



## A horizontal collage of four images. From left to right: a red sports car (likely a Ford Focus), a colorful propeller with yellow, green, blue, and red blades, a silver motorcycle, and a blue and white globe showing the Americas.



**THE SHARES OFFERED UNDER THIS PROSPECTUS ARE OF A SPECULATIVE NATURE**  
SPONSORING BROKER TAYLOR COLLISON LIMITED ACN 008 172 450

# CORPORATE DIRECTORY

## Directors

### Richard Siemens

Non-Executive Chairman

### Steven Apedaile

Executive Director (Corporate)

### Anthony Hamilton

Executive Director (Operations)

## Executives

### Jamie Scoringe

Chief Financial Officer & Joint Company Secretary

### Jay Stephenson

Joint Company Secretary

### Jay Upton

General Manager, Business Development

## Registered and Principal Office

73 Resource Way MALAGA WA 6090

Telephone: 08 9262 7222

Facsimile: 08 9262 7288

Website: [www.ATGgroup.com.au](http://www.ATGgroup.com.au)

Email: [info@ATGgroup.com.au](mailto:info@ATGgroup.com.au)

## Sponsoring Broker

### Taylor Collison Limited

Level 2, 12 Pirie Street ADELAIDE SA 5000

## Share Registrar

### Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St Georges Terrace PERTH WA 6000

Telephone: 1300 557 010

Facsimile: 08 9323 2033

Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

## Solicitors to the Company

### Pullinger Readhead Lucas

Level 2, 50 Kings Park Road WEST PERTH WA 6005

## Solicitors to the Offer

### Steinepreis Paganin

Level 4, 16 Milligan Street PERTH WA 6000

## Auditors

### Ernst & Young

11 Mounts Bay Road PERTH WA 6000

## Corporate Advisers

### Wolfstar Group Pty Ltd

Unit 6, 34 York Street NORTH PERTH WA 6006

## Investigating Accountants

### Pendragon Capital Ltd

c/- Level 1, 216 St Georges Terrace PERTH WA 6000

## Bankers

### St George Bank Limited

Level 11, 152 St Georges Tce PERTH WA 6000

Conversion to a public company to be known as Automotive Technology Group Limited was gazetted on 26 February 2008 and is scheduled to occur on 26 March 2008. This Prospectus is dated 29 February 2008 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. The expected closing date of the offer is 28 April 2008. For more information about ATG and to download a copy of the Prospectus please visit:

[www.ATGgroup.com.au](http://www.ATGgroup.com.au)

# Contents

|                                                 |    |
|-------------------------------------------------|----|
| Important Information                           | 2  |
| Investment Highlights                           | 3  |
| Chairman's Letter                               | 5  |
| The Company                                     | 6  |
| Section 1: Details of the Offer                 | 8  |
| Section 2: Product Overview                     | 11 |
| Section 3: Emissions Advantage                  | 15 |
| Section 4: The Marketplace                      | 17 |
| Section 5: Directors & Management               | 19 |
| Section 6: Risk Factors                         | 21 |
| Section 7: Patent Attorney's Report             | 23 |
| Section 8: Investigating Accountant's Report    | 29 |
| Section 9: Material Contracts                   | 35 |
| Section 10: Additional Information              | 38 |
| Section 11: Financial Information               | 49 |
| Section 12: Directors' Consents                 | 62 |
| Section 13: Definitions                         | 63 |
| Application Form and Instructions to Applicants | 65 |



## Important Information

This Prospectus is dated 29 February 2008 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. Neither ASIC nor ASX Limited ("ASX") takes any responsibility for the contents of this Prospectus. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Directors do not guarantee the success of the Company, the repayment of capital, the payment of dividends or the price at which Shares will trade on ASX.

### Electronic Prospectus

This Prospectus will be issued in paper form and as an electronic Prospectus which may be accessed on the Internet at <http://www.ATGgroup.com.au>. The Offer of Shares pursuant to the electronic Prospectus is only available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of the Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by email at [info@ATGgroup.com.au](mailto:info@ATGgroup.com.au).

### Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to persons to whom, it would not be lawful to make an offer. Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### Exposure Period

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an exposure period of seven days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. No Application forms will be distributed or processed during the Exposure Period. Application forms received before the Company converts to a public company will not be processed until the Company status is changed, which is scheduled to occur on 26 March 2008.

### Key Dates

|                                                     |                  |
|-----------------------------------------------------|------------------|
| Lodgement of this Prospectus with ASIC              | 29 February 2008 |
| Opening Date of the Offer                           | 28 March 2008    |
| Expected Closing Date of the Offer                  | 28 April 2008    |
| Dispatch of Holding Statements                      | 12 May 2008      |
| Expected date for Shares to commence trading on ASX | 28 May 2008      |
| The dates above are indicative only.                |                  |

The Company may close the Offer before or after the Closing Date or at any time after the Opening date. The above dates are indicative only and may vary, subject to the requirements of the Listing Rules and the Corporations Act.

### Photographs and Diagrams

Items and undertakings depicted in photographs and diagrams in this Prospectus are not assets of the Company, unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale.

### Definitions

Throughout this Prospectus abbreviations and defined terms are used. Abbreviations and legal terms are contained in the Definitions in Section 13 of this Prospectus. Defined terms are generally identified by the uppercase first letter.

### IMPORTANT

The Shares offered by this Prospectus are of a speculative nature. Prospective investors should carefully consider the risk factors outlined in Section 6 of this Prospectus.

The information in this section is a key points summary only and is not intended to provide comprehensive details of the Offer. Prospective investors should read the full text of this Prospectus and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares.

### Change of Company Type

At the date of this Prospectus, the Company is a proprietary company. The proposed change of company type to a public company limited by shares was gazetted on 26 February 2008 and is scheduled to occur on 26 March 2008. No Offer or invitation is made under this Prospectus until the Company converts to a public company on 26 March 2008.

### Applications

Applications will not be processed until after the Company converts to a public company. No Offer of invitation is made under this Prospectus, until after that event, which is scheduled to occur on 26 March 2008.

The Application Form included in this Prospectus may only be distributed if it is included in, or accompanied by, a complete and unaltered copy of the Prospectus. Applications under the Offer must be made by completing a paper copy of the Application Form attached to or accompanying this Prospectus or the Application Form contained in a print-out of the entire downloaded electronic Prospectus.

By making an Application, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or attached to, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

# Investment Highlights

## Overview

Australian Automotive Components ("AAC") to be renamed Automotive Technology Group ("ATG") is the designer and manufacturer of the Sprintex Supercharger product range and Vee Two motorcycle specialist and performance parts. The Supercharger market produces in excess of 600,000 units per year which is only part of the forced induction technology market of over 21,000,000 units per year.

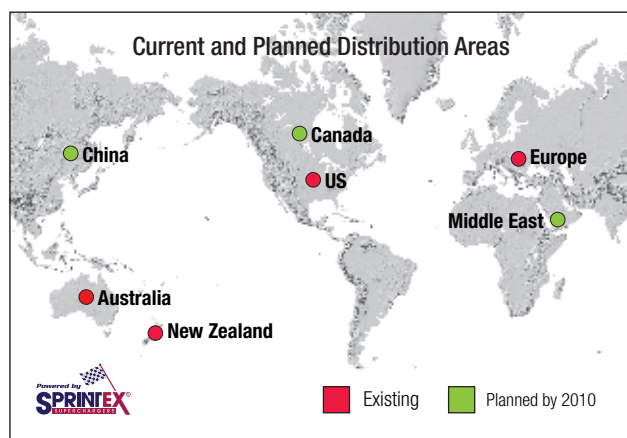
ATG designs and manufactures Vee Two specialist and performance parts for all Ducati and certain models of Harley-Davidson and Honda motorcycles. The specialist and performance motorcycle parts market continues to expand worldwide.

ATG has established global distribution networks for the Sprintex and Vee Two product ranges which are currently designed and manufactured in small run capacity at ATG's Research & Development (R&D) centre established in Perth Western Australia. The R&D centre employs 35 personnel with staff responsible for design and manufacture having extensive engineering experience in the automotive market and skills to identify and commercialise automotive prototypes.

ATG has been commercialising its range of products for the last four years. During this period the Company has invested in excess of \$13,000,000 in its product range with significant engineering and prototyping having been completed thus reducing technology risk. Commercially sensitive products have patents or patents pending to protect intellectual property.

ATG's goals are to expand to high-volume commercialisation of its Sprintex Supercharger products and increase Vee Two product sales worldwide. The growth strategy to achieve these goals broadly focuses on three areas:

- Expanding ATG's manufacturing operations
- Expanding worldwide distribution network
- Increasing product inventory



## Marketplace

Increasing fuel costs result in consumers demanding more fuel efficient engines. To meet this demand automotive manufacturers build vehicles with smaller capacity engines or alternate fuel sources. The issue for the consumer is to achieve preferred performance levels with these smaller capacity engines. Consumers expect these smaller or alternate fuel engines to deliver the same performance of larger capacity engines.

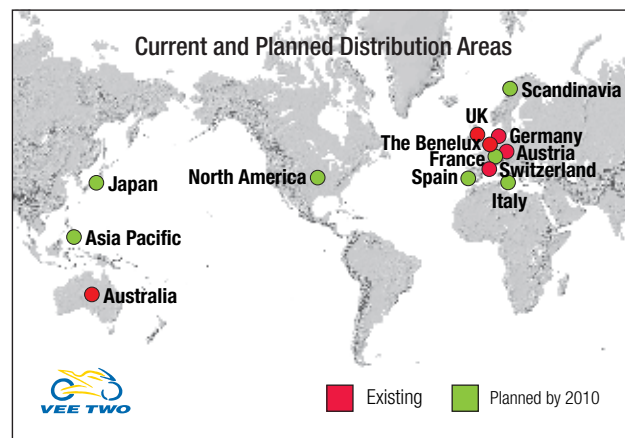
At the same time, new emission standards are being prescribed by governments globally. Pressure is being applied to automotive manufacturers to meet stringent standards during the next five years. Again, the options available for automotive manufacturers include the development of smaller capacity engines or alternate fuel engines. In addition, for consumers who already own vehicles, supercharging provides an opportunity to increase engine performance while remaining environmentally conscious. A Supercharger can be utilised with any combustible fuel source – including petrol, diesel, biofuels, LPG, LNG, hydrogen, and Fuel Cells.

The challenge for vehicle manufacturers is how to meet consumer and government demands whilst delivering a vehicle with acceptable performance levels as, for example, to drive comfortably on the high speed autobahns of Europe. Vehicle manufacturers meet this challenge of performance versus emissions through attaching forced induction units (e.g. turbocharger or Superchargers) to engines.

Continuing growth in oil prices has also seen an increase in demand for motorcycles and, notably, scooters, which also offer the benefits of significantly lower emissions. Nevertheless, reducing emissions is also a focus for motorcycle manufacturers.

## Product Range

ATG offers a range of products marketed under two trademarked brands, the Sprintex range of Superchargers and Vee Two performance and replacement parts:





*ATG's research and development facility in Perth, Western Australia*

- Sprintex is a helical twin-screw Supercharger which has been commercialised by ATG to provide improved engine performance for any combustion engine. Sprintex has developed a range of installations of its Supercharger products including additional patented technology.
- The Vee Two product range consists of performance components and parts designed and manufactured for Ducati motorcycle engines built between 1972 to the current models.

The acquisition of the Vee Two brand and associated suite of products provided an opportunity for ATG to offer solutions for the supercharging of motorcycles. Synergies between the Sprintex and Vee Two brands are integral to the evolution of the ATG's range of products as they exist today.

### Emission Advantage

In comparison to other performance enhancing technologies, Supercharger technology allows vehicles to increase engine performance while still being able to meet emissions standards and

improve fuel efficiency, in the full range of combustion engines, such as petrol, diesel, biodiesel, LPG, LNG, hydrogen and fuel cells.

The Sprintex range of Supercharger products provides increased engine performance at lower temperatures, thus removing the need for an intercooler thereby reducing the cost of installation.

### Vision

To be a leading developer and manufacturer of innovative automotive technologies, and in particular to be a pre-eminent manufacturer of Superchargers to the world market.

### Risks

The key risks of Shares offered under this Prospectus are:

- Automotive Industry Risks – changes in vehicle production markets or to the market share of ATG's suppliers may adversely impact ATG.
- Competition Risk – ATG's financial performance could be affected if the actions of competitors become more effective or if new competitors enter the market.
- Capital Requirement Risks – an inability to raise the minimum capital requirements amount would impact on ATG's activities.
- Expansion risk – ATG plans to increase the sale of its products. There is a risk that there may not be sufficient demand to allow an increase in sales which will adversely affect ATG's financial performance.

For further details relating to risks of this share Offer, please refer to Section 6 of this Prospectus.

### Summary of the Offer and Capital Structure

Following completion of the Issue, the proposed issued capital structure of the Company will be as set out below.

|                                           | MINIMUM SUBSCRIPTION |             | MAXIMUM SUBSCRIPTION |             |
|-------------------------------------------|----------------------|-------------|----------------------|-------------|
| SHARES                                    | NUMBER               | % HOLDING   | NUMBER               | % HOLDING   |
| Existing Shares                           | 78,768,000           | 76%         | 78,768,000           | 66%         |
| Shares issued pursuant to this Prospectus | 24,000,000           | 24%         | 40,000,000           | 34%         |
| <b>Total</b>                              | <b>102,768,000</b>   | <b>100%</b> | <b>118,768,000</b>   | <b>100%</b> |
| Market Capitalisation at the Offer Price  | \$25,692,000         |             | \$29,692,000         |             |
| PERFORMANCE SHARES                        |                      |             |                      |             |
| Class A                                   | 17,099,500           |             | 17,099,500           |             |
| Class B                                   | 17,099,500           |             | 17,099,500           |             |
| UNLISTED OPTIONS                          |                      |             |                      |             |
| Issued to Directors                       | 4,500,000            |             | 4,500,000            |             |
| Issued to Broker                          | 2,000,000            |             | 2,000,000            |             |
| <b>Total</b>                              | <b>6,500,000</b>     |             | <b>6,500,000</b>     |             |

Rights attaching to the Shares are summarised in Section 10.4 of this Prospectus.

Terms and Conditions of the Performance Shares are summarised in Section 10.5 of this Prospectus.

Terms and Conditions of the Options are summarised in Section 10.6 of this Prospectus.

# Chairman's Letter



29 February 2008

Dear Investor

It is with great pleasure that I present to you the Prospectus for Australian Automotive Components ("AAC"), to be renamed Automotive Technology Group ("ATG" or "the Company"), and on behalf of the Board I invite you to become a shareholder in the Company.

ATG is an established designer, engineer and manufacturer of Sprintex Superchargers with a wide variety of applications for combustion engines.

Since ATG was established in 2003, we have been busy commercialising technology for combustion engines and performance parts for motorcycles at our specialist research and development facility in Perth, Western Australia. The technology has been tested in the toughest race and street conditions and our expanding global network of distributors is targeting the key automotive manufacturing centres of Europe and North America. ATG's reputation and acceptance from customers of its aftermarket Superchargers and parts position the Company with a solid foundation to move into the Original Equipment Manufacturers (OEM) marketplace.

Understanding how the vehicles of the future will be shaped by consumer expectations, government regulations for lower greenhouse gas emissions and more efficient fuel consumption, as well as brand differentiation, is at the core of ATG's competitive advantage.

ATG also owns Vee Two which manufactures and supplies specialist and performance parts for Ducati motorcycles manufactured between 1972 and the current model, as well as the Harley Davidson, Ducati Monster and Honda 1800 cruiser. The Company has established distribution centres for Vee Two across Europe and North America.

Its unique combination of design and specialist engineering has led the Company to develop the Super Squalo motorcycle. The Super Squalo motorcycle was designed on behalf of ATG by internationally renowned motorcycle designer John Keogh and released in limited edition in late 2007. The Super Squalo is a highly modified, supercharged version of the Ducati 999S - one of the world's premier and collectable street bikes.

The Company is fortunate to have secured the services of Steve Apedaile, Anthony Hamilton and Jay Upton to lead ATG. This team possesses the experience, reputations and skills that have put the Company on its present path and together they will lead the growth forward with the commercialisation of the Company's products into the world markets.

It is an exciting time for ATG as we move on to the next phase of our expansion with an established reputation for excellence and efficacy that delivers emission technology solutions to a global market.

Under this Prospectus, ATG is offering 24,000,000 Shares at an offer price of \$0.25 each to raise \$6,000,000 with the right to accept over-subscriptions of up to \$4,000,000. Upon listing, ATG will have a market capitalisation of more than \$25,000,000 at the Offer Price, making it one of the largest ASX-listed automotive technology companies focused on the international marketplace.

Details of the Offer, the products and the operations of ATG are contained in this Prospectus. I encourage you to review it carefully and seek advice from a suitably qualified professional advisor.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder of ATG.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Richard Siemens', with a stylized flourish at the end.

**Richard Siemens**  
Non-Executive Chairman

## The Company

### 2003

- The Company is established as Australian Automotive Components Pty Ltd (AAC).
- AAC acquires Sprintex Superchargers, including patents and prototypes.
- Purchased Malaga, Perth, Western Australia facility to house the continuing development of Sprintex from concept to commercialisation phase.



### 2004

- MGZT 220S Prototype agreement with MG Australia – AAC's first OEM contract.
- Prototype Harley-Davidson V-Rod with Sprintex Supercharger system displayed at Sydney Motor Show, showing newly patented air delivery system specifically applicable to V Twin engines.

### 2005

- The Company acquires Vee Two, an aftermarket supplier of Ducati parts including manufacturing capability for further development of Sprintex applications.
- Mr Richard Siemens appointed to the Board.



## 2006

- TMR 380 Prototype agreement with TMR Australia - prototype displayed on the Mitsubishi Australia stand at the Sydney Motor Show in October 2006 as a running prototype.
- Honda VTX1800 Prototype agreement with Honda MPE Australia. Prototype displayed at motor shows around Australia in 2007.
- 100<sup>TH</sup> Harley-Davidson V-Rod Supercharger system is sent to distributors in Europe, North America, New Zealand and Australia.



## 2007

- Vee Two releases comprehensive parts catalogue to global distribution network.
- New engineering facilities established adjacent to head office building in Malaga Western Australia.
- MOU signed with Prodrive, one of Australia's leading automotive engineering and design specialists to international OEMs, to collaborate on maximising mutual business opportunities in the region.
- Vee Two Super Squalo released incorporating Sprintex Supercharger.



## 2008

- TMR 380 incorporating the Sprintex Supercharger released to the Australian market.
- The Company resolves to change its name to Automotive Technology Group with a view to an IPO and apply to ASX for quotation of the Company's Shares.



# 1. Details of the Offer

## 1.1 Introduction

The information set out in this Section is not comprehensive and should be read together with the other information in this Prospectus.

## 1.2 The Offer and Subscription

The Company is offering Shares for subscription at an Offer Price of 25 cents per Share.

The minimum subscription for this Offer is 24,000,000 Shares raising \$6,000,000. The Company reserves the right to accept over-subscriptions of up to \$4,000,000 through the issue of a further 16,000,000 Shares. The maximum amount which may be raised under this Prospectus is therefore \$10,000,000 through the issue of 40,000,000 Shares.

All Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares already on issue. The rights attaching to the Shares are summarised in Section 10.4.

If the minimum subscription for the Offer is not achieved within four months after the date of this Prospectus, the Company will repay all money received from Applicants, without interest.

## 1.3 Offer Period

The Offer will open on the Opening Date and will remain open until 5.00 pm (WST) on the Closing Date. Subject to the Corporations Act, the Company reserves the right to either open or close the Offer at an earlier time or date or to extend the time or date without prior notice. Applicants are encouraged to submit their Applications as early as possible.

## 1.4 Purpose of the Offer

The purpose of this Offer is to raise the necessary funds to allow the Company to continue its distribution programs and its expansion plans for the Sprintex and Vee Two products described in this Prospectus.

The proposed application of funds from the date on which the Shares are allotted pursuant to this Prospectus and quoted on the ASX is set out in the table below.

Details of the proposed distribution or production programmes are outlined in Section 3 of this Prospectus.

The Directors are satisfied that, upon completion of the Offer, the Company will have sufficient funds to meet its stated objectives for a period of at least two years.

It is also possible that future acquisitions may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to shareholder approvals).

## 1.5 Risk Factors

Investment in Shares under this Prospectus should be considered as speculative because of the inherent general and business risks prevalent in the automotive industry. A summary of some of the risk factors is set out in Section 6 of this Prospectus. Before submitting their Application, potential investors should read this Prospectus in full and consult their professional advisers if they require further information on the risks associated with investing in the Company.

## 1.6 Application for Shares

Applications must be for a minimum of 8,000 Shares (\$2,000) and thereafter in multiples of 2,000 Shares (\$500) and can only be made by completing the Application Form attached to this Prospectus. The

| Use of Funds                                                | Notes | Minimum Subscription<br>\$6,000,000 | Maximum Subscription<br>\$10,000,000 |
|-------------------------------------------------------------|-------|-------------------------------------|--------------------------------------|
| Pre-offer Seed                                              |       | 2,000,000                           | 2,000,000                            |
| Total raised in the Offer                                   | 1     | 6,000,000                           | 10,000,000                           |
| <b>Total Funds Available</b>                                |       | <b>8,000,000</b>                    | <b>12,000,000</b>                    |
| Working Capital                                             | 3     | 1,500,000                           | 1,500,000                            |
| Market & Product Development Costs                          |       | 590,000                             | 980,000                              |
| Sprintex stock build                                        |       | 3,050,000                           | 5,350,000                            |
| Vee Two – Stock build for additional distribution countries |       | 450,000                             | 450,000                              |
| Capital Expenditure for additional R&D and Production       |       | 1,800,000                           | 2,800,000                            |
| Expenses of the Offer                                       | 2     | 610,000                             | 920,000                              |
| <b>Total</b>                                                |       | <b>8,000,000</b>                    | <b>12,000,000</b>                    |

Notes:

1.If the Company raises more than the minimum subscription, but less than the full amount of \$10,000,000, the Company intends to firstly apply these funds to the expenses of the Offer followed by a proportional allocation of funds among the categories above. 2. Refer to Section 10.10 for a breakdown of the expenses of the Offer. 3.Unallocated working capital will be conserved to allow for evaluation of and securing of new distribution or production opportunities.

Company reserves the right to reject any Application or to allocate any investor fewer Shares than the number for which the Applicant has applied.

### How to Apply

No Application Form will be processed until after the Company converts to a public company, which is scheduled to occur on 26 March 2008.

Applications under the Offer may be made, and will only be accepted, in one of the following forms:

- on the relevant Application Form accompanying this Prospectus; or
- on a paper copy of the relevant electronic Application Form which accompanies the electronic version of this Prospectus, both of which can be found at and can be downloaded from ([www.ATGgroup.com.au](http://www.ATGgroup.com.au))

Application Forms must be accompanied by a personal cheque or a bank draft, payable in Australian dollars, for an amount equal to the number of Shares for which you wish to apply multiplied by the Application Price of 25 cents per Share. Cheques or bank drafts should be made payable to "ATG - Share Offer Account" and crossed "Not Negotiable". No brokerage or stamp duty is payable by Applicants. The amount payable on Application will not vary during the period of the Offer.

Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected. Application monies will be held in trust in a subscription account established and controlled by the Company until allotment has taken place.

Completed Application Forms should be delivered or posted to:

Automotive Technology Group  
c/- Computershare Investor Services Pty Ltd  
GPO Box D182, Perth Western Australia 6840

Application Forms must be received at the above address by no later than 5.00pm (WST) on the Closing Date.

Detailed instructions on how to complete paper Application Forms are set out on the reverse of those forms. You are not required to sign the Application Form. The Company reserves the right to reject any Application (including where an Application has not been correctly completed) or allocate any person fewer Shares than that person applied for, or vary the dates and times of the Offer without prior notice and independently of other parts of the Offer. Where Applications are rejected or fewer Shares are allotted than applied for, surplus Application Money will be refunded. No interest will be paid on any Application Money refunded.

An Application may not be withdrawn after lodgement unless the Applicant is permitted to withdraw the Application in accordance with the Corporations Act.

## 1.9 Allocation and Allotment of Shares

Subject to ASX granting approval for quotation of the Shares, the allotment of Shares will occur as soon as practicable after the Offer closes. All Shares issued pursuant to the Offer will rank *pari passu* in all respects with the existing Shares of the Company. Holding statements will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in Shares.

The Directors reserve the right to reject any Application or to allot a lesser number of Shares than subscribed for in an Application Form. If the number of Shares allocated is less than that applied for, or no allotment is made, the surplus Application Monies will be promptly refunded without interest.

### 1.10 Sponsoring Broker

Taylor Collison Limited has agreed to act as Sponsoring Broker to the Offer. Details of the terms of appointment of the Sponsoring Broker, including fees payable are set out in Section 9.2 of this Prospectus.

### 1.11 Brokerage and Handling Fees

Brokerage and/or handling fees on Applications for Shares will be payable by the Company to member firms of ASX or licensed investment advisers on such Application Forms bearing their stamp and accepted by the Company.

### 1.12 Stock Exchange Listing

Application will be made to ASX within seven days after the date of this Prospectus for Quotation of the Shares issued pursuant to this Prospectus. If approval for Quotation of the Shares is not granted within 3 months after the date of this Prospectus, the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Money without interest as soon as practicable.

### 1.13 CHESS

The Company will participate in the Clearing House Electronic Sub-register System ("CHESS"), operated by ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under this system, the Company will not issue certificates to investors in relation to their Shares. Instead, Shareholders will receive a statement of their Share holdings in the Company.

If an investor is broker sponsored, ASTC will send them CHESS statements. The CHESS statements will set out the number of Shares allotted to each investor under the Prospectus, give details of Shareholder's holder identification number (HIN) and give the participant identification number of the sponsor.

Alternatively, if an investor is registered on the issuer sponsored sub register, the statements will be dispatched by the Share Registrar and will contain the number of Shares allotted under the Prospectus and the Shareholder's security holder reference number (SRN).

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which

the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be made for additional statements.

### 1.14 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Lodgement of a duly completed Application Form will be taken by the Company as to constitute a representation that there has been no breach of such laws.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer pursuant to an electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

### 1.15 Privacy Act

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's Share holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this Prospectus and may disclose it for those purposes to the Share Registrar, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, ASIC and other regulatory authorities.

If an Applicant becomes a Shareholder of the Company, the Corporations Act requires the Company to include information about the Shareholder (name, address and details of the Shares held) in its public registers. This information must remain in the registers even if that person ceases to be a Shareholder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. Successful Applicants may request access to their personal information held by (or on behalf of) the Company by telephoning or writing to the Company Secretary.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

### 1.16 No Underwriting

This offer is not underwritten.

### 1.17 Taxation

The Australian taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. It is an obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should take, you should consult your professional advisers.

### 1.18 Dividend Policy

The Company does not yet have a dividend policy. The Company has no immediate intention to declare or distribute dividends. Payment of future dividends will depend upon the future profitability and financial position of the Company.

### 1.19 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

### 1.20 Restricted Securities

Chapter 9 of the Listing Rules prohibits holders of restricted securities from disposing of those securities or an interest in those securities or agreeing to dispose of those securities or an interest in those securities for the relevant restriction periods. The holder is also prohibited from granting a security interest over those securities.

In accordance with the Listing Rules the Directors expect that ASX may classify certain securities issued prior to the date of this Prospectus (to founders, promoters and vendors of classified assets) as restricted securities. None of the securities issued pursuant to this Prospectus are expected to be restricted securities.

### 1.21 Investor Enquiries

This document is important and should be read in its entirety. Persons in doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional advisor without delay.

Additional copies of the Prospectus or further advice on how to complete the Application Form can be obtained from the Share Registry by telephone on 1300 557 010.

Questions relating to the Offer can be directed to the Company by telephone on 08 9262 7222.

## 2. Product Overview

### 2.1 The Supercharger Story

#### – from “Toy for Enthusiasts” to “Must-have Engine Component”

ATG is a designer and manufacturer of Superchargers for use in a wide variety of combustion engines.

The application of Superchargers is evolving from performance engines for enthusiasts to becoming a solution for everyday vehicles to meet emission standards while maintaining desired engine performance (See Emission Advantage, Section 3). The key drivers for adoption of Superchargers and ATG's Sprintex Supercharger technology in particular can be summarised as follows:

- Better engine performance than standard normally aspirated engines – more power at lower engine revolutions
- Better engine performance than standard normally aspirated engines – a Sprintex powered engine would allow OEMs to successfully reduce the engine capacity while producing even less emissions and lower fuel consumption for the same power output of a larger engine
- Technological advantage of lower operating temperature and size – current patented technology
- Sprintex assists in reducing CO<sub>2</sub> – lower emissions that assist OEMs to meet increasingly stringent environmental standards
- Sprintex requires no intercooling due to its unique patented design – therefore low installation costs

- No turbo lag – Sprintex is driven from the crankshaft providing additional power from idle
- \$13,000,000 invested and four years of commercialisation and testing – reduced technology risk.

ATG's Sprintex products are known for their low emission outputs and technical excellence, as illustrated in the graphs below that place the ATG Supercharger against one of the leading market participants.

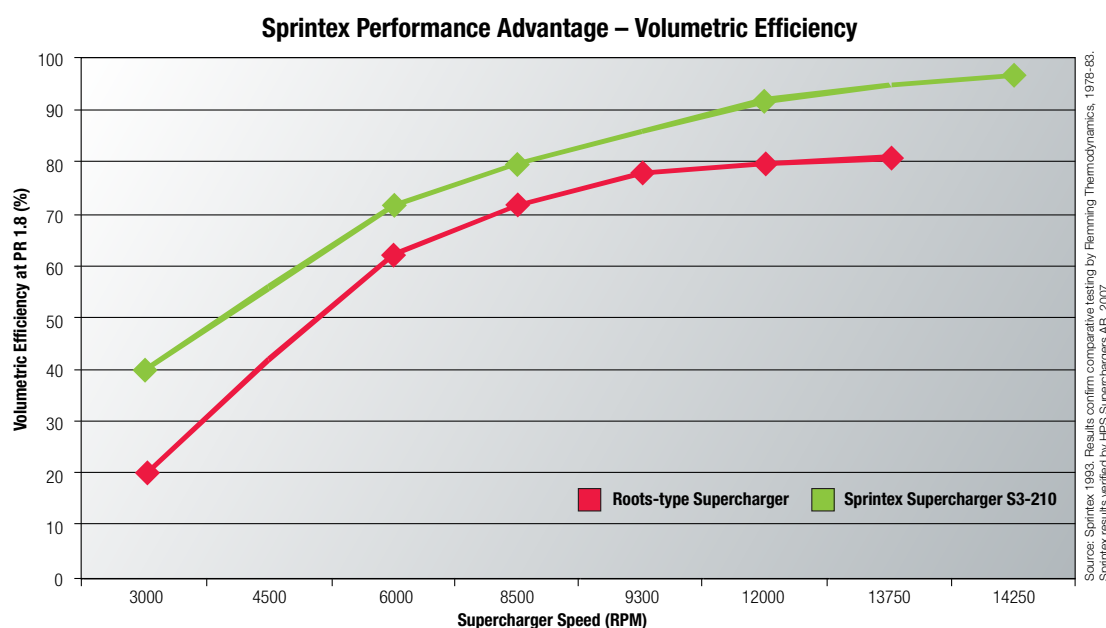
ATG also own the Vee Two trademark and a comprehensive performance parts catalogue aimed at the global aftermarket customer base. Vee Two also manufactures and supplies parts for Ducati motorcycles manufactured between 1972 to the current models. Vee Two is a globally recognised brand with established distribution centres across Europe and international online ordering capability.

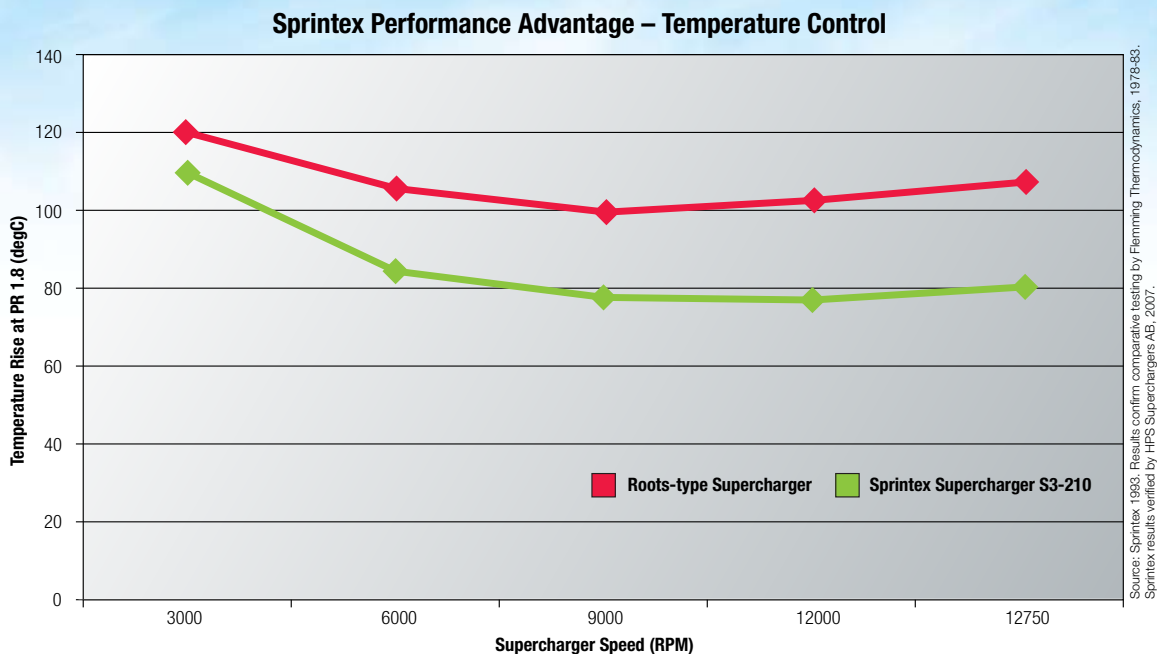
In addition, products incorporating both Sprintex and Vee Two technology are available, such as the Vee Two Limited Edition Super Squalo motorcycle designed by internationally renowned motorcycle designer John Keogh. The Super Squalo is a highly modified, supercharged version of the Ducati 999S.

### 2.2 Sprintex

Superchargers compress air, which in turn boosts power by increasing the amount of fuel laden air entering the engine. This improves the ignition burn, reducing fuel use and the emission of pollutants such as carbon monoxide, carbon dioxide, hydrocarbons and nitrous oxide.

In addition to these advantages associated with Superchargers, the ATG Sprintex range of Superchargers can be attached to any combustion engine and will operate with any type of fuel such as petrol (2 and 4





stroke), diesel, natural gas (LNG), LPG, fuel cell, hydrogen and biofuels. The Sprintex Supercharger also operates at a lower temperature removing the need for an intercooler and therefore reduces installation costs.

In terms of its design the Sprintex Supercharger is a positive displacement air pump, delivering the same advantages of other forced induction technologies (including turbo-charging) with improved efficiency.

Sprintex products have been put to the test in the most extreme motorsport conditions and through the harsh conditions of the Australian outback and even underground mining.



*Sprintex S4-150*

### 2.3 Vee Two

Vee Two is a recognised brand of engineered and designed components for classic and modern Ducati motorcycle engines as well as V Twin

motorcycle engines. In one of the world's toughest performance tests, a Vee Two engineered Ducati won the prestigious Daytona formula 750 in 1995.

The brand was established in 1980 in Western Australia and was developed to supply specialist parts for classic and modern Ducati and twin cylinder motor cycles. ATG purchased the brand and assets of Vee Two in February 2005 and intends to create synergies with Sprintex developments to further enhance the production capabilities of Vee Two components.

Vee Two has a specialist and performance parts catalogue with over 300 individual components. The Company supplies engines and parts around the world through its distributors.

ATG continuously adds new products to its catalogue to meet the expanding range of motorcycle engines around the world.

### 2.4 Aftermarket Products

A key focus for the Company and the Sprintex Supercharger product is its adoption by enthusiasts and engine manufacturers in the aftermarket. Aftermarket is the market for replacement parts, accessories and requirement for the care or enhancement of the original vehicle.

Internationally, Sprintex has signed agreements with distributors to support its worldwide customer base. ATG continues to expand the Sprintex aftermarket range after starting in 2003 with only one developed application being a Toyota Landcruiser system.



*Vee Two Parts Catalogue*

Applications now also include:

- Harley-Davidson V-Rod & other VRSC models (See Section 2.4.1)
- Vee Two Super Squalo (See Section 2.4.2)
- Honda VTX 1800 (available mid 2008)
- Ducati Monster 1000DS (available mid 2008)
- TMR 380 (available March 2008)
- Rover 75 / MG ZT 180
- Toyota 100 series petrol and diesel to supplement the existing 75 & 80 series system
- Magna/Diamante (both 2WD and All-Wheel-Drive variants)

#### 2.4.1 Harley-Davidson Systems

The Company has recently released its Harley-Davidson VRSC Supercharger engine system. A Harley-Davidson VRSC engine system, when fitted, increases engine output to 150bhp from a standard bike's

105bhp. ATG has appointed two exclusive regional distributors who are both leaders in their fields, one in North America with 3,500 outlets and one for Europe with over 1,500 outlets.

Through its distributor in North America, Harley-Davidson's largest market, the Company currently offers performance enhancement systems for the Harley-Davidson V-Rod range. Further applications for the system will likely include all water-cooled Harley-Davidsons motorcycles.



*Harley-Davidson V-Rod*

Continuing development of after-market products for ATG distributors created the opportunity to develop a Supercharger engine system for the Honda VTX motorcycle engine (commencing with the VTX1800) and the Ducati Monster motorcycle engine (commencing with the S2R1000).

#### 2.4.2 Super Squalo

The second joint development between Sprintex and Vee Two is the 'Super Squalo' - a highly modified, supercharged version of the Ducati 999S. Vee Two intends to sell a limited number of models of the Super Squalo with body-work designed by the world-renowned motorcycle designer, John Keogh.

The benefits for ATG in producing this motorcycle include, but are not limited to, global press coverage, short term return on development costs, showcasing Vee Two's Ducati engine and suspension performance products and development of a Sprintex Ducati Supercharger system.

ATG has recently registered the Squalo trademark and device worldwide, with the intention of reaching the collectors market.

#### 2.5 Original Equipment Manufacturer ("OEM") Products

OEMs are under increasing pressure to build smaller capacity, more emission-friendly engines that use less fuel. Consumers expect these smaller engines to deliver the same performance as larger capacity engines.



*Powered by Sprintex – MGZT 220S*



*TMR 380 – Powered by Sprintex*

In terms of emission standards, the highest is the Ultra Low Emissions Vehicle (ULEV). Alternative fuels are a viable solution, but consumers may not want the loss of performance associated with alternative fuels. Sprintex Superchargers provide OEMs a solution to meet ULEV emissions standards while increasing performance and so are ideal for alternative fuel engines.

Sprintex has produced a number of OEM prototypes including:

- Ford 300+ Falcon based Coupe
- TMR 380
- Rover 75 / MG ZT 180
- Honda VTX 1800 motorcycle

## 2.6 Intellectual Property (“IP”)

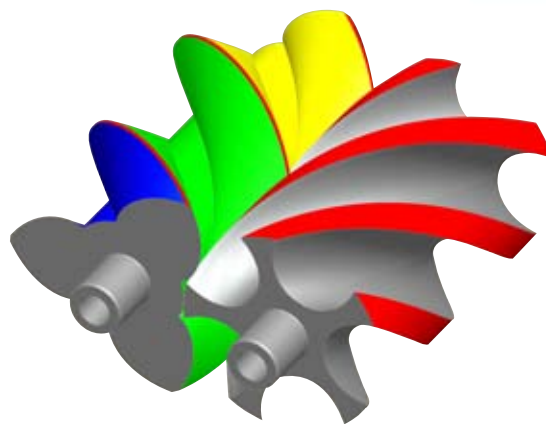
ATG has sought to protect its IP through the preparation and lodgement of patent and trademark applications in the major world markets.



*Vee Two Super Squalo*

The Sprintex Supercharger has current patents over its unique rotor profile which distinguishes it from all other Superchargers and delivers high performance in terms of emissions, lower discharge temperatures and volumetric efficiency.

The patents held by ATG include the rotor profile (the specific shape of the rotors); an air delivery system specifically developed for V Twin engines; and a Supercharger control system. The diagram below is of the profile used in the Sprintex system.



*Sprintex Patented Rotor Profile*

The Company and its subsidiaries hold registered Trademarks and devices for Squalo, Sprintex and Vee Two.

In summary, patents currently held are:

- Sprintex Rotor Profile
- Sprintex Air Delivery System
- Sprintex Apparatus: Control System
- Zero Valve Lift

Refer to Section 7 ‘Patent Attorney’s Report’ of the Prospectus for further information relating to intellectual property rights currently held by ATG or its subsidiaries.

### 3. Emissions Advantage

Ever stringent fuel and vehicle emission standards globally are aimed at reducing greenhouse gases such as carbon dioxide (CO<sub>2</sub>) and other pollutants affecting climate change. The application of Supercharger technology will play an increasingly important role in allowing vehicle manufacturers to meet their emissions targets and improve fuel efficiency while maintaining power.

ATG's patented Sprintex Supercharger can play a key role in reducing emissions and fuel consumption in combustion engines.

The Sprintex Supercharger:

- Reduces the emission of pollutants such as carbon monoxide, carbon dioxide, hydrocarbons and nitrous oxides from engine exhaust to the earth's atmosphere
- Uses a simple helical twin-rotor air induction system operating at lower temperatures, negating the need for intercoolers in normal operating conditions
- Is proven and tested technology ready for global distribution.

The Euro standard is regarded as the international standard for fuel and vehicle emissions, having been adopted by the United Nations. The main greenhouse gas emitted by motor vehicles is CO<sub>2</sub>. The level of CO<sub>2</sub> emissions is linked to the amount of fuel consumed by a vehicle. Euro standards are measured by the amount of CO<sub>2</sub> in grams emitted per kilometre of travel. Even more stringent standards Euro 5 and Euro 6 will be introduced for passenger cars in the European Union in 2009 and 2014 respectively.

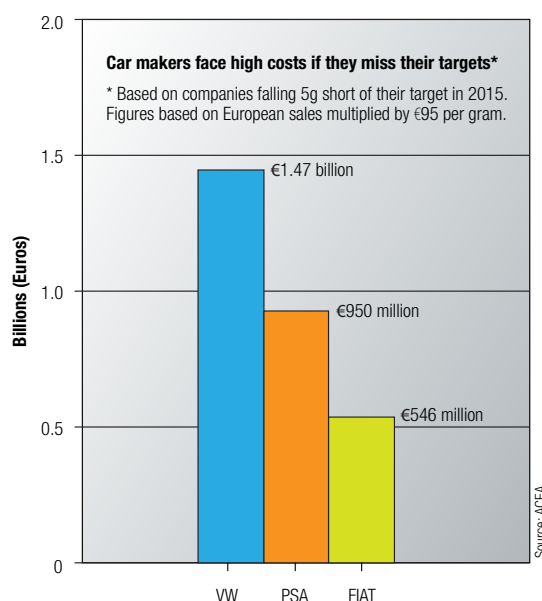


*The world's vehicle manufacturers need to reduce emissions*

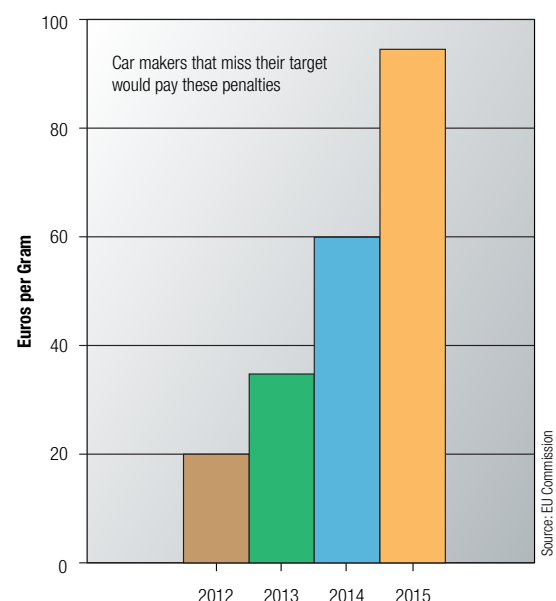
In 2002, Australia introduced new fuel and vehicle emission standards as the first step in addressing urban air pollution. While urban air quality has improved, the use of motor vehicles is seen as a threat, with greenhouse gas emissions from passenger vehicles predicted to rise significantly with increased car ownership.

From 1 January 2006, the Federal Government introduced the Euro 3 standard for petrol cars under Australian Design Rule (ADR) 79/01 Emission Control for Light Vehicles. From 1 January 2007, all light diesel vehicles will be required to meet the Euro 4 standard. By 2010, all new petrol vehicles will be required to meet Euro 4.

**High Cost of CO<sub>2</sub>**



**Every Gram Counts**

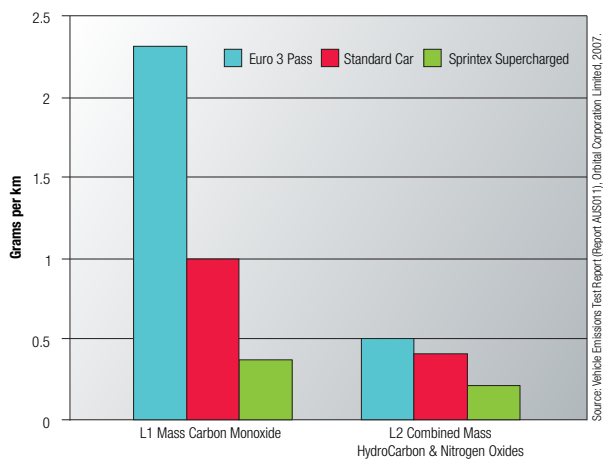


The Sprintex Supercharger has been tested on a number of engine platforms. In April 2007, it was tested on a used 2002 MG Rover ZT KV6 engine platform with 80,000km on the odometer. The vehicle was able to meet Euro 3 and Euro 4 emission standards.

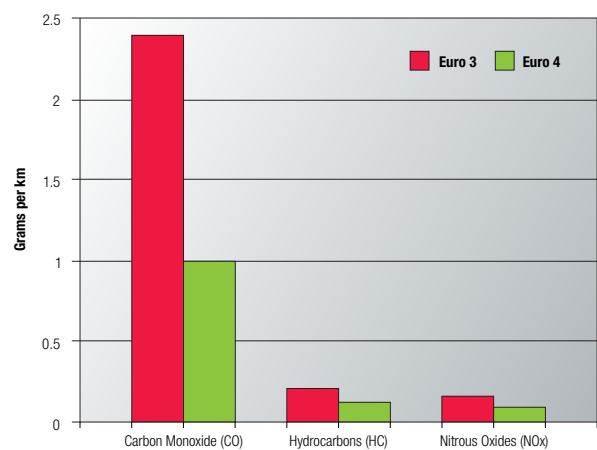
Specifically when the MG Rover ZT KV engine was tested to Euro 3 emission standards, in some cases, the engine produced 50% less than the required limit, while producing 195Kw of performance equal to a small capacity V8 engine.

The vehicles of the future will be shaped by consumer trends, increasing strict government regulation and the manufacturers' needs for brand differentiation. ATG's competitive advantage in the area of fuel efficiency and emissions control, while delivering superior power performance, is the launching pad for the success of the Sprintex Supercharger.

**MGZT Emissions Test ARD79/Euro3**



**Comparison of Euro 3 and Euro 4 for Light Petrol Vehicles**



**Not just any supercharger but a Sprintex.** [W austautocomp.com.au](http://www.austautocomp.com.au) P 61 (08) 9262 7222

## 4. The Marketplace

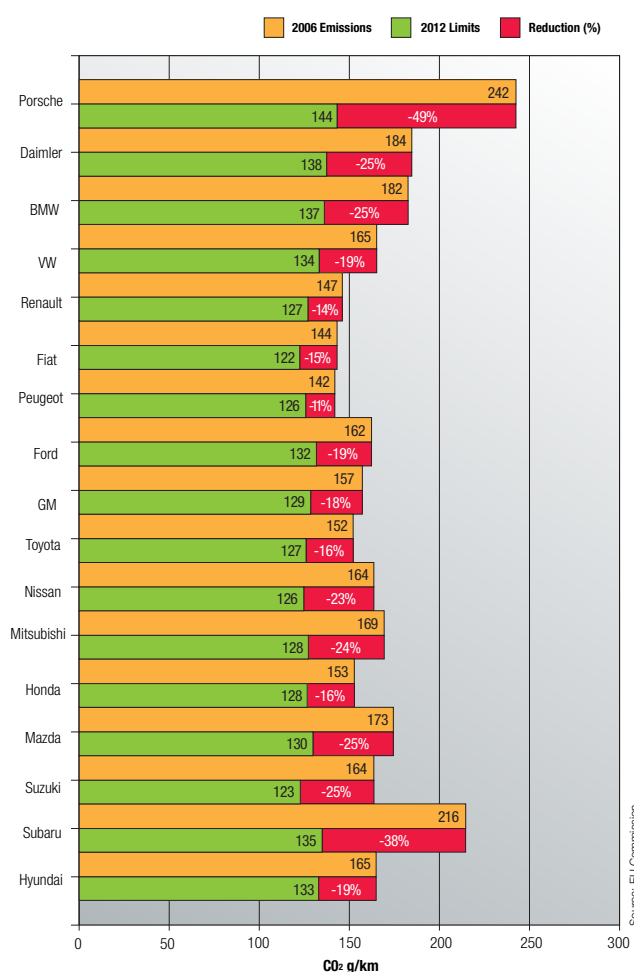
### 4.1 Supercharger Market

The Company will focus the sales of its Sprintex Supercharger on two markets – the aftermarket and OEM market. Both the aftermarket and OEM market present opportunities for Supercharger technology to meet emission standards while providing a desired level of engine performance.

#### Emission standards

Public pressure surrounding global warming and air quality in general has governments across the world legislating more stringent emissions targets for automotive manufacturers. California, USA, is recognised as adopting the most stringent emissions standards in the world. The CARB (California Air Resources Board) is the body that sets and administers the emissions legislation which will continue to reduce greenhouse gas emissions until at least 2016. Other states in the USA are also adopting similar standards.

What European Car Makers Must Do



### Performance

Lowering engine fuel consumption and, as a consequence, the lowering of emissions, is seen as the other key element contributing towards global sustainability. Smaller capacity engines may consume less fuel, however they also compromise consumer demands for power.

In general, the benefit of forced induction technologies, such as supercharging, is that increasing the air pressure within the inlet manifold increases the amount of air delivered to the combustion chamber, in turn resulting in higher combustion pressures (increasing torque) and allowing more fuel to be burned (increasing power).

The technology may therefore be used to achieve greater performance in high powered cars or to enable adequate performance to be achieved with a smaller, lighter engine. Virtually all early applications of the technology addressed the first application, while the second application is becoming increasingly important.

### 4.2 Aftermarket

As the cost of supercharging engines reduces and operating efficiencies improve, the aftermarket emerges as an increasingly significant sales segment. Improved engine performance is a driver in the adoption of Supercharger technology in the aftermarket. As well as the performance motorcycle market, for which ATG has developed a number of specialist Sprintex systems (including for Harley-Davidson, Honda and Ducati), smaller capacity engines can benefit from supercharging that delivers performance of larger capacity engines.

The aftermarket is characterised by low volume but high margin value per unit sales whereas the OEM market is high volume and typically low margin per unit.

### 4.3 Original Equipment Manufacturers (OEM)

OEMs continue to focus on technologies that allow them to meet emission standards while providing the consumer a desired level of engine performance. Additionally OEMs will only introduce a technology that has been through exhaustive testing and satisfies all compliance standards - low risk.

The European Union (EU) has signed an agreement with the European Automobile Manufacturers Association (ACEA) to reach a target of 140g/km of CO<sub>2</sub> by 2008 and 120g/km of CO<sub>2</sub> by 2012. Similar agreements have been signed with Japanese and Korean manufacturers.

Euro standards are also being adopted in Australia for all vehicles (See Section 3: Emissions Advantage).

Eaton Corporation, the world's largest supplier of Superchargers to the automotive OEM market, produces Roots-type units, which differ from the helical Sprintex design. The remainder of the OEM market is supplied by a number of other Supercharger suppliers, including ATG. In 2006, 630,000 Superchargers were produced, the majority by Eaton Corporation.

#### 4.4 Motorcycle Aftermarket

There is an important segment of the after sales consumer market which is always looking for ways to improve or enhance the performance of their motorcycles. This has led to the emergence of aftermarket Supercharger systems and specialised performance parts.

Ducati, the primary target for the Vee Two product range, has experienced significant growth in recent years. In the financial year to 2006, Ducati sold over 32,000 units. In the nine months to end 30 September 2007, over 31,000 units had already been sold.

##### Supercharger vs. Turbocharger

A turbo charger provides boost at higher temperatures requiring additional cooling mechanisms over twin-screw supercharging. As a turbo is driven by the exhaust pressure there is a time lag between when the boost is required to when it is delivered, while a twin-screw Supercharger is driven from the crankshaft providing continuous boost from just above idle. The reduction in power train weight and reduced under the bonnet temperatures further underline the move towards supercharging by OE Manufacturers.

Superchargers also have the advantage in V engine configurations such as V6 and V8 of only requiring one Supercharger unit whereas turbos require two units.

The very nature of instant access and increased torque make the power delivery more suitable for the stop start nature of modern city driving and when required open motorway driving, rather than the lag experienced by turbos at low rpm.

## 5. Directors and Management

The Company is managed by an internationally experienced Board and management team possessing a broad range of technical, commercial, and financial skills with significant experience in the global automotive industry. Profiles are as follows:

### Directors



**Mr Richard John Siemens**  
(Non-executive Chairman)

Mr Siemens is the Chairman of e-Kong Group Limited, a company listed on the main board of the Hong Kong Stock Exchange, and the Chairman and a founding member of the Distacom Group, a privately-held group of companies in mobile telecommunication business. Born and raised in Canada, Mr.

Siemens was trained as a Chartered Accountant and came to Hong Kong in 1979. In 1984, he formed Hutchison Telephone Company Limited in partnership with Hutchison Whampoa and Motorola. While Group Managing Director of Hutchison Telecommunications Limited, Mr. Siemens, was instrumental in the establishment of other leading companies including AsiaSat (the first satellite company in Asia), STAR TV, Metro Radio (the radio station awarded with the first private radio licence granted by the Hong Kong Government in 25 years) and Hutchison's move into the European wireless business under the brand "Orange". His financial acumen and entrepreneurial leadership is also key to establishing mobile telecommunication businesses across the world led by Distacom including SUNDAY in Hong Kong, Blu in Italy, Spice in India and Madacom in Madagascar. Mr Siemens has been a director and major investor in ATG since August 2005.



**Mr Steven James Apedaile**  
(Executive Director – Corporate)

Mr Apedaile is a founding Executive Director and major investor in ATG since 2003. He is a former Chairman of the Group having extensive overseas experience as a resident of Hong Kong for nearly 25 years, the first 7 with KPMG Hong Kong and then 18 years with Horwath Hong Kong. Mr Apedaile was an Audit Director

of Horwath and is experienced in all facets of international business and corporate finance. Mr Apedaile has been involved in merger and acquisitions and the raising of capital, both equity and debt for clients. He has also provided expertise in audits in connection with public stock offerings, both in Hong Kong and on Nasdaq. Mr Apedaile, a Chartered Accountant and previously a registered auditor, is responsible for the group's strategic planning and direction. Mr Apedaile resigned from Horwath HK in July 2005 to take up his full time role as Executive Director – Corporate of ATG.



**Mr Anthony Robert Hamilton**  
(Executive Director – Operations)

Mr Hamilton prior to being a founding Executive Director and major investor in ATG since 2003 was based for the previous 10 years in London until relocating back to Australia. He has significant automotive experience in Europe having worked as a consultant for a number of prestigious automotive manufacturers. During

his time based in the UK, Mr Hamilton was engaged as a consultant on various specialist automotive acquisitions and assisted in the development of specialist low volume manufacturing procedures. In his last appointment he led the full ADR certification and production program for Bullet Supercars in Queensland. He has also held senior management positions in a number of public companies based in Europe and the USA. Mr Hamilton is responsible for the day to day running of the Company and oversees all facets of the operations. He is also an accomplished Motorsport competitor having raced both in Australia and Europe. Mr Hamilton is an Accountant by profession and a Fellow of the Institute of Directors in London.



*Anthony Hamilton and Steven Apedaile  
with ATG's Vee Two Super Squalo*

## Senior Management

### Mr Jamie Martin Scoringe

#### (Chief Financial Officer & Joint Company Secretary)

A qualified accountant and company secretary, Mr Scoringe has over 20 years accounting experience in manufacturing, engineering and technology companies. Mr Scoringe is a 10 year member of the CPAs and charter member of the Institute of Chartered Secretaries, and has held senior financial roles and company secretarial positions in a number of large private and public companies in Australia for the last 14 years. Mr Scoringe has extensive experience in IT systems infrastructure and software installations, business financing, corporate compliance, due diligence work, and has managed a number of business ownership transitions. Mr Scoringe joined the Group in May 2005, is responsible for and reports to the Executive Director – Corporate on all aspects of the group's administration, IT, tax and compliance issues. Mr Scoringe is currently responsible for co-ordination of the group's compliance plan for ISO9001:2001.

### Mr Jay Richard Stephenson

#### (Joint Company Secretary)

Mr Jay Stephenson holds a Master of Business Administration (UK), is a Certified Management Accountant (Canada), a Fellow of the Australian Institute of Chartered Secretaries and is a Member of the Australian Institute of Company Directors. Mr Stephenson has been involved in manufacturing and business development for 20 years including the past 14 years as Director, Chief Financial Officer and Company Secretary in both Australia and Canada for various listed and unlisted

entities in resources, manufacturing, wine, hotels, and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies. Mr Stephenson is currently non-executive director and company secretary of Drake Resources Limited and Aura Energy Limited and company secretary of Frontier Resources Limited, Revere Mining Limited, Stonehenge Metals Limited, Globe Securities Limited, Noah Resources Limited, and Alpha Uranium Limited.

### Mr Jude Benedict Upton

#### (General Manager – Business Development)

Mr Upton is a qualified engineer and has over 20 years international automotive engineering experience (specifically on Superchargers) and is primarily responsible for the development and commercialisation of the current Sprintex Supercharger range. Mr Upton joined the company in May 2004, is responsible and reports directly to the Executive Director - Operations on all prototype and design components, and expanding the Sprintex and Vee Two brands globally. Mr Upton is currently engaged in developing distribution channels in the Northern Hemisphere for the Harley-Davidson Supercharger range, sourcing Supercharger components and manufacturing technology. Mr Upton was the 2004 Australian Drag Racing champion, running a Sprintex sponsored top fuel drag bike. Mr Upton competed with the drag bike throughout the USA during 2005, exposing the Sprintex name to an estimated audience of over 20 million during the season. Mr Upton holds current national records for both fastest times and speed in the Top Fuel motorcycle category.



*The ATG Team*



## 6. Risk Factors

### 6.1 Introduction

The Shares offered under this Prospectus should be considered speculative because of the nature of the commercial activities of the Company. While the Directors commend the Offer, potential investors should be aware that an investment in the Company involves risks, which may be higher than the risks associated with an investment in other companies.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's activities and its involvement in the automotive industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed activities of the Company.

Persons considering whether or not to invest in the Company should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate, before any decision is made to apply for Shares. Prospective investors should consider whether the Shares offered are a suitable investment for them having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. If in any doubt, they should consult with their professional advisers before deciding whether to apply for Shares.

The following, which is not exhaustive, identifies some of the major risks associated with an investment in the Company, of which potential investors need to be aware before making a decision on whether or not to invest in the Company's Shares.

### 6.2 General

Investment in ATG is speculative and involves risk. Investors should note that any investment will be at an early stage in a Company that has not yet achieved earnings profit. Commercial success will depend largely on acceptance by the market of ATG products which cannot be reliably predicted. There is no guarantee that the value of the shares on offer will go up and they may go down in value, or the entire investment may be lost.

### 6.3 Assessment of Risk

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

### 6.4 General Risks

ATG could be affected adversely by national and international conditions such as natural disasters, terrorism, political developments, changes to government regulation and changes in economic conditions. For a wide variety of reasons, ATG's business plan may not be able to be implemented.

### 6.5 Business Risks

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

#### Intellectual Property Risks

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

The granting of a patent does not guarantee that the rights of others are not infringed, nor does it guarantee that competitors will not develop competing technologies circumventing such patents. ATG's success may depend, in part, on its ability to obtain patents, maintain trade secret protection, and operate without infringing the proprietary rights of third parties. Because the patent positions of companies with investments in automotive parts can be highly uncertain, and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in patents nor their enforceability can be predicted. There can be no assurance that any patents ATG may own or control or license in the future will afford commercially significant protection of the technologies, or that any of the projects that may arise from the technologies will have commercial applications.

#### Research and Development Risks

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

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

#### **Capital Requirement Risks**

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

#### **Automotive Industry Risks**

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

#### **Vehicle Affordability Risk**

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

#### **Unforeseen Expense(s)**

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

#### **Product Liability and Uninsured Risks**

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

#### **Regulatory Risks**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the ATG's future operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, financial performance of the Company. Of particular significance to ATG is any legislation concerning emissions standards for motor vehicles.

#### **Licensing and Marketing Risks**

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

#### **Competition Risk**

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

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

#### **Reputation Risk**

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

#### **Growth Management Risk**

To achieve the growth objectives set out in this Prospectus, ATG will be required to continue to invest in its operational, information and financial systems, procedures and controls. The existing Board and management have extensive experience in managing and implementing growth strategies. The inability to implement the growth strategies outlined in this Prospectus may impact the future financial performance of the Company.

#### **Expansion risk**

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

# 7. Patent Attorney's Report

31 January 2008

## The Directors

Australian Automotive Components Pty Ltd  
73 Resource Way  
Malaga WA 6090

Griffith Hack  
PATENTS, TRADE MARKS, IP LAW

GH

Dear Sirs

This report has been prepared in connection with the issue of a Prospectus in relation to Australian Automotive Components Pty Ltd ("AAC"). We understand AAC will be converted to a public company and renamed Automotive Technology Group ("ATG") on 26 March 2008.

This report is an independent report. Griffith Hack does not have any pecuniary or other material interests in ATG. The payment of fees to Griffith Hack for the preparation of the Independent Report is not contingent upon the outcome of the Prospectus.

## Intellectual Property Rights

Intellectual Property ("IP") rights comprise rights enforceable at law, which allows IP owners to control the commercial exploitation of their IP to the exclusion of others. ATG is the beneficiary of a range of IP rights, including patent and trade mark rights.

A patent for an invention provides the patent owner with the exclusive right to exploit the invention subject only to earlier third party rights, if any. A trade mark registration provides the trade mark owner with the exclusive right to use the trade mark in relation to the goods or services in respect of which it is registered.

## 7.1 The Inventions

ATG is the beneficial owner of the following four inventions and corresponding patent and patent applications:

- (a) Guide Plate for a Poppet Valve
- (b) A Supercharging System
- (c) Control System for a Screw-Type Supercharging Apparatus
- (d) Rotor Profile Design

Brief details of the inventions (a) - (d) are provided below.

### (a) Guide Plate for a Poppet Valve

Guide plates are used to vary the motion characteristics of poppet valves used in internal combustion engines, pumps or compressors. The guide plate of this invention has a guide path for a valve actuation means, wherein part of the guide path is adapted to restrict the valve actuation means from moving the valve from an open position to a closed position, or from a closed position to an open position. This provides the advantage that the mechanism for varying the valve timing and/or valve movement can also cause the valves to be held in a substantially shut position, or a substantially open position, for a full cycle of the piston. The cylinder can be kept shut or open, thus preventing the cylinder from working and allowing the speed of the engine to be regulated.

In one form of the invention, the guide path may be provided with a valve actuating portion and a non-valve actuating portion. The travel of the valve actuating member along the actuating or non-actuating portions of the guide path will determine whether the valve is moved to an open or closed position or whether the valve remains open or closed, respectively.

In another form of the invention, the guide plate is moved to change the portion of the guide path along which the valve actuation member travels. In this way, the valve actuation member can move in a constant manner with respect to the cylinder position, but the valve lift can be varied by the movement of the guide plate. The guide plate can be moved to such a position where there is no valve lift (commonly referred to as "zero lift") during a full cycle of movement of the piston within the cylinder, or where the valve is kept open during a whole cycle of the pump or engine.

An additional advantage is that the guide plate of this invention can act as a throttle mechanism. By varying the position of the guide path, the valve lift can be varied, resulting in less working fluid entering the system. Accordingly, as the valves control the flow of air or fuel into individual cylinders, there is no requirement for a separate or second throttling mechanism.

### (b) A Supercharging System

Superchargers controllably increase the flow rate of air into a cylinder and in this way increase the density of air in the cylinder and the power provided by the cylinder, with the amount of air available to the Supercharger being controlled by the throttle valve. While this arrangement works well for conventional performance vehicles and for high performance vehicles at elevated rpm, the arrangement generally does not operate well for high performance vehicles at relatively low rpm.

This particular invention relates to a supercharging system for an internal combustion engine and, in particular, to a supercharging system for use with high performance engines of the type having a long inlet valve opening duration.

The supercharging system comprises a Supercharger having at least one inlet port and at least one outlet port, and at least one idle valve in fluid communication with the Supercharger. The idle valve is adjacent the outlet port and is arranged to selectively restrict fluid flow during use in a direction through the idle valve towards the Supercharger, allowing only a relatively small amount of air to pass through the idle valve when it is closed. A bypass valve is disposed in line with a bypass conduit extending between inlet and outlet ports, and serves to cause air passing through the throttle valve to bypass the Supercharger when the engine is operating in an idle condition or is experiencing a relatively light load. This assists in minimizing unnecessary work carried out by the Supercharger at relatively low rpm when additional engine power is not needed.

### (c) Control System for a Screw-Type Supercharging Apparatus

The invention relates to a three-mode control system for controlling the flow of inlet air into a supercharged spark ignition engine. The system involves a Supercharger, an inlet manifold and an inlet port control valve for controlling the intake of air into the Supercharger. The inlet port control includes an inlet port valve which is open at full engine load and progressively closes when the engine load is progressively reduced while the inlet manifold pressure remains above a predetermined level. An air flow throttle valve located upstream of the Supercharger is open at full engine load and progressively closes when the engine load is progressively reduced and the inlet manifold pressure falls below the predetermined level. A bypass duct which can optionally bypass air around the Supercharger is closed at full engine load and progressively opens when the engine load is reduced and the inlet manifold pressure falls below the predetermined level. The air supply to the engine may be throttled by the throttle valve before it passes to the engine via the Supercharger or it may pass through the bypass duct.

### (d) Rotor Profile Design

The invention relates to a profile design for male and female screw or helical rotors used in a dry type screw compressor, in particular a Supercharger. The profiles of the rotors are obtained by a co-generation process where the profile shape of one lobe is produced by the line traced out by a point or line on the other intermeshing lobe as it moves.

Typically, small clearances between the meshing flanks of the rotors and between the rotor tips and the case cause leakage paths through which gasses being compressed may escape from one chamber to another. One major leakage path is the channel between the male and female rotors and the cusp of the intersecting rotor bores, which are sometimes described as a blowhole.

In the case of a Supercharger which operates simultaneously as an expander and compressor, the expansion takes place on one side of the machine and the compression on the other side. Both the induction side blow hole and discharge side blow hole should therefore be kept to a minimum in order to reduce leakage between adjacent lobes. The profile of the rotors of this invention substantially eliminates the leakage blow hole on the induction side and on the discharge side simultaneously.

## 7.2 Extent of Patent Protection

### (a) Guide Plate for a Poppet Valve

| Country | Application No. | Filing Date     | Status  |
|---------|-----------------|-----------------|---------|
| Japan   | 2001-532,021    | 16 October 2000 | Pending |
| USA     | 6,644,155       | 16 October 2000 | Granted |

### (b) A Supercharging System

| Country       | Application No.   | Filing Date      | Status  |
|---------------|-------------------|------------------|---------|
| International | PCT/AU2006/000174 | 9 February 2006  | Pending |
| Malaysia      | PI20060733        | 21 February 2006 | Pending |

The International Application can be considered as a suite of applications covering each designatable country under the Patent Cooperation Treaty (PCT). There are presently over 120 designatable countries including Australia, Canada, China, all European Union countries, Japan, South Africa, South Korea, New Zealand, Vietnam, USA. The filing of an International Application does not provide a patent covering all countries designated in the International Application. Rather, it provides a mechanism for filing separate applications in the countries or regions designated in the International Application. The deadline for filing these separate applications will be for most countries either August 2008 or September 2008. This process is known as "National Phase Entry". The number of countries in which the National Phase is entered is at the discretion of ATG. Once the National Phase is entered in a particular country or region, the corresponding patent application is then treated as a regular patent application in that country.

#### (c) Control System for a Screw-Type Supercharging Apparatus

| Country                 | Patent No. | Filing Date     | Status  |
|-------------------------|------------|-----------------|---------|
| Europe (France)         | 681657     | 31 January 1994 | Granted |
| Europe (United Kingdom) | 681657     | 31 January 1994 | Granted |
| Japan                   | 3596890    | 31 January 1994 | Granted |
| USA                     | 5,791,315  | 31 January 1994 | Granted |

#### (d) Rotor Profile Design

| Country                 | Patent No. | Filing Date      | Status  |
|-------------------------|------------|------------------|---------|
| Europe (France)         | 627041     | 19 February 1993 | Granted |
| Europe (Germany)        | 69326606.6 | 19 February 1993 | Granted |
| Europe (United Kingdom) | 627041     | 19 February 1993 | Granted |

### 7.3 Likelihood of Grant of Patents

In most countries, in order for a patent application to proceed to grant the application must undergo substantive examination. Various criteria for patentability are assessed by a Patents Examiner in each country of application, including novelty, inventiveness and industrial applicability of the invention. Patent Examiners usually conduct a search of prior patents and other documents published before the priority date of the application at hand and may also rely on the results of searches conducted by other patent offices. Such documents are collectively known as the "prior art". The Examiner makes a determination as to whether the invention as claimed in the application is novel and inventive over the information disclosed in the prior art. Arguments in rebuttal, and/or amendments to the claims of a patent application may be required in order to overcome an Examiner's objections.

For the purposes of this Patent Attorney's Report we provide the following opinions on the likelihood of grant of patents for the above inventions based solely on the results of searches conducted to date by respective patent offices. No additional prior art searching has been conducted. It should be noted that any document published before the priority date, not only patent specifications, as well as public and/or commercial use of devices and processes can serve as prior art.

#### (a) Guide Plate for a Poppet Valve

A patent for this invention has already been granted in the USA and its Japanese counterpart is currently pending. An examination report has not yet been issued by the Japanese Patent Office and thus we cannot comment on whether the Japanese patent application is likely to be granted.

#### (b) A Supercharging System

An International Search Report (ISR) has issued on International application No. PCT/AU2006/000174. The ISR lists three documents that are considered by the Patents Examiner to be merely indicative of the general state of the art and not considered to be of particular relevance. On the basis of the prior art raised in the ISR, we have no reason to believe that patents will not be granted on the corresponding applications, although it is possible that upon entry to national phase, national patent offices may raise further prior art that is more relevant to the patentability of this invention.

## 7.4 Patent Protection Generally and Validity

When a patent is granted it confers on the owner a monopoly right in the invention, which monopoly right can persist for up to 20 years from the filing date of the corresponding application, depending upon the country in which the patent is granted and payment of annual maintenance fees.

However, the grant of the patent in any country in respect of an invention is not conclusive of the validity of the patent. For example, s. 20(1) of the Australian Patents Act (Cth) provides:

*“Nothing done under this Act or the PCT guarantees the granting of a patent, or that a patent is valid in Australia or anywhere else.”*

If the validity of the patent is put in dispute, then it is necessary for the question of validity to be determined by a court of competent jurisdiction. If all claims of a patent are found to be invalid, then the patent will be revoked or will be unenforceable. The question of validity may vary from country to country and a finding of invalidity of one or more claims of a patent in one country does not necessarily mean that those claims will be held to be invalid by a Court in another country. Accordingly, Griffith Hack is unable to provide any guarantee as to the validity of any claim of any granted patent or patent application.

## 7.5 Freedom to Operate

The grant of a patent does not automatically provide the patent owner with the freedom to exploit the patented invention in the country of grant. The examination process only considers the question of novelty and obviousness of an invention, but not the question of infringement. The use of an invention subject of a granted patent can infringe an earlier patent or other third party rights.

It is prudent to conduct a “freedom to operate” search in each country in which it is desired to commercialise a patented invention. No such searches have been conducted to our knowledge. However, the prior patents cited in the novelty searches conducted by the International Searching Authority for the International Bureau of the World Intellectual Property Organisation (WIPO) and reported in the International Search Reports have not revealed any earlier issued patents that, in our opinion, would be infringed by the commercialisation of inventions (a) - (d).

## 7.6 Proprietorship

### (a) Guide Plate for a Poppet Valve

The inventor is Carl Carisbrook Henry. The proprietor of the above patent/application is Vee Two Pty Ltd, a wholly owned subsidiary of ATG.

### (b) A Supercharging System

The inventors are Timothy John Walmsley, Jude Benedict Upton, Carl Carisbrook Henry, and Derek Alfred Gobby. The above patent application was filed in the name of Sprintex Australasia Pty Ltd, a wholly owned subsidiary of ATG. Sprintex Australasia Pty Ltd has entitlement to patent rights in respect of the invention from the inventors as each one was an employee of Sprintex Australasia Pty Ltd during the period of development of the invention.

### (c) Control System for a Screw-Type Supercharging Apparatus

The inventors are Alan Bryson Riach and Derek John McGruer. The proprietor of the above patents is Sprintex Australasia Pty Ltd, a wholly owned subsidiary of ATG.

The initial patent applications were filed in the name of Fleming Thermodynamics Ltd. Subsequently, a Deed of Assignment devolved all rights, title and interest in the patents and other technology associated therewith from Fleming Thermodynamics Ltd to Infinite Machines Corporation. A further Deed of Assignment devolved all rights, title and interest in the patents and other technology associated therewith from Infinite Machines Corporation to Sprintex Australasia Pty Ltd.

### (d) Rotor Profile Design

The inventors are Alan Bryson Riach and Derek John McGruer. The proprietor of the above patents is Sprintex Australasia Pty Ltd, a wholly owned subsidiary of ATG.

The initial patent applications were filed in the name of Fleming Thermodynamics Ltd. Subsequently, a Deed of Assignment devolved all rights, title and interest in the patents and other technology associated therewith from Fleming Thermodynamics Ltd to Infinite Machines Corporation. A further Deed of Assignment devolved all rights, title and interest in the patents and other technology associated therewith from Infinite Machines Corporation to Sprintex Australasia Pty Ltd.

## 7.7 Trade Mark Portfolio

When a trade mark is registered it confers on the owner a monopoly right in the trade mark in respect of the specified goods and/or services, which monopoly right persists for ten (10) years. The registration may be subsequently renewed for further ten (10) year periods on or before the 10th anniversary of the original application upon payment of the prescribed renewal fee.

ATG or one of its wholly owned subsidiaries is the owner of several trade mark registrations/applications in respect of the following trade marks in the countries where indicated:

**(a) Trade Marks in the name of ATG (formerly Australian Automotive Components Pty Ltd)**

| Trade Mark     | Country            | Trade Mark No.  | Filing Date      | Status              |
|----------------|--------------------|-----------------|------------------|---------------------|
| SQUALO         | Australia          | 1098155         | 9 February 2006  | Registered          |
|                | China              | 882283          | 13 February 2006 | Pending             |
|                | European Community | 882283          | 13 February 2006 | Registered          |
|                | India              | 1421720         | 15 February 2006 | Accepted            |
|                | Indonesia          | D00.2006.011177 | 11 April 2006    | Opposed             |
|                | Japan              | 882283          | 13 February 2006 | Pending             |
|                | Malaysia           | 06002394        | 21 February 2006 | Awaiting acceptance |
|                | Singapore          | T06/098522      | 13 February 2006 | Registered          |
|                | Taiwan             | 1239077         | 16 February 2006 | Registered          |
|                | Thailand           | 619162          | 28 February 2006 | Accepted            |
|                | USA                | 882283          | 13 February 2006 | Pending             |
| Shark logo*    | Australia          | 1098159         | 9 February 2006  | Accepted            |
|                | European Community | 882282          | 13 February 2006 | Registered          |
|                | Indonesia          | D00.2006.011179 | 11 April 2006    | Accepted            |
|                | Japan              | 882282          | 13 February 2006 | Pending             |
|                | Malaysia           | 06002395        | 21 February 2006 | Pending             |
|                | Taiwan             | 1239076         | 16 February 2006 | Registered          |
|                | Thailand           | 619163          | 28 February 2006 | Accepted            |
|                | USA                | 882282          | 13 February 2006 | Pending             |
| SQUALO & logo# | China              | 6360762         | 5 November 2007  | Pending             |
|                | India              | 1450065         | 8 May 2006       | Accepted            |

Shark Logo\*



SQUALO & logo#



The above trade marks are registered in Class 12 in respect of the following goods:

**Class: 12** Land vehicles including motor vehicles, parts and accessories therefor; motorcycles, parts and accessories therefor.

**(b) Trade Marks in the name of Vee Two Pty Ltd**

| Trade Mark                | Country            | Trade Mark No. | Filing Date     | Status     |
|---------------------------|--------------------|----------------|-----------------|------------|
| VEE TWO logo <sup>1</sup> | Australia          | 720833         | 30 October 1996 | Registered |
| VEE TWO logo <sup>2</sup> | Australia          | 1181635        | 14 June 2007    | Accepted   |
|                           | China              | 933023         | 20 June 2007    | Pending    |
|                           | European Community | 933023         | 20 June 2007    | Registered |
|                           | Japan              | 933023         | 20 June 2007    | Pending    |
|                           | USA                | 933023         | 20 June 2007    | Pending    |

VEE TWO logo<sup>1</sup>



VEE TWO logo<sup>2</sup>



The above trade marks are registered in classes 7, 12 and 37 in respect of the following goods and services:

**Class: 7** Bearing sleeves, camshafts, crankshafts, pistons, valves and cylinder heads; parts and accessories for motor cycle engines including carburettors, bearings, exhausts and CNC machined parts for motor cycle engines.

**Class: 12** Motorcycles; engines, gearboxes and drive trains for motorcycles; parts and accessories for motorcycle gearboxes and drive trains including clutch parts, gears, wheels, wheel hubs; CNC (computer numerical control) machined parts for motorcycles, gearboxes and drive trains included in this class.

**Class: 37** Motorcycle and motorcycle engine servicing; maintenance and repair services including modification of motorcycles and motorcycle engines, gearboxes and drive trains.

### (c) Trade Marks in the name of Sprintex Australasia Pty Ltd

| Trade Mark                 | Country            | Trade Mark No.  | Filing Date      | Status     |
|----------------------------|--------------------|-----------------|------------------|------------|
| SPRINTEX                   | Australia          | 428763          | 24 June 1985     | Registered |
|                            | Canada             | 410998          | 5 December 1989  | Registered |
|                            | China              | 879517          | 9 February 2006  | Pending    |
|                            | European Community | 879517          | 9 February 2006  | Registered |
|                            | France             | 1727477         | 24 May 1989      | Registered |
|                            | Germany            | 1167822         | 15 August 1989   | Registered |
|                            | Great Britain      | B1316000        | 16 August 1989   | Registered |
|                            | India              | 1421719         | 15 February 2006 | Accepted   |
|                            | Indonesia          | D00.2006.011178 | 11 April 2006    | Accepted   |
|                            | Japan              | 270388          | 20 January 1987  | Registered |
|                            | Malaysia           | 06002398        | 21 February 2006 | Pending    |
|                            | Mexico             | 933691          | 25 April 2006    | Registered |
|                            | Thailand           | 265184          | 28 February 2006 | Registered |
|                            | USA                | 1507829         | 9 November 1987  | Registered |
| SPRINTEX logo <sup>^</sup> | Great Britain      | B1222283        | 29 June 1984     | Registered |

SPRINTEX logo<sup>^</sup> 

The above trade marks are registered in class 12 in respect of the following goods:

**Class: 12** Compressors, expanders, Superchargers, and parts therefor all intended for use with land vehicles being goods included within class 12.

## 7.8 Conclusion

We confirm that the information and particulars included in this report are an accurate summary of the filing particulars and current status of the listed patents, patent applications, trade marks and intellectual property residing with ATG.

We are not aware of any challenge or any registered encumbrances to the grant of the above listed patent applications. We have no reason to believe that patents will not be ultimately granted on the corresponding applications.

Similarly, we are not aware of any challenge or any registered encumbrances to the acceptance and subsequent registration of the above listed trade mark applications. We have no reason to believe that they will not be successful.

We are not aware of any third party infringement of ATG's IP rights.

We are not aware of any allegations of third party infringement by ATG in relation to commercial exploitation, or otherwise, of the above inventions and trade marks.

### GRIFFITH HACK

Griffith Hack is a leading Australian firm of patent and trade mark attorney and intellectual property lawyers, with offices in Perth, Melbourne, Sydney and Brisbane and an active network of associate firms throughout the world. We offer a complete range of specialized intellectual property services and strategic advice.

Dr Mary Turonek is a Registered Patent and Trade Marks Attorney and a Senior Associate at Griffith Hack. She is a Fellow of the Institute of Patent and Trade Mark Attorneys of Australia; a member of AIPPI; a member of the Royal Australian Chemical Institute; and Chairman of the Intellectual Property Society of Australia and New Zealand (Western Australian chapter).

Griffith Hack has given its consent in writing to the issue of the Prospectus with this Independent Report in the form and context in which it is included and has not withdrawn its consent before the lodgement of the Prospectus with the Australian Securities and Investments Commission.

Dr Mary L. Turonek  
Senior Associate  
mary.turonek@griffithhack.com.au

## 8. Investigating Accountant's Report



27 February 2008

The Directors  
Australian Automotive Components Pty Ltd  
Unit 6/34 York Street  
NORTH PERTH WA 6006

Level 1 London House  
216 St George's Terrace Perth WA 6000  
PO Box 7255 Cloisters Square WA 6850  
Telephone: (61-8) 9426 0666  
Facsimile: (61-8) 9481 1947

Dear Sirs

### **Investigating Accountant's Report**

#### **1. Introduction**

This Investigating Accountant's Report has been prepared at the request of the directors of Australian Automotive Components Pty Ltd ACN 106 337 599 ("AAC" or "the Company"). The report has been prepared based on the historical financial information of the Company for inclusion in a Prospectus dated on or around 29 February 2008 inviting participation in the Initial Public Offer ("IPO") by AAC of up to 24,000,000 ordinary shares at an issue price of 25 cents per share to raise \$6,000,000. The minimum subscription has been set at \$6,000,000 (24,000,000 shares). Oversubscriptions of up to a further \$4,000,000 (16,000,000 shares) may be accepted.

AAC's conversion to a public company to be known as Automotive Technology Group Limited was gazetted on 26 February 2008 and is scheduled to occur on 26 March 2008.

All amounts are expressed in Australian Dollars unless otherwise stated.

#### **2. Background**

AAC is a designer and manufacturer of the Sprintex Supercharger product range and Vee Two motorcycle specialist and performance parts. AAC has established global distribution networks for the Sprintex and Vee Two product range which were designed in AAC's Research & Development centre established in Perth, Western Australia.

The purpose of the offer is to raise necessary funds to allow AAC to continue its distribution programs and its expansion plans for the Sprintex and Vee Two products described in more detail in this Prospectus.

### 3. Capital Structure

#### *Share Structure*

The expected capital structure of the Company following the completion of the IPO (assuming no over subscriptions) is as follows:

| Details                                                       | Performance<br>Shares | Ordinary Share<br>Capital | \$                |
|---------------------------------------------------------------|-----------------------|---------------------------|-------------------|
| Initial Capital at 31 December 2007                           |                       | 12,523,325                | 5,794,988         |
| Issue of Shares at \$1.61 cents on 9 January 2008             |                       | 4,576,175                 | 7,381,643         |
| Capital Restructure on 30 January 2008                        |                       | 51,298,500                | -                 |
| Performance Shares approved on 30 January 2008                | 34,199,000            |                           | -                 |
| Seed capital approved on 31 January 2008                      |                       | 10,000,000                | 2,000,000         |
| Shares to employees approved on 20 February 2008              |                       | 370,000                   | -                 |
| Shares issued pursuant to the Prospectus                      |                       | 24,000,000                | 6,000,000         |
| Estimated issue costs of the offer                            |                       |                           | (610,000)         |
| GST on estimated issue costs of the offer                     |                       |                           | (58,500)          |
|                                                               | <u>34,199,000</u>     | <u>102,768,000</u>        | <u>20,508,131</u> |
| Options exercisable at 30 cents on or before 31 December 2010 | -                     | 6,500,000                 | -                 |

The rights attaching to the Performance Shares are set out in Section 10.5 of the Prospectus.

As at 29 February 2008 AAC has issued a total of 6,500,000 Options. The terms and conditions of the Options are set out in Section 10.6 of the Prospectus.

#### 4. Scope

Pendragon Capital Limited has been requested to prepare a report covering the following financial information:

*i) Historical Financial Information*

- Reviewed Balance Sheet as at 31 December 2007
- Reviewed Income Statement for 6 month period to 31 December 2007

*ii) Pro forma Financial Information*

- Pro forma Unaudited Balance Sheet as at date of listing.

The pro forma unaudited financial information has been derived from the historical financial information after adjusting for the following transactions as if they had occurred at 31 December 2007:

- The issue of 24,000,000 shares in AAC to raise \$6,000,000 pursuant to the Prospectus.
- Incurring of costs directly attributable to the offer, estimated at \$610,000 (plus GST), which has been offset against the proceeds of the offer.
- The issue of 4,576,175 shares on 9 January 2008 in consideration of \$7,381,643 debt owed by the Company.
- The restructure of the shares of the company on a four for one basis that occurred on 30 January 2008.
- The approval on 30 January 2008 for the issue of 17,099,500 "Class A" Converting Performance Shares and 17,099,500 "Class B" Converting Performance Shares.
- The approval on 31 January 2008 of the issue of 10,000,000 shares for seed capital subscribed and conversion of debt.
- The approval on 20 February 2008 of 370,000 shares, be issued to employees of the company.

The pro forma financial information is set out in Appendix 1 to this report. The historical financial information is set out in Section 11 of this Prospectus. This report must be read in conjunction with the Company's Financial Report contained in section 11 including the Directors Report and Notes to and forming part of the accounts.

#### 5. Review

Pendragon Capital Limited has conducted an independent review of the information set out in Appendix 1 to this report and Section 11 of this Prospectus. The review has been conducted in accordance with auditing standard AUS 902 "Review of Financial Reports" and auditing guidance standard AGS 1062 "Reporting in connection with proposed fundraisings".

Our review was limited primarily to the following procedures performed as our professional judgement considered reasonable in the circumstances:

- Review of historical financial information;
- Review of notes to the financial information;
- Review of assumptions used to compile the financial information;
- Perform analytical procedures on the financial information;
- Review of any adjustments made to financial information;
- Performance of certain limited verification procedures;
- Comparison of consistency in application of accounting standards and policies adopted by the Company; and
- Enquiry of directors and other relevant employees.

These procedures do not provide all the evidence that would be required in an audit, and thus the level of assurance provided is less than that given in an audit. As we have not performed any audit activity we do not express an audit opinion.

The Directors of AAC are responsible for the preparation and presentation of financial information that has formed the basis of our review.

Pendragon Capital Limited disclaims any responsibility for any reliance on this report or the financial information on which it is based for any purpose other than for which it was prepared.

#### **6. Review Statement on Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma Balance Sheet has not been properly prepared on the basis of the pro forma transactions; and
- the historical financial information, as set out in section of the Prospectus does not present fairly:
  - a) the historical Income Statement of the AAC for the period ended 31 December 2007
  - b) the historical Balance Sheet of AAC as 31 December 2007

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by AAC disclosed in Section of the Prospectus.

#### **7. Subsequent Events**

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of AAC have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

#### **8. Declarations and Disclosures**

- i) Pendragon Capital Limited is the holder of an Australian Financial Services Licence (number 237549).
- ii) Pendragon Capital Limited will be paid a fee based upon normal charge out rates for professional time incurred in the preparation and compilation of this report.
- iii) Pendragon Capital Limited has not been involved in any other aspect of the preparation of the Prospectus. Pendragon Capital Limited has issued its consent to include this report in the Prospectus.
- iv) This report has been prepared to provide general advice to investors only and does not take into account the specific financial needs, objectives and situation of individual investors. The giving of consent to include this report in the Prospectus should not be taken as an endorsement by Pendragon Capital Limited of AAC or the offer.

Yours faithfully



**RICK HOPKINS**  
**DIRECTOR**

**APPENDIX 1 AUSTRALIAN AUTOMOTIVE COMPONENTS PTY LTD**  
**BALANCE SHEET**

|                                       | Note | Reviewed<br>31 December<br>2007<br>\$ | Unaudited Pro<br>Forma<br>As at date of<br>listing<br>\$ |
|---------------------------------------|------|---------------------------------------|----------------------------------------------------------|
| <b><i>Current Assets</i></b>          |      |                                       |                                                          |
| Cash and Cash Equivalents             | 1    | 224,007                               | 7,044,507                                                |
| Trade and Other Receivables           |      | 101,675                               | 101,675                                                  |
| Inventories                           |      | 1,802,127                             | 1,802,127                                                |
| Total Current Assets                  |      | <u>2,127,809</u>                      | <u>8,948,309</u>                                         |
| <b><i>Non Current Assets</i></b>      |      |                                       |                                                          |
| Property, Plant and Equipment         |      | 2,694,653                             | 2,694,653                                                |
| Other Financial Asset                 |      | 266,286                               | 266,286                                                  |
| Total Non Current Assets              |      | <u>2,960,939</u>                      | <u>2,960,939</u>                                         |
| <b><i>TOTAL ASSETS</i></b>            |      | <u>5,088,748</u>                      | <u>11,909,248</u>                                        |
| <b><i>Current Liabilities</i></b>     |      |                                       |                                                          |
| Trade and Other Payables              |      | 8,771,429                             | 1,343,066                                                |
| Interest Bearing Liabilities          |      | 1,137,330                             | 1,137,330                                                |
| Provisions                            |      | 246,354                               | 246,354                                                  |
| Total Current Liabilities             |      | <u>10,155,113</u>                     | <u>2,726,750</u>                                         |
| <b><i>Non Current Liabilities</i></b> |      |                                       |                                                          |
| Interest Bearing Liabilities          |      | 299,478                               | 299,478                                                  |
| Other Non Current Liabilities         |      | 464,280                               | -                                                        |
| Total Non Current Liabilities         |      | <u>763,758</u>                        | <u>299,478</u>                                           |
| <b><i>TOTAL LIABILITIES</i></b>       |      | <u>10,918,871</u>                     | <u>3,026,228</u>                                         |
| <b><i>NET ASSETS</i></b>              |      | <u>(5,830,123)</u>                    | <u>8,883,020</u>                                         |
| <b><i>Equity</i></b>                  |      |                                       |                                                          |
| Contributed equity                    | 2    | 5,794,988                             | 20,508,131                                               |
| Reserves                              |      | 832,088                               | 832,088                                                  |
| Accumulated Losses                    |      | (12,457,199)                          | (12,457,199)                                             |
| <b><i>TOTAL EQUITY</i></b>            |      | <u>(5,830,123)</u>                    | <u>8,883,020</u>                                         |

The balance sheet is to be read in conjunction with the notes set out in Section 11 of the Prospectus.

## APPENDIX 1 AUSTRALIAN AUTOMOTIVE COMPONENTS PTY LTD

### NOTES TO AND FORMING PART OF THE BALANCE SHEET

|                                                                         | Reviewed<br>31 December<br>2007<br>\$ | Unaudited<br>Pro forma<br>As at date of<br>listing<br>\$ |
|-------------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------|
| <b>NOTE 1 - CASH ASSETS</b>                                             |                                       |                                                          |
| Cash at bank                                                            | 223,900                               | 7,044,507                                                |
| Cash on hand                                                            | 107                                   | 107                                                      |
|                                                                         | <u>224,007</u>                        | <u>7,044,607</u>                                         |
| Adjustments to the pro forma cash balance<br>are summarised as follows: |                                       |                                                          |
| Balance as at 31 December 2007                                          | 224,007                               | 224,007                                                  |
| Net proceeds from the issue of 10,000,000 seed capital shares           |                                       | 1,489,000                                                |
| Payment of costs of the offer                                           |                                       | (610,000)                                                |
| Payment of GST on costs of the offer                                    |                                       | (58,500)                                                 |
| Proceeds from the issue of 24,000,000 shares in IPO                     |                                       | 6,000,000                                                |
| Unaudited pro forma cash balance                                        | <u>224,007</u>                        | <u>7,044,607</u>                                         |
| <b>NOTE 2 - CONTRIBUTED EQUITY</b>                                      |                                       |                                                          |
| Fully paid ordinary shares                                              | <u>5,794,988</u>                      | <u>20,508,131</u>                                        |
| <i>Reconciliation of contributed equity</i>                             |                                       |                                                          |
| <i>Historical financial information:</i>                                |                                       |                                                          |
| Balance at 31 December 2007                                             |                                       |                                                          |
| Initial capital                                                         | 5,794,988                             | 5,794,988                                                |
|                                                                         | <u>5,794,988</u>                      | <u>5,794,988</u>                                         |
| <b>Pro forma adjustments:</b>                                           |                                       |                                                          |
| Issue of Shares at 1.61 cents on 9 January 2008                         |                                       | 7,381,643                                                |
| Issue of 10,000,000 seed capital shares                                 |                                       | 2,000,000                                                |
| Issue of 24,000,000 ordinary shares pursuant to Prospectus              |                                       | 6,000,000                                                |
| Costs associated with the offer attributed to equity                    |                                       | (610,000)                                                |
| GST on costs associated with the offer attributed to equity             |                                       | (58,500)                                                 |
|                                                                         | <u>5,794,988</u>                      | <u>20,508,131</u>                                        |

## 9. Material Contracts

Set out below are summaries of the more important provisions of contracts to which the Company is a party and which are or may be material in terms of the Offer or the operations of the Company or otherwise are or may be relevant to an investor who is contemplating the Offer.

To fully understand all rights and obligations in the material contracts it is necessary to read them in full. A copy of each of these contracts may be inspected during normal business hours at the registered office of the Company.

### 9.1 Agreements

The Company (and its related entities) has the following exclusive dealing contracts on foot:

- a) Sprintex Australasia Pty Ltd ("SPR") (a wholly owned subsidiary of the Company) and HPS Superchargers AB ("HPS") have entered into an agreement pursuant to which HPS grants to SPR the exclusive rights to supply and install its own type of Supercharger (HPS Supercharger) in Australia, New Zealand and other countries agreed to but expressly excluding the European Union and North America. The exclusive grant is subject to the minimum purchase requirements of SPR:
  - (i) year 1 – 50 units; and
  - (ii) year 2 – 100 units.

The design and intellectual property embodied within the HPS Supercharger remains the property of HPS at all times and cannot be copied;

- b) (Automotive Technology Group International Ltd (BVI) ("ATG International") (a wholly owned subsidiary of the Company) has granted to Patrick Racing Inc. ("Patrick Racing") a right to distribute certain Sprintex Supercharger installation kits in the United States of America for a period of 3 years. The agreement is subject to the following purchase conditions:
  - (i) First order of 5 units
  - (ii) Subsequent orders of a minimum of 10 units
  - (iii) ATG and Patrick Racing shall agree mutually acceptable sales targets for the remainder of 2008 and on or before November 30 each year, agree sales targets for the following calendar year.
- c) the Company has appointed Zodiac International BV ("ZI") as the exclusive distributor, supplier and installer of certain Sprintex Supercharger installation systems in Europe. The agreement is exclusive for 2 years and will be extended if sales reach a minimum of 100 units in year 2. If ZI fails to meet 100 units in year 2, then the Company can terminate the agreement with 3 months notice;
- d) the Company has granted to Bullet Performance Products Pty Ltd ("Bullet") the right to supply and install certain Sprintex Supercharger installation systems in Australia;
- e) Automotive Technology Group International Ltd (BV) ("ATG International") (a wholly owned subsidiary of the Company) has granted Maerz Motorradhandel GmbH ("Maerz") the exclusive rights to import, distribute and sell VEE TWO branded products in Germany and Austria. The following sales targets are to be achieved together:
  - (i) 2007/2008 – Euro 500,000 purchases ordered and delivered inclusive of sales to Moto Morini direct or indirect; and
  - (ii) 2009 targets to be discussed and agreed between the parties by no later than 30 September 2008.

Design and intellectual property embodied in the goods remains the property of VEE-TWO at all times;

- f) "ATG International has granted Moto Rapido Ducati ("Moto Rapido") the exclusive right to import, distribute and sell VEE Two branded products in the United Kingdom, England, Scotland, Wales, Ireland and the Republic of Ireland. The following sales targets are to be achieved together:
  - (i) 2008 – GBP100,000 purchases ordered and delivered; and
  - (ii) 2009 – targets to be discussed and agreed between the parties by no later than 30 September 2008.

The design and intellectual property embodied in the goods remain the property of ATG International at all times."

- g) The Company has entered into a sponsorship agreement with Top Fuel Promotions Pty Ltd ("Top Fuels"), the owner of an Australian Top Fuel motorcycle drag racing team. Top Fuel will utilise the Sprintex Race Series Competition Supercharger and carry the Company's logo on its motorcycle, uniform and souvenir apparel (provided by the Company). The Company will provide:
  - (a) Company apparel and souvenirs;
  - (b) \$5,000 per event for a maximum of 8 events;

- (c) 2 Sprintex Race Series Competition Superchargers and associated equipment up to \$10,000;
- (d) workshop space for storage and maintenance of TFP equipment;
- (e) bonuses of between \$10,000 and \$50,000 upon achieving certain victories;
- (f) an amount representing the costs of the new body.

The term of the agreement is 1 year, renewable by mutual agreement. Either party may terminate the agreement with 90 days notice.

- h) ATG International has granted Motorcentrum Terneuzen B.V. ("Motorcentrum") the exclusive right to import, distribute and sell VEE TWO branded products in the Netherlands, Belgium and Luxembourg. The following sales targets are to be achieved together:
  - (i) 2007/2008 – Euro 150,000 purchases ordered and delivered inclusive of sales to Moto Morini direct or indirect; and
  - (ii) 2009 targets to be discussed and agreed between the parties by no later than 30 September 2008.

Design and intellectual property embodied in the goods remains the property of ATG International at all times; and

Each of the above agreements contain the following terms:

- (a) provisions for termination of the agreement for cause or without cause by giving 3 months notice by agreement of the parties except the agreements with Maerz, Ducati Motorcentrum and Moto Rapido which require 6 months notice;
- (b) warranties regarding the products;
- (c) provisions for the maintenance of insurances by the distributor;
- (d) the payment of fees; and
- (e) the term of the agreements are each for a period of 2 years but may be extended for a further 2 years by mutual agreement.

The Company considers that each of the above agreements are on ordinary commercial terms, typical for contracts of this nature.

## 9.2 Sponsoring Broker Agreement

By letter agreement dated 17 December 2007, Taylor Collison Limited ("Taylor Collison") has agreed to act as sponsoring broker to the Offer and to use its reasonable endeavours to place Shares under this Prospectus.

The Company has agreed to pay Taylor Collison a sponsoring broker fee of \$50,000, a broking fee of 5% and a management fee of 1% of the capital raised. The Company has also agreed to issue Taylor Collison or its nominee with 2,000,000 options with an exercise price of \$0.30 each exercisable at any time prior to 31 December 2010.

## 9.3 Wolfstar Agreement

On 27 November 2007, the Company engaged Wolfstar Group Pty Ltd, to act as corporate advisor for the Offer, provide ongoing corporate secretarial services and assist with the preparation of this Prospectus.

In consideration for the services provided, Wolfstar Group Pty Ltd is entitled to the following fees:

- (a) a monthly retainer of \$7,500 commencing from 1 December 2007, for the shorter of 6 months or until the Company is admitted to the official list of ASX;
- (b) work fees of 1.5% of the total funds raised under the Offer, payable upon the admission of ATG to the official list of ASX; and
- (c) ongoing monthly fees for 12 months post listing for the provision of Company secretarial services for a monthly retainer of \$3,000 per month.

## 9.4 Consultancy Agreements

The Company has entered into an agreement with Powertraveller Pty Ltd ("Powertraveller") for the provision of services by Mr Steven Apedaile as Executive Director - Corporate of the Company. Pursuant to the terms of this agreement, the Company will pay Powertraveller \$35,000 per month for the term of the agreement (being 36 months from 1 June 2007). Mr Steven Apedaile may elect to convert any unpaid consultancy fees into Shares (subject to Shareholder approvals). The Company advises that Powertraveller has waived its fee for June 2007 and has reduced its fee from July 2007 to February 2008 to \$12,500 Per Calendar Month.

The Company has entered into a consultancy agreement with CMIH Enterprises Pty Ltd (CMIH) for the provision of services by Mr Anthony Hamilton as Executive Director - Operations of the Company. Pursuant to the terms of this agreement, the Company will pay CMIH \$35,000 per month for the term of the agreement (being 36 months from 1 June 2007). Mr Anthony Hamilton may elect to convert any unpaid consultancy fees into Shares (subject to Shareholder approvals). The Company advises that CMIH has waived its fee for June 2007 and has reduced its fee from July 2007 to February 2008 to \$12,500 Per Calendar Month.

## 9.5 Indemnity, Insurance and Access Deed

The Company has entered an Indemnity, Insurance and Access Deed with each Director and Officer.

Pursuant to the Deed the Director/Officer is indemnified by the Company against any liability incurred in that capacity as an officer of the Company to the maximum extent permitted by law subject to certain exclusions.

The Company must keep a complete set of company documents until the later of:

- the date which is seven years after the Director/Officer ceases to be an officer of the Company; and
- the date after a final judgment or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director/Officer is involved as a party, witness or otherwise because the Director is or was an officer of the Company ("Relevant Proceedings").

The Director has the right to inspect and/or copy a company document in connection with Relevant Proceedings during the period referred to above.

Subject to the next sentence, the Company must maintain an insurance policy insuring the Director/Officer against liability as a director and officer of the Company while the Director/Officer is an officer of the Company and until the later of:

- the date which is seven years after the Director/Officer ceases to be an officer of the Company; and
- the date any Relevant Proceedings have been finally resolved.

The Company may cease to maintain the insurance policy if the Company reasonably determines that the type of coverage is no longer available.

## 10. Additional Information

### 10.1 Tax Status and Financial Year

The Company is taxed in Australia as a public company. The financial year of the Company ends on 30 June annually.

### 10.2 Corporate Governance

The Company's main corporate governance policies and practices are outlined below:

The Board of Directors of ATG will be responsible for the corporate governance of the Company including its strategic development. The format of this Section is guided by the ASX Corporate Governance Council's best practice recommendations. The Company's corporate governance principles and policies are therefore structured as follows:

- Principle 1 Lay solid foundations for management and oversight*
- Principle 2 Structure the Board to add value*
- Principle 3 Promote ethical and responsible decision making*
- Principle 4 Safeguard integrity in financial reporting*
- Principle 5 Make timely and balanced disclosure*
- Principle 6 Respect the rights of Shareholders*
- Principle 7 Recognise and manage risk*
- Principle 8 Encourage enhanced performance*
- Principle 9 Remunerate fairly and responsibly*
- Principle 10 Recognise the legitimate interests of stakeholders*

With the exception of the departures from the Corporate Governance Council recommendations in relation to the establishment of a nomination committee and that management report in writing to the Board regarding the integrity of the Company's financial reports as detailed below, the corporate governance practices of ATG are compliant with the Council's best practice recommendations.

#### 10.2(a) Board Responsibilities

The Board will be accountable to the Shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, will be formally managed by Mr Anthony Hamilton and Mr Steven Apedaile, both executive directors, while Mr Richard Siemens, a non-executive director and Chairman of the Board, will provide leadership and contribute to the effective running of the Board.

The key responsibilities of the Board will include:

- approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- overseeing the implementation and management of effective safety and environmental performance systems;
- ensuring all major business risks are identified and effectively managed; and
- ensuring that the Company meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at ATG's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

#### 10.2(b) Size and Composition of the Board

The Directors consider the size and composition of the Board is appropriate given the size and status of the Company. However, the composition of the Board will be subject to review in a number of ways:

- the Constitution provides that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election.
- Board composition will be also reviewed periodically either when a vacancy arises or if it is considered the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board, which should match the strategic demands of the Company. Once it has been agreed that a new director is to be appointed, a search will be undertaken, sometimes using the services of external consultants. Nominations would then be received and reviewed by the Board.

### 10.2(c) Ethics and Independence

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. ATG intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards.

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. In addition, Corporate Governance Council Recommendation 2.2 requires the chairperson of the Company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

In accordance with this definition, all Directors are considered to be independent:

ATG considers industry experience and specific expertise to be important attributes of its Board members and therefore believes that the composition of the Board is appropriate given the size and development of the Company at the present time.

### 10.2(d) Board Committees

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role. The composition of the committees shall be as follows:

- at least one Director will be a member of each Committee;
- each committee will have a charter approved by the Board; and
- each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

The Board will initially establish an audit, risk and compliance committee. At the present time no other committees will be established because of the size of the Company and the involvement of the Board in the operations of the Company. The Board takes ultimate responsibility for the operations of the Company including remuneration of Directors and executives and nominations to the Board.

#### Audit, Risk and Compliance Committee

The audit committee will initially be comprised of Messrs Apedaile and Hamilton, each of whom is an executive Director and free from any relationships which might, in the opinion of the Board, be construed as a conflict of interest. The Board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies .

Mr Jamie Scoringe is the Chief Financial Officer of the Company. Mr Scoringe will be required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance

with relevant accounting standards. Included in this statement will be confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

### **10.2(e) Shareholder Communication**

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions. Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

### **10.2(f) Identification and Management of Business Risk**

The Board has identified the significant areas of potential business and legal risk of ATG. The identification, monitoring and, where appropriate, the reduction of significant risk to ATG will be the responsibility of the Board.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts will be prepared and reviewed at subsequent Board meetings. Budgets are prepared and compared against actual results.

### **10.2(g) Remuneration**

The non-executive Chairman and the executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$300,000. This amount cannot be increased without the approval of the Company's shareholders. A detailed explanation of the basis and quantum of Directors remuneration is set out in Section 10.8 of this Prospectus.

### **10.2(h) Securities Trading Disclosure**

The Company has a formal policy for dealing in the Company's securities by Directors, employees and contractors. This sets out their obligations regarding disclosure of dealing in the Company's securities. The Constitution permits Directors to acquire securities in the Company, however Company policy prohibits Directors and senior management from dealing the Company's securities at any time while in possession of price sensitive information and for 24 hours after:

- any major announcements;
- the release of the Company's annual and half yearly financial results to the ASX; and
- the annual general meeting.

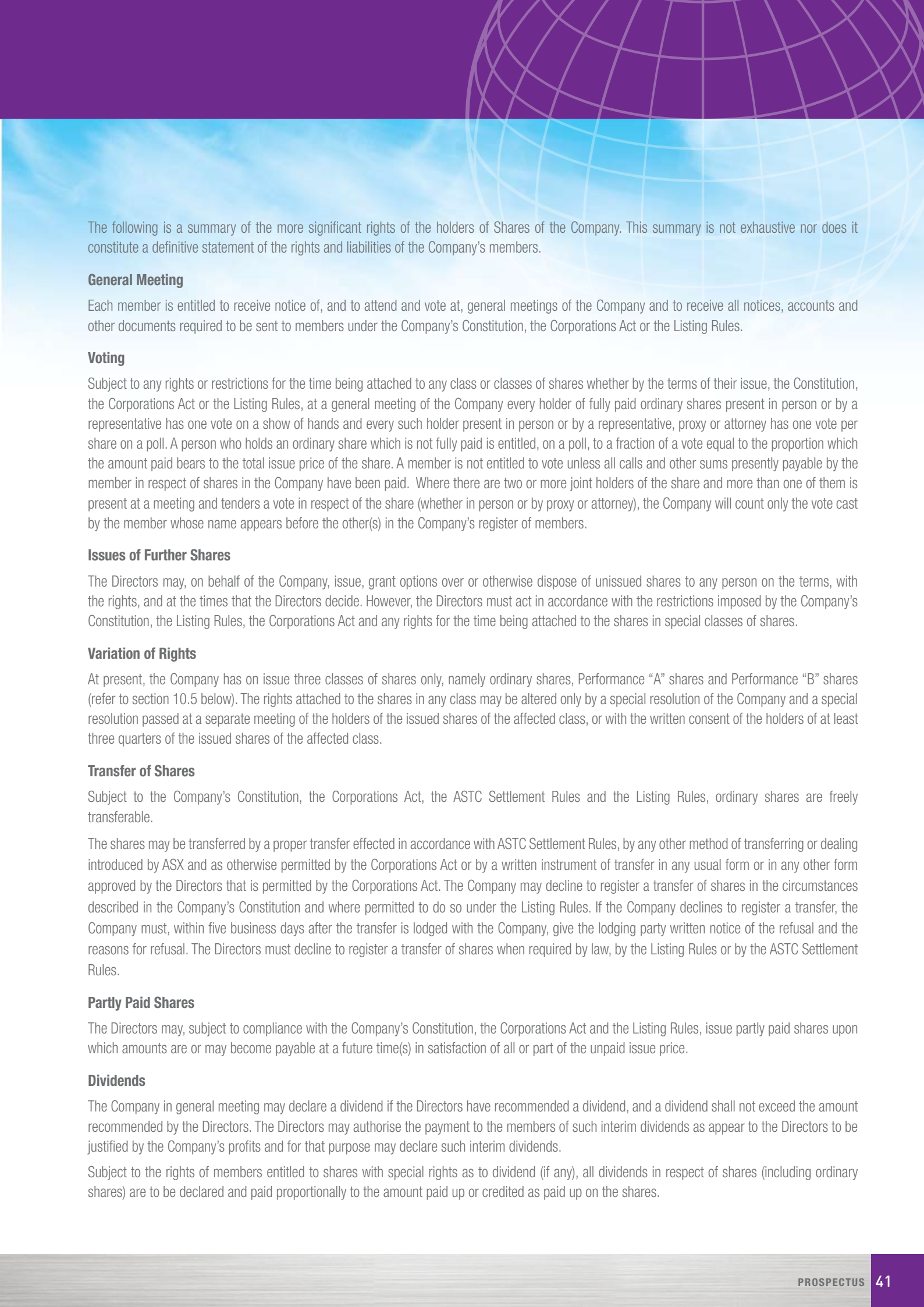
Directors must advise the Chairman of the Board before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules, the Company advises ASX of any transaction conducted by Directors in the securities of the Company.

## **10.3 Litigation**

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

## **10.4 Rights Attaching To Shares**

The Shares to be issued under this Prospectus will rank equally with the issued fully paid ordinary shares in the Company. The rights attaching to Shares are set out in the Company's Constitution and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules and general law.



The following is a summary of the more significant rights of the holders of Shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members.

### **General Meeting**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

### **Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

### **Issues of Further Shares**

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

### **Variation of Rights**

At present, the Company has on issue three classes of shares only, namely ordinary shares, Performance "A" shares and Performance "B" shares (refer to section 10.5 below). The rights attached to the shares in any class may be altered only by a special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

### **Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act, the ASTC Settlement Rules and the Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with ASTC Settlement Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. The Company may decline to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules or by the ASTC Settlement Rules.

### **Partly Paid Shares**

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

### **Dividends**

The Company in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

## Winding Up

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

## Dividend Plans

The Directors or the members of the Company, in general meeting, may establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of shares.

## Directors

The Company's Constitution states that the minimum number of directors is three.

## Powers of the Board

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Company's Constitution.

## 10.5 Rights attaching to Performance Shares

ATG has issued 17,099,500 new Class "A" Converting Performance Shares and 17,099,500 new Class "B" Converting Performance Shares as a bonus issue to shareholders of the Company as at 30 January 2008 (subscribers to seed capital pursuant to the Information Memorandum dated December 2007 do not participate in the Performance Shares) on the basis of 1 Class "A" Converting Performance Share and 1 Class "B" Converting Performance Share for every 4 Shares held.

The rights attaching to the converting Performance "A" Shares are as follows:

- Each Converting Performance "A" Share is a share in the capital of ATG.
- The Converting Performance "A" Shares shall confer on the holder the right to receive notices of general meetings and financial reports and accounts of ATG that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of ATG.
- The Converting Performance "A" Shares do not entitle the holder to vote on any resolutions proposed at a general meeting of shareholders of ATG.
- The Converting Performance "A" Shares do not entitle the holder to any dividends.
- The Converting Performance "A" Shares participate in the surplus profits or assets of ATG upon winding up of ATG only to the extent of \$0.0001 per Converting Performance "A" Share.
- The Converting Performance "A" Shares are not transferable.
- If at any time the issued capital of ATG is reconstructed, all rights of a holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- The Converting Performance "A" Shares will not be quoted on ASX. However, upon conversion of the Converting Performance "A" Shares into fully paid ordinary shares in accordance with *Conversion of the Converting Performance "A" Shares*, ATG must within seven (7) days after the conversion, apply for the official quotation of the ordinary shares arising from the conversion on ASX.
- Holders of Converting Performance "A" Shares will be entitled to participate in new issues of capital offered to holders of ordinary shares such as bonus issues and entitlement issues.
- The Converting Performance "A" Shares give the holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Converting Performance "A" Shares:

- Each Converting Performance "A" Share will convert into one (1) ordinary share if ATG achieves either:
  - (a) a net profit after tax of \$6 million for the financial year ended 30 June 2009; or
  - (b) a net profit after tax of \$16 million for the combined financial years ended 30 June 2009 and 30 June 2010, whichever occurs earlier, (the Milestone).

- If the Milestone is not achieved by 30 June 2010, then all of the Converting Performance “A” Shares held by a holder relating to that Milestone will be automatically redeemed by ATG for the sum of \$0.0001 per Converting Performance “A” Share.
- ATG will issue the Holder with a new holding statement for the ordinary shares as soon as practicable following the conversion of the Converting Performance “A” Shares into ordinary shares in accordance with Conversion of the Converting Performance “A” Shares.
- The ordinary shares into which the Converting Performance “A” Shares will convert will rank pari passu in all respects with existing ordinary shares.

The rights attaching to the converting Performance “B” Shares

- Each Converting Performance “B” Share is a share in the capital of ATG.
- The Converting Performance “B” Shares shall confer on the holder the right to receive notices of general meetings and financial reports and accounts of ATG that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of ATG.
- The Converting Performance “B” Shares do not entitle the holder to vote on any resolutions proposed at a general meeting of shareholders of ATG.
- The Converting Performance “B” Shares do not entitle the holder to any dividends.
- The Converting Performance “B” Shares participate in the surplus profits or assets of ATG upon winding up of ATG only to the extent of \$0.0001 per Converting Performance “B” Share.
- The Converting Performance “B” Shares are not transferable.
- If at any time the issued capital of ATG is reconstructed, all rights of a holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- The Converting Performance “B” Shares will not be quoted on ASX. However, upon conversion of the Converting Performance “B” Shares into fully paid ordinary shares in accordance with Conversion of the Converting Performance “B” Shares, ATG must within seven (7) days after the conversion, apply for the official quotation of the ordinary shares arising from the conversion on ASX.
- Holders of Converting Performance “B” Shares will be entitled to participate in new issues of capital offered to holders of ordinary shares such as bonus issues and entitlement issues.
- The Converting Performance “B” Shares give the holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Converting Performance “B” Shares:

- Each Converting Performance “B” Share will convert into one (1) ordinary share if ATG achieves either:
  - (a) a net profit after tax of \$10 million for the financial year ended 30 June 2010; or
  - (b) a net profit after tax of \$16 million for the combined financial years ended 30 June 2009 and 30 June 2010, whichever occurs first, (the Milestone).
- If the Milestone is not achieved by 30 June 2010, then all of the Converting Performance “B” Shares held by a holder relating to that Milestone will be automatically redeemed by ATG for the sum of \$0.0001 per Converting Performance “B” Share.
- ATG will issue the holder with a new holding statement for the ordinary shares as soon as practicable following the conversion of the Converting Performance “B” Shares into ordinary shares in accordance with *Conversion of the Converting Performance “B” Shares*.
- The ordinary shares into which the Converting Performance “B” Shares will convert will rank pari passu in all respects with existing ordinary shares.

## 10.6 Terms and Conditions of Options

### Options to Directors and Sponsoring Broker

As at the date of this Prospectus, the Company has granted to the Directors a total of 4,500,000 Options (being 1,500,000 each) and agreed to grant to Taylor Collison Limited a total of 2,000,000 Options with an exercise price of \$0.30 cents. The terms and conditions of the Options are as follows:

- (a) each Option entitles the holder to one (1) Share in the Company;
- (b) the Options are exercisable at any time on or prior to 5.00pm (WST) on 31 December 2010 (Expiry Date) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;

- (c) the Option exercise price is \$0.30 per Option;
- (d) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;
- (e) subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable;
- (f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for quotation of the Shares issued upon exercise of the Options on ASX. The Options will not be quoted on ASX;
- (g) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (h) if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

## 10.7 Employee Share Option Scheme

The Company has established an employee incentive option scheme (Scheme). A summary of the terms and conditions of the Scheme is set out below.

### Introduction

The Scheme is designed to provide eligible participants with an ownership interest in the Company and to provide additional incentives for eligible participants to increase profitability and returns to Shareholders.

The summary of the Scheme is set out below for the information of potential investors in the Company. The detailed terms and conditions of the Scheme may be obtained free of charge by contacting the Company.

### General

The Board may from time to time, in its absolute discretion, offer to grant options to eligible participants under the Scheme.

Each option will be issued for no consideration and will carry the right in favour of the option holder to subscribe for one (1) Share in the capital of the Company.

The Board may determine the exercise price of the options in its absolute discretion. Subject to the Listing Rules, the exercise price may be nil but to the extent the Listing Rules specify or require a minimum price, the exercise price in respect of an offer made following the day on which Shares are first quoted on the Official List must not be less than any minimum price specified in the Listing Rules.

### Eligible Participants

Full time employees, part time employees or an associated body corporate (the Group) are eligible to participate in the Scheme.

### Lapse of Options

Unless the Board in its absolute discretion determines otherwise, options shall lapse immediately if:

- (a) the eligible participant ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever and the conditions of exercise of the options (Exercise Conditions) have not been met;
- (b) the Exercise Conditions of the options are unable to be met;
- (c) the date which is 5 years after the date of the grant of the options, or such other expiry date as the Board determines in its discretion at the time of grant of the option (Lapsing Date) has passed; or
- (d) the expiry of 60 days after the eligible participant ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever prior to the Lapsing Date where the Exercise Conditions have been met, whichever is earlier.

### Participation in Future Issues

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the exercise price of the options shall be reduced in accordance with the formula in the Listing Rules.

In the event of a bonus issue of Shares being made pro rata to Shareholders (other than an issue in lieu of dividends), the number of Shares issued on exercise of each option will include the number of bonus Shares that would have been issued if the option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the option.

### **Reorganisation**

The terms upon which options will be granted will not prevent them being reorganised as required by the Listing Rules on the reorganisation of the capital of the Company.

### **Trigger Events**

Upon the occurrence of certain trigger events (for example the receipt by the Company of a bidder's statement in respect of the Company), the Directors may determine:

- a) that the options may be exercised at any time from the date of such determination, and in any number until the date determined by the Directors acting bona fide so as to permit the holder to participate in any change of control arising from a trigger event, provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the options shall lapse to the extent they have not been exercised; or
- (b) to use their reasonable endeavours to procure that an offer is made to holders of options on like terms (having regard to the nature and value of the options) to the terms proposed under the trigger event in which case the Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the options shall immediately become exercisable and if not exercised within 10 days, shall lapse.

## **10.8 Directors' Interests**

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
- the Offer of the Shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or given or agreed to be paid or given to any Director or to any company or firm with which a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her or any company or firm with which the Director is associated in connection with:

- the formation or promotion of the Company; or
- the Offer of the Shares pursuant to this Prospectus.

### **Remuneration of Directors**

Each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Company in a general meeting. The aggregate remuneration for all non-executive Directors has been set at an amount of \$300,000 per annum. The Directors have resolved that non-executive Directors fee to the non-executive Chairman will be \$150,000 per annum.

A summary of the agreements between the Directors and the Company are set out in Section 9.4.

All Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

## Directors' Interests in the Company's Securities

The direct and indirect interests of the Directors in the securities of the Company as at the date of this Prospectus are as follows:

| Director         | Total Shares      | Performance A <sup>1</sup> | Performance B <sup>1</sup> | Options <sup>2</sup> |
|------------------|-------------------|----------------------------|----------------------------|----------------------|
| Richard Siemens  | 13,860,170        | 3,335,458                  | 3,335,458                  | 1,500,000            |
| Steven Apedaile  | 13,860,170        | 3,210,458                  | 3,210,458                  | 1,500,000            |
| Anthony Hamilton | 13,860,170        | 3,210,458                  | 3,210,458                  | 1,500,000            |
| <b>Total</b>     | <b>41,580,510</b> | <b>9,756,374</b>           | <b>9,756,374</b>           | <b>4,500,000</b>     |

Notes: <sup>1</sup> The terms and conditions of Performance shares are set out in Section 10.5 of the Prospectus. The Performance Shares are issued when certain company wide milestones are met. <sup>2</sup> The terms and conditions of the Options are set out in Section 10.6 of this Prospectus. The Options are exercisable at \$0.30 on or before 30 December 2010.

## Shareholding Qualifications

The Directors are not required to hold any Shares under the Constitution of the Company.

## Indemnity and Access

The Company has entered into or intends to enter into Deeds of Indemnity and Access with each of the Directors as referred to in section 9.5 of this Prospectus.

## Insurance

The Company maintains Directors' and Officers' Liability Insurance on behalf of the Directors and Officers of the Company.

## 10.9 Interests of Named Persons

Except as disclosed in this Prospectus, no promoter, underwriter, expert or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares pursuant to this Prospectus; or
- the Offer of the Shares pursuant to this Prospectus.

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

Pendragon Capital Limited ("Pendragon") has acted as the investigating accountant in relation to the Offer. As investigating accountant, Pendragon have been involved in undertaking due diligence in relation to financial and taxation matters and preparing pro-forma financial accounts, and have prepared the Investigating Accountant's Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay Pendragon a total of \$9,200 (exclusive of GST) for these services. Pendragon has not received any other fees from the Company in the 2 years preceding the date of this Prospectus.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and with the preparation of this Prospectus, Steinepreis Paganin has been involved in undertaking certain due diligence enquiries in relation to legal matters and providing legal advice to the Company in relation to the Offer. In respect of this work, the Company has agreed to pay Steinepreis Paganin approximately \$30,000 (exclusive of GST) for these services up to the date of this Prospectus. In addition, Steinepreis Paganin has not received any professional fees from the Company for any other services prior to the date of this Prospectus.

Griffith Hack has acted as the Patent Attorney to the Company and prepared the Patent's Attorney report included in Section 7 of this Prospectus, in respect of this work, the Company has agreed to pay Griffith Hack up to \$5,000 (exclusive of GST) for these services up to the date of this Prospectus.

Wolfstar Group Pty Ltd has acted as Corporate Advisers to the Company in relation to this Prospectus. In respect of this work, Wolfstar Group Pty Ltd is estimated to receive fees of between \$105,000 and \$165,000 (exclusive of GST). A summary of the agreement between the Company and Wolfstar Group Pty Ltd is set out in Section 9.3. Wolfstar Group Pty Ltd has not received any other fees from the Company in the 2 years preceding the date of this Prospectus.

## 10.10 Expenses of the Offer

The estimated expenses (exclusive of GST) connected with the Offer which are payable by the Company, based on the minimum subscription of \$6,000,000 and maximum subscription of \$10,000,000 are as follows:

|                                      | Based on Minimum Subscription | Based on Maximum Subscription |
|--------------------------------------|-------------------------------|-------------------------------|
| Brokerage fees                       | 410,000                       | 650,000                       |
| Independent Accountants' Report      | 10,000                        | 10,000                        |
| Legal Expenses                       | 30,000                        | 30,000                        |
| Patent Attorney fees                 | 5,000                         | 5,000                         |
| ASX and ASIC fees                    | 25,000                        | 35,000                        |
| Corporate Adviser Fees               | 105,000                       | 165,000                       |
| Printing, marketing and distribution | 25,000                        | 25,000                        |
| <b>Total</b>                         | <b>610,000</b>                | <b>920,000</b>                |

## 10.11 Consents

Each of the parties referred to in this Section:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

**Pendragon Capital Limited** has given its written consent to the inclusion in Section 8 of this Prospectus of their Investigating Accountant's Report and to all statements referring to that report in the form and context in which they appear, and to being named as Investigating Accountant in this Prospectus, and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

**Ernst & Young** has given its written consent to being named auditor of ATG, and has not withdrawn such consent before lodgement of this Prospectus.

**Steinepreis Paganin** has given its written consent to being named in this Prospectus as Solicitor to the Offer, and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

**Griffith Hack** has given their written consent to the inclusion in Section 7 of this Prospectus of their Patent Attorney's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

**Taylor Collison Limited** has given and as at the date hereof has not withdrawn its written consent before lodgement of this Prospectus with ASIC, to be named in as the Sponsoring Broker to the Offer.

**Wolfstar Group Pty Ltd** has given and as at the date hereof has not withdrawn their written consent before lodgement of this Prospectus with ASIC, to be named in this Prospectus as the Corporate Advisers to the Company in the form and context in which it is named.

**Computershare Investor Services Pty Ltd** has given and, as at the date hereof, has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare has not authorised or caused the issue of any part of this Prospectus.

There are a number of other persons referred to in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

## 10.12 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC and the issue of securities in response to an electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at [info@ATGgroup.com.au](mailto:info@ATGgroup.com.au) and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the Application Monies received will be dealt with in accordance with Section 722 of the Corporations Act.

# 11. Financial Information

## 11.1 Introduction

This Section includes the following financial information (Financial Information), as extracted from the reviewed financial report of Australian Automotive Components Pty Limited:

- reviewed consolidated income statement for the 6 months ended 31 December 2007;
- the historical balance sheet as at 31 December 2007.

The Financial Information is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report or financial statement in accordance with the Corporations Act 2001.

The reviewed consolidated income statement of the Company for the 6 months ended 31 December 2007 should not be relied upon, nor is it representative of, future income of the Company, and investors should not rely on these figures as an indication of future profitability of the Company.

Pendragon Capital Ltd has reviewed the Financial Information contained in this Section and has prepared the Investigating Accountant's Report (see Section 8).

The Financial Information in this Section should be read in conjunction with the risk factors associated with an investment in Australian Automotive Component Pty Ltd set out in Section 6, the Investigating Accountant's Report set out in Section 8 and other information contained in this Prospectus.

## 11.2 Consolidated Income Statements

Set out below is the consolidated income statements for the 6 months ended 31 December 2007 (as extracted from the reviewed financial report).

### INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

|                                                                                                | NOTES | CONSOLIDATED ENTITY<br>6 Months<br>31 Dec 2007<br>\$ | 12 Months<br>30 June 2007<br>\$ |
|------------------------------------------------------------------------------------------------|-------|------------------------------------------------------|---------------------------------|
| <b>Revenue from continuing operations</b>                                                      | 2     | 513,524                                              | 1,161,871                       |
| Cost of goods sold                                                                             |       | 466,227                                              | 952,153                         |
| Employee benefits expense                                                                      |       | 1,343,473                                            | 2,163,575                       |
| Depreciation and amortisation expenses                                                         | 3     | 380,172                                              | 319,306                         |
| Borrowing costs expense                                                                        | 3     | 87,189                                               | 285,856                         |
| Consultancy fees                                                                               |       | 282,000                                              | 244,324                         |
| Other expenses from ordinary activities                                                        |       | 657,239                                              | 840,523                         |
| <b>Profit / (loss) from continuing operations before income tax expense</b>                    | 3     | (2,703,046)                                          | (3,643,866)                     |
| Income tax benefit                                                                             | 4     | -                                                    | 308,909                         |
| <b>Net Profit / (Loss) attributable to members of Australian Automotive Components Pty Ltd</b> |       | (2,703,046)                                          | (3,334,957)                     |

### 11.3 Historical Balance Sheet

The following sets out the balance sheet as at 31 December 2007 (as extracted from the reviewed financial report).

The notes to the historical balance sheet and the pro-forma balance sheet as at 31 December 2007 are set out in Sections 11.4 of this Prospectus.

## BALANCE SHEET

### AS AT 31 DECEMBER 2007

|                                      | NOTES | CONSOLIDATED ENTITY |                    |
|--------------------------------------|-------|---------------------|--------------------|
|                                      |       | 31 Dec 2007<br>\$   | 30 June 2007<br>\$ |
| <b>CURRENT ASSETS</b>                |       |                     |                    |
| Cash and cash equivalents            | 5     | 224,007             | 14,345             |
| Trade and other receivables          | 6     | 101,675             | 192,338            |
| Inventories                          | 7     | 1,802,127           | 1,703,669          |
| <b>TOTAL CURRENT ASSETS</b>          |       | <u>2,127,809</u>    | <u>1,910,352</u>   |
| <b>NON-CURRENT ASSETS</b>            |       |                     |                    |
| Property, plant and equipment        | 8     | 2,694,653           | 2,680,890          |
| Other financial assets               | 9     | 266,286             | 509,417            |
| <b>TOTAL NON-CURRENT ASSETS</b>      |       | <u>2,960,939</u>    | <u>3,190,307</u>   |
| <b>TOTAL ASSETS</b>                  |       | <u>5,088,748</u>    | <u>5,100,659</u>   |
| <b>CURRENT LIABILITIES</b>           |       |                     |                    |
| Trade and other payables             | 10    | 8,771,429           | 6,422,958          |
| Interest bearing liabilities         | 11    | 1,137,330           | 406,112            |
| Provisions                           | 12    | 246,354             | 584,106            |
| <b>TOTAL CURRENT LIABILITIES</b>     |       | <u>10,155,113</u>   | <u>7,413,176</u>   |
| <b>NON-CURRENT LIABILITIES</b>       |       |                     |                    |
| Interest bearing liabilities         | 13    | 299,478             | 402,439            |
| Other non-current liabilities        | 14    | 464,280             | 1,449,486          |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |       | <u>763,758</u>      | <u>1,851,925</u>   |
| <b>TOTAL LIABILITIES</b>             |       | <u>10,918,871</u>   | <u>9,265,101</u>   |
| <b>NET ASSETS</b>                    |       | <u>(5,830,123)</u>  | <u>(4,164,442)</u> |
| <b>EQUITY</b>                        |       |                     |                    |
| Contributed equity                   | 15    | 5,794,988           | 4,900,463          |
| Reserves                             | 16    | 832,088             | 689,248            |
| Accumulated Losses                   | 17    | (12,457,199)        | (9,754,153)        |
| <b>TOTAL EQUITY</b>                  |       | <u>(5,830,123)</u>  | <u>(4,164,442)</u> |

## 11.4 Summary of Significant Accounting Policies

The reviewed historical balance sheets have been prepared in accordance with recognition and measurement requirements (but not the disclosure requirements) of Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the financial statements and notes of Australian Automotive Components Pty Ltd comply with International Financial Reporting Standards (IFRS).

The significant accounting policies adopted by the Company are set out below.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

31 DECEMBER 2007

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

This special purpose condensed financial report has been prepared at the request of the Directors. The directors have determined that the company is not a reporting entity.

Australian Automotive Components Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report is prepared in accordance with the basis of accounting specified by the following applicable Accounting Standards:

AASB 110: Events Occurring After Reporting Date  
AASB 117: Leases  
AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors  
AASB 112: Income Taxes  
AASB 116: Property, Plant & Equipment  
AASB 119: Employee Benefits  
AASB 108: Cash Flow Statements  
AASB 1031: Materiality

The disclosure requirements of the abovementioned accounting standards have not necessarily been complied with. No other Accounting Standards have been adopted in the preparation of this special purpose financial report.

The financial report is also prepared on a going concern basis, using the accrual basis of accounting. It is based on historical cost and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies have been adopted in preparation of this report:

### (b) Principles of Consolidation

A controlled entity is any entity controlled by Australian Automotive Components Pty Limited. Control exists where Australian Automotive Components Pty Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Australian Automotive Components Pty Limited to achieve the objectives of Australian Automotive Components Pty Limited. Details of the controlled entities are contained in Note 19.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

**(c) Revenue Recognition**

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities of the sale of automotive components.

**(d) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

**(e) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the lease. Lease entries have not been accounted for at the time of this report.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in periods in which they are incurred.

**(f) Investments**

Investments are carried at cost or director's valuation. Dividends are brought to account in the statement of financial performance when received.

**(g) Acquisition of Assets**

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up at the date of acquisition plus costs incidental to the acquisition.

**(h) Recoverable Amount of Non-Current Assets**

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset exceeds its recoverable amount the asset is re-valued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still standing to the credit of the asset revaluation reserve, the document is debited directly to that reserve. Otherwise the decrement is recognised in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted.

**(i) Income Tax**

On the 1<sup>st</sup> of July 2004, the Company determined to consolidate entities for the purposes of Income Tax as permitted by the Australian Taxation Office. At the date of this report, the Company has consolidated carried forward Tax losses of \$11,153,247 (2007: \$8,450,201). The Company cannot determine the recoverability of the tax losses until such time that it is in a position to utilise the tax losses, and as such has not brought these to account.

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

### (j) Depreciation of Plant and Equipment

Depreciation is calculated so as to write off the net cost or re-valued amount of each item of plant and equipment over its expected useful life to the entity. Estimates of expected useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The depreciation rates for each class of assets are as follows:

Building Improvements and fit-out: 0-30%  
Plant and Equipment: 15%  
Engineering Equipment and software: 15-37.5%  
Furniture and office equipment: 7.5-37.5%  
Motor Vehicles: 18.75%  
Leasehold Improvements: 15-50%  
Low value pool: 18.75%

### (k) Amortisation of Intellectual Property

Acquired intellectual property is amortised over the remaining life of each patent on a straight line basis.

### (l) Employee Entitlements

#### *Wages and Salaries, Annual Leave and Long Service Leave*

Liabilities for employee entitlements such as annual leave and wages and salaries expected to be settled within 12 months are measured at the appropriate amounts expected to be paid when the liabilities are settled.

Liabilities for Long Service Leave are recognised and measured in the present value of expected future payments bearing in mind expected future wage and salaries levels experience of employee endurance, departures and periods of service.

#### *Superannuation*

The entity contributes to a superannuation plan in respect of Australian employees of the consolidated entity in accordance with the Superannuation Guarantee (Administration) Act.

### (m) Maintenance and Repairs

Maintenance, repair costs and minor renewals are charged as expenses are incurred.

### (n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and remain unpaid at the end of the reporting period. These amounts are non interest bearing, unsecured and are usually paid within specifically negotiated terms of recognition.

### (o) Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

### (p) Trade and Other Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement which is no more than 30 days. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

**(q) Provisions**

Provisions for service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

**(r) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

**(s) Critical Accounting Estimates and Assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. No estimates or assumptions made are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**(t) Going Concern**

As at 31 December 2007, the consolidated entity had a net working capital deficiency of \$8,027,304, and incurred a loss after tax of \$2,703,046 and had a net operating cash outflow of \$2,101,436 for the six months ended 31 December 2007. Subsequent to the half year, \$7,381,643 of related party debt was converted to equity. Seed capital of \$2million was also raised in preparation for an initial public offering seeking to raise between \$6million and \$10million (as detailed at note 20). The Board of Directors consider the company will be able to pay their debts as and when they fall due. This ability is dependant, however, on shareholder funding and the successful completion of the planned capital raising.

The Financial Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

**(u) Comparatives**

The comparative information provided in this financial report represents financial information for the consolidated entity for the year ended 30 June 2007.

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

### CONSOLIDATED ENTITY

|                                                                                                                   | 6 Months<br>31 Dec 2007<br>\$ | 12 Months<br>30 June 2007<br>\$ |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------|
| <b>2. REVENUE</b>                                                                                                 |                               |                                 |
| <b>Operating activities</b>                                                                                       |                               |                                 |
| Sales of goods and services                                                                                       | 311,518                       | 1,102,777                       |
| <b>Non-operating activities</b>                                                                                   |                               |                                 |
| Interest / sundry income                                                                                          | 152                           | 1,614                           |
| Convertible Note Interest reversed                                                                                | 194,924                       | -                               |
| Proceeds on disposal of non-current assets                                                                        | 6,660                         | 57,480                          |
| <b>Total revenue</b>                                                                                              | <b>513,524</b>                | <b>1,161,871</b>                |
| <b>3. LOSS FROM ORDINARY ACTIVITIES</b>                                                                           |                               |                                 |
| <b>Net Gains and Expenses</b>                                                                                     |                               |                                 |
| Profit from ordinary activities before income tax expense includes the following specific net gains and expenses: |                               |                                 |
| <b>Net Gains</b>                                                                                                  |                               |                                 |
| Net gain / (loss) on disposal of property, plant and equipment                                                    | 6,660                         | 1,227                           |
| <b>Expenses</b>                                                                                                   |                               |                                 |
| Cost of sales of goods                                                                                            | 466,227                       | 952,153                         |
| <b>Depreciation of non-current assets</b>                                                                         |                               |                                 |
| Building improvements & fitout                                                                                    | 27,230                        | 10,009                          |
| Plant, equipment and motor vehicles                                                                               | 86,018                        | 262,893                         |
| Total depreciation                                                                                                | 113,248                       | 272,901                         |
| <b>Amortisation</b>                                                                                               |                               |                                 |
| Leasehold improvements                                                                                            | 23,793                        | 46,405                          |
| Patent Amortisation                                                                                               | 243,131                       | -                               |
| Total amortisation                                                                                                | 266,924                       | 46,405                          |
| <b>Borrowing costs</b>                                                                                            |                               |                                 |
| Interest and finance charges paid                                                                                 | 87,189                        | 184,936                         |
| Convertible note interest                                                                                         | -                             | 100,920                         |
| Total borrowing costs                                                                                             | 87,189                        | 285,856                         |
| <b>Impairment Loss</b>                                                                                            |                               |                                 |
| Write-off of Intercompany receivable                                                                              | -                             | -                               |
| Employee payments including benefits                                                                              | 1,343,473                     | 2,163,575                       |
| Rental charges                                                                                                    | 67,271                        | 149,941                         |

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

### CONSOLIDATED ENTITY

31 Dec 2007      30 June 2007  
\$                      \$

#### 4. INCOME TAX

##### Income tax expense

The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

|                                                                     |             |                |
|---------------------------------------------------------------------|-------------|----------------|
| Profit / (loss) from ordinary activities before income tax expense. | (2,703,046) | (3,643,866)    |
| Income tax calculated at 30%                                        | (810,914)   | (1,093,160)    |
| Tax effect of permanent differences:                                |             |                |
| Non-deductible entertainment                                        | -           | 3,211          |
| Income tax adjusted for permanent differences                       | (810,914)   | (1,089,949)    |
| Tax losses and timing differences not recognised                    | 810,914     | 1,089,949      |
| Research and Development tax benefits                               | -           | 308,909        |
| <b>Aggregate income tax benefit</b>                                 | <b>-</b>    | <b>308,909</b> |

#### 5. CASH AND CASH EQUIVALENTS

|              |                |               |
|--------------|----------------|---------------|
| Cash at bank | 223,900        | 13,345        |
| Cash on hand | 107            | 1,000         |
|              | <b>224,007</b> | <b>14,345</b> |

#### 6. CURRENT ASSETS – Trade and Other

##### Receivables

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Trade receivables                  | 30,197         | 31,217         |
| Less: provision for doubtful debts | (6,244)        | (7,383)        |
| Prepayments                        | 77,722         | 168,504        |
|                                    | <b>101,675</b> | <b>192,338</b> |

#### 7. CURRENT ASSETS – Inventories

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Work in progress – at cost       | 727,172          | 637,298          |
| Finished goods – at cost         | 1,074,955        | 1,066,371        |
| Less: Provision for obsolescence | -                | -                |
|                                  | <b>1,802,127</b> | <b>1,703,669</b> |

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

### 8. Non-Current Assets – Property, Plant & Equipment

| CONSOLIDATED ENTITY                | Land & Buildings | Building Improvements | Manufacturing plant & Equipment | Engineering Equipment & Software | Motor Vehicles | Office Furniture & Equipment | Workshop Equipment Low pool <\$400 | Total \$  |
|------------------------------------|------------------|-----------------------|---------------------------------|----------------------------------|----------------|------------------------------|------------------------------------|-----------|
| <b>At 1 July 2006</b>              |                  |                       |                                 |                                  |                |                              |                                    |           |
| Cost or fair value                 | 498,090          | 129,490               | 1,137,284                       | 94,481                           | 332,193        | 182,458                      | 487                                | 2,374,483 |
| Accumulated Depreciation           | (20,638)         | (288,475)             | (16,917)                        | (37,923)                         | (101,687)      | (30)                         | (465,670)                          |           |
| Net book amount                    | 498,090          | 108,852               | 848,809                         | 77,564                           | 230,506        | 144,535                      | 457                                | 1,908,813 |
| <b>Year ended 30 June 2007</b>     |                  |                       |                                 |                                  |                |                              |                                    |           |
| Opening net book amount            | 498,090          | 108,852               | 848,809                         | 77,564                           | 230,506        | 144,535                      | 457                                | 1,908,813 |
| Revaluation Surplus                | 689,248          |                       |                                 |                                  |                |                              |                                    | 689,248   |
| Additions                          |                  | 73,951                | 154,217                         | 14,139                           | 39,000         | 48,169                       | 1,243                              | 330,719   |
| Disposals                          |                  | (132)                 | (24,221)                        | (3,391)                          | (60,044)       | (9,197)                      |                                    | (97,525)  |
| Depreciation Charge                |                  | (10,009)              | (168,940)                       | (24,587)                         | (43,941)       | (56,227)                     | (208)                              | (303,800) |
| Closing Net book amount            | 1,187,338        | 172,663               | 809,865                         | 63,185                           | 165,521        | 127,391                      | 1,493                              | 2,527,455 |
| <b>At 30 June 2007</b>             |                  |                       |                                 |                                  |                |                              |                                    |           |
| Cost or fair value                 | 1,187,338        | 203,242               | 1,267,272                       | 104,360                          | 247,575        | 208,660                      | 1,730                              | 3,220,177 |
| Accumulated Depreciation           | (30,579)         | (457,408)             | (41,175)                        | (82,053)                         | (81,269)       | (238)                        |                                    | (692,722) |
| Net book amount                    | 1,187,338        | 172,663               | 809,865                         | 63,185                           | 165,521        | 127,391                      | 1,493                              | 2,527,455 |
| <b>Half Year ended 30 Dec 2007</b> |                  |                       |                                 |                                  |                |                              |                                    |           |
| Opening net book amount            | 1,187,338        | 172,663               | 811,357                         | 63,185                           | 165,521        | 127,391                      |                                    | 2,527,455 |
| Revaluation Surplus                | 142,841          |                       |                                 |                                  |                |                              |                                    | 142,841   |
| Additions                          |                  | 781                   | 1,431                           |                                  | 6,500          | 5,626                        |                                    | 14,338    |
| Disposals                          |                  |                       |                                 |                                  | (11,431)       |                              |                                    | (11,431)  |
| Depreciation Charge                |                  | (5,439)               | (61,121)                        | (9,510)                          | (15,387)       | (21,791)                     |                                    | (113,247) |
| Closing Net book amount            | 1,330,179        | 168,004               | 751,667                         | 53,675                           | 145,203        | 111,226                      |                                    | 2,559,955 |
| <b>At 31 December 2007</b>         |                  |                       |                                 |                                  |                |                              |                                    |           |
| Cost or fair value                 | 1,330,178        | 204,023               | 1,272,766                       | 104,360                          | 236,075        | 211,954                      |                                    | 3,359,356 |
| Accumulated Depreciation           | (36,018)         | (521,098)             | (50,685)                        | (90,871)                         | (100,728)      | (799,400)                    |                                    | (799,400) |
| Net book amount                    | 1,330,178        | 168,004               | 751,668                         | 53,675                           | 145,203        | 111,226                      |                                    | 2,559,955 |

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

|                                                                                                                                                                                                                                       |  | CONSOLIDATED ENTITY |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------|------------------|
|                                                                                                                                                                                                                                       |  | 31 Dec 2007         | 30 June 2007     |
|                                                                                                                                                                                                                                       |  | \$                  | \$               |
| <b>8. NON CURRENT ASSETS – Property, Plant &amp; Equipment</b>                                                                                                                                                                        |  |                     |                  |
| Leased Assets                                                                                                                                                                                                                         |  |                     |                  |
| Leasehold improvements                                                                                                                                                                                                                |  |                     |                  |
| Cost                                                                                                                                                                                                                                  |  | 205,926             | 200,870          |
| Accumulated Depreciation                                                                                                                                                                                                              |  | (71,228)            | (47,434)         |
| Net Book Amount                                                                                                                                                                                                                       |  | <u>134,698</u>      | <u>153,435</u>   |
| <b>9. NON CURRENT ASSETS – Other financial Assets</b>                                                                                                                                                                                 |  |                     |                  |
| Intellectual Property – Sprintex Technology                                                                                                                                                                                           |  | 881,119             | 881,119          |
| Less: Provision for diminution                                                                                                                                                                                                        |  | (614,833)           | (371,702)        |
|                                                                                                                                                                                                                                       |  | <u>266,286</u>      | <u>509,417</u>   |
| <b>10. CURRENT LIABILITIES – Trade and Other Payables</b>                                                                                                                                                                             |  |                     |                  |
| Trade creditors and accruals                                                                                                                                                                                                          |  | 582,268             | 504,528          |
| Loans from related entities                                                                                                                                                                                                           |  | 7,381,643           | 5,715,336        |
| Other creditors                                                                                                                                                                                                                       |  | 807,518             | 203,094          |
|                                                                                                                                                                                                                                       |  | <u>8,771,429</u>    | <u>6,422,958</u> |
| <b>11. CURRENT LIABILITIES – Interest bearing liabilities</b>                                                                                                                                                                         |  |                     |                  |
| Bank overdraft                                                                                                                                                                                                                        |  | 900,049             | 84,201           |
| Insurance Premium Funding                                                                                                                                                                                                             |  | 55,572              | 162,797          |
| Hire purchase liability                                                                                                                                                                                                               |  | 181,709             | 159,113          |
|                                                                                                                                                                                                                                       |  | <u>1,137,330</u>    | <u>406,112</u>   |
| The Bank overdraft is secured by a fixed and floating charge over the assets and undertakings of the Company, a first registered mortgage over the property at 73 Resource Way, Malaga, and guarantees by the two executive directors |  |                     |                  |
| <b>12. CURRENT LIABILITIES – Provisions</b>                                                                                                                                                                                           |  |                     |                  |
| Provision for income tax                                                                                                                                                                                                              |  |                     |                  |
| Provision for warranty                                                                                                                                                                                                                |  | 42,993              | 54,667           |
| Provision for contingent liabilities                                                                                                                                                                                                  |  | -                   | 425,377          |
| Provision for employee entitlements                                                                                                                                                                                                   |  | 203,361             | 104,062          |
|                                                                                                                                                                                                                                       |  | <u>246,354</u>      | <u>584,106</u>   |
| Number of employees at year end                                                                                                                                                                                                       |  | <u>32</u>           | <u>42</u>        |
| <b>13. NON-CURRENT LIABILITIES – Interest bearing liabilities</b>                                                                                                                                                                     |  |                     |                  |
| Hire purchase liability                                                                                                                                                                                                               |  | 299,478             | 402,439          |
|                                                                                                                                                                                                                                       |  | <u>299,478</u>      | <u>402,439</u>   |

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

|                                                                                                                                                                                                                                                                                                                                                |  | CONSOLIDATED ENTITY |              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------|--------------|
|                                                                                                                                                                                                                                                                                                                                                |  | 31 Dec 2007         | 30 June 2007 |
|                                                                                                                                                                                                                                                                                                                                                |  | \$                  | \$           |
| <b>14. NON-CURRENT LIABILITIES – Other</b>                                                                                                                                                                                                                                                                                                     |  |                     |              |
| Convertible Note                                                                                                                                                                                                                                                                                                                               |  | -                   | 1,043,659    |
| Directors loan accounts - unsecured                                                                                                                                                                                                                                                                                                            |  | 464,280             | 405,827      |
|                                                                                                                                                                                                                                                                                                                                                |  | 464,280             | 1,449,486    |
| <b>15. CONTRIBUTED EQUITY</b>                                                                                                                                                                                                                                                                                                                  |  |                     |              |
| (a) Paid up capital – ordinary                                                                                                                                                                                                                                                                                                                 |  | 5,794,988           | 4,594,988    |
| Convertible Note                                                                                                                                                                                                                                                                                                                               |  | -                   | 305,475      |
|                                                                                                                                                                                                                                                                                                                                                |  | 5,794,988           | 4,900,463    |
| (b) Opening value of contributed equity                                                                                                                                                                                                                                                                                                        |  | 4,900,463           | 3,400,463    |
| Conversion of Convertible Note                                                                                                                                                                                                                                                                                                                 |  | 894,525             | -            |
| Outside equity contributions (conversion of intercompany account)                                                                                                                                                                                                                                                                              |  | -                   | 1,500,000    |
| Closing value of contributed equity                                                                                                                                                                                                                                                                                                            |  | 5,794,988           | 4,900,463    |
| <b>16. RESERVES</b>                                                                                                                                                                                                                                                                                                                            |  |                     |              |
| Asset revaluation reserve                                                                                                                                                                                                                                                                                                                      |  | 832,088             | 689,248      |
|                                                                                                                                                                                                                                                                                                                                                |  | 832,088             | 689,248      |
| <b>17. ACCUMULATED LOSSES</b>                                                                                                                                                                                                                                                                                                                  |  |                     |              |
| Accumulated losses at the beginning of the financial period                                                                                                                                                                                                                                                                                    |  | (9,754,153)         | (6,419,196)  |
| Net Profit/ (loss) attributable to members of Australian Automotive Components Pty Limited                                                                                                                                                                                                                                                     |  | (2,703,046)         | (3,334,957)  |
| Accumulated losses at the end of the financial period                                                                                                                                                                                                                                                                                          |  | (12,457,199)        | (9,754,153)  |
| <b>18. STATEMENT OF CASH FLOWS</b>                                                                                                                                                                                                                                                                                                             |  |                     |              |
| <b>(a) Reconciliation of Cash</b>                                                                                                                                                                                                                                                                                                              |  |                     |              |
| For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash at 30 June 2007 as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: |  |                     |              |
| Cash assets – cash at bank                                                                                                                                                                                                                                                                                                                     |  | 224,007             | 14,345       |
| Interest bearing liabilities – bank overdraft                                                                                                                                                                                                                                                                                                  |  | (900,049)           | (84,201)     |
|                                                                                                                                                                                                                                                                                                                                                |  | (676,042)           | (69,856)     |

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

|                                                                                                           | CONSOLIDATED ENTITY |                    |
|-----------------------------------------------------------------------------------------------------------|---------------------|--------------------|
|                                                                                                           | 31 Dec 2007         | 30 June 2007       |
|                                                                                                           | \$                  | \$                 |
| <b>18 (b) Reconciliation of cash flows from operating activities to operating profit after income tax</b> |                     |                    |
| Operating profit after income tax                                                                         | (2,703,046)         | (3,334,957)        |
| Depreciation and amortisation                                                                             | 380,172             | 313,941            |
| Issue of shares in lieu of Payment for services provided to the Company                                   | -                   | -                  |
| Net profit on sale of assets                                                                              | (6,660)             | (1,227)            |
| Interest on hire purchase liabilities                                                                     | 20,934              | 52,511             |
| Exchange difference                                                                                       | (129,450)           | (645,022)          |
| Changes in assets and liabilities                                                                         |                     |                    |
| (Increase)/Decrease in trade and other debtors                                                            | 1,020               | 2,102              |
| (Increase)/Decrease in prepayments                                                                        | 90,782              | (45,049)           |
| (Increase)/Decrease in inventories                                                                        | (98,459)            | (525,484)          |
| Increase/(Decrease) in trade and other creditors                                                          | 682,564             | (401,359)          |
| (Increase)/Decrease in provision for contingent liabilities                                               | (425,377)           | -                  |
| Increase/(Decrease) in provision for doubtful debts                                                       | (1,139)             | 646                |
| Increase/(Decrease) in provision for warranty                                                             | (11,676)            | 32,513             |
| Increase/(Decrease) in provision for employee entitlements                                                | 99,299              | 24,011             |
| <b>Net cash flows from operating activities</b>                                                           | <b>(2,101,436)</b>  | <b>(4,527,374)</b> |

### 19. CONTROLLED ENTITIES

The following were controlled entities at 31 December 2007 and are included in the consolidated financial statements. All of the controlled entities have the same financial years as the parent

| Name of Entity                  | Country of Incorporation | 31 Dec 2007 | 30 June 2007 |
|---------------------------------|--------------------------|-------------|--------------|
|                                 |                          | %           | %            |
| <b>Sprintex Australasia</b>     | Australia                | 100         | 100          |
| <b>Vee Two</b>                  | Australia                | 100         | 100          |
| <b>AAC Property Investments</b> | Australia                | 100         | 100          |

## NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

31 DECEMBER 2007

### 20. EVENTS SUBSEQUENT TO REPORTING DATE

#### *Initial Public Offering*

In December 2007 the company directors motioned to make an initial public offering of its shares to raise between \$6m and \$10m before any associated costs. The company is currently in the process of preparing its prospectus for this offering.

#### *Conversion of Automotive Technology Group Limited debt*

On 9 January 2008, the company issued 4,576,175 shares in consideration of \$7,381,643 debt owed to the Company's parent Automotive Technology Group Limited (BVI).

#### *Change in Company Status, Name and Constitution*

On 15 January 2008, the members of the company resolved to change the name and status of the company to Automotive Technology Group Limited. The members also resolved to amend the constitution to reflect the anticipated progression toward the Initial Public Offering.

#### *Share Restructure*

On 30 January 2008, the members of the company resolved to restructure the shares of the company on a four for one basis.

#### *Addition of Share Classes*

On 30 January 2008, the members of the company resolved to create two additional classes of shares, being share classes "A" and "B". Shares issued within these classes will be subject to performance criteria associated with the operating results of the company and will be issued to existing shareholders on 30 January 2008.

#### *Change of Auditors*

On 30 January 2008, the members of the company resolved to appoint Ernst & Young as auditors of the company following the resignation of the previous firm.

#### *Seed Capital*

On 31 January 2008, the Company closed a seed capital placement of \$2,000,000 to various investors including the Directors associated entities.

### 21. COMPANY DETAILS

The registered office of the company is:  
73 Resource Way, MALAGA WA 6090

## 12. Directors' Consents

Each of the Directors has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: 29 February 2008

Signed for and on behalf of the Company



**Steven Apedaile**  
Executive Director

## 13. Definitions

In this Prospectus, unless the context otherwise requires:

**“A\$”** and **“\$”** means Australian dollars, unless otherwise stated.

**“AAC”** means Australian Automotive Components Pty Ltd (the former name of Automotive Technology Group).

**“Aftermarket”** means the market for replacement parts, accessories, and equipment for the care or enhancement of the original product.

**“Applicant”** means a person who submits an Application Form under this Prospectus.

**“Application”** means a valid application to subscribe for Shares.

**“Application Form”** means the application form contained in this Prospectus or a copy of the application form contained in this Prospectus or a direct derivative of the application form which is contained in this Prospectus.

**“Application Money”** means 25 cents per Share being the amount payable in respect of each Share under the Offer.

**“ASIC”** means Australian Securities and Investments Commission.

**“ASTC”** means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

**“ASTC Settlement Rules”** means the operating rules of the ASTC and, to the extent that they are applicable, the operating rules of ASX and the operating rules of Australian Clearing House Pty Ltd.

**“ASX”** means ASX Limited (ACN 008 624 691).

**“ATG”** Automotive Technology Group (formerly known as AAC).

**“BHP”** means Brake Horse Power.

**“Board of Directors”** and **“Board”** means Board of Directors of the Company as constituted from time to time.

**“Business Day”** means a day on which the trading banks are open in Perth, Western Australia.

**“CAFE”** means Corporate Average Fuel Economy.

**“CARB”** means California Air Resources Board.

**“CHESS”** means ASX Clearing House Electronic Subregistry System.

**“Combustion Engine”** means any of various types of engines driven by energy produced by the combustion of a fuel source into a pressured chamber.

**“Crankshaft”** means a rotating shaft driven by (or driving) a crank.

**“Closing Date”** means the date on which the Offer closes.

**“Company”** or **“Automotive Technology Group”** means Australian Automotive Components Pty Ltd (ACN 106 337 599). Conversion to a public company to be known as Automotive Technology Group Limited was gazetted on 26 February 2008 and is scheduled to occur on 26 March 2008.

**“Computershare”** means Computershare Investor Services Pty Ltd (ACN 078 279 277).

**“Constitution”** means the constitution of the Company.

**“Corporations Act”** means the Corporations Act 2001 of Australia.

**“CO<sub>2</sub>”** means carbon dioxide.

**“Directors”** means the directors of the Company.

**“Ducati”** is a registered trademark of Ducati SpA, Italy and is a well known motorcycle brand and has no direct association with the Company.

**“Exposure Period”** means the period of seven days (or longer as ASIC may direct) from the date of lodgement of the Prospectus with ASIC.

**“Forced induction”** means the process of using a mechanical system to “force” air into an engine rather than traditional vacuum created by naturally aspirated engines.

**“Fuel cells”** means an electrochemical energy conversion device. It produces electricity from various external quantities of fuel (on the anode side) and oxidant (on the cathode side).

**“Harley-Davidson”** and **“V-Rod”** are registered trademarks of Harley-Davidson North America Inc, and is a motorcycle brand and has no direct association with the Company.

**“Honda”** is a registered trademark of Honda Inc, Japan and is an automotive brand and other than the Company’s prototype agreement with Honda Motorcycles and Power Equipment Australia Pty Ltd has no direct association with the Company.

**“HIN”** means holder identification number.

**“Homologation”** means to register (a specific make of automobile in general production) so as to make it eligible for international racing competition or sale to the public.

**“IPO”** means initial public offering.

**“Issue”** means the issue of Shares pursuant to this Prospectus.

**“Issuer Sponsored”** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.

**“LEV”** means Low Emissions Vehicle.

**“Listing Rules”** means listing rules of ASX.

**“Maximum Subscription”** means \$10,000,000 or 40,000,000 Shares.

**“Minimum Subscription”** means \$6,000,000 or 24,000,000 Shares.

**“Mitsubishi”, “Magna”, “Diamante”, and “380”** are all trademarks of Mitsubishi Motor Corp and are well known automotive brands, and other than its alliance with Team Mitsubishi Ralliart Australia and its contract with ATG, Mitsubishi has no direct association with the Company.

**“OEM”** means Original Equipment Manufacturer.

**“Offer”** means the invitation to apply for Shares pursuant to this Prospectus.

**“Offer Period”** means the period commencing on the Opening Date and ending on the Closing Date.

**“Offer Price”** means 25 cents being the amount payable in respect of each Share under the Offer.

**“Official List”** means the Official List of the ASX.

**“Opening Date”** means the date that the Company converts to a public company, expected to occur on 28 March 2008.

**“Option”** means a right to subscribe for a Share.

**“Optionholder”** means a holder of an Option.

**“Oversubscriptions”** means a maximum of \$4,000,000 or 16,000,000 Shares.

**“Patent”** means the exclusive right granted by a government to an inventor to sell or otherwise exploit an invention for a certain number of years.

**“Performance Shares”** means shares in the Company issued with rights as stated in subsection 10.5 of this Prospectus.

**“Positive displacement air pump”** means positive displacement pumps use a mechanical force such as gears or diaphragms to push liquid through and out of the pump.

**“Prospectus”** means this disclosure document.

**“Quotation”** means quotation of the Shares on the Official List.

**“Roots”** means a design style of Supercharger, which makes up the majority of Superchargers available in the marketplace today.

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

**“Shareholder”** means a holder of Shares in the Company.

**“Share Registry”** means Computershare Investor Services Pty Limited (ACN 078 279 277).

**“Sprintex”** means a registered trademark for a brand of Supercharger produced by ATG.

**“Super Squalo Prototype”** means a highly modified, supercharged version of the Ducati 999S, designed and developed by ATG.

**“Supercharger”** means a positive displacement pump mechanism for forcing air into an internal-combustion engine in order to increase engine power, usually driven by the crankshaft.

**“TMR”** is a trademark registered and owned by Team Mitsubishi Ralliart Australia Pty Ltd.

**“Turbo”** or **“Turbocharger”** means turbine which is used to force air into an internal combustion engine in order to increase engine power usually driven by the exhaust gases from the engine.

**“Turbo Lag”** means an event that occurs as the throttle is depressed, a moment of hesitation for the engine power as the exhaust gas spools the turbo up to operating revolutions to enable it to force air back into the engine. This is a characteristic of turbo chargers not evident for Supercharger installations.

**“ULEV”** means Ultra Low Emissions Vehicle.

**“Vacuum seal”** means a space from which all air and other gases have been removed and sealed.

**“Vee Two”** means a registered trademark for a brand of motorcycle specialist and performance parts produced by ATG.

**“WST”** means Western Standard Time as applicable in Perth, Western Australia.





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