Advanced Braking Technology Ltd

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15th August 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 5 August 2013, the Company announced that it had secured commitments to raise $1.795 million by the issue of unsecured convertible notes. Since that date, the Company has secured further commitments to raise an additional $0.500 million. This has resulted in an agreement 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 was made to investors who are sophisticated, experienced or professional investors for the purposes of section 708 of the Corporations Act.

The Offer will include the issue 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 is subject to shareholder approval which will be sought as soon as practicable after the issue date. If shareholder approval is not obtained, subscription monies advanced by the Related Party will be returned and the Convertible Notes issued to the Related Party will be immediately redeemed.

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 principal effects of the issue of the Convertible Notes on the Company will be to:

(a) increase the Company's cash reserves by $2.295 million upon the issue of the Convertible Notes (before any expenses associated with the issue of the Convertible Notes); and

(b) give rise to the Company having a liability for the amount of the face value of the 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 31/12/12 for the Company based on the consolidated Statement of Financial Position as at 31/12/12 for the Company adjusted to reflect the Convertible Notes issue 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 31 December 2012

	Actual	Proforma Adjustments	Pro-forma
	31-Dec-12		31-Dec-12
	$'000	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	1,846	2,157	4,003
Trade and other receivables	703		703
Inventories	2,170		2,170
Other assets	712		712
Total current assets	5,431	2,157	7,588
NON-CURRENT ASSETS			
Trade and other receivables	31		31
Property, plant and equipment	1,367		1,367
Intangible assets	4,091		4,091
Total non-current assets	5,489	0	5,489
TOTAL ASSETS	10,920	2,157	13,077
CURRENT LIABILITIES			
Trade and other payables	793		793
Interest bearing liabilities	172		172
Provisions	204		204
Deferred Income	40		40
Total current liabilities	1,209	0	1,209
NON-CURRENT LIABILITIES			
Interest bearing liabilities	329	2,295	2,624
Provisions	62		62
Deferred Income	151		151
Total non-current liabilities	542	2,295	2,837
TOTAL LIABILITIES	1,751	2,295	4,046
NET ASSETS	9,169	(138)	9,031
EQUITY			
Issued capital	45,447		45,447
Foreign currency reserves	(216)		(216)
Other reserves	735		735
Accumulated losses	(36,797)	(138)	(36,935)
TOTAL EQUITY	9,169	(138)	9,031

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

Options	3,660,000 unlisted options expiring 31 August 2013 exercisable at $0.015. 4,500,000 unlisted options expiring 5 November 2013 exercisable at $0.035.

(b) The Company has issued 22,950 Convertible Notes at $100 per Convertible Note in order for the Company to raise a total amount of $2.295 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 Noteholders convert the maximum number of 22,950 Convertible Notes then (assuming the Conversion Price remains at $0.022) 104,318,182 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 2012 (**2012 Financial Report**);

(b) any half-year financial report lodged by the Company with ASIC after the lodgement of the 2012 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 2012 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 2012 Financial Report and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	**Announcement**
06/08/2013	Broadcast-ABT secures $1.79M to advance SIBS
05/08/2013	ABT raises $1.795m in Convertible Note offer
31/07/2013	ABT Investor Presentation 31st July 2013
31/07/2013	Trading Halt
31/07/2013	June 2013 Quarter Business Update
31/07/2013	Appendix 4C - quarterly
2 July 2013	App 3X Initial Director's Interest Notice-B Grey
2 July 2013	Advanced Braking appoints industry expert to Board
21 May 2013	Change of Director's Interest Notice-A Levine
13 May 2013	Webcast-Advanced Braking Technology ramps up production
7 May 2013	Broadcast-ABT March quarterly highlights
2 May 2013	ABV - Update on legal matter
2 May 2013	Change of Director's Interest Notice
30 April 2013	March 2013 Quarter Business Update
30 April 2013	March 2013 Quarterly Report
29 April 2013	Initial Director's Interest Notice
24 April 2013	Final Director's Interest Notice
23 April 2013	App 3Y-Change of Director's Interest Notice
11 April 2013	Director Appointment/Resignation
26 February 2013	Company Announcement re Half Year to Dec 2012
26 February 2013	Half Yearly Report and Accounts
5 February 2013	Broadcast-ABT December quarterly update and future outlook
31 January 2013	ABT - 31st January 2013 Business Update
31 January 2013	Appendix 4C - quarterly
3 January 2013	Amended Change of Director's Interest Notice
3 January 2013	ABT-Updated Securities Trading Policy

21 December 2012	Change of Director's Interest Notice
28 November 2012	Advanced Braking Technology - Update on legal matter
19 November 2012	ABT-Investor Presentation November 2012
5 November 2012	Broadcast-Advanced Braking Technology AGM highlights 2012
1 November 2012	Broadcast-Advanced Braking Technology quarterly highlights
31 October 2012	Correction to Business Update
31 October 2012	ABT - 31 October 2012 Business Update
31 October 2012	Appendix 4C - quarterly
24 October 2012	Advanced Braking Technology praised in test trial
23 October 2012	Results of Meeting
23 October 2012	Amended AGM presentation
23 October 2012	AGM 2012 presentations inc Chairman's address to Shareholder
17 October 2012	Investor presentation-Microcap conference
20 September 2012	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

Chairman

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	15 August 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 $2.295 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 (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 of effected. 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. 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 made within 90 days of the Maturity Date.
Events of Default	The key Events of Default include: (a) material breach of the Company's obligations under the Deed Poll or failure to meet obligations; or (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.
Transferability	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.
Rights of Noteholder	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. 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.
ASX Listing	The Convertible Notes will not be quoted on the ASX or any other securities exchange.