



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 11.00 am (AEDT) on Friday 25 November 2016, at:

The Wine House – Function Room
133 Queensbridge Street, Southbank, Victoria 3006

Contents

- A. Notice of Annual General Meeting
- B. Explanatory Statement
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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 the online proxy at www.investorvote.com.au or 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 Function Room at;

The Wine House

133 Queensbridge Street, Southbank, Victoria 3006

Commencing at

11.00 am (AEDT) on Friday 25 November 2016

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

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at an address given below by 11.00am (AEDT) on Wednesday 23 November 2016. Any proxy form received after that time will not be valid for the scheduled meeting.

Online At www.investorvote.com.au

By mail Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia

By fax 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

By mobile Scan the QR Code on your proxy form and follow the prompts

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

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 2016 will be held at 11.00 am (AEDT) on Friday 25 November 2016.

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 2016.

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 2016.”

Please note that pursuant to Section 250R(3) of the Corporations Act, 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 any of the following persons:

- (a) 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 David Slack

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. David Slack, 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.”

Resolution 3 – Ratification of prior issue of Placement Shares under Listing Rule 7.1

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, the Shareholders ratify the issue of 271,815,065 Shares to sophisticated and/or professional investors on 4 August 2016 under Listing Rule 7.1 at the issue price of A\$0.0067 per Share for the purpose and on the terms and conditions set out in the Explanatory Statement which accompanies the Notice convening this Meeting”.

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 Chairperson 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 – Ratification of prior issue of Placement Shares under Listing Rule 7.1A

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, the Shareholders ratify the issue of 114,134,943 shares to sophisticated and/or professional investors on 4 August 2016 under Listing Rule 7.1A at the effective issue price of A\$0.0077 per Share for the purpose and on the terms and conditions set out in the Explanatory Statement which accompanies the Notice convening this Meeting”.

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 Chairperson 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 – Approval of the Performance Rights 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(b) and for all other purposes, the Shareholders approve the terms of, and authorise the grant of Performance Rights and issues of Shares pursuant to the terms of the Performance Rights Plan”.

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. Further, a vote must not be cast on Resolution 5 by a member of the Key Management Personnel or a Closely Related Party of such a member of the Key Management Personnel. 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 Chairperson 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 – Participation in the Performance Rights Plan by Mr Graeme Sumner

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

“That, subject to the Shareholders approving Resolution 5, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, the Shareholders approve:

- (a) *the issue of 18,878,425 STI Performance Rights and 35,059,932 LTI Performance Rights to Mr Graeme Sumner (or his nominee) under the Performance Rights Plan; and*
- (b) *the issue, transfer or allocation or and acquisition by Mr Graeme Sumner of Shares in respect of such STI Performance Rights and LTI Performance Rights, in accordance with the terms of the Performance Rights Plan and on the terms and conditions summarised in the Explanatory Statement”.*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Graeme Sumner and any of his associates or any other person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution 6 is passed or an associate of any of those persons. Further, a vote must not be cast on Resolution 5 by a member of the Key Management Personnel or a Closely Related Party of such a member of the Key Management Personnel. 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.

Special Business

Resolution 7 – Approval of further 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, the 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 set out in the Explanatory Statement.”

Note: this resolution is a special resolution and can only be passed if at least 75% of the votes cast, in person or by proxy and by members who are entitled to vote on the resolution, vote in favour.

Voting Exclusion: The Company will disregard any votes cast on this 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 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: 14 October 2016

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 if 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 (AEDT) on Wednesday 23 November 2016.

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 11:00am AEDT on Friday 25 November 2016 at The Wine House - 133 Queensbridge Street, Southbank, Victoria 3006.

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 Chairperson as your proxy, or the Chairperson 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 Chairperson 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 Chairperson 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 2016, 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 (AEDT) on Friday, 18 November 2016.

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 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. 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 2016.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting. Notwithstanding the advisory effect of Resolution 1, the Board will consider the outcome of the vote made by the Shareholders with regard to the Remuneration Report at the Annual General Meeting when reviewing the Company's remuneration policies.

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 2017) at least 25% of the votes are cast against the resolution to adopt the 2016/2017 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. (Option – The Directors abstain, in the interests of corporate governance from making a recommendation in relation to this resolution. (Note: the vote on this item is advisory only.))

3. Resolution 2 – Re-Election of Mr David Slack

ASX Listing Rule 14.4 and article 13.2 of the Constitution require 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.

Mr Slack 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 Slack is the founding Managing Director of Australian equity fund manager Karara Capital Pty Ltd. Karara was established in 2007 and now has around \$3.7Billion in funds under management.

Over the past 30 years, Mr Slack has made a significant contribution to the Australian funds management industry. Notably, he was co-founder and joint managing director of Portfolio Partners Limited, which was sold to Norwich Union in 1998.

Prior to that, Mr Slack was a founding executive director of County Nat West Investment Management, where he was head of Australian Equities. He was a non-executive director of the Victorian Funds Management Corporation until 2007, holding positions of deputy Chairman and Chair of the Board Investment Committee.

David has a Bachelor of Economics with Honours and is a fellow of FINSIA. He is a member of the Australian Institute of Company Directors.

If approved by Shareholders, the appointment will take effect immediately following the end of the Annual General Meeting.

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

4. Resolutions 3 & 4 – Ratification of prior issue of Placement Shares

Background

In July 2016, the Company entered into an agreement with Taylor Collison and Scintilla Capital to provide certain assistance to the Company by introducing the Company to its sophisticated investor network.

On 4 August 2016, the Company announced that it had placed:

- (a) 271,815,065 Shares at \$0.0067 per Share issued within the Company's 15% capacity to issue under Listing Rule 7.1; and
- (b) 114,134,943 Shares at \$0.0077 per Share issued within the Company's 10% capacity to issue under Listing Rule 7.1A, as previously approved by Shareholders at the 27 November 2015 Annual General Meeting,

(the 385,950,008 total Shares issued collectively referred to as the **Placement Shares**) to sophisticated and/or professional investors introduced to the Company by Taylor Collison and Scintilla Capital (**Placement Participants**). The issue of the Placement Shares raised approximately \$2.7 million (before costs) for the purposes of funding the repayment of expiring convertible notes and providing additional working capital to fund future developments.

Resolutions 3 and 4 seek the approval of Shareholders pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

Resolutions 3 and 4 are **ordinary resolutions**.

Listing Rules 7.1 and 7.1A

Listing Rule 7.1 provides that a listed company must not without Shareholder approval, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval at its Annual General Meeting to allow it to issue additional Equity Securities comprising up to 10% of its issued capital. The Company obtained this approval at its Annual General Meeting held on 27 November 2015.

Listing Rule 7.4

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

The Company is seeking Shareholder approval of the issue of the Placement Shares as the Board believe it is in the best interests of the Company to maintain the ability to issue Equity Securities in the future up to its full 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval so that the Company retains financial flexibility and is able to take advantage of commercial opportunities that may arise in an efficient manner.

Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Placement Shares:

- (a) the Placement Shares were issued on 4 August 2016 as follows:
 - (i) 271,815,065 Placement Shares were issued within the Company's 15% capacity to issue under Listing Rule 7.1, without the need for Shareholder approval; and

- (ii) 114,134,943 Placement Shares were issued within the Company's 10% capacity to issue under Listing Rule 7.1A, as previously approved by Shareholders at the 27 November 2015 Annual General Meeting and without the need for further Shareholder approval;
- (b) the Placement Shares were issued at an effective issue price \$0.007 per Share;
- (c) the Placement Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Placement Shares were issued to the Placement Participants, none of whom is a related party of the Company;
- (e) the proceeds from the issue of the Placement Shares will be used to;
 - (i) fund the repayment of \$1.345m of convertible notes, which expired on 15 August 2016 and for which redemptions were requested and additionally for the repayment of a further \$0.500m of convertible notes which are due to expire on 19 November 2016 (subject to the holder of such convertible notes electing to redeem rather than convert); and
 - (ii) provide additional working capital to fund future developments; and
- (f) a voting exclusion statement is included in the Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolutions 3 & 4.

5. Resolution 5 – Approval of the Performance Rights Plan

5.1 General

The Performance Rights Plan requires Shareholder approval to ensure that Equity Securities granted or issued by the Company under such plan do not count toward the Company's 15% annual limit on issuing Equity Securities without Shareholder approval.

The Company's existing employee incentive plan (**Existing Plan**) was last approved by Shareholders at the Company's Annual General Meeting on 28 November 2014. The Company has taken the opportunity to implement changes to the conditions which apply to employee incentives and to reflect changes in the law and ASIC policies which have occurred. Specifically, ASIC has issued a new Class Order [CO 14/1000] (**New Class Order**), replacing ASIC Class Order [CO 03/184], to provide relief from certain provisions of the Corporations Act in relation to employee incentive schemes.

On 4 October 2016, the Directors resolved to replace the Existing Plan with the Performance Rights Plan which complies with the New Class Order, 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 Plan with the new Performance Rights Plan rather than to amend and insert a multitude of amendments. Accordingly, Resolution 5 seeks Shareholder approval for the Performance Rights Plan. A summary of the terms of the Performance Rights Plan is set out in Annexure A.

5.2 Remuneration objectives and implementation of the Performance Rights Plan

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:

- (1) align employee incentives with Shareholders' interests and drive long term performance for Shareholders;

- (2) encourage broad-based share ownership by employees; and
- (3) attract persons of experience and ability to the Company and assist employee retention by rewarding their on-going service.

The Company's remuneration strategy and its approach to the offering of short-term and long-term incentives to selected executive directors and members of the Key Management Personnel (**Participants**) include cash payments and the offering of performance based Equity Securities. The proposed Performance Rights Plan allows the Company to achieve the objectives of its remuneration strategy by allowing the Company to grant performance rights in the form of performance based Equity Securities as both short-term incentives (**STI Performance Rights**) and long-term incentives (**LTI Performance Rights**).

The Board will annually review the operation of the Performance Rights Plan and the likely entitlements of the Participants to STI Performance Rights and LTI Performance Rights to be offered in any financial year and may amend the vesting conditions as necessary to ensure that the number of Performance Rights offered to Participants complies with the requirements of the New Class Order.

The New Class Order requires that when making an offer, the Company must have reasonable grounds to believe that the number of Equity Securities to be received under an offer, when aggregated with the number of Equity Securities issued or that may be issued as a result of an offer made in reliance on the New Class Order or at any time during the previous 3 year period under an employee incentive scheme covered by the New Class Order (or an ASIC exempt arrangement of a similar kind to an employee incentive scheme), will not exceed 5% of the Company's issued capital at the date of the offer.

For the financial year ending on 30 June 2017, the Remuneration Committee has agreed on the following percentages of the fixed remuneration of the Participants in order to determine the maximum number of Performance Rights which will be offered:

Position	Value of maximum number of STI Performance Rights (as a % of current fixed remuneration)	Value of maximum number of LTI Performance Rights (as a % of current fixed remuneration)
Managing Director	35%	65%
CFO	30%	30%
GM Engineering	30%	30%

Each Performance Right granted under the Performance Rights Plan will, subject to the satisfaction of any relevant vesting conditions and the exercise of the Performance Right within the relevant vesting period, entitle the holder to be issued, transferred or allocated a Share for nil cash consideration.

Further information on the vesting conditions and other terms and conditions that will apply to the grant of Performance Rights is set out in Annexure A.

5.3 STI Performance Rights

- (a) The vesting of STI Performance Rights will be dependent upon an assessment of Company and individual performance. The Company's performance comprises company annual and growth measures designed to drive both a short-term and a long-term perspective on performance and protect the long-term interests of Shareholders.
- (b) The financial performance measures which will apply in respect of STI Performance Rights have been selected on the basis that they represent the key drivers for the short-term success of the Company as well as providing a framework for delivering long-term value.
- (c) By way of summary, the financial performance measures which the Board have approved in respect of determining the STI Performance Rights of the Participants are:

- (1) 'Earnings Before Tax';
- (2) 'Cash at Bank';
- (3) 'Revenue' and
- (4) 'Product Releases',

(collectively, the **STI Performance Measures**).

- (d) The financial targets which will apply in respect of each of the STI Performance Measures and the weightings which will be given to each of the STI Performance Measures when determining the STI Performance Rights entitlements of the Participants are subject to review and amendment on an annual basis by or as approved by the Board.

In respect of the financial year ending on 30 June 2017, the Remuneration Committee has determined that when calculating the number of STI Performance Rights which will be offered to the Participants, the STI Performance Measures will be weighted in the manner set out in the following table:

Participant	Title	Value of Share entitlements to be issued as STI Performance Rights (if maximum STI Performance Measures are achieved for the financial year ending on 30 June 2017)	STI Performance Measures Weighting			
			Earnings Before Tax	Cash at Bank	Revenue	Product Releases
Graeme Sumner	Managing Director	\$137,813 (being 35% of current fixed remuneration of \$393,750)	50%	20%	20%	10%
Neville Walker	CFO	\$68,985 (being 30% of current fixed remuneration of \$229,950)	50%	20%	30%	
Martin Johnston	GM Engineering	\$67,320 (being 30% of current fixed remuneration of \$224,400)	50%	20%		30%

The STI Performance Measures for the CFO and the GM Engineering are set by the Managing Director. The STI Performance Measures for the Managing Director are set by the Remuneration Committee. However, the Board has ultimate discretion with regard to the STI Performance Measures which apply in respect of the Participants.

- (e) In respect of short-term incentives offered to Participants generally under the Performance Rights Plan, it should be further noted that:
- (1) no cash payments will be offered to the Participants in respect of short-term incentives for the financial year ending on 30 June 2017 (due to the current cash position of the Company) and only STI Performance Rights will be offered;

- (2) STI Performance Rights can be issued annually, subject to performance, and may be varied by or as approved by the Board;
- (3) in respect of each of the STI Performance Measures for a particular financial year:
- if the achievement of a particular STI Performance Measure is less than 80% of the specified financial target for that financial year, a zero weighting shall be applied for that STI Performance Measure;
 - if the achievement of a particular STI Performance Measure is 80% or more of the specified financial target for that financial year but less than 100%, a 'pro-rata' weighting shall be applied for that STI Performance Measure; and
 - if the achievement of a particular STI Performance Measure is 100% of the specified financial target for that financial year, a maximum weighting shall be applied for that STI Performance Measure;
- (4) the maximum number of STI Performance Rights offered to a Participant in respect of a particular financial year shall be determined by reference to the volume weighted average price at which Shares are traded on the ASX for the 20 day period (**20 Day VWAP**) following the Company disclosing its financial results for the previous financial year to the market by lodging an Appendix 4E – Preliminary Final Report (**Appendix 4E**) with the ASX.

By way of example, in respect of the STI Performance Rights offered to Participants for the financial year ending on 30 June 2017

- the maximum number of STI Performance Rights shall be determined by reference to the 20 Day VWAP following the Company lodging an Appendix 4E with the ASX in respect of the financial year ending on 30 June 2016;
- the Company has lodged an Appendix 4E with the ASX in respect of the financial year ending on 30 June 2016 and the 20 Day VWAP has been determined to be \$0.0073;
- if each of the Participants achieve 100% of their respective STI Performance Measures (as set out in the table in section 5.3(d) above) and are therefore entitled to their respective maximum number of STI Performance Rights, then the number of Shares which would be issued to the Participants (based on the 20 Day VWAP price of \$0.0073) is set out in the following table:

Executive Name	Title	Target No. of Shares at 100% (12 months to 30 June 2017)
Graeme Sumner	Managing Director	18,878,425
Neville Walker	CFO	9,450,000
Martin Johnston	GM Engineering	9,221,918
Total		37,550,343

- (5) STI Performance Rights in respect of a particular financial year will be granted to Participants by 1 October immediately following the end of that financial year, provided that the Company has received its audited financial statements for that financial year (occurring mid-September each year); and
- (6) STI Performance Rights will be offered for nil consideration and will vest immediately upon being granted by the Company.

- (f) Notwithstanding the above provisions in this section 5.3, in the event that any of the following events occur:
- (1) the Company sells all or substantially all of its assets or its business to a third party;
 - (2) there is an acquisition by a third party of all of the issued shares in the capital of the Company and its subsidiaries; or
 - (3) there is a merger or other combination with a third party of all, or substantially all, of the Company's assets, business or issued share capital,

(each of which is referred to as a "**Merger or Sale Event**") at a consideration value per Share equal to or exceeding \$0.012 per Share, the Remuneration Committee may, subject to Board approval, agree to permit the immediate vesting of all earned, but as yet unvested, STI Performance Rights, such vesting to occur contemporaneously with the closing or settlement of the Merger or Sale Event.

5.4 LTI Performance Rights

- (a) The Existing Plan provided for long-term employee incentives as a key element of its approach to the remuneration of its executives and Key Management Personnel. The Remuneration Committee and the Board have reviewed the operation of the existing long-term incentives in light of the objectives of its broader remuneration strategy, and general market conditions.
- (b) The Existing Plan was based primarily on a single measure, being total shareholder return measured over a 3 year period. Following the review of long-term incentives, the Board has approved changes to the long-term incentives designed to improve the rewarding of performance that drives long-term growth and delivers Shareholder value while promoting the retention of its executives and Key Management Personnel. The proposed changes add 2 further performance measures, and the three measures for long-term performance to be adopted from 1 July 2016 (**LTI Performance Measures**) will be as follows (subject to review and amendments on an annual basis by or as approved by the Board):
 - (1) Total Shareholder Return (**TSR**) - will be measured by reference to both the change in Share price over 3 financial years and any dividends paid by the Company during the same period. The following example sets out the methodology for the calculation of the change in Share price component of TSR in respect of LTI Performance Rights offered in respect of the financial year ending 30 June 2017:
 - the starting point for measuring the change in Share price component of TSR will be the 20 Day VWAP following the Company lodging an Appendix 4E with the ASX in respect of the financial year ending on 30 June 2016 (**Initial Share Price**);
 - the end point for measuring the change in Share price component of TSR will be the 20 Day VWAP following the Company lodging an Appendix 4E with the ASX in respect of the financial year ending on 30 June 2019 (**Final Share Price**);
 - the average percentage increase in TSR will be measured by calculating the change between the Initial Share Price and the Final Share Price and dividing by 3 (to account for the 3 year period) and accounting for any dividends paid (**Average TSR Percentage Increase**). For example, if the Final Share Price is 100% higher than the Initial Share Price (accounting for any dividends paid), the average percentage increase in TSR for the 3 year period will be 33% (being 100% divided by 3);
 - if, following the determination of the Final Share Price which is expected to occur in September 2019, the Average TSR Percentage Increase is:
 - less than 15%, a zero weighting shall be applied for TSR as an LTI Performance Measure and the LTI Performance Rights will be automatically forfeited;

- 15% or more but less than 40%, a minimum 30% will be applied to the weighting for TSR as an LTI Performance Measure provided that for each additional 1% above 15% in respect of the Average TSR Percentage Increase, an additional 2.8% will be applied to the weighting for TSR as an LTI Performance Measure; and
 - 40% or more, the Participants will achieve a 100% weighting for TSR as an LTI Performance Measure;
- (2) Sales - will be measured by reference to the actual sales recorded over 3 financial years as a percentage of budgeted sales revenue for the same period (**Sales Percentage**). The following example sets out the methodology for the calculation of the Sales Percentage in respect of LTI Performance Rights offered in respect of the financial year ending 30 June 2017:
- the Company will set budgets for the Company's sales revenue for each of the 3 financial years ending on 30 June 2017, 30 June 2018 and 30 June 2019 and will record the actual sales revenue achieved by the Company for the same periods;
 - the Sales Percentage will be determined by dividing the total sales revenue actually achieved by the Company across all 3 financial years by the Company's budgeted sales revenue for the same total period; and
 - if the Sales Percentage is:
 - less than 100%, a zero weighting shall be applied for Sales as an LTI Performance Measure; and
 - 100% or more, a maximum weighting shall be applied for Sales as an LTI Performance Measure; and
- (3) Net Profit After Tax - will be measured by reference to the actual net profit after tax recorded over 3 financial years as a percentage of actual sales revenue for the same period (**NPAT Percentage**). The following example sets out the methodology for the calculation of the NPAT Percentage in respect of LTI Performance Rights offered in respect of the financial year ending 30 June 2017
- the Company will record the actual sales revenue for each of the 3 financial years ending on 30 June 2017, 30 June 2018 and 30 June 2019 and will record the actual net profit after tax achieved by the Company for the same periods;
 - the NPAT Percentage will be determined by dividing the total net profit after tax actually achieved by the Company across all 3 financial years by the total sales revenue actually achieved by the Company for the same total period; and
 - if the NPAT Percentage is:
 - less than 10%, a zero weighting shall be applied for Net Profit After Tax as an LTI Performance Measure; and
 - 10% or more, a maximum weighting shall be applied for Net Profit After Tax as an LTI Performance Measure.
- (c) The financial targets which will apply in respect of each of the LTI Performance Measures and the weightings which will be given to each of the LTI Performance Measures when determining the LTI Performance Rights entitlements of the Participants are subject to review and amendment on an annual basis by or as approved by the Board.
- (d) In respect of the financial year ending on 30 June 2017, the Remuneration Committee has determined that when calculating the number of LTI Performance Rights which will be offered to the Participants, the LTI Performance Measures will be weighted in the manner set out in the following table:

Participant	Title	Value of Share entitlements to be issued as LTI Performance Rights (if 100% of LTI Performance Measures achieved for the financial year ending on 30 June 2017)	LTI Performance Measures Weighting		
			Total Shareholder Return	Sales	Net Profit After Tax
Graeme Sumner	Managing Director	\$255,938 (being 65% of current fixed remuneration of \$393,750)	33.3%	33.3%	33.3%
Neville Walker	CFO	\$68,985 (being 30% of current fixed remuneration of \$229,950)	33.3%	33.3%	33.3%
Martin Johnston	GM Engineering	\$67,320 (being 30% of current fixed remuneration of \$224,400)	33.3%	33.3%	33.3%

(e) In respect of long-term incentives offered to Participants generally under the Performance Rights Plan, it should be further noted that:

- (1) LTI Performance Rights can be issued annually, subject to performance, and may be varied by or approved by the Board;
- (2) the maximum number of LTI Performance Rights offered to a Participant in respect of a particular financial year shall be determined by reference to the 20 Day VWAP following the Company disclosing its financial results for the previous financial year to the market by lodging an Appendix 4E with the ASX.

By way of example, in respect of the LTI Performance Rights offered to Participants for the financial year ending on 30 June 2017:

- the maximum number of LTI Performance Rights shall be determined by reference to the 20 Day VWAP following the Company lodging an Appendix 4E with the ASX in respect of the financial year ending on 30 June 2016;
- the Company has lodged an Appendix 4E with the ASX in respect of the financial year ending on 30 June 2016 and the 20 Day VWAP has been determined to be \$0.0073;
- if each of the Participants achieve 100% of their respective LTI Performance Measures (as set out in the table in section 5.4(d) above) and are therefore entitled to their respective maximum number of LTI Performance Rights, then the number of Shares which would be issued to the Participants (based on the 20 Day VWAP price of \$0.0073) is set out in the following table:

Executive Name	Title	Target No. of Shares at 100% (12 months to 30 June 2017)
Graeme Sumner	Managing Director	35,059,932
Neville Walker	CFO	9,450,000
Martin Johnston	GM Engineering	9,221,918
Total		53,731,850

- (3) LTI Performance Rights offered in respect of a particular financial year will vest on 1 October immediately following the 2nd anniversary of the end of that financial year, provided that the Company has received its audited financial statements for the most recent financial year (occurring mid-September each year). By way of example, LTI Performance Rights offered in respect of the financial year ending on 30 June 2017 will vest on 1 October 2019;
- (4) LTI Performance Rights will be offered for nil consideration; and
- (5) in the event of any capital raisings by the Company, the number of LTI Performance Rights offered in respect of any particular financial year will not be adjusted. However, in the event of any capital reorganisation of the Company, including capital consolidations or bonus issues, the number of LTI Performance Rights offered in respect of any particular financial year will be adjusted to take account of the effect of such capital reorganisation.
- (f) Notwithstanding the above provisions in this section 5.4, in the event that a Merger or Sale Event occurs at a consideration value per Share equal to or exceeding \$0.012 per Share, the Remuneration Committee may, subject to Board approval, agree to permit the immediate vesting of all earned, but as yet unvested, LTI Performance Rights, such vesting to occur contemporaneously with the closing or settlement of the Merger or Sale Event.

5.5 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 Performance Rights Plan is therefore an employee incentive scheme for the purposes of the Listing Rules.

The Performance Rights Plan has not yet been approved by Shareholders. Accordingly, Shareholder approval is required to rely on the exemption in Listing Rule 7.2, Exception 9(b).

If Resolution 5 is passed, Shares issued under the Performance Rights Plan during the next 3 years will be excluded in determining the 15% limit under Listing Rule 7.1. This will increase the number of Equity Securities that may be issued without further Shareholder approval.

Importantly, the issue of any Equity Securities to any Director or an associate of a Director will still require approval of the Shareholders in accordance with Listing Rule 10.14.

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

- (a) a summary of the terms of the Performance Rights Plan is outlined above in sections 5.2 to 5.4 (inclusive) and in Annexure A and a full copy of the Performance Rights Plan is available for inspection at the Company's registered office until the date of the Annual General Meeting;
- (b) as the Performance Rights Plan is a new employee incentive scheme, no Shares have been issued yet under the Performance Rights Plan (although 22,857,512 Shares have previously been issued under the Existing Plan);
- (c) a total of 17,480,162 Shares have been issued to and are currently held by the Participants in accordance with short-term incentive performance rights which have vested under the Existing Plan and a total of 10,950,000 long-term incentive performance rights are currently held by the Participants (excluding Graeme Sumner as Managing Director) under the Existing Plan;
- (d) the adoption of the Performance Rights Plan will not affect the existing performance rights (described above) held by the Participants under the Existing Plan and
- (e) a voting exclusion statement is included in the Notice.

Graeme Sumner, the Managing Director of the Company will participate in the Performance Rights Plan and therefore has an interest in Resolution 5. Accordingly, Graeme Sumner refrains from making any recommendation as to how the Shareholders should vote on Resolution 5.

The Company's remaining Directors recommend that the Shareholders vote in favour of Resolution 5.

6. Resolution 6 – Participation in the Performance Rights Plan by Mr Graeme Sumner

6.1 General

Under Listing Rule 10.14, the Company requires Shareholder approval to issue Equity Securities to a Director of the Company. Accordingly, Resolution 6, which is subject to the Shareholders passing resolution 5, seeks Shareholder approval to issue Equity Securities under the Performance Rights Plan to the Managing Director, Graeme Sumner.

Under the terms of his Employment Agreement, as varied by the Board, Mr Sumner was entitled to be granted Options, subject to various conditions, as long-term incentives in the following manner:

- 15,624,070 Options following the completion of a 'qualifying period' expiring on 27 July 2014 (**First Tranche Options**); and
- 15,624,070 Options following the completion of a 4 year period from the commencement of the Employment Agreement, 27 January 2014 (**Second Tranche Options**)

At the 28 November 2014 Annual General Meeting, the Shareholders approved the issue of the First Tranche Options to Mr Sumner in accordance with the Existing Plan. However, the Second Tranche Options were not approved at that time.

In a meeting held on 21 September 2016, the Remuneration Committee resolved that the First Tranche Options and Second Tranche Options were no longer viable for Mr Sumner to exercise and agreed that in order to:

- appropriately reward Mr Sumner for his achievements in terms of;
 - restructuring the company,
 - developing new geographical and product markets,
 - bringing the Company through a major mining recession, and

- his beneficial influence with regard to capital raising efforts, business development, cost control, risk mitigation, systems development and leadership; and
 - provide a more appropriate incentive for Mr Sumner to continue his employment with the Company,
- it would be appropriate to cancel the First Tranche Options and Second Tranche Options and include Mr Sumner within the Performance Rights Plan for the purposes of STI Performance Rights and LTI Performance Rights.

The Company is in an important stage of development with significant opportunities and challenges in both the short-term and long-term. The Board believes it is important to offer competitive and appropriate long-term incentives in order to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

Accordingly, on 4 October 2016, the Board agreed with the recommendations of the Remuneration Committee and resolved to cancel the First Tranche Options and Second Tranche Options and seek approval from the Shareholders to include Mr Sumner within the Performance Rights Plan for the purposes of offering STI Performance Rights and LTI Performance Rights on the terms and conditions described in section 5 of this Explanatory Statement.

6.2 ASX Listing Rule 10.14

Listing Rule 10.11 requires the Company to seek Shareholder approval before issuing Shares to Directors under an employee incentive scheme such as the Performance Rights Plan. Once Shareholder 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.

6.3 Technical information required by Listing Rule 10.15

The following information is provided for the purposes of Listing Rule 10.15:

- (a) Graeme Sumner is the Managing Director of the Company;
- (b) a summary of the terms of the Performance Rights Plan is outlined above in sections 5.2 to 5.4 (inclusive) and in Annexure A and a full copy of the Performance Rights Plan is available for inspection at the Company's registered office until the date of the Annual General Meeting;
- (c) as outlined above in section 5.3, a maximum of 18,878,425 STI Performance Rights will be offered to Mr Sumner in respect of the financial year ending 30 June 2017 without further Shareholder approval;
- (d) as outlined above in section 5.4, a maximum of 35,059,932 LTI Performance Rights will be offered to Mr Sumner in respect of the financial year ending 30 June 2017 without further Shareholder approval
- (e) the price at which Shares will be issued in accordance with the Performance Rights will be calculated in the manner described in:
 - (1) (in respect of STI Performance Rights) section 5.3(e)(4); and
 - (2) (in respect of LTI Performance Rights) section 5.4(e)(2),

and in respect of the financial year ending on 30 June 2017, the price has been determined to \$0.0073 per Share, provided that no consideration will be payable by Sumner for the offer of such Performance Rights under the Performance Rights Plan or for the issue, transfer or allocation of Shares upon the vesting and exercise of such Performance Rights;

- (f) as the Performance Rights Plan is a new employee incentive scheme, no Shares or Performance Rights have been issued to Mr Sumner under the Performance Rights Plan yet;
- (g) the Performance Rights to be offered to Mr Sumner in respect of the financial year ending on 30 June 2017 will be offered as soon as practicable after Shareholder approval is given of Resolution 5 and this Resolution 6 but in any event within 12 months of the date of the Meeting. Any future offers of Performance Rights, in respect of other financial years, to Mr Sumner under the Performance Rights Plan will be offered as soon as practicable after obtaining the required Shareholder approval;

- (h) excluding Mr Sumner, there are no other persons referred to in Listing Rule 10.14 entitled to participate in the Performance Rights Plan;
- (i) a total of 8,287,000 Shares have been issued to and are currently held by Mr Sumner in accordance with short-term incentive performance rights which have vested under the Existing Plan. No Options in relation to Mr Sumner's long-term incentive plan were issued to him under the Existing Plan. As a result of the cancellation of the First Tranche Options and the Second Tranche Options by the Board in the manner described above in section 6.1, Mr Sumner does not hold any long-term incentive performance rights under the Existing Plan. Full details of Mr Sumner's holdings of interests in the Company are set out in the 2016 Annual Report;
- (j) the Company will provide an interest-free and non-recourse loan in respect of the Performance Rights, on the terms and conditions summarised in Annexure A; and
- (k) a voting exclusion statement is included in the Notice.

Graeme Sumner, the Managing Director of the Company, will participate in the Performance Rights Plan and therefore has an interest in Resolution 6. Accordingly, Graeme Sumner refrains from making any recommendation as to how the Shareholders should vote on Resolution 6.

The Company's remaining Directors recommend that the Shareholders vote in favour of Resolution 6.

7. Resolution 7 – Approval of 10% Placement Facility

7.1 General

ASX Listing Rule 7.1 prohibits a listed company from issuing Equity Securities representing more than 15% of its issued capital in any 12 month period without obtaining Shareholder approval (subject to certain exceptions).

However, ASX Listing Rule 7.1A enables an Eligible Entity, subject to obtaining Shareholder approval, to issue additional Equity Securities 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 7 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. The Board believe it is in the best interests of the Company to maintain this additional ability to issue Equity Securities in the future so that the Company retains financial flexibility and is able to take advantage of commercial opportunities that may arise in an efficient manner.

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, as its current market capitalisation is \$17,597,101 (2,199,637,634 Ordinary Shares @ 0.8 cents per share).

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 7.2 below).

Resolution 7 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 7 for it to be passed.

The Board considers that Resolution 7 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of Resolution 7.

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 only one class of quoted Equity Securities, being its Shares.

(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) 329,945,645 Shares under Listing Rule 7.1; and
- (2) 219,963,763 Shares under Listing Rule 7.1A.

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) above, 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),

(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 section 7.3(a)(1) above, 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.

Dilution				
Variable "A" in Listing Rule 7.1A.2	Issue Price (per Share)	50% decrease in Deemed Issue Price \$0.0040	Deemed Issue Price \$0.0080	50% increase in Deemed Issue Price \$0.0120
Current Variable "A" 2,199,637,634 Shares	10% dilution - Shares issued	219,963,763 Shares	219,963,763 Shares	219,963,763 Shares
	Funds raised	\$879,855	\$1,759,710	\$2,639,565
50% increase in current Variable "A" 3,299,456,451 Shares	10% dilution - Shares issued	329,945,645 Shares	329,945,645 Shares	329,945,645 Shares
	Funds raised	\$1,319,783	\$2,639,565	\$3,959,348
100% increase in current Variable "A" 4,399,275,268 Shares	10% dilution - Shares issued	439,927,527 Shares	439,927,527 Shares	439,927,527 Shares
	Funds raised	\$1,759,710	\$3,519,420	\$5,279,130

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 3 October 2016 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 25% 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 nil 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 7 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 the expansion of products and distribution arrangements, increasing product production and general working capital purposes 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 previously obtained approval under rule 7.1A, such approval having been sought and obtained by the Company at the Annual General Meeting of the Company for the financial year ended 30 June 2015, which was held on Friday, 27 November 2015. Since that approval, 114,134,943 Equity Securities were issued in accordance with such approval on 4 August 2016. Further details of such issue of Shares are as follows:

- (1) the 114,134,943 Shares were issued (representing 6.4% of Shares on issue as at the commencement of the 12 month period) at an issue price of \$0.0077 per Share, raising \$878,839 before costs;
- (2) the above Shares were issued as fully paid ordinary shares, ranking equally with existing Shares. Quotation on the ASX was sought and obtained;
- (3) the full consideration for the \$878,839 raising was paid in cash;
- (4) the above Shares were issued at \$0.0077 per Share, representing a 25% discount to the market at the time;
- (5) the above Shares were placed to sophisticated and/or professional investors and other exempt investors determined by the Company in consultation with our advisors, Taylor Collison and Scintilla Capital; and
- (6) the proceeds from the issue of the above shares will contribute towards funding the repayment of \$1.345m of convertible notes, which expired on 15 August 2016 and for which redemptions were requested and additionally for the repayment of a further \$0.500m of convertible notes which are due to expire on 19 November 2016 (subject to the holder of such convertible notes electing to redeem rather than convert) and to provide additional working capital to fund future developments.

(g) A voting exclusion statement is included in the Notice.

The Board unanimously recommends that Shareholders vote in favour of Resolution 7.

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 7.1 of this Explanatory Statement

20 Day VWAP has the meaning given to this term in section 5.3 of this Explanatory Statement.

2016 Annual Report means the Company's annual report for the year ended 30 June 2016.

AEDT means Australian Eastern Daylight Time.

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

Appendix 4E has the meaning given to this term in section 5.3(e)(4) of this Explanatory Statement.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

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

Auditor means the auditor of the Company, Moore Stephens.

Board means the board of Directors.

Chairperson 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.

Employment Agreement means the executive employment agreement between the Company and Graeme Sumner dated 28 January 2014.

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.

Existing Plan has the meaning given in section 5.1 of this Explanatory Statement.

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.

LTI Performance Rights means the long-term incentive performance rights described in section 5.4 of this Explanatory Statement.

Managing Director means the managing director of the Company.

Meeting means the meeting convened by this Notice.

Merger or Sale Event has the meaning given in section 5.3(f) of this Explanatory Statement.

New Class Order has the meaning given in section 5.1 of this Explanatory Statement.

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

Option means an option to acquire a Share.

Performance Rights means, collectively, the STI Performance Rights and the LTI Performance Rights.

Performance Rights Plan means the Company's performance rights shares plan to be approved by the Shareholders at the Meeting, the terms of which are summarised in Annexure A.

Placement Shares has the meaning given in section 4 of the Explanatory Statement.

Placement Participants has the meaning given in section 4 of the Explanatory Statement.

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

Remuneration Committee means the remuneration committee formed by the Board.

Remuneration Report means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2016 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.

Shareholder means a shareholder of the Company.

STI Performance Rights means the short-term performance rights described in section 5.3 of this Explanatory Statement.

ANNEXURE A – Summary of the Performance Rights Plan

The key terms and conditions of the Performance Rights Plan are summarised as follows:

- (a) **Board:** The Board, or a duly appointed committee of the Board, is responsible for the operation of the Performance Rights Plan.
- (b) **Participants:** selected Directors and members of the Key Management Personnel.
- (c) **Eligibility:** the Board has an absolute discretion to determine the eligibility of Participants. Some of the factors the Board may have regard to include the seniority of a Participant and position held, length of service with the Company, record of employment with the Company, the potential contribution of the Participant to the growth and profitability of the Company and any other matters the Board considers relevant.
- (d) **Performance Rights:**
 - (1) Each Performance Right granted will entitle the Participant to be provided with a unit in the Performance Rights Plan (**Units**), with each Unit representing a Share held on trust for the Participant by the trustee of the Advanced Braking Technology Rights Shares Trust (**Trust**). The Company will meet all administration costs in relation to the Trust.
 - (2) From a tax point of view, each Unit is issued for consideration equal to the value of the Performance Rights allocated for your benefit. Consequently, there is no taxable discount.
 - (3) The Trust will provide a loan to the Participant equivalent to the value of the Performance Rights to enable the Participant to subscribe for Units (**Loan**). The Loan is interest-free while the Participant remains a member of the Performance Rights Plan and is subsequently extinguished at the time the underlying Shares acquired are transferred or sold. The Loan is non-recourse, in other words limited to the value of the Units.
- (e) **Number of Performance Rights:**
 - (1) The Board has discretion to determine the number of Performance Rights offered to Participants. However, in accordance with applicable law, the Board will ensure that the number of Performance Rights offered to Participants over a 3 year period does not exceed 5% of the Company's issued capital (in accordance with ASIC Class Order [CO14/1000]).
 - (2) In determining the number of Performance Rights to be granted to Participants, the Board may have regard to the current market practice and the overall cost to the Company of grants under the Performance Rights Plan.
- (f) **No payment on grant or vesting:** no payment is required for the grant, on the vesting, or the issue, transfer or allocation of Shares following vesting, of a Performance Right.
- (g) **Vesting conditions:** Participants will be confidentially advised, by a letter of offer (**Offer Letter**), of the number of Performance Rights offered to them, the vesting conditions attached to such Performance Rights and the applicable vesting period. Performance Rights will only vest if the Participant meets such vesting conditions within the applicable vesting period and exercises its Performance Rights. Any Performance Rights which have not vested within the applicable vesting period will lapse.
- (h) **Entitlements under Performance Rights:**
 - (1) Prior to vesting, the Performance Rights do not entitle a Participant to exercise any votes in respect of the underlying Shares or participate in any dividend or new issue of Equity Securities by the Company.
 - (2) Upon vesting and exercise of its Performance Rights, a Participant will be entitled to any dividends paid on the Shares issued in respect of such Performance Rights. Such dividends are taxable at personal marginal tax rates applicable at that time, less any imputation credits.

- (i) **Issue, transfer or allocation of Shares on vesting of Performance Rights:**
- (1) The Shares to be provided on vesting and exercise of the Performance Rights may be issued by the Company or acquired on market by the Company (or the trustee of the Trust) and transferred or allocated to the relevant Participant.
 - (2) Any Shares issued under the Performance Rights Plan will rank equally with those traded on the ASX at the time of issue. The Board may impose restrictions on the transferability of any Share issued, transferred or allocated to a Participant following vesting of a Performance Right and such restrictions will be set out in the Offer Letter.
- (j) **Cessation of employment:**
- (1) If a Participant ceases his or her employment with the Company prior to their Performance Rights vesting, the Participant's Units will be cancelled in full satisfaction of the Loan.
 - (2) Performance Rights which have vested but have not been exercised must be exercised by a Participant within 30 days after ceasing employment with the Company or they will lapse.
 - (3) If a Participant ceases employment with the Company after its Performance Rights have vested and been exercised, the Participant must transfer such Shares into their own name within the period specified by the Board or such Shares will be sold on the Participant's behalf.
- (k) **Change of Control:** on a change of control event (which includes a takeover, merger, any person acquiring a relevant interest in more than 50% of the issued capital of the Company and other similar events), the Board may waive some of all of the vesting conditions or other conditions applicable to Performance Rights, subject to any further conditions imposed by the Board in its absolute discretion.
- (l) **Clawback:** If the Board determines that Performance Rights have vested as a result of fraud, dishonesty or breach of obligations by a Participant, or any other person, or if there is a material misstatement or omission in the financial statements of the Company, the Board may determine any treatment in relation to the Performance Rights or the Shares issued upon vesting to ensure no unfair benefit is obtained by the Participant.

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Advanced Braking Technology Ltd

ABN 66 099 107 623

Lodge your vote:



Online:

www.investorvote.com.au



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



Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

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

For your vote to be effective it must be received by 11:00am (AEDT) Wednesday, 23 November 2016

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 for Postal Forms

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.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

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.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Advanced Braking Technology 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 Advanced Braking Technology Ltd to be held at The Wine House - Function Room, 133 Queensbridge Street, Southbank, Victoria on Friday, 25 November 2016 at 11:00am (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 Resolutions 1, 5 and 6 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 5 and 6 are 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 Resolutions 1, 5 and 6 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
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Director - Mr David Slack	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue of Placement Shares under Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of prior issue of Placement Shares under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of the Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Participation in the Performance Rights Plan by Mr Graeme Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of further 10% Placement Facility	<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 / /