



Astra Glen Pty Ltd
ABN: 54 006 687 805
10 Seymour Ave, Armadale, Victoria, 3143
P. (03) 9429 2888 F. (03) 9429 5888

25 August 2009

Dear Fellow Shareholder

**Traffic Technologies Limited (TTI)
General Meeting**

Please find **enclosed** a notice of meeting and explanatory statement convening a General Meeting of shareholders of TTI to be held at **10:00am (EST) on Wednesday, 14 October 2009 at Karstens at CQ Level 8, 123 Queen Street, Melbourne, Victoria, 3000** and a proxy form for completion by shareholders who are unable or do not intend to attend the General Meeting.

Background to General Meeting

The General Meeting is being called to put to TTI shareholders various resolutions for the removal of three of the current directors of TTI and the appointment of three new directors.

The action is being taken as a result of the lack of consistent, positive leadership by the Board and management of TTI. This has been and is clearly demonstrated by the poor performance of TTI since late 2007.

There has been a significant, adverse decline in shareholder value that is clearly demonstrated by the decrease in the share price of TTI shown on the **attached** table.

The General Meeting is being called by shareholders Constantine (Con) Scrinis, Astra Glen Pty Ltd (Astra Glen), a company controlled by Con Scrinis, and KJ Aldridge Investment Group Pty Ltd (KJ Aldridge) pursuant to section 249F of the Corporations Act 2001, who together hold 18,511,652 shares, equal to 12.81% of the issued shares of TTI. Under section 249F, Mr. Scrinis, Astra Glen and KJ Aldridge are bearing the expense of calling and holding the General Meeting.

Proposal to Remove Some Current Directors and Appoint New Directors

At the General Meeting, the TTI shareholders will consider the removal of the following existing Directors:

- Ray Horsburgh A.M. – Non-Executive Chairman;
- Alan Brown – Non-Executive Director; and
- Con Liosatos – Managing Director.

It is proposed that existing Directors Rajeev Dhawan and Garry Sladden will remain as Directors following the General Meeting.

The TTI Shareholders will also consider the appointment of the following persons as Directors ("Proposed Directors"):

- Kenneth (Ken) Baxter – Non-Executive Director;
- Andrew Harris – Executive Director; and
- Con Scrinis – Executive Director.



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The Proposed Directors have **significant relevant qualifications and experience and a proven track record** in implementing major organisational and financial changes in difficult economic circumstances and rebuilding profitable companies and organisations.

In relation to TTI in particular, Con Scrinis was the Joint Managing Director of TTI from April 2003 until he resigned on 13 August 2007, during which time he was the key driver behind the formation and growth of TTI. He implemented and effected TTI's initial acquisition of the traffic management business Traffic Services Australia in August 2004 and was instrumental in completing the reinstatement of TTI on the ASX in January 2005. During that time, he completed fifteen further acquisitions creating a business with revenues of over \$100M and the clear leader in its field.

Ken Baxter, most recently was a member of the board and management team that, in two years, turned around Air Niugini Ltd from an unprofitable, debt laden regional airline to a profitable airline with no long term debt. The airline has continued to grow as a major regional airline in Oceania and South East Asia.

Additional details regarding the qualifications and experience of the Proposed Directors are contained in the Notice of General Meeting.

The Proposed Directors have a strong view that TTI's business is capable of being turned around, its debt reduced and the share price improved. TTI has the **capacity to generate significant shareholder value, if effectively led and properly managed** by well qualified and experienced directors with a passion for traffic products and the services industry which is currently benefitting from the Commonwealth and State governments refocussing on infrastructure projects, including road and traffic projects.

Prior to calling the General Meeting, Ken Baxter and Con Scrinis were communicating with representatives of the current TTI Board regarding the appointment of new Directors, the lack of leadership and management by the current Board and the poor performance of TTI. These communications were unproductive.

Poor Performance of Board and Company

For the 2007/2008 financial year, TTI had a reported loss of \$16.2M. In the six months to 31 December 2008, TTI had an EBITDA (earnings before interest, taxes, depreciation and amortisation) of \$1.3M and a reported loss of \$3.2M. This is symptomatic of TTI's poor performance, particularly during a time in which the traffic industry has been benefiting from increased infrastructure spending by Commonwealth and State governments.

Since 2007, the traffic management and traffic signs divisions of TTI have reported significantly lower operating profits and corporate costs continue to escalate. As at 30 June 2009, TTI's senior debt now appears to be in excess of \$44M and TTI's EBITDA barely covers TTI's current interest payments.

The existing TTI Board and management have presided over the share price dropping from a high of 53.5 cents on 30 May 2007 to a recent low of just 2.1 cents on 24 June 2009. Further, TTI has also lost several senior executives and has failed to demonstrate that it has the ability to successfully operate and grow TTI's business.

Importantly, TTI's recent placement of 18,838,717 shares at 3.5 cents per share announced to ASX on 10 August 2007 represents a discount of approximately 40% to the five day weighted trading average prior to the placement. Our assessment is that the Board has made the placement either to raise very urgently needed cash or to dilute existing shareholders of TTI or a combination of the two. The Proposed Directors consider that the result of the placement is that the positions of the current Directors on the Board have been entrenched and TTI's minority shareholders have been oppressed. Unless the Board can demonstrate that it

