
AUTOMOTIVE TECHNOLOGY GROUP LIMITED

ACN 106 337 599

NOTICE OF GENERAL MEETING

TIME: 10:00 am (WST)
DATE: 10 June 2010
PLACE: Barringtons House
283 Rokeby Road
SUBIACO WA 6008

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 6468 0388.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Automotive Technology Group Limited which this Notice of Meeting relates to will be held at 10:00 am (WST) on 10 June 2010 at:

Barringtons House
283 Rokeby Road
SUBIACO WA 6008

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) send the proxy form by post to Automotive Technology Group Limited, 6/34 York Street, North Perth WA 6006; or
- (b) send the proxy form by facsimile to the Company on facsimile number (08) 9228 0704,

so that it is received not later than 10:00am (WST) on 8 June 2010.

Proxy forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Automotive Technology Group Limited will be held at Barringtons House, 283 Rokeby Road, Subiaco WA 6008 on 10 June 2010 at 10:00am (WST).

The Explanatory Statement to this Notice Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 8 June 2010.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

RESOLUTION 1 – ISSUE OF CONVERTIBLE NOTE TO A RELATED PARTY

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

“That, for the purposes of ASX Listing Rule 10.1, ASX Listing Rule 10.11 and Section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:

- (a) the Company to create and issue the Convertible Note to Wilson’s Pipe Fabrication Pty Limited and enter into a mortgage over the Company’s premises as security for the Convertible Note on the terms and conditions set out in the Explanatory Statement accompanying this Notice; and*
- (b) the acquisition of a relevant interest in the issued voting shares of the Company by Mr Michael Wilson (an associate of Wilson’s Pipe Fabrication Pty Limited) in excess of the threshold prescribed by Section 606(1) of the Corporations Act by virtue of the conversion of the Convertible Note into ordinary shares,*

on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by a party to the transaction and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons.

Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Pendragon Capital Ltd for the purposes of the Shareholder approval required by ASX Listing Rule 10.1 and Section 611 (item 7) which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE TO MANDATE CORPORATE

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

"That, for the purpose of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, Shareholders ratify the allotment and issue by the Company of 912,800 Shares at an issue price of \$0.05 per Share on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any persons who participated in the issue, or any associate of those persons.

RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE TO LE CHEM

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 of the ASX Listing Rules and for all other purposes, Shareholders ratify the allotment and issue by the Company of 1,000,000 Shares at an issue price of \$0.05 per Share on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any persons who participated in the issue, or any associate of those persons.

RESOLUTION 4 – FUTURE ISSUE OF SHARES

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

"That, for the purpose of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, approval is given for the Company to allot and issue up to 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price which is at least 80% of the average market price of the Company's shares on the ASX over the 5 trading days (on which sales were recorded) preceding the date on which the issue is made (or if issued pursuant to a disclosure document, over the last 5 trading days on which sales were recorded before the date of the disclosure document) and otherwise on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons.

RESOLUTION 5 – ELECTION OF MR RICHARD O'BRIEN

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

"That, Mr Richard O'Brien, who was appointed to the Board on 3 March 2010 as an additional director and who retires in accordance with Article 15.3 of the Company's Constitution, and being eligible for election, be elected as a Director of the Company."

DATED: 6 May 2010

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'J. Stephenson', written in a cursive style.

**JAY STEPHENSON
COMPANY SECRETARY**

Voting Exclusion Note:

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

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at Barringtons House, 283 Rokeby Road, Subiaco WA 6008 on 10 June 2010 at 10:00am (WST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1 – ISSUE OF CONVERTIBLE NOTE TO A RELATED PARTY

1.1 Background

Between 10 December 2009 and 28 February 2010, at the request of the Company, Wilson's Pipe Fabrication Pty Ltd (**WPF**) advanced loans to the Company in the total amount of \$600,000 (**Existing WPF Loans**). The Existing WPF Loans are unsecured loans, bear interest at a rate of 9% per annum calculated on a daily basis and are repayable on demand.

At the request of the Company, WPF has agreed to advance a further loan of \$1,100,000 to the Company (**Additional WPF Loan**) on the agreement that the Company will create and issue to WPF a convertible note with a subscription amount of \$1,700,000 (**Convertible Note**) and enter into a mortgage over the Company's premises to secure the subscription amount under the Convertible Note (being the whole amount of the Existing WPF Loans and the Additional WPF Loan).

On 6 May 2010 the Company and WPF entered into a convertible note deed to formalise the terms relating to the creation and issue of the Convertible Note (**Convertible Note Deed**) and a deed of mortgage securing the Convertible Note.

The issue of the Convertible Note pursuant to the Convertible Note Deed is conditional upon the Company obtaining Shareholder approval for WPF to subscribe for the Convertible Note the subject of this Resolution 1.

If Shareholders do not approve Resolution 1, the Existing WPF Loans and the Additional WPF Loan will be repayable in full by the Company on demand by WPF.

The Independent Expert's Report has been prepared to consider whether the issue of the Convertible Note is fair and reasonable to the non-participating Shareholders of the Company. The Directors recommend you read the Independent Expert's Report in full.

1.2 Terms of the Convertible Note

The key terms of the Convertible Note Deed are summarised as follows:

- (a) (**Facility**): WPF has previously loaned the Company \$600,000 and has agreed to loan the Company an additional \$1,100,000, giving a total loan amount of \$1,700,000 (**Subscription Amount**);

- (b) **(Repayment)**: the Company may repay any or all of the Subscription Amount prior to 30 June 2011 without the consent of WPF. In the event that all or part of the Convertible Note is not converted into Shares on or before 30 June 2011, the Company shall pay to WPF the outstanding Subscription Amount and any interest on 30 June 2011;
- (c) **(Mortgage)**: The Convertible Note will be secured by a mortgage over the Company's property at 73 Resources Way, Malaga, Western Australia **(Charge)**. The Charge will be prepared on ordinary commercial terms and will not limit the ability of the Company to deal with its assets in the ordinary course of its business, including disposition of investments;
- (d) **(Transfer)**: WPF may transfer all or any part of the Convertible Note on the condition that WPF procures that the assignee of the Convertible Note agrees to be bound by the terms and conditions of the Convertible Note Deed;
- (e) **(Voting Rights)**: the Convertible Note shall not entitle the holder to any voting rights at shareholder meetings of the Company;
- (f) **(Listing)**: the Company does not intend to list the Convertible Note;
- (g) **(Interest)**: the Convertible note shall bear interest at a rate of 10% per annum on the amount of the Subscription Amount outstanding **(Interest Rate)**. Interest is accrued daily and calculated monthly until the earlier of 30 June 2011, the date the Convertible Note is Converted and the date the Subscription Amount is repaid in full;
- (h) **(Conversion)**: WPF may at any time before 30 June 2011, convert all or part of the Convertible Note into Shares by giving a conversion notice to the Company **(Conversion Notice)**. Each Conversion Notice is convertible into an amount of Shares equal to the value of the Subscription Sum being Converted, divided by the conversion price of 10 cents per Share **(Conversion Price)**;
- (i) **(Interest on Conversion)** if the Convertible Note is converted into Shares, the interest, if any, on the Convertible Note shall be satisfied by the issue of that number of Shares at Conversion Price which represents the interest payable by the Company in respect of that portion of the Convertible Note which is then Converted, at the time of conversion; and
- (j) **(Events of Default)** There are a number of events of default contained in the Convertible Note Deed, and listed in Schedule 1 of this Notice of Meeting **(Event of Default)**. If an Event of Default occurs, WPF may immediately, or at any time subsequently, declare all amounts owing under the Convertible Note Deed or Charge, to be immediately due and payable, and cancel all of its obligations under those documents.

1.3 Approval Sought

Resolution 1 seeks Shareholder approval:

- (a) in accordance with Listing Rules 10.1 and 10.11 of the ASX Listing Rules, for the terms of the Convertible Note Deed, the issue of the Convertible

Note to WPF and the possible issue of up to 19,125,000 Shares to WPF on conversion of the Convertible Note; and

- (b) in accordance with Section 611 Item 7 of the Corporations Act, for the proposed acquisition of a relevant interest in voting shares of the Company by Mr Michael Wilson, as a 50% shareholder in WPF, by virtue of the issue to WPF of 19,125,000 Shares in circumstances which would otherwise contravene Chapter 6 of the Corporations Act.

1.4 Section 208 of the Corporations Act

Under Part 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to Section 208 applies or shareholders have in general meeting approved the giving of that financial benefit to the related party.

WPF is a related party of the Company due to the fact that it is controlled by Mr Michael Wilson, a director of the Company. WPF is owned by Mr Michael Wilson and his wife Mrs Megan Joy Wilson, each of whom hold a 50% interest in WPF.

Section 229(3) of the Corporations Act provides that issuing securities to a related party constitutes giving a financial benefit. Accordingly, under the terms of the Convertible Note Deed, WPF will receive a financial benefit from the Company.

The Board has formed the view that the issue of the Convertible Note is an arm’s length transaction on commercial terms. Accordingly, the exception to Section 208 pursuant to Section 210 applies.

1.5 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to a related party.

A “substantial asset” is an asset valued at greater than 5% of the equity interests of a company. For the purposes of ASX Listing Rule 10.1, WPF is a “related party” of the Company due to the fact that it is an associated entity of Mr Michael Wilson, a director of the Company.

The value of the security provided under the Convertible Note is greater than 5% of ATJ’s equity interests on a consolidated basis as set out in the latest accounts given to ASX by the Company. As a result, the issue of the Convertible Note by ATJ to WPF is considered to be a disposal of a substantial asset. Accordingly, the Company is seeking shareholder approval for the purpose of ASX Listing Rule 10.1.

ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed disposal from an independent expert. Accompanying this Explanatory Statement is an Independent Expert’s Report prepared by Pendragon Capital Ltd concluding that the issue of the Convertible Note to WPF is *fair and reasonable* to the non associated Shareholders.

1.6 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Shares in the event the Convertible Note is Converted as approval is being obtained under Listing Rule 10.11. Shareholders should note that the issue of securities to WPF will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

The following information is provided for Resolution 1 pursuant to and in accordance with Listing Rule 10.13:

- (a) the maximum number of securities to be issued by the Company, in the event the Convertible Note is Converted for the full amount into Shares (including interest payable) is 19,125,000 Shares;
- (b) the Shares issued on Conversion will be allotted and issued to WPF;
- (c) the Shares issued on conversion of the Convertible Note will be issued for an issue price of 10 cents per Share;
- (d) the Convertible Note will be allotted and issued within one (1) month of the date of the meeting;
- (e) the Shares issued on Conversion will be fully paid ordinary shares in the capital of the Company and issued on the same terms and conditions as the Company's existing Shares. The terms of the Convertible Note are set out in paragraph 1.2 of this Notice;
- (f) the funds raised from the issue of the Convertible Note will be used for working capital purposes in relation to the Company's existing operations and for review of new opportunities that the Board considers may add shareholder value; and
- (g) the Shares will be issued for nil consideration as they will be issued upon an election of WPF to convert the Convertible Note to Shares.

1.7 Section 611 Item 7 of the Corporations Act

- (a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
 - (ii) from a starting point above 20% and below 90%.
- (b) Voting Power and Relevant Interests

Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

- (A) the first person is a body corporate and the second person is:
 - (I) a body corporate the first person controls;
 - (II) a body corporate that controls the first person; or
 - (III) a body corporate that is controlled by an entity that controls the first person;
- (B) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; or
- (C) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs.

Relevant Interest

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (A) are the holder of the securities;
- (B) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (C) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Section 608(3) of the Corporations Act provides that a person has the relevant interests in any securities held by a body corporate in which the person's voting power is above 20%.

As Mr Michael Wilson is an associate of WPF, Mr Wilson will increase his relevant interest in the Company if Shares are issued to WPF.

In the event that the Convertible Note to be issued pursuant to Resolution 1 converts into 19,125,000 Shares, WPF's and Mr Michael Wilson's shareholding and voting power will increase as follows:

Name	Current Holding	Current Voting Power	Holding following the issue and exercise of the Resolution 1 Securities	Voting Power following the issue and exercise of the Resolution 1 Securities
Michael Wilson ¹	40,873,000	19.897%	40,873,000	18.202%
WPF ²	Nil	0%	19,125,000	8.517%
Total Relevant Interest	40,873,000	19.897%	59,998,000	26.719%
Other Shares	164,552,773	80.103%	164,552,773	73.281%

Note 1: Mr Wilson also holds 8,104,600 options, exercisable at \$0.10 and expiring 30 June 2011.

Note 2: WPF is owned by Mr Michael Wilson and his wife Mrs Megan Joy Wilson, each of whom have a 50% shareholding.

(c) Section 611 Item 7 of the Corporations Act – Exemption from Section 606

Section 611 of the Corporations Act provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in Section 606(1), including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Section 611 Item 7).

For the exemption in Section 611 Item 7 to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that was material to the decision on how to vote on the resolution. The ASIC has indicated what additional information should be provided to shareholders in these circumstances.

For the purposes of the Corporations Act and Policy Statement 74 the following information is disclosed in relation to the acquisition of a relevant interest in the Company by WPF and Mr Michael Wilson. Shareholders are also referred to the Independent Expert's Report prepared by Pendragon Capital Ltd which forms part of this Explanatory Statement.

The figures in the following section assume that:

- (i) all of the Securities the subject of Resolution 1 have been issued and no additional Securities are issued; and
- (ii) WPF does not acquire any Securities other than those referred to in Resolution 1.

Prescribed Information:

- (iii) *The identity of the person proposing to make the acquisition and their associates:*

WPF will be acquiring the Shares pursuant to Resolution 1.

Mr Michael Wilson, who owns a 50% shareholding in WPF and controls WPF, and his wife Mrs Megan Joy Wilson who also owns a 50% shareholding in WPF, will acquire an increase in their current relevant interests in the Company's voting shares.

- (iv) *The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition:*

WPF's voting power will increase from 0% to 8.517% from the acquisition.

- (v) *The voting power that person would have as a result of the acquisition:*

As outlined in iv above.

- (vi) *The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition:*

Not applicable.

- (vii) *The voting power that each of that person's associates would have as a result of the acquisition.*

As outlined in vi above.

1.8 Terms of Securities

The terms of the Convertible Note are outlined in section 1.6 above.

As stated above, any Shares issued on Conversion will rank equally in all respects with the Company's existing issued Shares.

1.9 Intentions of Mr Michael Wilson and WPF in relation to the Company

The Company has been informed that Mr Wilson and WPF:

- (a) have no intention of making any changes to the business of the Company;
- (b) do not presently intend to inject further capital into the Company;
- (c) do not propose to change the employment arrangements of the Company;
- (d) do not intend to transfer any property between the Company and them nor any person associated with them other than as set out in this Notice;
- (e) do not intend to redeploy any fixed assets of the Company; and

- (f) have no current intention to change the Company's existing policies in relation to financial matters or dividends.

1.10 Directors' Recommendation

Michael Wilson declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 1, recommend that Shareholders vote in favour of Resolution 1. The Board (other than Michael Wilson) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

The Directors' (other than Mr Wilson) recommendation is based on the following reasons:

- (a) The terms of the Convertible Note were more favourable than other proposals received by the Company;
- (b) the additional funding received from the Convertible Note will enable the Company's management to direct their focus on generating sales and profit for the Company instead of having attention and resources focused on capital raising; and
- (c) the Independent Expert's Report concludes that the issue of the Convertible Note is both fair and reasonable to the non-associated Shareholders of the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE TO MANDATE CORPORATE

2.1 General

On 2 February 2010, the Company issued 912,800 Shares as consideration for public relations services provided to the Company by Mandate Corporate.

The subscriber pursuant to this issue was not a related party of the Company.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did

not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 912,800 Shares were allotted;
- (b) the deemed issue price was \$0.05 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to Mandate Corporate; and
- (e) there were no funds raised from this issue as the issue was in lieu of cash for services provided.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE TO LE CHEM

3.1 General

On 15 April 2010, the Company issued 1,000,000 Shares at an issue price of \$0.05 per Share to Le Chem Pty Ltd (**Le Chem**).

The subscriber pursuant to this issue was not a related party of the Company.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

3.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 1,000,000 Shares were allotted;
- (b) the issue price was \$0.05 per Share;

- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to Le Chem Pty Ltd; and
- (e) the Company intends to use the funds raised for general working capital purposes.

4. RESOLUTION 4 – FUTURE ISSUE OF SHARES

4.1 General

Resolution 4 seeks Shareholder approval for the allotment and issue of up to a further 50,000,000 Shares at an issue price which is a least 80% of the average market price for the Company's shares on the ASX over the 5 trading days (on which Shares were recorded) preceding the date on which the issue is made (or where issued pursuant to a disclosure document, over the 5 trading days on which sales of Shares are recorded before the date of the disclosure document) (**Future Share Issue**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or any other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

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

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Future Share Issue during the period that is 3 months after the General Meeting (or a longer period, if allowed by the ASX), without using the Company's 15% annual placement capacity.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Future Share Issue:

- (a) the maximum number of Shares to be allotted and issued is 50,000,000;
- (b) the Shares will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price of the Shares will be a price which is at least 80% of the weighted average market price of the Company's Shares on ASX over the last 5 trading days (in which sales of Shares are recorded) preceding the day on which the issue is made (or where issued pursuant to a disclosure document, over the last 5 trading days on which sales of Shares are recorded before the date of the disclosure document);

- (d) the allottees will be subscribers to either a disclosure document to be issue by the Company or pursuant to an excluded offer under Section 708 of the Corporations Act. The offer will be made to parties not yet known to the Company, being sophisticated/professional investors, none of whom will be related parties of the Company. These parties will be identified by the Company as being parties with whom the Company seeks to develop a strategic relationship;
- (e) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the raised from the Future Share Issue for general working capital purposes.

5. RESOLUTION 5 – ELECTION OF MR RICHARD O'BRIEN

It is a requirement under Article 15.3 of the Company's Constitution that a Director appointed by the Board to fill a casual vacancy or as an additional Director holds office only until the conclusion of the next meeting of Shareholders, and is eligible for election at that meeting. The Board appointed Mr Richard O'Brien as an independent Non-Executive Director on 3 March 2010. Accordingly, Mr O'Brien retires and, being eligible, has offered himself for election as a Director of the Company.

Mr O'Brien has vast experience and expertise in company financial management and administration, which has been acquired through more than 35 years in senior finance and administration roles, including company secretary and chief accountant with two mining companies. Mr O'Brien has also held the position of Financial Accountant for the State Energy Commission of Western Australia and in this role was responsible for the preparation of the annual statutory financial reports of the organisation. He has also been the Manger of Customer Services for the same organisation. He holds a Bachelor of Business, Post-graduate Diploma in Business and is a Fellow of the Australian Society of CPAs.

Mr O'Brien's extensive experience and expertise in company financial management is a considerable asset to the Company and highly valued by the Board. Accordingly, all of the other Directors fully support his election.

GLOSSARY

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

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

Company and **ATJ** means Automotive Technology Group Limited (ACN 106 337 599).

Convertible Note means the convertible note to be issued to WPF pursuant to the Convertible Note Deed and Resolution 1.

Convert or **Conversion** means conversion of the Convertible Note on its terms and conditions.

Convertible Note Deed means the convertible note deed dated 6 May 2010 between the Company and WPF.

Directors mean the current directors of the Company.

Explanatory Statement means the explanatory statement to the Notice.

General Meeting means the meeting convened by the Notice.

Independent Expert's Report means the independent expert's report prepared by Pendragon Capital Ltd which forms part of this Memorandum.

Notice means this notice of meeting.

Noteholder means the holder of the Convertible Note.

Option means an option to acquire a Share in the Company.

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

Shareholder means a shareholder of the Company.

WPF means Wilson's Pipe Fabrication Pty Ltd (ACN 082 800 397).

WST means Western Standard Time.

SCHEDULE 1

Events of default under the Convertible Note Deed are as follows:

- (a) **non-payment:** the Company fails to pay within three Business Days of its due date any amount payable under the Convertible Note Deed or Charge;
- (b) **misrepresentation:** any representation, warranty or statement made or repeated in or in connection with the Convertible Note Deed is untrue or misleading (whether by omission or otherwise) when so made or repeated or becomes untrue or misleading (or, in the case of financial forecasts, unfair or unreasonable) when taken as a whole;
- (c) **involuntary winding up:** an application or order is made for the winding up of the Company or for the appointment of a liquidator;
- (d) **voluntary winding up:** the Company passes a resolution for its winding up;
- (e) **Receiver:** a receiver, controller (within the meaning of section 9 of the Corporations Act) or analogous person is appointed to, or the holder of a security interest takes possession of all, or any part of the assets of the Company;
- (f) **insolvency:** the Company:
 - (i) suspends payment generally;
 - (ii) becomes an externally-administered body corporate within the meaning of the Corporations Act;
 - (iii) becomes subject to administration under Part 5.3A of Chapter 5 of the Corporations Act, or steps are taken which could reasonably be expected to result in the Company becoming so subject; or
 - (iv) is or states that it is, or is deemed by applicable law to be, unable to pay its debts as and when they fall due;
- (g) **statutory demand:** a statutory demand is served on the Company under section 459E of the Corporations Act or pursuant to section 459F of the Corporations Act the Company is taken to have failed to comply with that statutory demand;
- (h) **compromise or arrangement:** the Company takes any step for the purpose of entering into a compromise or arrangement with any of its members or creditors except for the purpose of a reconstruction, amalgamation, merger or consolidation on terms approved by the Noteholder;
- (i) **change in ownership:** there is a change in control of the Company, without the prior written approval of the Noteholder;
- (j) **failure to comply with waiver:** if any Event of Default (or occurrence which would otherwise have been or become an Event of Default) is conditionally waived by the Noteholder and the Company does not comply with those conditions or those conditions are not fulfilled (whether by the Company or any other person) or are or become incapable of fulfilment;

- (k) **investigations:** a person is appointed under any legislation to investigate or manage any part of the affairs of the Company; or
- (l) **provisions void:** all or any material provision of any of the Convertible Note Deed:
 - (i) does not have effect or ceases to have effect in accordance with its terms;
 - (ii) is or becomes void, voidable, illegal, invalid or unenforceable other than by reason of equitable principles or laws affecting creditors' rights generally; or
 - (iii) is claimed by the Company or any other person to be any of the matters referred to in paragraphs (i) or (ii) or the Company or any other person commences any court proceedings to establish any of the matters referred to in paragraphs (i) or (ii) to be the case.

INDEPENDENT EXPERT'S REPORT

Refer to separate document.

PROXY FORM

APPOINTMENT OF PROXY
AUTOMOTIVE TECHNOLOGY GROUP LIMITED
ACN 106 337 599

GENERAL MEETING

I/We

[Empty box for name]

being a Member of Automotive Technology Group Limited entitled to attend and vote at the Meeting, hereby

Appoint

[Empty box for proxy name]

Name of proxy

OR

[Empty checkbox]

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Barringtons House, 283 Rokeby Road, Subiaco WA 6008 on 10 June 2010 at 10:00am (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

Table with 5 rows (Resolutions 1-5) and 3 columns (FOR, AGAINST, ABSTAIN) with checkboxes.

OR

In relation to the Resolutions, if the Chairman is to be your proxy and you do not wish to direct your proxy how to vote on the Resolutions, please place a mark in this box []

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest.

IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO THE RESOLUTIONS YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO THE RESOLUTIONS WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Signed this _____ day of _____ 2010

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

[Signature box]

[Director box]

[Signature box]

[Director/Company Secretary box]

AUTOMOTIVE TECHNOLOGY GROUP LIMITED

ACN 106 337 599

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.



**Pendragon
Capital Ltd**

ABN 17 008 963 755

Australian Financial Services
Licence Number 237 549

27 April 2010

The Directors
Automotive Technology Group Limited
73 Resource Way
MALAGA WA 6090

Dear Sirs

Independent Expert's Report to Shareholders in Automotive Technology Group Ltd

You have requested Pendragon Capital Limited ("Pendragon") to prepare an Independent Expert's Report ("Report") to advise the shareholders of Automotive Technology Group Limited ("ATG"/"the Company") whether the proposed issue of a Convertible Note ("Convertible Note") to Wilson's Pipe Fabrication Pty Ltd ("WPF"/"the Investor") is fair and reasonable to non-participating shareholders.

Terms and phrases used in this Report have the same meaning given to them in the Notice of Meeting and Explanatory Statement, unless separately defined.

1.0 Proposed Transaction

The Proposed Transaction relates to the issue of a \$1,700,000 Convertible Note to WPF. WPF is a related party of ATG by virtue of Mr Michael Wilson ("Wilson") controlling WPF and being a director of ATG.

1.1 Summary

Convertible Note Issue

- a) WPF has offered the Company a facility of \$1,700,000 ("Subscription Sum") which is payable 2 days after approval by shareholders of the Proposed Transaction.
- b) All or part of the Subscription Sum, together with any unpaid interest, may be converted into shares in the Company at a price of \$0.10 at any time prior to 30 June 2011;
- c) The amount of the facility outstanding shall accrue interest at the rate of 10% per annum accruing daily and payable monthly;
- d) The Company may repay any or all of the Subscription Sum prior to 30 June 2011. If all or part of the Subscription Sum is not converted into shares on or before 30 June 2011, ATG shall pay to WPF the outstanding Subscription Sum and any interest on 30 June 2011.

Security for Subscription Sum

The Subscription Sum and any interest thereon will be secured by a mortgage over the Company's property at 73 Resource Way, Malaga, Western Australia.

2.0 Summary and Opinion

This section is a summary of our opinion and does not substitute for a complete reading of this report.

We recommend that shareholders carefully read all relevant documentation including any explanatory notes, contact their own professional advisors and consider their own specific circumstances before voting for or against the Proposed Transaction.

There are benefits and risks associated with implementing or not implementing the Proposed Transaction, the outcomes of which may not suit all shareholders.

Based on our analysis and the terms of the proposals as outlined further in this report, we have concluded that the issue of Convertible Note is fair and reasonable, as at the date of this report, to the non-participating shareholders in ATG.

3.0 Purpose of the Report

3.1 Scope

An independent expert must, in certain circumstances, be appointed to meet requirements of the Corporations Act 2001 ("the Act"), The Australian Securities Exchange ("ASX") Listing Rules and the regulatory guides published by the Australian Securities and Investments Commission ("ASIC").

The matters to be considered at the general meeting and additional information regarding those matters are set out in detail in the Notice of Meeting. These documents are important and should be read in conjunction with this Report and any other information provided to the shareholders by ATG regarding the Proposed Transaction.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of each individual shareholder. Before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs.

Approval or rejection of the Proposed Transaction is a matter for individual shareholders. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional advisor.

3.2 Purpose

The sole purpose of this Report is to express Pendragon's opinion as to whether the Proposed Transaction is fair and reasonable to the non-participating shareholders of ATG. This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Notice of Meeting to be sent to the shareholders.

As a result of the conversion of the Convertible Note to ordinary shares in accordance with the Proposed Transaction, Wilson would hold, or have potential to hold, voting rights in ATG in excess of 20% of the total voting rights of the Company.

Section 606(1) of the Act prohibits an entity from issuing shares to another entity that will result in that entity acquiring voting rights in a company of between 20% and 90%, without requiring the entity receiving the shares to make a full takeover offer to all shareholders of the company. An interest can be acquired in the voting rights of a company of between 20% and 90% under the exceptions set out in section 611 of the Act if it does not contravene subsection (1) of section 611 of the Act.

Under ASX Listing Rule 10.10.2 a report on the transaction, prepared by an independent expert, is required, which must state whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

An exemption set out in section 611 (Item 7) permits an allotment or purchase of shares agreed to by shareholders. It recognises that the shareholders of a company may choose to give up one of their basic rights, namely an equal opportunity to participate in any benefits accruing to other shareholders, where the acquisition or allotment may change the control of the company.

A company is required to commission an expert report (or a directors' report to the same standard) to discharge the requirement to disclose all material information on how to vote on the resolution.

Accordingly the Directors of ATG believe that it is appropriate to provide an independent expert's report to shareholders and to seek shareholder approval for the Proposed Transaction.

3.3 Regulatory Guidance

In determining whether the transaction is "fair and reasonable", we have considered ASIC's Regulatory Guide 111 – Content of Expert Reports, which sets out how experts should analyse a proposed transaction, the different valuation methodologies used by experts and the treatment of assumptions. These guidelines have been reviewed with particular attention to the expectations of non-participating shareholders in ATG.

3.4 Fair and Reasonable

The term fair and reasonable does not have a legal definition. However the ASIC Regulatory Guide 111 establishes certain guidelines in respect of the preparation of experts' reports.

What is fair and reasonable for non-participating shareholders should be judged in all circumstances of the proposal. The report must compare the likely advantages and disadvantages for non-participating shareholders if the proposal is agreed to and if it is not.

An offer is fair if the value of the consideration is equal to or greater than the value of the securities that are subject to the offer.

By definition, an offer is reasonable if it is fair. However, where an offer is not fair, it can be reasonable if, after considering other significant factors, the interests of the shareholders are reasonably balanced.

4.0 Background to ATG

4.1 Corporate History

The principal activity is the development of innovative automotive technologies. ATG is the designer and manufacturer of the Sprintex supercharger product range. ATG also designs and manufactures Vee Two Ducati motorcycle performance parts. The Company's vision is to be a leading developer and manufacturer of innovative automotive technologies and in particular to be one of the world's leading supercharger companies. Further information on the operation of the Company is available on the ASX and company websites.

ATG was listed on the Australian Stock Exchange on 29 May 2008 after raising \$6,000,000.

In January 2009, the Company issued a convertible note for the principal amount of \$150,000, maturing on 30 June 2010. The convertible note carries a coupon interest rate of 8.25% per annum, payable monthly in arrears, and has a conversion price of \$0.20 per share.

In April 2009, the Company announced that the placement of 8,500,000 shares at an offer price of \$0.12 per share to related parties and other sophisticated investors for working capital had closed

and was fully subscribed. This issue of shares was announced in February 2009 and raised \$1,020,000.

In September 2009, the Company announced a one for one non-renounceable rights issue of fully paid shares in the Company at an issue price of \$0.05 per share. In accordance with a Placement and Underwriting Agreement, the Company placed 8,500,000 shares with Mr Michael Wilson and Mrs Megan Wilson at an issue price of \$0.05 per share to raise \$425,000. Mr and Mrs Wilson had also underwritten 20 million fully paid ordinary shares at \$0.05 per share of the shortfall of the Rights Issue. 91,825,223 shares in total (including the underwritten shares) were issued in relation to the Entitlement Issue, raising \$4,591,249. Of this amount, \$616,971 (12,339,420 shares) related to the conversion of loans from three shareholders as disclosed in note 7 to the 30 June 2009 financial statements.

The Company used the monies raised from the issue of the convertible note, the share placements and rights issue to fund its capital expenditure program, maintain its material purchases levels and boost working capital.

In December 2009, the Company announced that it had secured a \$5,000,000 standby subscription agreement with Fortrend Securities Pty Ltd. The funds will be used to assist with the Company's growth and expansion plans, and for working capital. As of today's date, this facility has not been utilised.

In December 2009, the Company announced a non-renounceable Bonus Issue Offer of one free option for every 5 ordinary shares held at the record date of 29 January, 2010, exercisable at \$0.10 on or before 30 June 2011.

4.2 *Equity Structure of ATG*

As at 31 March 2010, ATG had the following securities on issue:

- 205,425,773 Ordinary Shares;
- 49,359,486 Listed Options (convertible to ordinary shares @ \$0.10 by 30 June 2011);
- 7,500,000 Unlisted Options (convertible to ordinary shares @ \$0.30 by 31 December 2010):
- 17,099,500 Class A Performance Shares; and
- 17,099,500 Class B Performance Shares.

As at 31 March 2010 Wilson and parties related to him held 40,873,000 shares (being 19.90% of the total issued shares) in ATG.

4.3 Top 20 Shareholders of ATG

Below Table 4.3.1 sets out the top 20 shareholders of ATG as at 31 March 2010.

Table 4.3.1 Top 20 Shareholders of ATG

Rank	Name	Shares	% of Shares
1	Michael and Megan Wilson	40,873,000	19.90
2	China Automotive Holdings Limited	35,715,255	17.39
3	Euro Mark Limited	33,994,154	16.55
4	Steven and Michelle Apedaile	23,507,486	11.44
5	Daily Power Pty Ltd	4,000,000	1.95
6	I-Biz Ltd	3,300,000	1.61
7	Alpha Securities Pty Ltd	3,210,000	1.56
8	Caduceus Pty Ltd	3,050,000	1.48
9	Zahra Nahid Khosrowshahi	2,400,000	1.17
10	CMIH Enterprises Pty Ltd	2,290,911	1.12
11	Four Paws Investments Pty Ltd	2,225,526	1.08
12	ANZ Nominees Ltd	2,200,800	1.07
13	Fortis Clearing Nominees Pty Ltd	1,686,524	0.82
14	Loraden Pty Ltd <Smith Family A/C No2>	1,629,500	0.79
15	Celia Mi Choi Kwong	1,572,000	0.77
16	National Nominees Pty Ltd	1,256,000	0.61
17	Fortis Clearing Nominees Pty Ltd	1,027,000	0.50
18	Martin Flood	1,000,000	0.49
19	Nazlan Pty Ltd <Bradley Rinaldi S/F A/C>	1,000,000	0.49
20	Lester Hewett	940,000	0.46

4.4 Voting rights subsequent to Proposed Transaction

With the inclusion of the issue of Ordinary Shares, resulting from an assumption that the Subscription Sum and all interest thereon has been converted to Shares, the voting rights of ATG are shown in *Table 4.4.1*.

Table 4.4.1 Future Potential Voting Power

Name	Current Holding	Current Voting Power	Holding following the issue and exercise of the Resolution 1 Securities	Voting Power following the issue and exercise of the Resolution 1 Securities
Michael Wilson ¹	40,873,000	19.90%	40,873,000	18.20%
WPF	Nil	0%	19,125,000 ²	8.52%
Total Relevant Interest	40,873,000	19.90%	59,998,000	26.72%
Other Shares	164,552,773	80.103%	164,552,773	73.28%

Note 1: Wilson also holds 8,104,600 options, exercisable at \$0.10 and expiring 30 June 2011.

Note 2: 19,125,000 shares is the maximum number of shares which may be issued and is based on the following assumptions:

- (i) The full amount of the Subscription Sum is drawn down;*
- (ii) All of the Subscription Sum and interest accrued is converted at \$0.10 per share.*

4.5 Share Market Performance of ATG

ATG's shares are listed on the ASX. The charts below show ATG's 12-month share price movements and share trade volumes traded to 31 March 2010.

Fig 4.5.1 ATG's 12-month Share Price Movement

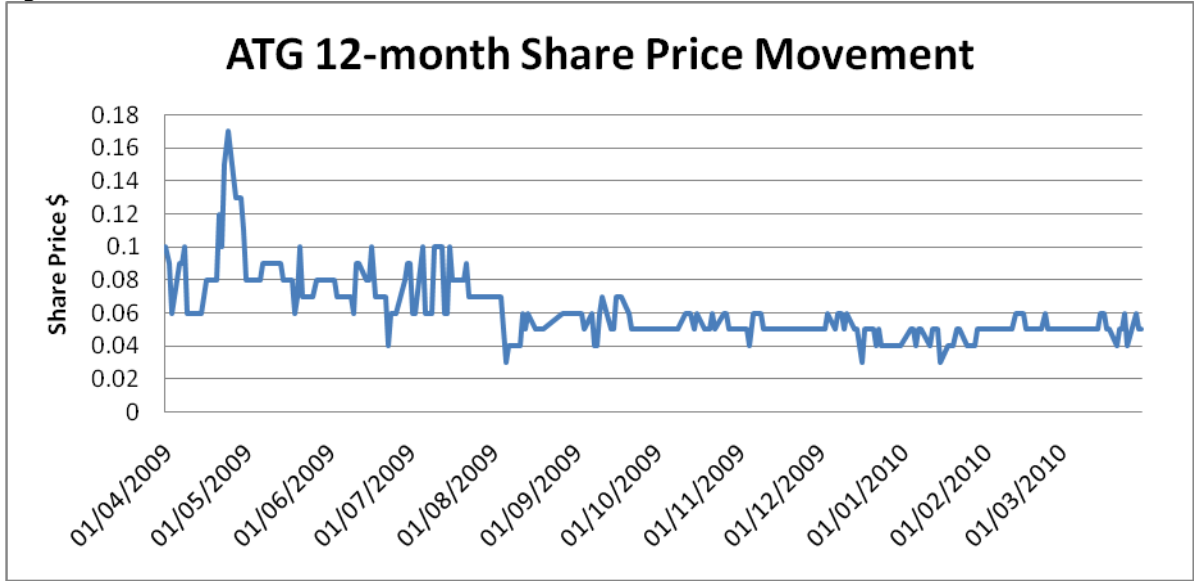


Figure 4.5.2 ATG's 12-month Share Trade Volume

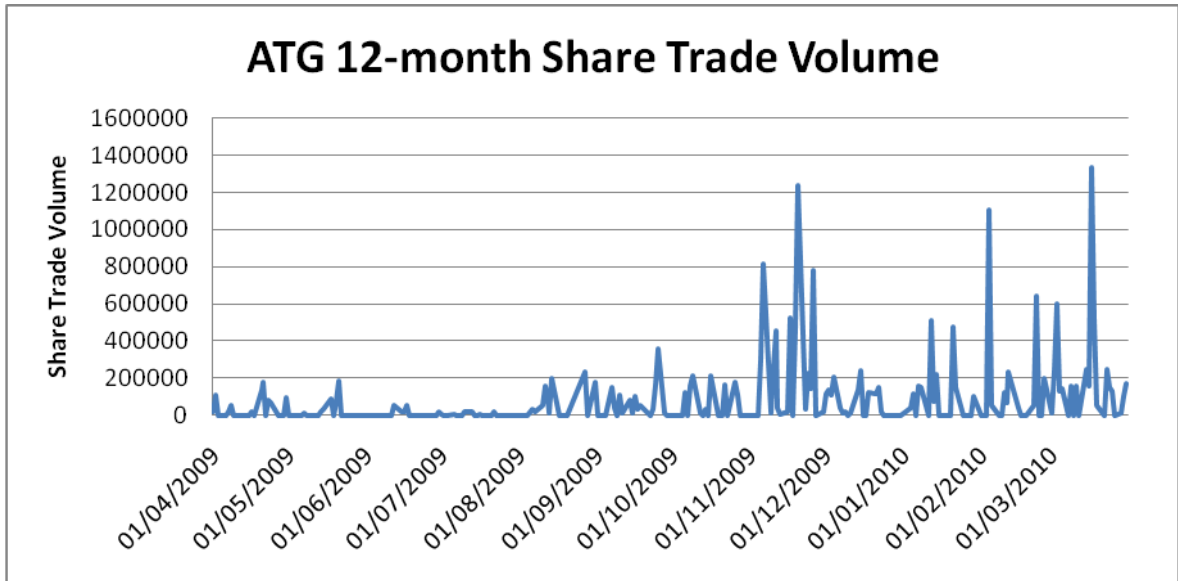


Figure 4.5.1 shows that during the period graphed, ATG shares traded at a lowest price of \$0.03 on 6 August 2009 and a highest price of \$0.165 on 24 April 2009. In 2010 the shares have been traded in a narrow band between \$0.03 and \$0.06. Figure 4.5.2 shows that the shares were traded in low volumes throughout the first half of the year, with increased activity from November 2009 to March 2010.

In addition to the share price and trading data, listed below is a summary of key announcements made to the ASX by ATG during the past 12 months.

Table 4.5.3 Summary of Key Announcements made by ATG to the ASX.

Date	Announcement
8 April 2009	Placement of 8,500,000 shares at 12 cents closed fully subscribed, raising \$1,020,000.
26 June 2009	Announced that funding arrangement has been secured for \$5.5m through a 12 month convertible note at 10% per annum interest complete with option of extending for a further 12 months at the discretion of the financier. ATG will also issue 10 million unlisted \$0.10 three year options.
6 August 2009	ATG announced the Directors had resolved to make an offer to all shareholders by way of a pro rata entitlement issue on a 1 for 1 basis at 2.5 cents per share to raise up to approximately \$2.7 million. ATG announced it had received formal notification from the proposed subscriber for the convertible note that is was unlikely to be able to meet its subscription obligations as disclosed in ATG's announcement on the 26 June 2009.
2 September 2009	Announced a Non-Renounceable Rights Issue that entitled shareholders to 1 new share at an issue price of \$0.05 for every 1 share held. This was to raise approximately \$5,800,000.
27 October 2009	Announced the launch of Sprintex Supercharger in USA Market at the SEMA convention from November 3-6.
10 December 2009	Announced the launch of Sprintex Supercharger in Indian market by way of attendance at The Indian Auto Expo from January 5-11.
15 December 2009	Announced a \$5 million funding facility secured with Fortrend Securities Pty Ltd.
18 December 2009	Announced plans for a bonus option issue that would entitle shareholders to received one free option for every 5 shares held as at 29 January 2010.
22 January 2010	Announced a prospectus for a free bonus issue of 1 option, exercisable at \$0.10 on or before 30 June 2011, for every 5 shares held as at 4 February 2010.
17 March 2010	Distribution agreement signed with Huachuang Zhenxin Automobile Technology Development Co Ltd for the exclusive distributions of Sprintex Supercharger products in China.
14 April 2010	Announced agreement with USA Green Automotive Technology Company, PlasmaDrive, to incorporate ATG's patented Sprintex Supercharger in PlasmaDrive's fuel saving systems.

5.0 Valuation Methodologies

In determining whether the issue of Shares in ATG as part of the Proposed Transaction is fair and reasonable, we must consider the valuation of Shares in ATG.

The value of a company's shares is usually determined by reference to both asset values and the consistency and quality of earnings.

5.1 *Considered valuation methodologies*

Discounted Cash Flow Method

This method values a business by discounting the future net cash flows to their present day value using an appropriate discount rate. The discount rate is representative of the opportunity cost of capital being the expected rate of return that could be obtained by investing in equivalent risk investments.

Market Based Methods

- Capitalisation of Maintainable Earnings
 - This method places a value on the business by estimating the likely future maintainable earnings capitalised at a rate which reflects business outlook, business risk, investor expectations, future growth prospects and other factors specific to the entity. Use of this method relies on the availability and analysis of comparable market data.
- Industry Specific Methods
 - Uses industry specific assumptions and comparisons to form a valuation.
- Availability of alternative offers
 - Where there are other similar offers, a comparison between offers can be used to determine the market value of the Company
- Quoted Market Price Basis (Market Value)
 - Where there is a ready market for securities such as the Australian Stock Exchange ("ASX"), through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value of a security. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a share displays regular high volume trading, creating a "deep" market in that share.
 - This method relies on the efficient market hypothesis which states in general terms that the market price at any point in time should fully reflect available information given willing buyers and willing sellers. This method is widely accepted and extensive evidence available to support this hypothesis.

Asset Based Methods

- Liquidation of Assets Method
 - This method values a company based on the net value of its assets should they be sold today as if in a "fire sale" on liquidation of the company.
- Orderly Realisation of Assets Method
 - This method values a company based on the net value of its assets should the assets be put to market and held out for a fair value sale price given the market and condition of the assets.

- Net Tangible Asset Value on a Going Concern Value (“NTA”)
 - NTA is appropriate where the majority of assets consist of cash or passive investments. The combined market value of the entity’s assets and liabilities is used to value the entity.

6.0 Value of ATG Shares

The Company is still establishing its business and product distribution networks, has reported losses to date and is unable to provide verifiable forward looking projections. Hence we are of the opinion that the Discounted Cash Flow and the Capitalisation of Maintainable Earnings methods are not appropriate at this moment in time. The directors and the auditors both commented in the 31 December 2009 accounts that the Company would need to raise additional capital for it to continue as a going concern and realise the carrying value of assets on the books. Hence, for the purpose of this Report, we do not believe either the NTA or the Orderly Realisation of Assets Method are appropriate.

ATG is listed on the ASX, and as such there is a market on which the securities can be traded. Notwithstanding that there has not been a high volume of shares traded on a regular basis, the most appropriate method for valuation of the Shares is, in our opinion, the Quoted Market Price Basis (market value) of valuation.

Market value is influenced by the market’s perception of many factors including the value of assets, the industry within which the Company operates managerial skills within the Company and future expectations for the Company. These market perceptions can change significantly over a short period of time. Share price is also greatly influenced by the supply and demand for the shares.

A review of the twelve month trading history of ATG on the ASX to 31 March 2010 revealed that the securities were typically traded in low volumes with a high of \$0.165 and a low of \$0.030. The trade of the shares on 31 March 2009 was at \$0.05.

Below *Table 6.1.1* sets out ATG’s Volume-Weighted Average Price (“VWAP”) for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 31 March 2010.

Table 6.1.1 ATG’s VWAP Prior to 31 March 2010

Period Before 31 March 2010	VWAP Period	VWAP (\$)
1 week	24 March – 31 March 2010	\$0.0553
1 month	28 February – 31 March 2010	\$0.0537
3 months	31 December 2009 – 31 March 2010	\$0.0525
6 months	30 September 2009 – 31 March 2010	\$0.0528
9 months	30 June 2009 – 31 March 2010	\$0.0530
12 months	31 March 2009 – 31 March 2010	\$0.0558

6.1 Liquidity of ATG Shares

The rate at which shares are traded is generally referred to as the ‘liquidity’ of the shares. Changes in liquidity may impact a share’s price, particularly depending on the number of shares

required to be bought and/or sold and the time period over which the shareholder needs to buy and/or sell those shares. Depending on circumstances, a movement in market price may or may not represent a shift in the value of either the share or of the company as a whole.

Table 6.1.2 summarises the monthly liquidity of ATG's shares from April 2009 to March 2010. Liquidity has been summarised by considering the following:

- Value of total trades in ATG shares per month;
- Volume of ATG trades per month;
- VWAP of ATG share price per month;
- Number of trades in ATG shares per month;
- Average value of trades per month; and
- Average volume of ATG shares per trade per month.

Table 6.1.2 Monthly liquidity of ATG shares

Month	Value of Trades (A\$)	Volume	VWAP (A\$)	Number of Trades	Average Value (A\$)	Average Number of Shares in each Trade
Apr 09	84,566	820,232	0.1031	10	8,457	82,023
May 09	36,224	449,984	0.0805	6	6,037	74,997
Jun 09	14,404	174,539	0.0825	5	2,881	34,908
Jul 09	6,972	77,452	0.0900	6	1,162	12,909
Aug 09	52,484	1,056,775	0.0497	9	5,832	117,419
Sept 09	64,745	1,155,233	0.0560	14	4,625	82,517
Oct 09	68,395	1,197,000	0.0571	9	7,599	133,000
Nov 09	284,975	5,342,905	0.0533	17	16,763	314,289
Dec 09	69,651	1,427,780	0.0488	14	4,975	101,984
Jan 10	92,435	1,995,000	0.0463	11	8,403	181,364
Feb 10	143,478	2,603,540	0.0551	10	14,348	260,354
Mar 10	245,495	4,569,146	0.0537	18	13,639	253,841

Assuming a weighted average of 205,425,773 ordinary ATG shares on issue, approximately 10% of total shares on issue were traded in the 12 months to 31 March 2010. Given the above information, we would consider ATG to exhibit very low liquidity.

In our opinion, it is difficult to determine the effect of the changes in liquidity on the market price and value of the shares with any certainty. Low liquidity resulting from a lack of supply may have a positive effect on market price. Alternatively, low liquidity due to a lack of demand may have a negative effect on market price.

6.2 Conclusion as to the value of ATG Shares

With reference to the above trading history, our assessment to the value of the Shares in ATG before the Proposed Transaction is between the most recently traded price of \$0.06, and the weighted average for the last three months of \$0.052. Based on the limited price range identified, we would value existing shares between \$0.05 and \$0.06 per share.

7.0 Assessment as to Fairness

In assessing whether the Proposed Transaction is fair, we believe it is appropriate to consider the following:

- a) whether the Convertible Note represents a capital raising at a discount to the valuation and the appropriateness of this discount (refer to section 7.1);
- b) the ability of ATG to raise funds from equity and debt markets as an alternative to the Convertible Note (refer to section 7.2);
- c) commissions and fees (refer to section 7.3); and
- d) the implied rate of return on the debt component of the Convertible Note and the appropriateness of this return when compared to a rate of return that would be applicable to a comparable debt facility without an option to convert (refer to section 7.4).

Each of these is considered below.

7.1 Capital Raising

The Shares are being issued at \$0.10 each which exceeds our valuation of each share. The potential amount of capital raised under the Proposed Transaction will be equal to \$1,700,000, together with any unpaid interest thereon. This amount may be converted into ordinary shares at the option of the holder at any time up to 30 June 2011.

7.2 ATG's ability to raise funds by alternative methods

In the current economic climate the availability of working capital funding has decreased significantly over the past 24 months. With regard to the nature of ATG's needs, it is our opinion that ATG would experience continued difficulty in obtaining the required funding through direct debt-raising.

7.3 Commissions and Fees

Under the terms of the Convertible Note Deed commissions and fees amount to nil.

7.4 *Rates of Interest*

Interest is payable by the Company in respect of the Convertible Note at a rate of 10% calculated on a daily basis from and including the date of advance, with such interest being payable monthly in arrears. Interest will cease to accrue and be payable in respect of any amount on and from the date such amount is converted or repaid.

It is standard practice for lenders to charge a rate of interest to borrowers of money. The interest rate of 10% is less than interest rates charged on similar facilities and as such is fair to shareholders in ATG. The only alternative source of debt funding is from the Standby Subscription Agreement with Fortrend Securities Pty Ltd, however this facility contains strict conditions with higher transaction costs and less certainty for ATG.

7.5 *Control Premium*

Under the terms of the Proposed Transaction Wilson may obtain an effective controlling interest in ATG upon the conversion of the Convertible Note to Ordinary Shares in ATG, notwithstanding his interest will be less than 50%. It is therefore appropriate to consider whether or not a premium should be paid by WPF for the potential right to obtain control of the company.

WPF have the potential to obtain a shareholding in ATG which may provide Wilson with significant influence or control over the Company. The level of influence or control that Wilson ultimately obtains will be dependent on whether WPF converts the Subscription Sum to shares and the timing of any conversion.

Given the circumstances in which ATG is raising the capital and the terms of the Convertible Note which WPF is subscribing for, we are of the opinion the shareholders are fairly compensated for any control relinquished. Our reasons for this view are as follows:

- a) Any valuation of the Company, including its technology is subjective. It would therefore, be difficult to determine a value with any certainty. We take the view that a control premium paid for a company in these circumstances would be low;
- b) ATG has explored various funding options in both the equity and debt markets, and demonstrated that capital raising in the current economic climate is difficult;

We believe that the consideration of control is less relevant than the Company's need for an equity injection, without which ATG may not have sufficient funds to continue its operations in the short term;

- c) Shares in ATG have low liquidity. Investors generally require additional incentives to invest in illiquid stocks because of the risk that they cannot sell their shares at fair value. It is conceivable that any liquidity discount WPF places on ATG at the time of conversion offsets the control premium that may be required by shareholders;
- d) There is no alternative offer. The directors have determined the amount of funds the Company requires and the Proposed Transaction fulfils this requirement. The Proposed Transaction allows the Company to proceed with its plans with certainty;
- e) Wilson has advised ATG that he does not intend to change the business of ATG; and
- f) Other shareholders, acting together, could ensure Wilson is not able to control ATG.

7.6 *Conclusion as to fairness of the Proposed Transaction*

In our opinion the potential acquisition of shares is fair, as the terms of the facility provide a consideration greater than our valuation for the securities issued in the Company and there are no alternative offers of finance for the Company to consider.

8.0 Effect of the Proposed Transaction on Shareholders

Tables 8.1 and 8.2 below set out a number of significant factors that shareholders should consider when deciding whether to accept or reject the Proposed Transaction.

Table 8.1 Advantages to Shareholders of the Proposed Transaction

Advantages	Detail
Access to funds in difficult financial markets	Given the recent volatility in global financial markets and ATG's current financial situation, sources of debt or equity funding are limited for ATG.
Immediate availability of funds to boost working capital and future capital expenditure plans	The immediate availability of funds will enable the Company and its management to operate with confidence in the current economic climate. Specifically, being able to complete its capital expenditure program, maintain its material purchases levels and boost working capital.
Addresses going-concern issues	Addresses going concern issues raised in Note 2 of ATG's Half Year Report for the six months ended 31 December 2009.
Attractive terms of Convertible Note	As discussed earlier in this report, ATG has not been able to obtain debt or equity funding of the same value as the Proposed Transaction on more favourable terms than those offered in the Convertible Note.
Reduced Transaction Costs	The conversion of any amount of the Convertible Note to ordinary shares will not attract additional transaction costs.

Table 8.2 Disadvantages to Shareholders of the Proposed Transaction

Disadvantages	Detail
Dilution of rights to future benefits	The shareholders of ATG may be diluted in due course by the Proposed Transaction. Dilution would reduce any potential benefits the current shareholders may receive from ATG.
Possible Transfer of Control to Wilson	The issue of shares as a result of the conversion of the Convertible Note may result in Wilson obtaining an effective controlling interest of the Company. Hence Wilson may be in a position to change the nature and/or operations of the Company with limited input from existing shareholders.
Issue of Convertible Note	Given the lack of recurrent cash flow at the present time it is desirable for the Company to fund its business plan without resorting to borrowings.
Potential for on-market sale of significant number of shares in the Company	WPF may be issued with a significant number of shares in ATG. There are no restrictions under the terms of the Proposed Transaction on WPF selling these either on-market or off-market. An increase in the supply of ATG shares may place downward pressure on the share price if there is not a sufficient increase in demand to counter the increased supply.

Table 8.3 Directors' Interests as at 31 March 2010

Directors	Ordinary Shares	Class A Performance Shares	Class B Performance Shares	Listed Options	Unlisted Options
Mr R Siemens	35,715,255	3,335,458	3,335,458	7,143,051	1,500,000
Mr S Apedaile	23,507,486	3,210,458	3,210,458	4,593,369	1,500,000
Mr M Wilson	40,873,000	-	-	8,104,600	0
Mr R O'Brien	822,609	-	-	99,722	0
Total	100,918,350	6,545,916	6,545,916	19,940,742	3,000,000

The Directors' interests in ATG may, like all shareholders, be diluted as a result of the Convertible Note transaction. Entering into this transaction does not afford any additional benefit to Directors at the expense of other existing shareholders.

9.0 Conclusion as to Reasonableness

We have noted that there are currently no alternative transactions that are more advantageous to existing shareholders. Considering this and other factors relevant to the Proposed Transaction, it is our opinion, having determined the Proposed Transaction is fair to existing shareholders, that it is also reasonable to existing shareholders.

10.0 Sources of Information

This report has been based on the following information:

- Draft Convertible Note Deed between WPF and ATG;
- Draft Real Property Mortgage between ATG & WPF;
- Draft Notice of General Meeting to Shareholders of ATG;
- Financial Statements of ATG for the six months ended 31 December 2009 reviewed by its auditors;
- Computershare Registry of Shareholders;
- Twelve month Share trading history of ATG;
- Discussions with the Chief Financial Officer and Managing Director of ATG.

In preparing this report, we have reviewed the information described above as well as other published and unpublished information. We have had discussions with the directors of ATG concerning the proposal.

We have relied upon information provided by directors of ATG. We have not independently verified the information supplied to us, nor have we conducted anything similar to an audit.

11.0 Disclosure of Interests

Pendragon is entitled to receive a fee of \$14,250 for preparing this report. Except for this fee, Pendragon, and their directors, employees and associates, have not received and will not receive any other benefit whether direct or indirect in connection with the preparation of this report.

12.0 Indemnity

Pendragon has been provided with an indemnity from ATG in the following form:

"ATG indemnifies Pendragon and any employees or associates from any claims arising out of any omission or any misstatement in relation to any material provided (or which, being relevant, is not provided) by ATG".

13.0 Qualifications

Pendragon holds Australian Financial Services Licence number 237549 issued by the ASIC. Pendragon has experience in the provision of corporate finance advice. Mr Rick Hopkins, the director responsible for and signing this report, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has many years experience in company valuations and reports.

14.0 Disclaimers and Consents

This report has been prepared at the request of ATG for inclusion in its Notice of General Meeting for shareholders to be forwarded to shareholders in relation to its issue of Convertible Note.

Pendragon hereby consents to this report accompanying the Notice of General Meeting for ATG shareholders. Pendragon takes no responsibility for the contents of the Notice of General Meeting other than this report. This report has been prepared for the directors of ATG to forward to shareholders and apart from such use, neither whole nor any part of this report may be used for any other purpose.

In providing our opinion, we have relied on information provided by Directors of ATG. Where financial forecasts have been provided, it should be noted that there are likely to be differences to actual results due to various and unpredictable commercial and external factors.

Pendragon has not independently verified the information supplied to us and it has not conducted anything in the nature of an audit of ATG. Pendragon has no reason to believe that any information relied on by us is incorrect or incomplete. The opinions and statements in this report are given in good faith and in the reasonable belief they are not false, misleading or incomplete.

Yours faithfully



RICK HOPKINS
DIRECTOR