

19 November 2013

Company Announcements Office
Australian Securities Exchange

**CLEANSING NOTICE issued under section 708(12C)(e) of the Corporations Act 2001 (Cth)
(as inserted by ASIC Class Order [CO 10/322])**

1. INTRODUCTION

This Cleansing Notice has been prepared by Advanced Braking Technology Limited (**Company**) for the purposes of section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as inserted by ASIC Class Order [CO 10/322]). Issuing this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible security issued by the Company on the terms described below to be on-sold to retail investors without further disclosure.

This Cleansing Notice is important and should be read in its entirety.

2. BACKGROUND AND CONTENTS OF CLEANSING NOTICE

On 15 August 2013, the Company announced that it had secured commitments to raise a total of \$2.295 million by the offer (**Offer**) of a total of 22,950 unsecured convertible notes (**Convertible Notes**). The Offer included the offer of 5,000 Convertible Notes to DASI Investments Pty Ltd which is a related party (**Related Party**) of the Company, on the basis that the issue to the Related Party was subject to shareholder approval which was to be sought as soon as practicable.

The Company obtained shareholder approval at its annual general meeting held on 29 October 2013 and, accordingly, will now issue the Convertible Notes to the Related Party. This Cleansing Notice is for the Convertible Notes to be issued to the Related Party.

The terms of the Convertible Notes are set out in a convertible unsecured note deed poll (**Deed Poll**) executed by the Company in favour of the Noteholders, and are summarised in Section 4 below.

The Convertible Notes are for a principal or nominal amount of \$100 per note which is paid for in full by the subscriber on application. The Convertible Notes bear interest at the rate of 12% per annum payable to the Noteholders every four month in arrears and have a maturity date of three years from their issue date (**Maturity Date**).

The Directors consider that the raising of capital by the issue of the Convertible Notes is in the best interests of the Company as it will secure, on acceptable terms, funding that is likely to be required by the Company for the continued development and growth of its business.

In particular, the Company intends to use the proceeds from the issue of the Convertible Notes:

- (a) to fund the commercial roll out of the SIBS® Truck Brake; and
- (b) for general working capital purposes.

This Cleansing Notice sets out the following:

- (a) in relation to the Offer:
 - (1) the effect of the issue on the Company; and
 - (2) a summary of the rights and liabilities attaching to the Convertible Notes; and
 - (3) a summary of the rights and liabilities attaching to the Shares that will be issued on conversion of the Convertible Notes;
- (b) any information that:
 - (1) has been excluded from continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (2) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
 - (3) any other information relating to the Company's status as a disclosing entity and where documents may be obtained.

3. THE EFFECT OF THE OFFER ON THE CAPITAL STRUCTURE OF THE COMPANY

3.1 Effect of the issue on the Company

The application funds of \$500,000 were received in August 2013 with the application for 5,000 convertible notes and the funds have been held by the Company on trust pending shareholder approval, which has now been obtained. The principal effects on the Company of the issue of the Convertible Notes to the Related Party will be to:

- (a) increase the Company's available cash reserves by \$0.5 million upon the issue of the Convertible Notes (before any expenses associated with the issue of the Convertible Notes); and
- (b) change the nature of the \$500,000 liability from funds held on trust to a liability for Convertible Notes (**Redemption Amount**); and
- (c) if the Convertible Notes are converted, either whole or in part, increase the number of Shares on issue as a consequence of the issue of Shares on conversion of the Convertible Notes (**Conversion Shares**).

3.2 Pro forma balance sheet of the Company taking into account issue of the Convertible Security

- (a) Set out below is a pro forma consolidated Statement of Financial Position as at 30/06/2013 for the Company based on the consolidated Statement of Financial Position as at 30/06/2013 for the Company adjusted to reflect the issue of the total number of Convertible Notes and prepared on the basis of the accounting policies normally adopted by the Company.
- (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

Proforma Statement of Financial Position as at 30 June 2013

	Actual	Proforma	Pro-forma
	30-Jun-13	Adjustments	30-Jun-13
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	1,197	2,157	3,354
Trade and other receivables	838		838
Inventories	2,094		2,094
Other current assets	1,424		1,424
Total current assets	5,553	2,157	7,710
NON-CURRENT ASSETS			
Trade and other receivables	32		32
Property, plant and equipment	974		974
Intangible assets	4,497		4,497
Total non-current assets	5,503	0	5,503
TOTAL ASSETS	11,056	2,157	13,213
CURRENT LIABILITIES			
Trade and other payables	891		891
Interest bearing liabilities	251		251
Provisions	252		252
Deferred Income	106		106
Total current liabilities	1,500	0	1,500
NON-CURRENT LIABILITIES			
Interest bearing liabilities	395	2,157	2,552
Provisions	58		58
Total non-current liabilities	453	2,157	2,610
TOTAL LIABILITIES	1,953	2,157	4,110
NET ASSETS	9,103	0	9,103
EQUITY			
Issued capital	45,447		45,447
Foreign currency reserves	(167)		(167)
Other reserves	740		740
Accumulated losses	(36,917)		(36,917)
TOTAL EQUITY	9,103	0	9,103

3.3 Potential effect on Share structure

(a) As at the date of this Cleansing Notice the issued capital of the Company is:

Type of security	Securities prior to the issue of the Convertible Notes
Shares	1,105,504,889
Convertible Notes	17,950 Convertible Notes with a face value of \$100 per note maturing on 15 August 2016

- (b) The Company is issuing 5,000 Convertible Notes at \$100 per Convertible Note in order for the Company to raise a total amount of \$0.5 million.
- (c) The capital structure of the Company will be affected by the conversion of the Convertible Notes by the Noteholders which will result in additional Shares being issued and the liability position of the Company decreasing accordingly.
- (d) The number of Shares issued under each Convertible Note will be calculated by dividing the amount elected to be converted by \$0.022 per Share (**Conversion Price**).
- (e) The Convertible Notes can be converted at any time prior to the Maturity Date at the request of the Noteholder; or will automatically be converted into Shares at the Conversion Price on the Maturity Date.
- (f) If the Noteholder converts the maximum number of 5,000 Convertible Notes then (assuming the Conversion Price remains at \$0.022) 22,727,272 Shares would be issued. The actual effect on the share capital of the Company will differ depending on how many Convertible Notes are converted.

4. **RIGHTS AND LIABILITIES ATTACHING TO THE CONVERTIBLE NOTES**

A summary of the key terms of the Convertible Notes are set out at Attachment A.

5. **RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED ON CONVERSION OF THE CONVERTIBLE SECURITY**

The Shares to be issued to the Noteholders on the conversion of the Convertible Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including the new Shares to be issued to the Noteholders on the conversion of the Convertible Notes, are set out in the Company's constitution (**Constitution**) and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders:

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands and, on a poll, one vote for every fully paid Share held by him or her.

Dividends

The Company's directors may declare a dividend is payable and fix the amount and the time for and method of payment.

All fully paid Shares on which any dividend is declared or paid, are entitled to participate in that dividend equally.

Transfer of shares

Shares may be transferred, and transfers may be registered, in any manner required or permitted by the ASX Listing Rules. The Company must comply with and give effect to those rules and it may, in accordance with those rules, decline to issue certificates for holdings of Shares.

Meetings and notice

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices required to be sent to shareholders under the Constitution.

Issue of further Shares

The Company's directors may allot, issue or grant options in respect of, further Shares on such terms and conditions as they see fit subject to compliance with the Corporations Act and the ASX Listing Rules.

Variation of rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class, may be varied or cancelled with the sanction of a special resolution of the Company (which must be passed by at least 75% of shareholders present and voting at a general meeting) and with either:

- (a) the consent in writing of the holders of 75% of the issued shares of that class, or
- (b) by a special resolution passed at a meeting of the holders of the shares of that class (which must be passed by at least 75% of class members present and voting at the meeting).

Non marketable parcels

The Constitution contains procedures to enable the Company to seek to sell non-marketable parcels of Shares on behalf of shareholders, unless the shareholder requests otherwise.

6. THE COMPANY IS A "DISCLOSING ENTITY"

The Company is a "disclosing entity" under the Corporations Act and, accordingly, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company has an obligation under ASX Listing Rule 3.1 and section 674 of the Corporations Act 2001 (subject to certain limited exceptions) to notify ASX immediately once it is or becomes aware of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (refer to Section 7).

7. COPIES OF DOCUMENTS

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2013 (**2013 Financial Report**);
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the 2013 Financial Report and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure documents given by the Company to ASX after the lodgement of the 2013 Financial Report and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the 2013 Financial Report and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
19/11/2013	Change of Director's Interest Notice- B Grey
07/11/2013	Change of Director's Interest Notice-K Johnsen
31/10/2013	Appendix 4C - quarterly
30/10/2013	Results of Meeting
29/10/2013	AGM 2013 presentations inc Chairman's address to shareholders
22/10/2013	ABT-Micro-cap conference presentation
26/09/2013	Notice of Annual General Meeting/Proxy Form

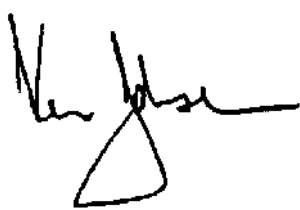
8. **INFORMATION EXCLUDED FROM THE CONTINUOUS DISCLOSURE NOTICE**

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Notes and Shares.

Yours faithfully

Advanced Braking Technology Limited



Ken Johnsen

CEO

ANNEXURE A

TERMS OF CONVERTIBLE NOTES

The following is a broad summary of the rights, privileges and restrictions attaching to the Convertible Notes. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the Noteholders.

TERM	DESCRIPTION
Issuer	Advanced Braking Technology Limited ABN 66 099 107 623 (Company)
Issue / Subscription Date	19 November 2013
Eligibility	The offer was made to sophisticated, experienced and professional investors for the purposes of section 708 of the Corporations Act as at the date of acceptance of the offer.
Face Value	The Convertible Notes each have a \$100 face value to a raise a principal amount of \$0.5 million.
Maturity Date	3 years after the Issue Date.
Ranking	The Convertible Notes rank for payment after all other creditors and obligations of the Company, but prior to shareholders rights to return of capital paid up on their shares. The Convertible Notes rank equally with all other existing Notes.
Interest	The Company must pay interest on the Face Value at 12% per annum, paid in arrears every 4 months until the earlier of the Maturity Date or the request of the Noteholder to the Company to convert the Convertible Notes.
Conversion Rights	Convertible Notes may be converted at any time up until the Maturity Date.
Conversion Price	\$0.022 per Share, subject to any adjustments to the Conversion Price as outlined below.
Adjustment to Conversion Price	The Conversion Price may be adjusted in accordance with capital reconstruction under the ASX Listing Rules. If the Company undertakes an issue of new Shares (New Securities) at a price less than the 7 day VWAP of the Company's Shares as at the date of issue of the Convertible Note, the Conversion Price will be adjusted to the price that is 140% of the issue price of the New Securities
Participation in new issue of securities	If the Company undertakes any issue of New Securities (other than an issue of Shares or options under an employee share or option scheme approved by shareholders) (New Securities) to any person, the Company must offer each Noteholder the right to purchase Shares on the same terms as the New Securities so that the entitlement of the Shares issued upon conversion of the Note will be the same as the entitlement of the Shares into which the Note would have been converted had there been no issue of New Securities. Such an offer can only be accepted by Noteholders if they qualify as a sophisticated investor, experienced investor or professional investor for the purposes of section 708, 708(10) or 708(11) (respectively) of the Corporations Act at the time of the offer.
Conversion Shares	Conversion Shares issued upon conversion of a Convertible Note will be fully paid ordinary shares and rank equally with all other fully paid shares from their date of issue. The Company will apply for official quotation by ASX of the Conversion Shares on the conversion date.
Redemption	If a Change in Control occurs, the Noteholder may elect to: (a) redeem the Convertible Note by giving a Redemption Notice, in which case the Company will pay the Redemption Amount to the Noteholder; or

	<p>(b) convert the Convertible Note in accordance with the provisions of the Deed Poll, notwithstanding the date of the Conversion Notice, conditional upon the Change in Control event becoming unconditional or effected.</p> <p>If an Event of Default occurs, the Noteholder may elect to redeem the Convertible Note by giving a Redemption Notice, in which case the Company will pay the Redemption Amount to the Noteholder.</p> <p>If a valid Redemption Notice has been received by the Company, the Company shall redeem the Convertible Notes on the Maturity Date, with payment of the Redemption Amount to be made within 90 days of the Maturity Date.</p>
Events of Default	<p>The key Events of Default include:</p> <p>(a) material breach of the Company's obligations under the Deed Poll or failure to meet obligations; or</p> <p>(b) an insolvency event occurs in relation to the Company, including, but not limited to its Liquidation or an External Administrator being appointed in respect of the Company or any of its property.</p>
Transferability	<p>To the extent permitted by the Corporations Act and any applicable laws, the Noteholders may transfer some or all of their Convertible Notes off market to any person upon lodgement of a transfer form with the Company.</p>
Rights of Noteholder	<p>Except as otherwise provided in the Deed Poll, the Convertible Notes will not entitle the Noteholder to vote at general meetings of the Company, to receive dividends or other distributions or participate in any issue of securities other than in accordance with the terms of the Deed Poll.</p> <p>The Noteholder has the same rights as a Shareholder to receive notices of general meetings, reports and financial statements of the Company and, in certain circumstances, to inspect the books of the Company.</p>
ASX Listing	<p>The Convertible Notes will not be quoted on the ASX or any other securities exchange.</p>