



Strachan Corporate

Mar 7th 2008

AFSL: 259730

Automotive Technology Group Ltd Fuel efficient, clean engine technology

Investment Drivers:

- In recent years, ATG's Directors have each contributed significant financial support to development of its patented, supercharger technology, which is now fully tested and ready for commercialisation.
- The company has a minimum equity raising target of \$6 million with the ability to accept up to \$10 million. All of the funds raised (after normal costs), will remain in the company and be applied to development of its business.
- ATG will work in a flexible manner, leveraging off its considerable industry contacts to seek alliances with engine and auto manufacturers and assemblers in order to commercialise its supercharger products.
- Management and Directors are significantly motivated by the issue of performance shares, which will only vest following the generation of substantial and rising operating profits in financial years 2009 and 2010.
- Application of ATG's Sprintex supercharger technology to virtually any type of fuel driven engine has been shown to deliver greater performance, better fuel economy and lower emissions, making this technology highly attractive to automobile and engine manufacturers.
- ATG's Vee Two motorbike parts operation open niche opportunities with bike and scooter manufacturers upon which the company intends to leverage to expand penetration of its Sprintex technology.

Opinion*

As fuel prices continue to rise and exhaust emission regulations begin to bite, demand for ever more fuel efficient, clean engine technology for motor vehicles will continue to grow. ATG has developed a leading technology for application to engines using gasoline, diesel, gas, bio-fuel and virtually any other type of fuel, which has been demonstrated to offer superior performance to existing products currently on the market.

The company's key challenge is to create and expand awareness of its product so as to develop a revenue stream by positioning its products in a highly competitive market.

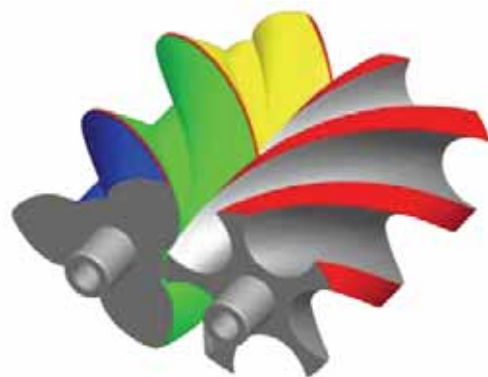
Peter Strachan

*No recommendation is offered for commissioned research.

Board

Non-Exec Chairman Richard Siemens
Executive Director Steven Apedaile
Executive Director Anthony Hamilton

Chief Financial Officer Jamie Scoringe
General Manager Jay Upton



Sprintex Patented Rotor Profile

ATG Offer				
	Minimum Subscription		Maximum Subscription	
	Number	% of Holding	Number	% of Holding
Shares (million)				
Pre-Issue	78.768	76.6%	78.768	66.3%
To be Issued via prospectus	24.000	23.4%	40.000	33.7%
Total	102.768	100%	118.768	100%
Market Capitalisation at offer Price	\$ 25.7		\$ 29.7	
Performance Shares				
Class A	17.100		17.100	
Class B	17.100		17.100	
Unlisted Options				
Director	4.50		4.50	
Broker	2.00		2.00	
Total options	6.50		6.50	

Design & market Sprintex Supercharger systems

Introduction

ATG has two main business divisions. Technology for its Sprintex Superchargers has been developed and refined and is now in common but limited use for motorbikes, cars and other vehicles. The company plans to use new equity being raised by its prospectus, to build inventories and provide marketing support so as to expand sales from this area.

Vee Two is a standalone operation, supplying a wide range of performance parts to Ducati motorbikes and selected other brands, through a distribution network in Europe and Australia.

Sprintex Superchargers

The Sprintex product has been designed to deliver improved engine performance when needed by application of mechanically driven pressure charging, which delivers fuel and oxygen to an engine's combustion chamber in a more efficient manner, resulting in improved overall fuel efficiency. ATG's application of an electronic control unit (ECU) to its supercharger regulates engine ignition and timing, along with fuel and air flows to deliver improved engine performance, lower exhaust emissions and higher fuel efficiency along with no lag in performance timing, typical of turbo-charging systems.

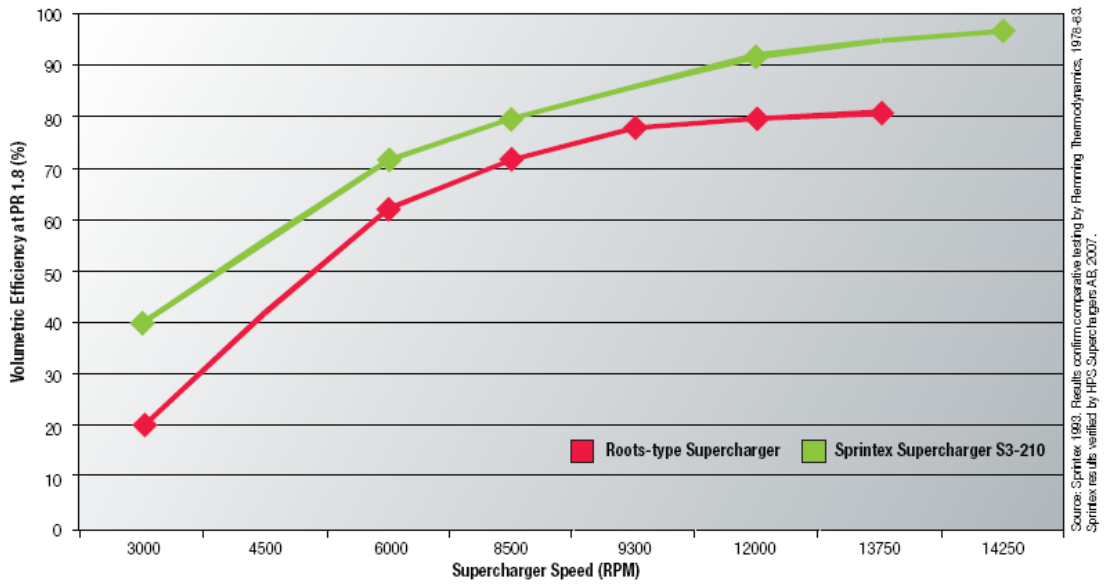
Tests by the company demonstrate that the patented design of its Sprintex supercharger twin screw system delivers higher volumetric efficiency at lower temperatures than competing products.

Highly fuel efficient,

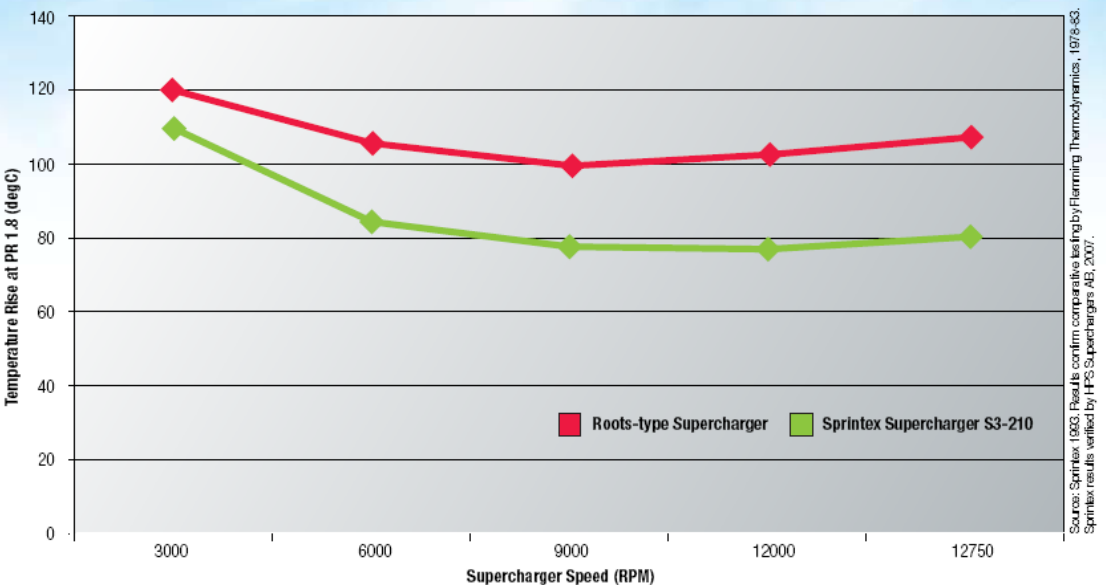
Low emission engine technology

Able to meeting Euro 4 emission standards

Sprintex Performance Advantage – Volumetric Efficiency

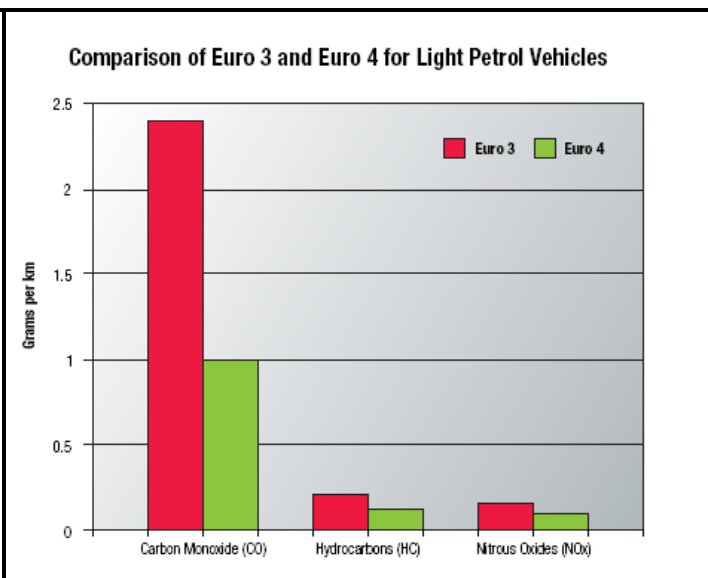
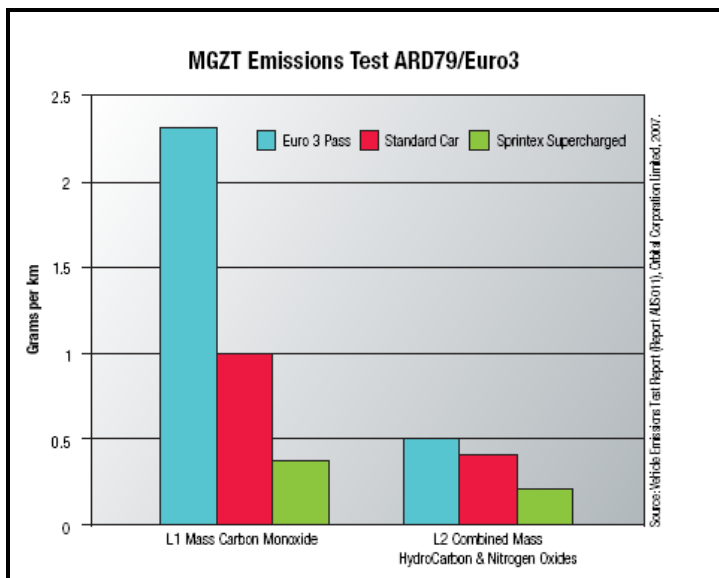


Sprintex Performance Advantage – Temperature Control



Source: Automotive Technology Group Ltd

Tests on the Sprintex supercharger in application on a 2002, MG Rover ZT KV6 engine showed not only that the engine produced power similar to a much larger capacity V8 engine, but it also was able to meet stringent Euro 4 emission standards, as illustrated on the next page:



Source: Automotive Technology Group Ltd

Vee Two

The Vee Two brand has been supplying specialist performance parts to classic and modern Ducati and twin cylinder cycles since 1980. The brand and assets were purchased by ATG in 2005 because of the synergies identified with application and marketing on Sprintex products.

Synergistic Vee Two performance part design, manufacture & distribution

Financial Position

Australian Automotive Components P/L

Balance Sheet *

Current Assets

Cash	7.04
Receivables	0.10
Inventories	1.80
	<u>8.95</u>

Current Liabilities

Payables	1.34
Debt	1.14
Provisions	0.25
	<u>2.73</u>

Long Term Assets

2.96

Non-Current Liabilities

0.30

Net Assets

8.88

Equity

Contributed Equity	20.51
Reserves	0.83
Accumulated Losses	-12.46
	<u>8.88</u>

* Assumes minimum equity raising

Pro-forma On listing

If ATG receives a minimum subscription of \$6 million on listing, flowing repayment of some loans and conversion of debt to equity, ATG will have \$7 million of cash with which to build its business with a focus on Asia.

ATG will list with two lots of 17,099,500 million converting performance shares. Class A performance shares will be converted to normal shares either if the company produces an after tax profit (NPAT) of \$6 million or more for FY 2009 or a combined total of \$16 million or more for FY's 2009 and 2010, which ever occurs first, while Class B converting performance shares will be converted if ATG produces a an NPAT of \$10 million or more in FY 2010 or if the combined NPAT for FY's 2009 and 2010 exceeds \$16 million. These targets are aggressive and stand as a measure of the level of executive management's confidence in the commerciality of the company's technology.

Stiff converting performance share profit hurdles

Markets

The Global original equipment market (OEM) for turbochargers and superchargers has

risen from 11.58 million in 2002 to an estimated 18.98 million in 2007, largely driven by an expanded use of turbocharged diesel engines in Europe, though application to spark ignited engines is gaining pace.

Growing global markets

Until recently, mechanical superchargers have lagged in application because of a perceived limitation associated with the link between speed of rotation and that of the engine's crank shaft. Sprintex has overcome this issue by application of a smart ECU, which acts to control the supercharger's operation.

Turbo vs Mechanical

ATG sees a growing niche for its products to retrofit superchargers to existing engines on motorbikes and other vehicles.

Competitors

The largest supplier of superchargers to the OEM is Eaton Corporation, which produces an inferior product to ATG's helical Sprintex design. The total world OEM market for superchargers in 2006 amounted to 630,000 units.

Eaton Corporation competes

Board & Management

Non-Executive Chairman: Richard Siemens.

Richard is a Chartered Accountant with experience in telecommunications, and business development with special interests in Asia, having been Group Managing Director of Hutchison Telecommunications.

Executive Director Corporate: Steven Apedaile

Steven was a resident of Hong Kong for nearly 25 years, working with KPMG and Horwath as a Director of Audit. He has considerable experience in corporate funding and development.

Executive Director Operations: Anthony Hamilton

Tony is an accountant who worked as a consultant to the European automotive industry over a 10 year period, working on low volume manufacturing procedures and other certification and production programmes.

General Manager: Jay Upton

Jay is an engineer with over 20 years of international automotive engineering experience. He is primarily responsible for commercialisation of the Sprintex's Supercharger range.

SWOT Analysis

STRENGTHS

SUPERIOR PRODUCT PERFORMANCE: The Sprintex supercharger has been shown to deliver a superior operational performance compared with competing products.

FUEL EFFICIENCY: ATG's technologies reduce fuel consumption.

LOW EMISSION TECHNOLOGY: Application of Sprintex can enable engines to meet Euro 3 and potentially Euro-4 emission standards.

NEW EQUITY ALL STAYS IN BUSINESS: All of the new equity will be used to commercialise ATG's products.

MANAGEMENT SIGNIFICANTLY MOTIVATED: Performance shares, set with a substantial profit target hurdle, suggest management confidence.

WEAKNESSES

EFFECTIVE STANDING START: ATG must establish and build a position in the highly competitive engine technology market.

SMALL COMPANY: ATG is a small company in an industry dominated by giants

OPPORTUNITIES

NICHE PLAYER: ATG is nimble enough to take advantage of profitable niche opportunities.

ASIAN GROWTH: Potential partners in the high growth Asian market are likely to adopt new components with greater ease than their European peers.

CLOAK & DAGGER BUSINESS: Sprintex could benefit from the automotive engine businesses high level of secrecy, where new developments are closely guarded to ensure maximum market advantage for new and more efficient equipment.

THREATS

NEW TURBOCHARGER OR SUPERCHARGER TECHNOLOGY: Rapid advancement in alternative technologies.

FUNDING: ATG may require more funds than it has budgeted to commercialise its proven technology.

HOBBYISTS: There is always a danger of distraction from the cause.

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