product will bring significant growth and create a lucrative business segment.

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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[®]), a comprehensively patented Australian invention, used widely in light commercial vehicles in the mining industry.

SIBS[®] 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[®] 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[®] technology into an innovative garbage truck braking system. After four years of development, the SIBS[®] Truck Brake is now ready for commercialisation.

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

For further information, refer to the Company's website – www.advancedbraking.com