

28 February 2018

Non Renounceable Rights Issue and Debt Restructuring

Traffic Technologies Ltd (**Traffic Technologies / Company**) (ASX:TTI) is pleased to announce a non renounceable pro-rata rights issue (**Rights Issue**) and Share Top Up Facility to raise approximately \$6.2 million before costs of the issue (**Capital Raising**).

In conjunction with the Capital Raising, the Company will restructure its current bank facility arrangements with the objective to achieve a level of gearing more consistent with market practice and to provide it with greater balance sheet capacity and flexibility to continue development of the Company's growth opportunities.

Rights Issue

Eligible shareholders will have the opportunity to participate in:

- (a) the Rights Issue to receive an additional 3 ordinary shares for every 4 ordinary shares held in the Company at an issue price of \$0.03 (**Rights Issue Shares**); and
- (b) the Share Top Up Facility where eligible shareholders will be able to subscribe for additional shares beyond their entitlement of 3 for 4 on the basis that some existing shareholders may be either ineligible (non Australian or New Zealand residents) or may fail to fully take up their entitlement (**Share Top Up Facility**),

in each case with fractional entitlements will be rounded up to the nearest whole number and the shares allotted under the Rights Issue and Share Top Up Facility will rank equally with the Company's fully paid ordinary existing issued shares.

Eligible shareholders are those shareholders whose registered addresses are within Australia and New Zealand as at 7.00pm (AEDT) on the record date, being 5 March 2018. The proposed timetable for the Capital Raising is detailed in Annexure 1.

Under the Rights Issue and Share Top Up Facility, there is a minimum capital raising amount of \$6.2 million.

The funds from the Capital Raising are important and will be applied for working capital purposes including in part repayment to Westpac Banking Corporation (**Westpac**) and funding the costs of the bank restructuring and the expenses of the Capital Raising.

The impact of the Capital Raising on the Company's financial position is illustrated in the Pro-forma Balance Sheet attached in Annexure 2. The attached Pro-Forma Balance Sheet also includes the impact of the bank restructuring as outlined in this announcement.

Shareholder approval for the Capital Raising is not required. The Capital Raising is undertaken without a prospectus in accordance with section 708AA of the *Corporations Act 2001 (Cth)* (**Act**). The notice required under s708AA(7) of the Act has been lodged with ASX.

Bank Restructure

In conjunction with the Capital Raising, the Company is pleased to announce that Westpac and a lending entity which is an investment holding entity, established by, and managed by, Asia Debt Management Hong Kong Limited (**ADM Capital**) which is regulated by the Securities and Futures Commission of Hong Kong have signed transfer documentation to effect the transfer of the Company's core finance debt (and associated finance documents and security documents) from Westpac to ADM Capital (**Debt Transfer**) subject to satisfaction of certain conditions precedent.

As part of the Debt Transfer, the Company has entered into debt facility arrangements with ADM Capital (**Debt Facility**) which will replace the present debt facilities with Westpac (other than certain transactional facilities which will remain) at completion of the Debt Transfer and subject to satisfaction of certain conditions precedent. The Company will continue as a Westpac banking customer. The key terms of the Debt Facility are set out in Annexure 3.

Further information

For further information regarding the Rights Issue, Share Top Up Facility or debt restructure – Please contact Con Liosatos, Managing Director, Traffic Technologies Ltd (03) 9430 0222.

About Traffic Technologies

Traffic Technologies is Australia's premier traffic solutions company. Established in 2004 and listed on ASX in 2005, the Company's head office is in Eltham, Victoria with offices in all States of Australia and England. The Group specialises in the design, manufacture and installation of traffic signals, traffic controllers, pedestrian countdown timers, electronic road signs, emergency telephones, portable roadside technology and road lighting products and provides a wide range of directional and regulatory traffic signs and traffic control products to road traffic authorities, municipal councils and construction companies.

Important Information

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States or to "US persons" (as defined in Regulation S under the US Securities Act of 1933, as amended (the "US Securities Act")) ("US Persons"). This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or to any person that is, or is acting for the account or benefit of, a U.S. person or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

Neither this announcement nor any other documents relating to the offer of new shares may be sent or distributed to persons in the United States or to US Persons or to any persons acting for the account or benefit of US Persons.

Annexure 1 - Rights Issue and Share Top Up Facility Timetable

The proposed timetable* for the Rights Issue and Share Top Up Facility is as follows:

Event	Date
Announcement of the Offer	28 February 2018
Lodgement of Cleansing Notice and Appendix 3B with ASX	28 February 2018
Appendix 3B information letter sent to security holders	1 March 2018
"Ex" date for the Offer (being the date that Shares start trading without the Entitlements to participate in the Offer)	2 March 2018
Record Date to determine Entitlements under the Offer	5 March 2018
Opening Date of Offer	8 March 2018
Despatch of the Offer Document and Entitlement & Acceptance Form to Eligible Shareholders and announcement that this despatch has occurred	
Closing Date for acceptances under the Offer	20 March 2018
New Shares quoted on a deferred settlement basis	21 March 2018
Shortfall (if any) announced to the ASX	22 March 2018
Issue of the New Shares (Deferred settlement trading of New Shares ends)	26 March 2018
Trading of New Shares expected to commence	27 March 2018
Despatch of Holding Statements	28 March 2018

*The above dates are indicative only and subject to change.

Annexure 2 - Pro-forma Balance Sheet as at 31 December 2017 showing the impact of the Capital Raising and banking restructure

	31 Dec 2017 \$'000	Pro forma \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	1,386	4,141
Trade and other receivables	8,063	8,379
Inventories	15,054	15,054
Total Current Assets	24,503	27,574
Non-Current Assets		
Property, plant and equipment	1,190	1,190
Goodwill	10,554	10,554
Intangible assets	7,576	7,576
Deferred tax assets	116	116
Total Non-Current Assets	19,436	19,436
TOTAL ASSETS	43,939	47,010
LIABILITIES		
Current Liabilities		
Trade and other payables	10,026	10,026
Interest-bearing liabilities	4,991	106
Provisions	2,457	2,457
Total Current Liabilities	17,474	12,589
Non-Current Liabilities		
Interest-bearing liabilities	17,377	12,607
Provisions	272	272
Total Non-Current Liabilities	17,649	12,879
TOTAL LIABILITIES	35,123	25,468
NET ASSETS	8,816	21,542
EQUITY		
Contributed equity	49,029	54,753
Accumulated losses	(40,213)	(33,211)
TOTAL EQUITY	8,816	21,542

* **Please note:** The above pro forma balance sheet of the Company as at 31 December 2017 reflects adjustments to the reported 31 December 2017 balance sheet to show the impact of:

- (a) the debt restructuring as if it had been implemented on 31 December 2017;
- (b) the completion of the rights issue capital raising assuming 100% of the proposed capital was raised as at 31 December 2017 and associated costs.

Annexure 3 - Summary of banking restructure terms

The key terms are set out below:

Key term	Description
Financier	A lending entity which is an investment holding entity established by, and funds managed by Asia Debt Management Hong Kong Limited (ADM Capital) which is regulated by the Securities and Futures Commission of Hong Kong.
Secured Loan	The US dollar equivalent of A\$12.5 million (Loan). The Loan is secured.
Loan Term	The Loan will be for a term of 3 years. The Company can seek the Financier's approval to extend the term for up to 12 months.
Voluntary pre-payment	The Company may pre-pay all or part of the Loan on 30 business days' notice to the Financier. Any prepayment during the first 12 months of the Loan Term will require an additional payment on account of the interest which would have been paid if the Loan had continued without prepayment for 12 months.
Interest	The Loan has a commercial interest rate of 7% per annum, payable quarterly, for the first 12 months of the term with an increase in the interest rate in years 2 and 3, assuming that the Company has not exercised its right to repay or re-finance the Loan after the first 12 months of the Loan Term. The payment of interest will be subject to withholding tax. The Company must gross-up any interest payments to account for any withholding tax deducted from the interest payment.
Conditions precedent	There are a number of conditions precedent including: <ul style="list-style-type: none"> • completion of the Debt Transfer; • a successful Capital Raising of at least \$2.5M which is to be applied to a permanent reduction in the Westpac debt; • payment of cash-cover to Westpac in respect of the continuing transactional facilities.
Events of default	Usual or customary events of default will apply including: <ul style="list-style-type: none"> • a failure to pay any amount due and payable in accordance with the finance documents; • a breach of a term of the finance document which is not cured within an agreed period; • occurrence of certain insolvency events; • acceleration or enforcement of any other debts which exceed A\$250,000; and • the Company is delisted or suspended from trading on the ASX for longer than 15 trading days.
Board	The Financier is entitled to appoint an observer to attend four

representation	meetings of the board of directors of the Company and each of its subsidiaries each year.
Representations, warranties and indemnities	Representations, warranties and indemnities will be provided which are usual for a facility of this nature.