



**This document is important and requires your immediate attention.**

**Advanced Braking Technology Ltd**  
**ACN 099 107 623**

**Notice of Annual General Meeting  
and Explanatory Statement**

For the purpose of providing information to Shareholders regarding the Annual General Meeting of Advanced Braking Technology Ltd to be held at 10.30 am (AEST) on Friday 28 November 2014, at:

**The Celtic Club - Brian Boru Room**  
**Level 1, 316 Queen Street, Melbourne, Vic 3000**

## Contents

- A. Notice of Annual General Meeting
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### Important note

This booklet sets out information to assist Shareholders to assess the resolutions to be considered at the Annual General Meeting.

You should read this information carefully and in its entirety before making a decision as to how to vote at the Meeting. No responsibility is taken for the contents of this booklet by ASIC, ASX or any of their officers.

If you do not fully understand the contents of this information you should consult your financial or legal adviser for assistance.

A Notice of Annual General Meeting and proxy form are included in/with this booklet. Shareholders are urged to complete and return the enclosed proxy form as soon as possible, irrespective of whether or not they intend to attend the Meeting.

### Questions

If you have any queries regarding the contents of this booklet or in relation to the Annual General Meeting, please contact the Company Secretary, Mr Neville Walker, on (08) 9273 4804 or (08) 9273 4800.

### Time and Place of Meeting and How to Vote

#### Venue

The Annual General Meeting of the Shareholders of Advanced Braking Technology Ltd (**Company**) will be held in the "meeting room" at

**The Celtic Club - Brian Boru Room  
Level 1, 316 Queen Street, Melbourne, Vic 3000**

#### Commencing at

10.30 am (AEST) on Friday 28 November 2014

#### 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 at the place set out above.

#### Voting by Proxy

**Your proxy form is enclosed.** To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- Mail it to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, or
- Fax it to (within Australia) 1800 783 447 or (outside Australia) +61 9473 2555, or
- For Intermediary Online subscribers only (custodians) lodge online at [www.intermediaryonline.com](http://www.intermediaryonline.com)

so that it is received no later than 10.30 am (AEST) on Wednesday 26 November 2014.

# Advanced Braking Technology Ltd

ACN 099 107 623

## Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of Advanced Braking Technology Ltd for 2014 will be held at 10.30 am (AEST) on Friday 28 November 2014.

### Agenda

The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes the matters to be considered as ordinary business and special business.

### Ordinary Business

#### Financial Statements and Reports

To receive and consider the annual financial report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2014.

This item of business is intended to provide an opportunity for Shareholders to raise questions on the reports themselves and on the performance of the Company generally.

#### **Resolution 1 – Adoption of Remuneration Report**

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s annual financial report for the year ended 30 June 2014.”*

**Please note that the vote on this resolution is advisory only and does not bind the Directors nor the Company.**

#### **Voting Exclusion:**

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) member of the Key Management Personnel details of whose remuneration is included in the Remuneration Report; and/ or
- (b) a Closely Related Party of such a member of the Key Management Personnel.

However, the above persons may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution (directed proxy); or
- (b) the voter is the Chairperson and the appointment of the Chairperson as proxy:
  - (1) does not specify the way the proxy is to vote on the resolution; and
  - (2) expressly authorises the Chairperson to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

#### **Resolution 2 – Re-Election of Director - Mr Adam Levine**

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 14.4 and article 13.2 of the Constitution and for all other purposes, Mr. Adam Levine, a Director retiring by rotation in accordance with article 13.2 of the Constitution, being eligible and having signified his candidature for the office, is hereby re-elected as a Director.”*

## Special Business

### **Resolution 3 – Approval of new Employee Share Option Plan**

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.2, Exception 9, and for all other purposes, Shareholders approve the Employee Share Option Plan and the issue of Options pursuant to the Employee Share Option Plan on the terms and conditions summarised in the Explanatory Statement”.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Directors (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and any of their respective associates. However, the Company need not disregard a vote if:

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

### **Resolution 4 – Approval to issue Options to Mr Graeme Sumner (or his nominee) under the Employee Share Option Plan**

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to Shareholders approving Resolution 3, for the purposes of Listing Rule 10.14, in accordance with the Employee Share Option Plan and for all other purposes, Shareholders approve the issue of 15,624,070 Options to Mr Graeme Sumner (or his nominee) consistent with the terms of his Employment Agreement on the terms and conditions summarised in the Explanatory Statement”.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Directors (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and any of their respective associates. However, the Company need not disregard a vote if:

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

### **Resolution 5 – Ratification of prior issue of Shares**

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 77,000,000 Shares to Cashel Corporate Finance Pty Ltd on the terms and conditions summarised in the Explanatory Statement”.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if:

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

### **Resolution 6 – Approval of 10% Placement Facility**

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed. However, the Company need not disregard a vote cast on this Resolution if:

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

## Other Business

To transact any other business that may be properly brought before the meeting in accordance with the Constitution.

By order of the Board



Neville Walker  
Company Secretary  
Dated: 21 October 2014

## Notes:

1. A Shareholder who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 5.00pm (AEST) on Wednesday 26 November 2014.

# Explanatory Statement

## 1. General Information

This Explanatory Statement and all attachments are important documents. They should be read carefully.

This Explanatory Statement has been prepared for the Shareholders of Advanced Braking Technology Ltd (**Company**) in connection with the Annual General Meeting of the Company to be held at 10:30am AEST on Friday 28 November at the Celtic Club - Brian Boru Room, Level 1, 316 Queen Street, Melbourne Victoria, 3000.

The purpose of this Explanatory Statement is to provide Shareholders with the information known to the Company that the Board considers material to their decision on whether to approve the Resolutions in the accompanying Notice. This document is important and should be read in conjunction with all of the information contained in this booklet, including the Notice. Capitalised terms in this Explanatory Statement are defined in the Glossary.

If you appoint the Chairman as your proxy, or the Chairman is appointed as your proxy by default, new rules apply in respect of Resolution 1. Your attention is drawn to the section in the Proxy Form entitled "Important – for item 1" and in particular the requirement that you specifically direct your proxy how to vote, or mark the box on that form, if you wish your votes to be counted on Resolution 1. Shareholders should note that:

- the Chairman intends to vote any undirected proxies that are able to be voted in favour of all resolutions including Resolution 1; and
- they may choose to specifically direct the Chairman to vote against, or abstain from voting, in respect of any resolution, including Resolution 1.

### Financial Statements and Reports

In accordance with the Corporations Act and the Company's constitution, the business of the Annual General Meeting will include the receipt and consideration of the annual financial report of the Company for the year ended 30 June 2014, together with the related Directors' report, Directors' declaration and Auditors' report. No resolution need be put to the meeting in relation to these items.

As a shareholder, you are entitled to submit a written question to the auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the financial report.

All written questions must be received by the Company no later than 5.00pm (AEST) on 26 October 2014.

All questions must be sent to the Company and may not be sent to the auditor. The Company will then forward all questions to the auditor.

The Company's auditor will be present at the Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the Auditor's Report, the Company's accounting policies, and the independence of the auditor.

## 2. Resolution 1 – Adoption of Remuneration Report

Section 250R (2) of the Corporations Act requires a listed company to put to its shareholders (at the annual general meeting) a resolution that the remuneration report be adopted. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2014.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Although the effect of Resolution 1 is advisory only, changes to the Corporations Act which came into effect on 1 July 2011 have introduced what has been referred to as the 'two strikes' rule. Under this rule, companies will be required to put a resolution to shareholders to hold fresh elections for directors if, at two consecutive annual general meetings, at least 25% of the votes cast on a resolution (such as Resolution 1) to adopt the remuneration report are cast against that resolution. Accordingly, if at least 25% of the votes cast at the meeting on Resolution 1 are against that Resolution, and (at the next annual general meeting in 2015) at least 25% of the votes are cast against the resolution to adopt the 2014/2015 Remuneration Report, then the Company will be required to propose a resolution to hold another general meeting within the following 90 days. If such a resolution is passed, then at the subsequent general meeting all Directors (other than a Managing Director) who were in office when the Remuneration Report was approved at board level will cease to hold office (but may, if eligible, stand for re-election).

The Board unanimously recommends that Shareholders vote in favour of Resolution 1 and adopt the Remuneration Report.

### **3. Resolution 2 – Re-Election of Mr Adam Levine**

ASX Listing Rule 14.4 and article 13.2 of the Constitution requires that one third of the Directors (or, if their number is not a multiple of 3, then the number nearest to but not exceeding one third) must retire from office at each annual general meeting. The Directors retire by rotation, with the Director(s) who have been the longest in office since being appointed or re-appointed being the Director(s) who must retire in any one year.

The Constitution ensures that no Director is able to remain in office for longer than 3 years without standing for re-election. Each Director is entitled to offer himself/herself for re-election as a Director at the annual general meeting which coincides with his/her retirement.

The Managing Director (if any) is exempted by his office as managing director from the requirement to retire by rotation.

Notwithstanding Mr Levine has been a Director for less than 2 years, Mr Levine retires by rotation (in accordance with the requirements of the Constitution) at the Annual General Meeting. As he is entitled and eligible for re-election, he seeks re-election as a Director at the Meeting.

Mr Levine has been influential in helping to change the focus of the Company in seeking to change the operational and strategic direction which included securing the other new Board appointments being the current Chairman and the new Managing Director. He brings a uniquely strategic yet challenging mind to the Board and a high degree of inquiry and rigour.

Mr Levine, a lawyer by profession, has over 20 years national and global experience in structuring and executing private equity investments and corporate finance transactions both as legal advisor and a principal investor. He is the Managing Principal and founder of Rockwell Olivier (Melbourne), a law firm with offices in Australia and the Asia Pacific and affiliate offices in India and the United States.

Mr Levine is also the Executive Chairman and founder of Rockwell Financial Services Group, a boutique integrated wealth management business focused on Trustee & Guardianship services with offices across Australia.

Mr Levine's extensive international business experience covers the Transport and Aviation industries, Electrical Manufacturing, Financial Services, Advertising and Technology industries. His current directorships include Rockwell Financial Services Group Pty Ltd, Rockwell Bates Pty Ltd, Rockwell Investments Pty Ltd, Flinders Australia Limited, FMD Financial Pty Ltd and a number of other private companies. Mr Levine is also the founder (with his wife) and Chair of the Rockwell Foundation, a private ancillary fund, which focuses on supporting opportunities for less privileged youth.

The Board, other than Mr Levine, unanimously recommends that Shareholders vote in favour of Resolution 2.

## **4. Resolution 3 – Approval of new Employee Share Option Plan**

### **4.1 General**

The Board recognises the need to adequately incentivise and remunerate staff, but is keen to ensure that the Company's cash reserves are invested in research and development, distribution and marketing efforts to the extent possible. As such, predominantly equity based incentives continue to provide the best and most viable means for the Company to recognise and reward performance.

The key foundations of an entities incentive program are designed to:

- (a) align employee incentives with Shareholders' interests;
- (b) encourage broad-based share ownership by employees; and
- (c) assist employee attraction and retention.

The Company has an existing employee share option plan which was last approved by Shareholders on 27 October 2008. The Directors consider it appropriate to review the existing employee share option plan to ensure it reflects the present provisions of the Corporations Act and the Listing Rules. The Directors believe that it is preferable in the circumstances to replace the existing employee share option plan with the new Employee Share Option Plan rather than to amend and insert a multitude of amendments.

### **4.2 Listing Rule 7.2**

Listing Rule 7.1 prohibits an entity from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities without the approval of holders of its ordinary securities.

However, Listing Rule 7.2 Exception 9(b) provides that Listing Rule 7.1 does not apply in relation to, among other things, an issue under an employee incentive scheme if within 3 years before the date of the issue the holders of the entity's ordinary securities approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

The Listing Rules define "employee incentive scheme" as:

- (a) a scheme for the issue or acquisition of equity securities in an entity to be held by, or for the benefit of, participating employees or non-executive directors of the entity or a related entity; or
- (b) a scheme which, in ASX's opinion, is an employee incentive scheme.

Under the Listing Rules, equity securities include options over issued or unissued shares in an entity. The Employee Share Option Plan is therefore an employee incentive scheme for the purposes of the Listing Rules.

If Resolution 3 is passed, Options issued under the Employee Share Option Plan during the next 3 years will be excluded in determining the 15% limit under Listing Rule 7.1. This would assist the Company should it require additional fundraising flexibility.

The following information is provided for the purposes of Listing Rule 7.2 Exception 9(b):

- (a) a summary of the terms of the Employee Share Option Plan is outlined in Annexure A and a full copy of the Employee Share Option Plan is available for inspection at the Company's registered office until the date of the Annual General Meeting;
- (b) no Options have been issued under the Employee Share Option Plan; and
- (c) a voting exclusion statement is included in the Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

## **5. Resolution 4 – Approval to issue Options to Mr Graeme Sumner under Employee Share Option Plan**

### **5.1 General**

Resolution 4 is subject to Shareholders passing Resolution 3 and it seeks Shareholder approval pursuant to Listing Rule 10.14 for the issue of 15,624,070 Options under the Employee Share Option Plan to Mr Sumner (or his nominee), a Director, consistent with the terms of his Employment Agreement.

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of Mr Sumner in seeking to achieve growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivisation with Options is a prudent means of conserving the Company's available cash reserves.

The Board believes it is important to offer these Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market. Accordingly, the Board resolved at its Board meeting on 3 October 2014 to issue unlisted options to Mr Sumner under the Employee Share Option Plan.

### **5.2 Section 208 of the Corporations Act**

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within fifteen (15) months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Board has formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the proposed issue of Options to Mr Sumner as the exception in section 211 of the Corporations Act applies. The Options are being issued in accordance with the terms and conditions of Mr Sumner's Employment Agreement and is considered to be reasonable remuneration for the purposes of section 211 of the Corporations Act.

### **5.3 ASX Listing Rule 10.14**

Listing Rule 10.14 requires the Company to seek Shareholder approval before issuing Options to Directors under an incentive scheme such as the Employee Share Option Plan. Once approval is obtained pursuant to Listing Rule 10.14, the Company is entitled to rely on Listing Rule 10.12, Exception 4 as an exception to any requirement that may otherwise apply requiring Shareholder approval under Listing Rule 10.11. Similarly, approval will not be required under Listing Rule 7.1.

### **5.4 Technical information required by Listing Rule 10.15**

The following information is provided in compliance with Listing Rule 10.15:

- (a) Mr Graeme Sumner (or his nominee);
- (b) A maximum of 15,624,070 Options will be issued;
- (c) The Options are being issued for nil consideration pursuant to his Employment Agreement;
- (d) The Options are exercisable at \$0.009;
- (e) The Options vest and are exercisable upon the occurrence of the following conditions:
  - (1) the second anniversary of the commencement date (being 28 January 2014); and
  - (2) the share price of the Company reaching a premium of 37% or higher of the commencement share price for a weighted average of the period five (5) days before the second anniversary and five (5) days after the second anniversary; and
  - (3) the Options will expire one (1) month from the end of the director's trading period after the announcement of the financial results.
- (f) No individuals have received any securities under the Employee Share Option Plan;

- (g) The persons referred to in Listing Rule 10.14 whom are entitled to participate in the Employee Share Option Plan include a full or part time employee of the Company and its related bodies corporate, a Director and or a consultant of the Company and a contractor, determined as eligible by the Board from time to time.
- (h) The issue of Options is contingent upon this approval. The issue will be made as soon as possible following approval but in any event within 12 months from the date of the Annual General Meeting.
- (i) The Company will provide an interest free loan equivalent to the value of the Options. The loan is non-recourse.
- (j) A voting exclusion statement is included in the Notice.

The Board, other than Mr Sumner, unanimously recommends that Shareholders vote in favour of Resolution 4.

## **6. Resolution 5 – Ratification of prior issue of Shares**

### **6.1 General**

The Company announced on 7 August 2014 that it had issued 77,000,000 Shares at an issue price of 0.7 cents each per Share to raise \$539,000 to Cashel Corporate Finance Pty Ltd (**Cashel**) pursuant to a corporate mandate between the Company and Cashel dated 5 August 2014 (**Placement Shares**).

Resolution 5 is an ordinary resolution that seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

### **6.2 Listing Rule 7.4**

Listing Rule 7.4 provides an exception to Listing Rule 7.1. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The Placement Shares were issued within the Company's 15% placement capacity permitted under Listing Rule 7.1, without the need for Shareholder approval. The effect of Shareholders passing Resolution 5 will be to refresh the Company's ability to issue securities up to the Company's 15% placement capacity during the next 12 months.

### **6.3 Listing Rule 7.5**

For the purposes of Shareholder ratification of the issue of the Prior Placement and the requirements of Listing Rule 7.5, information is provided as follows:

- (a) A total of 77,000,000 Shares were issued;
- (b) The Placement Shares were issued for 0.7 cents each per Share;
- (c) The Placement Shares are fully paid ordinary shares in the capital of the Company.
- (d) The Placement Shares were issued to Cashel; and
- (e) The funds raised from the issue of the Placement Shares was applied towards working capital; and
- (f) A voting exclusion statement is included in the Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 5.

## **7. Resolution 6 – Approval of 10% Placement Facility**

### **7.1 General**

ASX Listing Rule 7.1A enables eligible entities to issue equity securities (as that term is defined in the ASX Listing Rules) up to 10% of its fully paid ordinary securities on issue through placements over a 12 month period after the Annual General Meeting (10% Placement Facility). The effect of Resolution 6 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Facility during the period up to 12 months after the Meeting without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1.

An eligible entity for the purposes of ASX 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 seeks 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 (if any) capable of being issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section 2 below).

Resolution 6 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present in person or by proxy and eligible to vote at the Meeting must be in favour of Resolution 6 for it to be passed.

The Board considers that Resolution 6 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of Resolution 6.

## **7.2 Summary of ASX Listing Rule 7.1A**

### **(a) 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 of the Company. At the date of this Notice, the Company has two classes of quoted Equity Securities, being its Shares and the loyalty Options issued pursuant to the prospectus dated 17 April 2014.

### **(b) 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 the 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 is the number of shares on issue 12 months before the date of the issue or agreement:
- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
  - (iii) 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 shares under the entity's 15% placement capacity without shareholder approval;
  - (iv) less the number of fully paid shares cancelled in the 12 months.

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

D is 10%

E is 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 shareholders under Listing Rules 7.1 or 7.4.

(c) 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. At the date of this Notice, the Company has a capacity to issue:

- (1) 88,825,733 Shares under Listing Rule 7.1; and
- (2) Nil Shares under Listing Rule 7.1A (no approval to issue as at the date of the Notice).

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 7.2(b) above).

(d) Minimum Issue Price

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

- (1) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (2) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 7.2(d)(1), the date on which the Equity Securities are issued.

(e) 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:

- (1) the date that is 12 months after the date of the Annual General Meeting at which the approval is obtained; or
- (2) 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 if allowed by ASX (**10% Placement Period**).

(f) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an Annual General Meeting.

### 7.3 Information required by Listing Rule 7.3A

ASX Listing Rule 7.3A sets out a number of matters which must be included in a notice of meeting seeking an approval under ASX Listing Rule 7.1A. The following information is provided for the purposes of Listing Rule 7.3A:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 ASX trading days immediately before:
  - (1) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (2) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 7.3(a)(1), the date on which the Equity Securities are issued.

(b) If the Company issues Equity Securities under the 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

- (1) the market price for the Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (2) the Equity Securities may be issued at a price that is at a discount to the market price for the Equity Securities on the issue date,

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

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (1) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (2) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

<b>Dilution</b>				
<b>Variable "A" in Listing Rule 7.1A.2</b>	<b>Issue Price (per Share)</b>	<b>50% decrease in Deemed Issue Price</b>	<b>Deemed Issue Price</b>	<b>50% increase in Deemed Issue Price</b>
		\$0.005	\$0.008	\$0.012
<b>Current Variable "A"</b> 1,476,074,530 Shares	<b>10% dilution - Shares issued</b>	147,607,453 Shares	147,607,453 Shares	147,607,453 Shares
	<b>Funds raised</b>	\$738,037	\$1,033,252	\$1,548,878
<b>50% increase in current Variable "A"</b> 2,214,111,795 Shares	<b>10% dilution - Shares issued</b>	221,411,180 Shares	221,411,180 Shares	221,411,180 Shares
	<b>Funds raised</b>	\$1,107,056	\$1,549,878	\$2,324,817
<b>100% increase in current Variable "A"</b> 2,952,149,060 Shares	<b>10% dilution - Shares issued</b>	295,214,906 Shares	295,214,906 Shares	295,214,906 Shares
	<b>Funds raised</b>	\$1,476,075	\$2,066,504	\$3,099,757

The table has been prepared on the following assumptions:

- (i) The price of Shares is deemed, for the purposes of the table above, to be \$0.008, being the closing price of the Company's Shares on ASX on 14 October 2014 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 15% discount to market that the Equity Securities may be placed at.
- (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iii) No Options are exercised into Shares before the date of the issue of the Equity Securities. The Company currently has nil unlisted Options and 145,942,031 listed Options on issue as at the date of the Notice;

- (iv) The 10% dilution reflects the aggregate percentage voting dilution against the issued share capital at the time of issue. This is why the dilution is shown in each example as 10%.
  - (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
  - (vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (1) as non-cash consideration for the acquisition of new assets and investments (including expenses associated with such acquisitions). In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - (2) for cash consideration in which case the Company intends to use the funds raised for working capital for sales growth and to support the trailer brake roll-out or towards the acquisition of new assets or investments (including expense associated with such acquisitions).

Although the Company may seek to issue Equity Securities for the acquisition of new assets and investments (including expenses associated with such acquisitions), the particular assets and investments which may be acquired by the Company have yet to be ascertained.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

- (e) 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 the Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (1) the purpose of the issue;
  - (2) alternative methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (3) the effect of the issue of the Equity Securities on the control of the Company;
  - (4) the circumstances of the Company, including, but not limited to, the financial situation and solvency of the Company; and
  - (5) advice from corporate, financial and broking advisers (if applicable).

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 assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (f) The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A.
- (g) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## Glossary

In this Notice of Annual General Meeting and Explanatory Statement the following terms have the following meaning unless the context otherwise requires:

**\$** means Australian dollars.

**10% Placement Facility** has the meaning given in section 7 of the Explanatory Statement

**2014 Annual Report** means the Company's annual report for the year ended 30 June 2014.

**Annual General Meeting** or **Meeting** means the Annual General Meeting of the Company the subject of the Notice of Meeting.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 724 791).

**ASX Listing Rules** or **Listing Rule** means the official listing rules of ASX.

**Board** means the board of Directors.

**Cashel** means Cashel Corporate Finance Pty Ltd (ACN 131 324 608).

**Chairman** means the person appointed to chair the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

**Company** means Advanced Braking Technology Ltd (ACN 099 107 623).

**Constitution** means the Company's constitution.

**Corporations Act** means *Corporations Act 2001* (Cth).

**Director** means a director of the Company and **Directors** has a corresponding meaning.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P / ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Employee Share Option Plan** means the new employee share option plan to be adopted by shareholders at the Meeting.

**Employment Agreement** means the employment agreement of Mr Graeme Sumner as Managing Director of the Company.

**Equity Securities** includes a Share, a right to a Share or Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement to this Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Meeting** means the meeting convened by this Notice.

**Notice** or **Notice of Meeting** means the notice of Annual General Meeting.

**Option** means an option to acquire a Share.

**Proxy Form** means the proxy form **attached** to the Notice of Meeting.

**Remuneration Report** means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2014 Annual Report.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

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

**Share Placement** has the meaning in section 6 of the Explanatory Memorandum.

**AEST** means Australian Eastern Standard Time.

**Variable A** means the variable "A" in the formula in ASX Listing Rule 7.1A.2 as set out in the calculation in section 7.3 of the Explanatory Statement.

## ANNEXURE A - Employee Share Option Plan

The key terms of the Employee Share Option Plan are as follows:

- (a) **Eligibility:** Eligible persons under the Employee Share Option Plan include:
- (1) Executive Directors of the Company or any associated body corporate of the Company; or
  - (2) full or part-time employees of the Company or any associated body corporate of the Company; or
  - (3) any other person permitted to participate in the Employee Share Option Plan without requiring compliance with Chapters 6D.2, 6D.3 (except section 736) and 7.9 of the Corporations Act,

**(Eligible Participants).**

(b) **Consideration:** Options issued under the Employee Share Option Plan will be issued for nil cash consideration.

(c) **Conversion:** Each Option will entitle the holder to subscribe for and be issued one Share ranking equally in all respect with the existing issued Shares in the Company.

(d) **Exercise Price and Expiry Date:** The exercise price (if any) and expiry date of an Option offered under an offer will be determined by the Board in its discretion.

(e) **Exercise Restrictions:** The Options granted under the Employee Share Option Plan may be subject to such conditions as determined by the Board in its discretion (**Exercise Condition**) which must be satisfied (unless waived by the Board in its absolute discretion) before the Option can be exercised. Any restrictions imposed by the Directors must be set out in the offer for the Options.

(f) **Lapsing of Incentive Options:** Subject to the terms of the offer made to an Eligible Participant, an unexercised Option will lapse:

    - (1) on its expiry date;
    - (2) if any Exercise Condition is unable to be met; and
    - (3) subject to certain exceptions, on the Eligible Participant ceasing to be an employee or Director of the Company or an associated body corporate of the Company.

(g) **Share Restriction Period:** A Share issued on the exercise of an Option may be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the Options.

(h) **Disposal of Options:** Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise.

(i) **Trigger Events:** The Company may permit Options to be exercised in certain circumstances where there is a change in control of the Company (as that term is defined in the Corporations Act) (including by takeover or entry into a scheme of arrangement).

(j) **Participation in Rights Issues and Bonus Issues:**

    - (1) If the Company makes a pro-rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option exercise price shall be reduced according to the formula specified in the ASX Listing Rules.
    - (2) In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.

(k) **Reorganisation:** If at any time the capital of the Company is reorganised, the terms of the Options will be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

- (l) **Limitations on Offers:** The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of Options offered under an offer when aggregated with:
- (1) the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under an employee share scheme of the Company were to be exercised or accepted; and
  - (2) the number of Shares issued during the previous 5 years from the exercise of Options issued under the Employee Share Option Plan (or any other employee share scheme of the Company extended only to Eligible Participants),

does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with ASIC Class Order 03/184).

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