

13th October 2010



ASX ANNOUNCEMENT

Entitlement Issue Prospectus

Automotive Technology Group Limited (ASX: ATJ) (ATG) wishes to advise that it has today lodged an Entitlement Issue Prospectus with ASIC for a pro rata non-renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders on the Record Date at an issue price of \$0.03 per Share together with 1 free new Option for every four (4) new Shares issued exercisable at \$0.08 on or before 30 June 2012.

The maximum number of New Shares which may be issued under the Entitlement Issue is 227,711,866 to raise up to \$6,800,000 (before the costs of the Entitlement Issue).

The Entitlement Issue is not underwritten.

Timetable

The current proposed timetable for the Entitlement Issue is set out below. The dates are indicative only and the Company reserves the right to vary the dates (subject to the Corporations Act and the ASX Listing Rules).

Activity	Date
Lodgement of Prospectus with ASIC	13 October 2010
Lodgement of Prospectus and Appendix 3B with ASX	14 October 2010
Notice sent to Shareholders	18 October 2010
Ex Date	19 October 2010
Record Date for determining Entitlements	25 October 2010
Prospectus dispatched to Shareholders	27 October 2010
Closing Date	11 November 2010
Notify ASX of under-subscriptions	15 November 2010
Dispatch date/Shares entered into Shareholders' security holdings	19 November 2010
Trading of new Shares and new Options expected to commence on ASX	22 November 2010

The "ex" date for entitlements is 19 October 2010, therefore shares purchased on or after 19 October 2010 will not provide the buyer with the entitlement to participate in the Entitlement Issue. Where fractions arise in the calculations of entitlements, they will be rounded up to the nearest whole share.

The attached Entitlement Issue Prospectus will be mailed to each Shareholder on 27 October 2010.

For further information please contact the Company Secretary on 08 6468 0388.

**JAY STEPHENSON
COMPANY SECRETARY**

AUTOMOTIVE TECHNOLOGY GROUP LIMITED

ACN 106 337 599

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders on the Record Date at an issue price of \$0.03 per Share together with 1 free new Option for every four (4) new Shares issued exercisable at \$0.08 on or before 30 June 2012 to raise approximately \$6,800,000 (**Entitlement Issue**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus with ASIC	13 October 2010
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* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 13 October 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is that date which is 13 months after the date of this Prospectus (**Expiry Date**). No Shares or Options will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares and Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. No action has been taken to register or qualify these Shares and Options or otherwise permit a public offering of the Shares and Options the subject of this Prospectus in any jurisdiction outside Australia or New Zealand. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. The return of a completed application form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

The Offer to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares and Options is not New Zealand dollars. The value of the Shares and Options will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Shares and/or Options to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 3.6, the Company will apply to the ASX for quotation of the Shares and Options offered under this Prospectus. If quotation is granted, the Shares and Options offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares or Options through that market, you will have to make arrangements for a participant in that market to sell the Shares or Options on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2. CORPORATE DIRECTORY

Directors

Mr Richard Siemens – *Non-Executive Chairman*

Mr Steven Apedaile – *Managing Director*

Mr Michael Wilson – *Non-Executive Director*

Mr Richard O'Brien – *Non-Executive Director*

Company Secretary

Mr Jay Stephenson

Registered Office

73 Resource Way
MALAGA WA 6090

Telephone: (+61 8) 9262 7277

Principal Place of Business

73 Resource Way
MALAGA WA 6090

General Enquiries:

Telephone: (+61 8) 9262 7277

Facsimile: (+61 8) 9262 7288

Share Registry*

Computershare Investor Services Pty Ltd
Level 2

Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

Telephone: 1300 787 272

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

Auditor*

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company offers for subscription approximately 227,711,866 new Shares and approximately 56,927,967 new Options pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) new Share for every one (1) Share held on the Record Date at an issue price of \$0.03 per Share together with one (1) free new Option for every four (4) new Shares issued. Fractional entitlements will be rounded up to the nearest whole number.

The Options issued will be exercisable at \$0.08 on or before 30 June 2012. The Options will be listed Options under the ASX code ATJOA.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 227,711,866. The Offer will raise up to \$6,800,000. The purpose of the Offer and the use of funds raised are set out in Section 4 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 60,11,930 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

The Company has a \$1.7 million convertible note which will convert into 17 million shares if not repaid by 30 June 2011. This convertible note is not eligible to participate in the Offer.

3.2 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.03 per Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Automotive Technology Group Limited – Trust Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's Share Registry no later than 5.00pm WST on the Closing Date.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

3.3 Minimum Subscription

The minimum subscription in respect of the Offer is \$1,500,000.

3.4 Maximum Subscription

The maximum subscription in respect of the Offer is \$6,800,000.

3.5 Shortfall

The offer of the Shortfall is a separate offer pursuant to this Prospectus made to the Shareholders (**Shortfall Offer**). Pursuant to the Shortfall Offer, an offer is made to every applicant of Shares under the Entitlement Issue to apply for Shares not taken up under the Entitlement Issue (**Shortfall Shares**). The issue price of any Shares offered pursuant to the Shortfall Offer is \$0.03, being the price at which the Entitlement Issue has been offered to Shareholders pursuant to this Prospectus. The closing date for the receipt of Shortfall Offer Application Forms shall be 5.00pm WST on 11 November 2010, being the closing date for the Entitlement Issue.

Applications pursuant to the Shortfall Offer will be dealt with as follows:

- (a) to apply for any of the Shortfall Shares an applicant must first have taken up their full Entitlement under the Entitlement Issue;
- (b) an applicant qualified under paragraph (a) above to make a secondary application (**Secondary Applicant**) is entitled to apply for all or any part of the Shortfall Shares;
- (c) if the number of Shortfall Shares sought by Secondary Applicants exceeds the actual number of Shortfall Shares, applications will be scaled back in proportion to each Secondary Applicant's original allocation of Entitlement under the Entitlement Issue (**Rights Entitlement**) in the following manner:
 - (i) the Company will notionally divide up the Shortfall Shares between the Secondary Applicants in proportion to each Secondary Applicant's Entitlement as against the sum of the Rights Entitlement of all Shortfall Application Forms;
 - (ii) if any Secondary Applicant's notional allocation would exceed the number of Shortfall Shares specified in their Shortfall Application Form, the Company will allocate that applicant the number of Shortfall Shares specified in their Shortfall Application Form, and remove those Shortfall Shares and that Shortfall Application Form from the allocation process; and

- (iii) the Company will repeat the process in (i) and (ii) with reduced number of Shortfall Shares and the remaining Secondary Applicants until the allocation will not exceed any specified number of Shortfall Shares set by a remaining Secondary Applicant, in which case all of the remaining Shortfall Shares are divided between the remaining Secondary Applicants in accordance with (i).

For the assistance of Shareholders, the following worked example is provided. The example assumes that there are 10,000,000 Shortfall Shares and Secondary Applicants A, B and C have each lodged Shortfall Application Forms for 5,000,000 Shortfall Shares. This worked example also assumes that the Entitlement of each of Secondary Applicants A, B and C to the Offer were to 20,000,000, 10,000,000 and 5,000,000 Shares respectively. The allocation in this Secondary Allocation in these circumstances would operate as follows:

- (d) Secondary Applicant A would be entitled to subscribe for 5,714,285 Shortfall Shares being $20/35 \times 10,000,000$ Shortfall Shares. This proportion represents Secondary Applicant A's Entitlement of 20,000,000 Shares divided by the aggregate of Entitlement of the Shortfall Application Forms for A, B and C. As this entitlement exceeds the 5,000,000 Shortfall Shares applied for, only 5,000,000 Shortfall Shares will be issued to Secondary Applicant A;
- (e) The remaining 5,000,000 Shortfall Shares, being the aggregate of the notional allocation to Applicants B and C and balance of the notional allocation to Applicant A, will then be allocated among Shortfall Applications B and C. B receives 3,333,333 Shortfall Shares representing $10/15 \times 5,000,000$. The remaining 1,666,667 Shortfall Shares will be issued to Shortfall Applicant C representing $5/15 \times 5,000,000$.

If you wish to participate in the Shortfall Offer, please complete the accompanying Shortfall Offer Application Form in accordance with the instructions set out in that form. You must also provide payment with your Shortfall Offer Application Form to cover all of the Shortfall Shares which you are applying for. You should then forward the completed Shortfall Offer Application Form together with subscription monies for the Shortfall Shares referred to in your Shortfall Offer Application Form to reach the Company at:

Hand Delivery Address:
73 Resource Way
MALAGA WA 6090

Postal Address:
PO Box 3348
MALAGA DC WA 6945

by no later than 5.00pm (WST) on the Closing Date.

If your allocation of the Shortfall Shares needs to be scaled back in accordance with paragraph (c) above, you will be provided with a refund of the balance of the Shortfall Offer application monies with the notification of your allocated Shares.

The number of Shortfall Shares available to Secondary Applicants will be determined as soon as practicable after the Closing Date. Shortfall Shares issued to Secondary Applicants will be issued at the same time as all the other Shares under the Entitlement Issue. If you are a Secondary Applicant, you will be notified of your share of the Shortfall at the time of dispatch of holding statements for Shares under the Entitlement Issue.

Shares are expected to be allotted and issued and shareholding statements dispatched no later than 19 November 2010.

The Shortfall Offer is independent from the Offer.

In the event that not the entire Shortfall is allotted and issued pursuant to the Shortfall Offer, any remaining Shortfall is a separate offer pursuant to this Prospectus. The issue price of any remaining Shortfall Shares offered shall be \$0.03 cents being the price at which the Entitlement Issue has been offered to Shareholders pursuant to this Prospectus. The remaining Shortfall shall be placed at the discretion of the Company and the Directors reserve the right to exercise this discretion.

3.6 Australian Securities Exchange Listing

Application for official quotation by ASX of the Shares and Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and Options and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares and/or Options is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

3.7 Allotment of Shares and Options

Shares and Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares and Options on the basis of a Shareholder's Entitlement. Where the number of Shares and Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares and Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3.8 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. No action has been taken to register or qualify these Shares and Options or otherwise permit a public offering of the Shares and Options the subject of this Prospectus in any jurisdiction outside Australia or New Zealand. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities

need to be considered and followed. The return of a completed application form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

3.9 Taxation Implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

3.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.11 Privacy Act

If you complete an application for Shares and Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$6,800,000 (before expenses). The proceeds of the Offer, are planned to be used in accordance with the table set out below:

Proceeds of the Offer ¹	Minimum Subscription	Maximum Subscription
Purchase of equipment to increase in-house component manufacturing capacity	\$200,000	\$200,000
Debt satisfaction ²	\$1,235,356	\$1,235,356
Working Capital	\$4,336	\$5,286,243
Expenses of the Offer	\$60,308	\$78,401
Total	\$1,500,000	\$6,800,000

Notes:

1. Refer to Section 7.5 of this Prospectus for further details relating to the estimated expenses of the Offer.
2. As announced to ASX on 30 September 2010, the Directors (and/or their controlled entities) have entered into loan arrangements with the Company pursuant to which the Directors have loaned the Company a total amount of \$1,235,356. These loans will be set off against the Issue Price of the new Shares subscribed for by the Directors (and/or their controlled entities). Please refer to Sections 4.5 and 7.2 for further details regarding the Directors' interests in the Company.

If the Company raises between the Minimum and Maximum Subscription, the Company's cash available for use as working capital will be decreased accordingly.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

4.2 Effect of the Offer and Pro Forma Consolidated Balance Sheet

The principal effect of the Offer will be to:

- (a) increase the cash reserves by up to approximately \$5,286,243 immediately after completion of the Offer after deducting the estimated expenses of the Offer;
- (b) satisfy \$1,235,356 of debt obligations refer to Section 4.1);

- (c) increase the number of Shares on issue from 227,711,866 up to approximately 455,423,732 Shares following completion of the Offer; and
- (d) increase the number of Options on issue from 60,181,930 Options prior to the date of this Prospectus to approximately 117,109,897 Options following completion of the Offer. The new Options offered pursuant to the Offer will be in the same class as Options currently on issue and quoted on ASX under ASX code ATJOA.

4.3 Consolidated Balance Sheet

The audited Balance Sheet as at 30 June 2010 and the unaudited Pro Forma Balance Sheet as at 30 June 2010 (the "Balance Sheets") shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position, on the assumption of maximum subscription. They have been prepared on the assumption that all Shares and Options pursuant to the Offer in this Prospectus are issued.

The Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 30 June 2010

	30 June 2010 Actual \$	30 June 2010 Pro-forma \$
ASSETS		
(a) CURRENT ASSETS		
Cash and cash equivalents		
Pledged bank deposit	75,521	5,932,800
Trade and other receivables	82,000	82,000
Inventories	787,730	787,730
	2,179,892	2,179,892
TOTAL CURRENT ASSETS	3,125,143	8,982,422
(b) NON-CURRENT ASSETS		
Receivables	49,762	49,762
Property, plant and equipment	2,722,939	2,722,939
Goodwill & intellectual property	491,207	491,207
	3,263,908	3,263,908
TOTAL NON-CURRENT ASSETS	3,263,908	3,263,908
TOTAL ASSETS	6,389,051	12,246,330
(c) CURRENT LIABILITIES		
Trade and other payables	527,062	527,062
Interest bearing liabilities	2,641,127	1,820,306
Provisions	139,066	139,066
Other liabilities	116,969	63,470
	3,424,224	2,539,904
TOTAL CURRENT LIABILITIES	3,424,224	2,539,904
(d) NON-CURRENT LIABILITIES		
Interest bearing liabilities	76,448	76,448
(e) TOTAL LIABILITIES	3,500,672	2,616,352
NET ASSETS	2,888,379	9,629,978
(f) EQUITY		
Contributed equity	26,568,547	33,368,547
Reserves	1,327,708	1,327,708
Accumulated losses	(25,007,876)	(25,066,277)
	2,888,379	9,629,978
TOTAL EQUITY	2,888,379	9,629,978

4.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares on issue at date of Prospectus ¹	227,711,866
Shares offered pursuant to the Offer	227,711,866
Total Shares on issue after completion of the Offer²	455,423,732

Options

	Number
Quoted exercisable at \$0.10 on or before 30 June 2011	52,681,930
Quoted exercisable at \$0.30 on or before 31 December 2010	7,500,000
Options offered pursuant to the Offer exercisable at \$0.08 on or before 30 June 2012.	56,927,967
Total Options on issue after completion of the Offer²	117,109,897

4.5 Effect of the Offer on control of the Company

The potential effect that the issue of Shares (and Options) under the Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The Offer is not expected to materially impact the control of the Company. Set out in this Section is some information of the impact that the Offer may have on the capital structure of the Company.

The current relevant interests of the Company's substantial Shareholders (**Substantial Shareholders**) are as follows¹:

Shareholder	Ordinary Shares	% of Total Ordinary Shares
Mr Michael John Wilson	46,658,000	20.5%
Euro Mark Limited and related entities	39,902,404	17.1%
Mr Richard John Siemens	35,725,225	15.7%

Mr Steven James Apedaile	25,752,486	11.3%
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1. Approximate based on number of Ordinary Shares held by each Shareholder as at the dates of their most recent substantial holding notices.

The percentage shareholdings of those Substantial Shareholders will depend upon the take-up of their Entitlement. The Directors included in the Substantial Shareholders have confirmed their intention to take up part or all of their Entitlements and will not participate in the Shortfall Offer.

Any Shortfall under the Offer will be dealt with by the Directors in accordance with Section 3.5 of this Prospectus. It is possible that if not all Shareholders take up their Entitlement under the Offer and the Shortfall, the substantial Shareholders could increase their shareholdings and therefore voting power in the Company. The Directors consider that it is unlikely that no Shareholders will take up their Entitlement and the Shortfall. Any increase in acceptances that are received under the Offer and subscription for the Shortfall by shareholders, will correspondingly reduce the amount of Shortfall and consequent impact of the Substantial Shareholders and their voting power of the Company.

If all Shareholders take up their entitlements under the Offer, the Offer itself will have not have a material effect on the control of the Company.

5. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES AND OPTIONS

5.1 Terms of Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

(c) Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of

profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

(f) **Future Increase in Capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(g) **Variation of Rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms

of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

5.2 Terms of Options

The Company currently has 60,181,930 Options on issue with various exercise prices and expiry dates as set out in Section 4.4 of this Prospectus. The Options on issue and the Options to be issued pursuant to the Offer entitle, or will entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option Holder the right to subscribe for one Share. To obtain the right given by each Option, the Option Holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire on the dates set out in Section 4.4 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each is set out in Section 4.4 (**Exercise Price**).
- (d) The Options held by each Option Holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 Options are held, all Options must be exercised together.
- (e) An Option Holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised'

(Exercise Notice).
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of the Options on ASX.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option Holder are to be changed in a manner consistent

with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

- (l) There are no participating rights or entitlements inherent in the Options and Option Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) Other than pursuant to term (n), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

6. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares and Options.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

Neither the Company, nor its Directors, nor any other party associated with the preparation of this Prospectus warrants that any specific objective or particular target of the Company will be achieved. Risks include both general and specific business risks.

6.1 General Risks

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) changes in government regulation;
- (f) the demand for, and supply of, capital; and
- (g) terrorism or other hostilities.

6.2 Business Risks

While all investments have an associated level of inherent risk, the following specific risks should be considered carefully in evaluating the Company and its prospects.

(a) Intellectual Property Risks

Securing rights in particular patents is an integral part of securing potential product value from the outcomes of research and development. Competition in retaining and sustaining protection of rights and the complex nature of automotive products can lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others are not infringed, nor does it guarantee that competitors will not develop competing technologies circumventing such patents. The Company's success may depend, in part, on its ability to obtain patents, maintain trade secret protection, and operate without infringing the proprietary rights of third parties. Because the patent positions of companies with investments in automotive parts can be highly

uncertain, and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in patents nor their enforceability can be predicted. There can be no assurance that any patents the Company may own or control or license in the future will afford commercially significant protection of the technologies, or that any of the projects that may arise from the technologies will have commercial applications.

(b) **Research and Development Risks**

The Company can make no representation that any of its research into or development of new technologies will be successful, that any development milestones will be achieved, or that the products will be developed into products that are commercially exploitable.

There are many risks inherent in the development of products in the automotive sector, particularly where the products are in early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(c) **Capital Requirement Risks**

An inability to raise the minimum capital requirement amount would severely impinge upon the Company's activities.

Furthermore, depending on the Company's ability to generate income from its operations, the Company may require further financing to fund its operations through equity capital. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programmes as the case may be.

(d) **Automotive Industry Risks**

Changes in vehicle production volumes in markets where the Company operates and/or changes in the operations, financial condition or market share of the Company's customers will have an adverse effect on the Company.

(e) **Vehicle Affordability Risk**

The performance of the automotive retail industry is in part dependent on the general affordability of vehicles. The Company's financial performance could be adversely affected if the affordability of vehicles is reduced as a result of the increased cost of vehicle manufacturing, increased interest rates, and/or the effect of exchange rate fluctuations.

(f) **Unforeseen Expenses**

The incurrence of substantial unforeseen expenses could adversely affect performance and capital requirements.

(g) **Product Liability and Uninsured Risks**

The Company may be exposed to potential product liability risks, which are inherent in the research and development, manufacturing, marketing and use of products in the automotive sectors. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

(h) **Regulatory Risks**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the Company's future operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, financial performance of the Company.

(i) **Licensing and Marketing Risks**

The Company may need to have a strategy to license new products in the early phases of their development to licensees that are able to complete commercialisation of its products. There is no guarantee that suitable licensees will be identified.

(j) **Competition Risk**

The Company operates in a competitive market environment. The Company's financial performance could be affected if the actions of competitors become more effective or if new competitors enter the market.

New competition may also adversely affect the Company's financial performance in particular areas of the business outside its core areas of competency. This new competition may have an adverse affect on the Company's future financial performance and earnings growth.

(k) **Reputation Risk**

The Company considers its reputation for trust and integrity important in maintaining ongoing customer goodwill. A range of events could have a material adverse impact on the Company's reputation.

(l) **Growth Management Risk**

To achieve the growth objectives set out in this Prospectus, the Company will be required to continue to invest in its operational, information and financial systems, procedures and controls. The existing Board and management have extensive experience in managing and implementing growth strategies. The inability to implement the growth strategies outlined in this Prospectus may impact the future financial performance of the Company. Also, there can be no assurance given that there will be no detrimental impact on the Company if one or more of these management employees ceases their employment.

(m) **Expansion Risk**

The Company plans to increase the sale of its products. There is a risk that there may not be sufficient demand to allow an increase in sales which will adversely affect the Company's financial performance.

6.3 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and future production activities, as well as on its ability to fund those activities.

6.4 Market conditions

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

6.5 Security Investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

6.6 Legislative changes, Government policy and approvals

Changes in government regulations and policies may adversely affect the financial performance of the Company.

6.7 Future Capital Requirements

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer, will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

6.8 Reliance on Key Personnel and Employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both

independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in the Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.9 Legal Proceedings

The Company is not party to any legal proceedings.

At the time of lodging this Prospectus it is not possible to predict if future proceedings may be taken against the Company.

Any adverse finding made against the Company which cannot be successfully recovered from cross claims made against other parties may result in the Company being liable to pay up to the amount claimed by the parties to the legal proceedings. The Company may also be liable for costs of other parties to the proceedings if these costs are awarded against it, as well as its own legal costs.

6.10 Procurement and Manufacturing Risks and Processes

A number of the Company's suppliers are subject to the risks associated with operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, licensing, export duties, repatriation of income or return of capital, environmental protection, safety, and labour relations, as well as government control over properties, or government regulations that require the employment of local staff or contractors, or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in China, Italy, Sweden or the United States of America or in the Company's relationship with a supplier in one of these countries may affect the viability of the Company and its operations.

Failures of equipment and machinery may result in production delays and lead to an inability of the Company to maintain supply which may have a negative impact on the Company's future operations, cash flows and viability.

6.11 International Operations

International sales and operations are subject to a number of risks, including:

- (a) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;

- (b) potential difficulties in protecting intellectual property;
- (c) increases in costs for transportation and shipping; and
- (d) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

6.12 Distribution Arrangements

The Company has to date appointed distribution agents to act for it in the distribution of its products to retail outlets.

Until it reaches an optimum size to commence wholesaling directly to retailers, the success of the Company's operation depends on the Company's ability to maintain existing, and secure new, distribution arrangements on favourable terms.

No assurance can be given that the Company will be able to successfully negotiate new distribution arrangements on favourable terms or at all. No assurance can be given that the Company will be able to continue selling its products under the existing distribution arrangements.

The Directors are unable to predict the risk of financial failure or default by a distribution agent which the Company has appointed or may appoint in the future.

6.13 Contractors and Service Providers

The Directors are unable to predict the risk of financial failure, default, insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

6.14 Strategic Alliances

The Company may in the future seek to enter into strategic alliances with other parties, some of which may be corporations much larger than the Company. There is a risk in managing strategic alliances and partnerships with large corporations.

Should other participants in any strategic alliance not act in the best interests of the Company, this may have a material adverse effect on the Company's operations.

The Directors are unable to predict the risk of financial failure or default by a participant in any strategic alliance to which the Company may become a party.

6.15 Development

The Company will continue product development and research on automotive technologies and the use of substitute materials and processes used in the manufacture of its products.

There is a risk that development of new products will require costs beyond those budgeted and even if developed there is no guarantee that the products can be successfully commercialised and exploited.

6.16 Foreign Exchange

The Company currently has components supplied from Australia, China, Italy, Sweden and the United States of America which are paid for in Australian Dollars, US Dollars, Euros, Swedish Krona and US Dollars, respectively.

The Company also sells its products to customers in Australia, China, Europe and the United States of America in the respective currencies of these countries.

In the future a proportion of the Company's revenues, purchases, cash inflows, other expenses, capital expenditure and commitments may be denominated in foreign currencies.

To comply with Australian reporting requirements the income, expenditure and cash flows of the Company will need to be accounted for in Australian dollars. This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the rate of exchange between other currencies and the Australian dollar, as determined in international markets.

Furthermore, the Company has decided to not put in place any hedges in relation to foreign exchange. This may result in the Company being exposed to exchange rate risk, which may have an adverse impact on the profitability and/or financial position of the Company.

6.17 Intellectual Property

The brand names, trade marks and other intellectual property of the Company are regarded as critical to its success. Accordingly, the Company is reliant on regulations regarding copyright and trade marks and confidentiality restrictions with staff, contractors and others to safeguard its intellectual property rights. The Company has made reasonable efforts to protect the Company's intellectual property, however, unauthorised use or exploitation of its intellectual property may occur and result in an adverse effect on the operating and financial performance of the Company.

The Company may experience conflict with third parties who may contest its rights to what it believes is its intellectual property, particularly in countries other than Australia. The Company cannot assure potential investors that the actions it has taken to establish and protect its intellectual property rights will be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of its products as a violation of proprietary rights of others.

6.18 Inability to Meet Customer Demand

For any number of reasons the Company may not, from time to time, have an adequate supply of products to meet customer demand which may cause it to be unable to fill orders or to lose sales. Such inability to meet customer demand from time to time may arise if the Company's sales growth accelerates substantially or in the event that its distribution and retail network grows substantially.

The Company anticipates that it will be in a better position to manage and mitigate this risk upon successful completion of the Offer.

Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2010 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for

the year ended 30 June 2010 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2010 audited financial statements:

Date	Description of Announcement
4 Oct 2010	Planned Rights Issue to Raise up to \$6.8m.

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Australian Stock Exchange's web site.

7.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement	Remuneration (\$)
Richard Siemens	35,715,255	7,143,051	35,715,255	30,000
Steven Apedaile	25,752,486	4,598,369	25,752,486	240,000
Michael Wilson	46,658,000	8,104,600	46,658,000	30,000
Richard O'Brien	822,609	99,722	822,609	30,000

Notes:

- Each of the Directors has indicated that it is their present intention to subscribe for some or all of their Entitlement under the Offer, which will amount to approximately 77,000,000 new Shares. The Issue Price for those Shares will be set off against amounts advanced by the Directors (and/or their controlled entities) to the Company under loan arrangements, as announced to ASX on 4 October 2010.
- Mr Richard O'Brien has indicated his intention to apply for Shortfall that arises under the Offer to the extent of 1,577,391 shares. Mr O'Brien's participation in any Shortfall (therefore in excess of his entitlement) will be subject to Shareholder approval which will be sought at the Company's next Annual General Meeting). As above, Mr O'Brien currently has a relevant interest in 822,609 Shares. In the event that Mr O'Brien subscribes for all of his Entitlement under the Offer (as he has indicated he intends to) and the Entitlement Issue is not fully subscribed and there is a Shortfall under the Offer and Mr O'Brien subscribes for the entire extent of his Shortfall commitment as is outlined above, Mr O'Brien may become entitled to a maximum of 3,222,609 Shares in the Company following the completion of all of the Offer, resulting in Mr O'Brien having a s holding in the Company equal to approximately 1% of the issued capital of the Company. For the avoidance of doubt if Shareholder approval is not obtained, Mr O'Brien will not be entitled to any securities in excess of his entitlement.
- Mr Michael Wilson is the holder of a \$1.7 m convertible note, which bears interest at a rate of 10% per annum and will convert to 17 million Shares if not repaid by the Company before 30 June 2011.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The Company paid to the Directors a total of \$413,788 the year ended 30 June 2010 and \$667,938 for the year ended 30 June 2009. In addition to the above, the Directors have been paid fees totalling \$82,500 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling

expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.3 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$15,000 for services in relation to this Prospectus.

7.4 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

7.5 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	Minimum Subscription	Maximum Subscription
ASIC fees	\$2,068	\$2,068
ASX fees	\$15,740	\$33,833
Legal expenses	\$15,000	\$15,000
Brokerage costs	\$20,000	\$20,000
Printing and other expenses	\$7,500	\$7,500
Total	\$60,308	\$78,401

7.6 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.055 on 12 July, 13 July and 14 July; and

Lowest: \$0.035 on 4 October 2010 and 5 October 2010.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.38 on 11 October 2010.

7.7 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. AUTHORITY OF DIRECTORS

8.1 Directors' Consent

Each of the Directors of Automotive Technology Group Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated the 13th day of October 2010

A handwritten signature in black ink, appearing to read 'S. Apedaile', with a long horizontal flourish extending to the right.

Signed for and on behalf of
Automotive Technology Group Limited
STEVEN JAMES APEDAILE
DIRECTOR

9. **DEFINITIONS**

Applicant means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5.00pm (WST) on 11 November 2010 (unless extended).

Company means Automotive Technology Group Limited (ACN 106 337 599)

Constitution means the Company's Constitution as at the date of this Prospectus.

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

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Issue means the issue of Shares offered by this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Offer means the offer pursuant to the Prospectus of one (1) new Share for every one (1) Shares held by a Shareholder on the Record Date together with one (1) free new Option for every four (4) new Shares issued.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5.00pm (WST) on 25 October 2010.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares and Options.

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

Shareholder means a shareholder of the Company.

Shortfall means those Securities under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

Shortfall Offer means the offer under the Shortfall set out in Section 3.5.

WST means Western Standard Time.