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AND REQUIRES YOUR ATTENTION

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TRAFFIC TECHNOLOGIES LTD

ACN 080 415 407

**NOTICE OF ANNUAL GENERAL MEETING OF MEMBERS
INCORPORATING EXPLANATORY MEMORANDUM
AND PROXY FORM**

DATE OF MEETING

Tuesday 25 November 2014

TIME OF MEETING

10.00 a.m. (AEDT)

PLACE OF MEETING

The offices of K&L Gates, Level 25, Rialto South Tower, 525 Collins Street, Melbourne Victoria 3000

If you are unable to attend the Annual General Meeting of Members, please complete the proxy form and return it in accordance with the instructions set out in that form.

LETTER TO SHAREHOLDERS

24 October 2014

Dear Shareholder,

Enclosed with this letter are the Notice of Annual General Meeting (**Notice**) and Explanatory Memorandum detailing the proposals to be put to Shareholders. Shareholders should consider all of this material before determining how they will vote at the Annual General Meeting. The Annual General Meeting of the Company is to be held at 10.00 a.m. (AEDT) on Tuesday 25 November 2014 at the offices of K&L Gates, Level 25, Rialto South Tower, 525 Collins Street, Melbourne Victoria 3000.

The enclosed Notice of Annual General Meeting and Explanatory Memorandum contain details of the ordinary business of the Company, including receiving the financial report of the Company for the year ended 30 June 2014, the election of directors, the approval of the Remuneration Report and the special business of approving the Company's additional placement capacity in accordance with the ASX Listing Rules and approving the giving of financial assistance in accordance with the Corporations Act 2001 (Cth).

Further details of the Resolutions in the Notice of Annual General Meeting are contained in the Explanatory Memorandum that accompanies the Notice. The Explanatory Memorandum should be read together with, and forms part of, the Notice.

If you are unable to attend the Annual General Meeting, you are urged to complete the attached Proxy Form and return it, marked attention to the Secretary, so that it is received not later than 10.00 a.m. (AEDT) on Sunday 23 November 2014:

By facsimile within Australia 1800 783 447 (or from outside Australia +61 3 9473 2555); or

By mail to:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Vic 3001

By hand to:

Computershare Investor Services Pty Limited
"Yarra Falls"
452 Johnson Street
Abbotsford Vic 3067

Custodian voting - For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Yours faithfully

Alan Brown
Chairman
Traffic Technologies Ltd

TRAFFIC TECHNOLOGIES LTD
ACN 080 415 407
NOTICE OF ANNUAL GENERAL MEETING OF MEMBERS

Notice is hereby given that the Annual General Meeting (**Meeting**) of the members of Traffic Technologies Ltd (ABN 21 080 415 407) (**Company** or **Traffic Technologies**) (**Members**) will be held on Tuesday 25 November 2014 at 10.00 a.m. (AEDT) at the offices of K&L Gates, Level 25, Rialto South Tower, 525 Collins Street, Melbourne Victoria 3000, for the purpose of considering the items of business in this Notice of Annual General Meeting (**Notice**).

An Explanatory Memorandum containing information relevant to the following Resolutions and a Proxy Form accompany this Notice.

AGENDA

ORDINARY BUSINESS

A. Financial Statements and Reports

To receive and consider the Financial Report, Director's Report and Auditor's Report on the Company and its controlled entities for the financial year ended 30 June 2014.

To receive Members' questions and comments on the management of the Company.

B. Ordinary Resolutions

Resolution 1: Re-election of Mr. Alan Brown as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr. Alan Brown, who retires by rotation as a Director of the Company at this Annual General Meeting in accordance with clause 15.3 of the Company's Constitution, be re-elected as a Director of the Company."

Resolution 2: Election of Mr. Ken Daley as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr. Ken Daley, who is eligible and who has consented to act, be appointed as a Director of the Company in accordance with clause 15.1(b) of the Company's Constitution."

Resolution 3: Approval of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report set out in the Company's Annual Report for the financial year ended 30 June 2014 be approved by the Members."

Members should note this resolution is advisory only and does not bind the Directors or the Company. Members should refer to the Explanatory Memorandum accompanying this Notice for more information.

Voting exclusion:

The Company will disregard any vote cast on Resolution 3 by, or on behalf of:

- (a) a member of the key management personnel, details of whose remuneration are included in the remuneration report; or
- (b) a closely related party of such a member.

However, a person (**Voter**) described above may cast a vote on the resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (d) the Voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; or
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

SPECIAL BUSINESS

C. Special Resolution

Resolution 4 – Approval of additional placement capacity

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, for the purposes of ASX Listing Rule 7.1A and all other purposes, Members approve the issue of shares up to 10% of the Company's issued share capital at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and as further described in the Explanatory Memorandum."

Voting exclusion:

The Company will disregard any votes cast on Resolution 4 by:

- (a) any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in their capacity as a security holder; and
- (b) an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote in accordance with the direction on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approval of the giving of financial assistance

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, for the purposes of section 260B(2) of the Corporations Act 2001 (Cth) and all other purposes, Members approve the giving of financial assistance by the Company's wholly-owned subsidiary, Quick Turn Circuits Pty Ltd, in the manner described in the attached Explanatory Statement."

That, the Company directs Quick Turn Circuits Pty Ltd to execute all documents necessary to provide the financial assistance."

Voting exclusion:

In accordance with section 260B(1) of the *Corporations Act 2001 (Cth)*, no votes may be cast in favour of Resolution 5, and the Company will disregard any votes cast in favour of Resolution 5, by:

- (a) the Company; and
- (b) an associate of the Company.

However, the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote in accordance with the direction on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

GENERAL BUSINESS

To transact any business which may legally be brought forward in accordance with the Constitution.

By Order of the Board
Alan Brown
Chairman

Dated: 24 October 2014

WHO MAY VOTE

The Company determines that only Members holding Shares as at 7.00 p.m. (AEDT) on Sunday 23 November 2014 will be entitled to vote at the Annual General Meeting on Tuesday 25 November 2014 or at any adjourned meeting.

HOW TO VOTE

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and time and at the place set out above. If you plan on attending the Meeting, please arrive at the venue 30 minutes prior to the time designated for the Meeting so that the Company may check your shareholding against the Company's share register and note your attendance. In order to vote in person at the Meeting, a corporation that is a Member may appoint an individual to act as its representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of their appointment, including any authority under which such appointment is signed.

Voting by Proxy

You are entitled to appoint a proxy. The proxy need not be a Member of the Company. If you are entitled to cast two (2) or more votes you may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. To vote by proxy, please complete and sign the proxy form attached to this Notice as soon as possible and return it so that it is received by the Company not later than 10.00 a.m. (AEDT) on Sunday 23 November 2014:

By facsimile within Australia on 1800 783 447 (or from outside Australia on +61 3 9473 2555); or

By mail to: Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Vic 3001

By hand to: Computershare Investor Services Pty Limited
"Yarra Falls"
452 Johnson Street
Abbottsford Vic 3067

Custodian voting - For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

FURTHER INFORMATION

Further details of the Resolutions in this Notice are contained in the Explanatory Memorandum accompanying this Notice. The Explanatory Memorandum should be read together with and forms part of this Notice.

TRAFFIC TECHNOLOGIES LTD

ACN 080 415 407

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the purposes of the Corporations Act and the Listing Rules. The purpose of this Explanatory Memorandum is to provide Members with all the information known to the Company that is material to Members in deciding whether or not to approve the Resolutions as set out in the Notice.

The Directors recommend that Members read this Explanatory Memorandum in full and in conjunction with the Notice before making any decision in relation to the proposed Resolutions.

2. ITEMS OF ORDINARY BUSINESS

2.1 Financial Statements and Reports

Members can now elect to receive the Company's Annual Report via a variety of means. Members who opted to access the Annual Report electronically should have received an email link to the electronic document. Members who opted to continue to receive a printed copy of the Annual Report should now have received it. Members who took no action are advised that they can now access an electronic copy of the Annual Report online at the Company's website. Copies of the annual financial statements and reports of the Directors and Auditor will also be tabled at the Meeting.

The purpose of tabling the annual financial report of the Company at the Meeting and the reports of the Directors and Auditor is to provide Members with a reasonable opportunity to ask questions or discuss matters relevant to the management of the Company. The Auditor has been invited to be present at the Meeting and Members will have a reasonable opportunity to ask the Auditor questions relevant to the conduct of the audit and the preparation and content of the Auditor's report. It is not the purpose of the Meeting, nor a requirement of the Corporations Act or the Constitution, that the financial statements be approved or rejected.

2.2 Election of Directors

Resolution 1 seeks approval for the re-election of the Director who is retiring by rotation. Pursuant to clause 15.3(a)(ii) of the Company's Constitution, at every annual general meeting one-third of the previously elected Directors must retire and are eligible for re-election. The Directors to retire are the Directors longest in office since last being elected and, between Directors who are elected on the same day, the Director to retire is decided by lot to be conducted by the Chairman, or if he or she is a candidate, by the deputy Chairman, unless they agree otherwise. In this regard, the Director of the Company who will retire at the Meeting is Mr. Alan Brown, who has indicated that he will offer himself for re-election. His profile is set out below:

Profile of Mr. Alan J Brown FAICD

Non-Executive Chairman Appointed January 2004.

Mr. Brown has extensive experience in both the private and public sectors. He is a Director of a range of private companies and has established several over a thirty year period. He was a Member of the Victorian Parliament from 1979-97 and is a former Leader of the Victorian Liberal Party. As Minister for Transport he implemented major reforms to Victoria's transport infrastructure. He was Agent General for Victoria in London from 1997-2000. He is Chairman of Intowork Australia. He is also Chairman of Tasmanian Company Work & Training Limited. Mr. Brown was appointed a non-executive Director of Traffic Technologies Ltd in January 2004 and was appointed Chairman in October 2010. Mr. Brown is Chairman of the Company, Chairman of the Nomination & Remuneration and Corporate Governance committees and a member of the Audit & Risk committee. Mr. Brown has not served as a Director of any other listed companies during the three years prior to June 2014.

Recommendation: The Board recommends that Members **vote in favour** of this resolution. Mr. Brown has abstained from making a recommendation in relation to this resolution.

Resolution 2 seeks approval for the election of a new director to the Board. Pursuant to clause 15.1(b) of the Company's Constitution, the Company may, by a resolution passed at a general meeting, appoint a person to be a Director. In accordance with the Company's existing corporate governance policy, the Company seeks to actively maintain a Board structure which provides an appropriate mix of experience and expertise to provide strategic guidance for the Company and effective oversight of management. Having regard to this policy and the current market conditions faced by the Company, the Company engaged an executive search firm to assist in identifying and screening potential candidates with a view to finding a director who offered a complementary skill set to the existing skills' matrix of the Board. The Board considers that Mr. Ken Daley fulfils all relevant criteria. His profile is set out below.

Profile of Mr. Ken Daley, M.Eng.Sci (Transport), FIEAUST

Independent, Non-Executive Director

Mr. Daley has an extensive background in traffic engineering and transport projects. Early in his career he was appointed to the Senior Executive Service in the Victorian Public Sector for agencies now part of VicRoads. He was thereafter Managing Director for the Victorian and South Australian branches of what is now Hyder Consultants where he led the establishment of the traffic and transport business. Mr Daley was more recently President, International Development with Transurban where he was part of the leadership group and responsible for the delivery of major projects in the USA. While resident in the US, he was a Board member of the International Bridge, Tunnel and Turnpike Association, the worldwide representative group for toll agencies. Mr Daley holds a Masters Degree of Engineering Science in Transportation from Monash University and was awarded the William Young Alumnus Award (2013) "For Exceptional Service to the Transport Industry". He is a Fellow of the Institution of Engineers, Australia and holds no other Board positions.

Recommendation: The Board recommends that Members **vote in favour** of this resolution.

2.3 Approval of Remuneration Report

Under section 250R of the Corporation Act, Members have the opportunity to pass a non-binding resolution on the Remuneration Report at the Meeting and, under section 250S of the Corporations Act, the Chairman must allow the Members a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Remuneration Report, which explains the Board's policies in relation to the nature and level of remuneration paid to key management personnel of the Company and which sets out the remuneration details for each of them, forms part of the Directors' Report included in the Annual Report for the financial year ended 30 June 2014. Accordingly, the contents of the Remuneration Report are not reproduced in this Explanatory Memorandum. Members are referred to pages 4-8 of the Annual Report for full details of the remuneration of the Directors and Key Management Personnel.

Members should note that, as specified in section 250R of the Corporations Act, Resolution 3 is a non-binding resolution and is not binding on the Company. However, if the vote to approve the Remuneration Report receives a "no" vote by at least 25% of the votes cast, this will constitute a "first strike". Where this occurs, the Company's subsequent remuneration report must include an explanation of the Board's proposed action in response to the "no" vote or an explanation of why no action has been taken.

If:

- (a) a "first strike" occurs at the Meeting; and
- (b) the Company's subsequent remuneration report also receives a "no vote" at the 2015 Annual General Meeting of at least 25% of the votes cast,

then, at the 2015 Annual General Meeting Members will be asked to vote on a "spill resolution" under section 250V of the Corporations Act. If more than 50% of Members (excluding Key Management Personnel) vote in favour of the Spill Resolution, the Company must convene an extraordinary general meeting (**Spill Meeting**) within 90 days of the 2015 Annual General Meeting. All of the Directors who are in office when the Company's 2015 Directors' Report is approved, other than the Managing Director, will cease to hold office immediately before the end of the Spill Meeting, but may stand for re-election at the Spill Meeting. Following the Spill Meeting, each person whose election or re-election as a Director is approved, will become a Director of the Company.

The Chairman intends to exercise all undirected proxies in favour of Resolution 3. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 3, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Recommendation: The Board **abstains** from making a recommendation in relation to this resolution.

3. ITEMS OF SPECIAL BUSINESS

3.1 Approval of additional placement capacity

3.1.1 General

Listing Rule 7.1A enables eligible entities to seek shareholder approval to issue shares, options and other securities as defined in the Listing Rules (**Equity Securities**) up to 10% of their issued capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as described in section 3.1.2(c) below).

3.1.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Member approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities in the Company.

The Company, as at the date of this Notice of Meeting, has on issue one class of Equity Securities, being ordinary shares. The number of ordinary shares on issue as at the date of this Notice is 275,556,885.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during a 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

where:

A = the number of shares on issue 12 months before the date of issue or agreement:

plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

plus the number of partly paid shares that became fully paid in the 12 months;

plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and

less the number of fully paid shares cancelled in the 12 months.

*Note: "A" has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D = 10%

E = the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Members under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

12 months before the date of the Meeting, the Company had 223,556,885 fully paid ordinate shares on issue. On 5 December 2013, the Company issued 52,000,000 Shares with approval of Members under Listing Rule 7.1. Therefore, on the date of the Meeting, the Company will have capacity to issue:

- (i) 41,333,532 Equity Securities under Listing Rule 7.1; and
- (ii) 27,555,688 Equity Securities under Listing Rule 7.1A, subject to Member approval being granted under Resolution 4.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 3.1.2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must not be less than 75% of the volume weighted average price (**VWAP**) of Equity Securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 trading days of the date specified in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period as allowed by ASX (**10% Placement Period**).

3.1.3 Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period in addition to the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Members present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

3.1.4 Specific information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) Minimum issue price

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i), the date on which the Equity Securities are issued.

(b) Risk of dilution

If Resolution 4 is approved and the Company issues Equity Securities under the 10% Placement Facility, the existing Members' voting power in the Company will be diluted as shown in the table below.

There is also a risk that:

- (i) the market price for the Company's shares may be significantly lower on the date of the issue of Equity Securities than on the date of the approval of Resolution 4; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for Shares on the date that they are issued or the Equity Securities are issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of Equity Securities.

The following table below shows:

- (i) 2 examples where the variable 'A' has increased by 50% and 100%. Variable 'A' is based on the number of ordinary securities that the Company has on issue as at 30 September 2014. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Member approval (eg a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) 2 examples where the issue price of ordinary shares has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.025 50% decrease in Issue Price	\$0.050 Issue Price	\$0.075 50% increase in Issue Price
Current variable 'A' - 275,556,885	10% voting dilution	27,555,689	27,555,689	27,555,689
	Funds raised	\$771,559	\$1,543,119	\$2,314,678
50% increase in current variable 'A' - 413,335,328	10% voting dilution	41,333,533	41,333,533	41,333,533
	Funds raised	\$1,157,339	\$2,314,678	\$3,472,017
100% increase in current variable 'A' - 551,113,770	10% voting dilution	55,111,377	55,111,377	55,111,377
	Funds raised	\$1,543,119	\$3,086,237	\$4,629,356

*Note: the above table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iii) The table does not show an example of dilution that may be caused to a particular Member by reason of placements under the issue of Equity Securities, based on that Member's holding as at the date of the Meeting.
- (iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and not the issue of shares under the 15% placement power under Listing Rule 7.1.
- (v) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes options, it is assumed that those options are exercised into shares for the purpose of calculating the voting dilution effect on existing Members.
- (vi) The issue price is \$0.056, being the closing price of Shares on ASX on 30 September 2014.

(c) Timing of issue

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Purpose of issue

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of new businesses and investments. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use funds raised to fund an acquisition of new businesses or investments (including expenses associated with such acquisition), to reduce existing debt and/or for general working capital purposes.

Once an issue of Equity Securities has occurred, the Company will make the appropriate disclosure to the market (see below).

(e) Allocation policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisors (if available).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new businesses, assets or investments, it is possible that the allottees under the 10% Placement Facility may include vendors of the new businesses, assets or investments.

(f) Prior issues

The Company previously obtained Member approval under Listing Rule 7.1A at its 2013 Annual General Meeting on 29 November 2013.

During the 12 months preceding the date of the Annual General Meeting, the Company issued 52,000,000 Shares, equal to 23.3% of the Shares on issue at the commencement of that 12 month period.

The 52,000,000 Shares issued during the 12 month period were issued on 5 December 2014 to Australian institutional and sophisticated investor clients of Kentgrove Capital at an issue price of \$0.08 per Share as the second tranche of a \$7.0 million capital raising to fund the acquisition of Quick Turn Circuits Pty Ltd, the Company's working capital requirements and to reduce the Company's debt. The Shares were fully paid ordinary shares in the capital of the Company and rank pari passu with, and enjoy the same rights as, all other Shares on issue.

(g) Voting exclusion

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Member to participate in the issue of Equity Securities. Therefore, no existing Members' votes will be excluded under the voting exclusion in this Notice.

3.1.5 Post-issue disclosure

In accordance with Listing Rule 3.10.5A, if Equity Securities are issued under this approval, the Company will make an announcement to the ASX with the following additional information:

- (a) details of the dilution to existing Members as a result of the issue;
- (b) where the Equity Securities were issued for cash consideration, an explanation of why the Company issued Equity Securities in this manner, as opposed to (or in addition to) a pro-rata offering;
- (c) details of any underwriting arrangements including the fees payable to the underwriter; and
- (d) details of any other fees incurred in connection with the issue.

Recommendation: The Board believes that Resolution 4 is in the best interests of the Company and unanimously recommends that Members **vote in favour** of this resolution.

3.2 Approval of giving of financial assistance

3.2.1 Background

As announced to the market 17 December 2013, Traffic Technologies Ltd (**TTI**) acquired 100% of the shares in Quick Turn Circuits Pty Ltd (**QTC**) for \$4.0 million cash. QTC is now a wholly owned subsidiary of TTI.

TTI funded the cash acquisition through a dual-tranche placement to sophisticated and institutional investors, raising a total of \$7.0 million. Funds raised in excess of the acquisition price were used to fund the Company's working capital requirements and reduce the Company's debt.

TTI has existing debt facilities (**Facilities**) with Westpac Banking Corporation (**Westpac**). TTI and each of its wholly owned subsidiaries as at the date of the Facilities (collectively, **TTI Group**) have provided guarantees and indemnities, mortgages and charges over all of their respective assets and undertakings in favour of Westpac to secure the Facilities.

In addition, Westpac requires QTC to provide a guarantee and indemnity in respect of the Facilities and to enter into a General Security Deed over all of its assets to further secure the Facilities (**QTC Securities**).

The Directors have formed the view that the entry into the QTC Securities by QTC to further secure the Facilities may constitute the giving of financial assistance by QTC to the Company for the purposes of section 260A of the Corporations Act.

Further, this will require approval by a special resolution passed at a general meeting of TTI shareholders under section 260B(2) of the Corporations Act. Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Members present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

3.2.2 Effect on the TTI Group

The Board has formed the view that:

- (a) the continuation and extension of the Facilities will not materially adversely affect the financial position of the TTI Group;
- (b) having regard to all of the circumstances, the acquisition of QTC and its subsequent entry into the QTC Securities to secure the Facilities is in the best interests of the TTI Group;
- (c) the acquisition of QTC and its subsequent entry into the QTC Securities to secure the Facilities will not materially prejudice the interests of the TTI Group or shareholders of the Company;
- (d) the acquisition of QTC and its subsequent entry into the QTC Securities to secure the Facilities will not materially prejudice the ability of the TTI Group to pay its creditors.

3.2.3 Effect on QTC

The effect of QTC giving the QTC Securities will be that all of the assets of QTC will be subject to a General Security Deed in favour of Westpac, which may adversely impact on its financial position as it will be securing the debts of the TTI Group.

However, QTC will be 100% owned by TTI. In this context, the concept of QTC providing security in relation to the financial obligations of its ultimate parent and other members of its corporate group is not unusual.

The Board has formed the view that the giving of financial assistance by QTC will not materially prejudice QTC's ability to pay its creditors.

3.2.4 Notice to ASIC

In accordance with section 260B(5) of the Corporations Act, copies of the Notice of Meeting and this Explanatory Statement were lodged with ASIC before being sent to Shareholders.

Recommendation: The Board recommends that Members **vote in favour** of this resolution.

4. OTHER INFORMATION

The Board is not aware of any other information which is relevant to the consideration by Members of the proposed Resolutions which are detailed in the Notice. Prior to making any decision, Members may wish to seek advice from their own independent financial adviser or stockbroker as to the effect of the proposed Resolutions.

5. DIRECTORS' APPROVALS AND RECOMMENDATIONS

To the extent permitted by law, it is the intention of the Chairman of the Meeting to vote **all** undirected proxies granted to him in favour of the Resolutions.

6. GLOSSARY

The following definitions apply throughout the Notice and the accompanying Explanatory Memorandum, unless the context otherwise requires:

Annual General Meeting or **Meeting** means the annual general meeting of Shareholders of the Company to which the Notice relates;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited (ACN 008 624 691);

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in Melbourne, Australia;

Board means the current board of Directors of the Company;

Chairman means the chairman of the Meeting;

Company means Traffic Technologies Limited (ACN 080 415 407);

Constitution means the current Constitution of the Company;

Corporations Act means the *Corporations Act 2001 (Cth)*;

Director means a Director of the Company as at the date of the Explanatory Memorandum;

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice;

Listing Rules means the official rules of the ASX as at the date of this Notice;

Member or **Shareholder** means a holder of Shares in the Company;

Notice means the notice of Meeting;

Proxy Form means a proxy form in the form enclosed with this document which is given by a Member who is eligible to vote at the meeting;

Secretary means any person appointed to perform the duties of a secretary of the Company; and

Share means a fully paid ordinary share in the capital of the Company

Where a term used in this Notice and Explanatory Memorandum is not defined but is defined in the Corporations Act, then that term will have the meaning given to it in the Corporations Act.

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

└ 000001 000 TTI
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 10.00am (AEDT) Sunday 23 November 2014

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

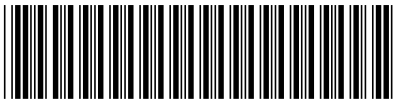
SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999 I ND

■ **Proxy Form**

Please mark ☒ to indicate your directions

STEP 1 **Appoint a Proxy to Vote on Your Behalf** **XX**

I/We being a member/s of Traffic Technologies Ltd hereby appoint

☐ the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Traffic Technologies Ltd to be held at the offices of K&L Gates, Level 25, Rialto South Tower, 525 Collins Street, Melbourne Victoria on Tuesday 25 November at 10.00am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 3 (except where I/we have indicated a different voting intention below) even though Item 3 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 3 by marking the appropriate box in step 2 below.

STEP 2 **Items of Business** **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 1	Re-election of Mr. Alan Brown as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	Election of Mr Ken Daley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

Item 4	Approval of additional placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Approval of the giving of financial assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN **Signature of Securityholder(s)** *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____