Appendix 4E

PRELIMINARY FINAL REPORT
12 MONTHS ENDED 30 JUNE 2010

Details of the reporting period and the previous corresponding period

Name of entity
AUTOMOTIVE TECHNOLOGY GROUP LIMITED

ACN	Reporting Period	Previous Corresponding Period
106 337 599	Year ended 30/06/2010	Year ended 30/06/2009

Results for announcement to the market

		Change		Amount
Revenue from ordinary activities	Up	11.5%	to	$582,668
Loss for ordinary activities after tax attributable to members	Down	21%	to	$4,322,826
Basic loss per share cents per share	Down	50.8%	to	2.46 cents

Dividends	Amount per Security	Franked amount per Security
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil

Record Date for determining dividend – N/A

Commentary on results and other significant information

Please refer to the attached 2010 unaudited financial report for further information on a review of the Group's financial position and performance of the Group for the year ended 30 June 2010.

Dividend reinvestment plans

The Company does not operate dividend reinvestment plans.

Net Tangible Asset Backing

	2010 (cents)	2009 (cents)
Net Tangible Asset per ordinary share	1.128 cents	1.6 cents

Details of controlled entities acquired or disposed of

The Company has not acquired or disposed of any controlled entities during the year.

Details of associates and joint venture entities

The Company does not hold any interests in associated entities or joint venture entities.

Audit

This report is based on financial statements which are in the process of being audited.

JAY STEPHENSON
COMPANY SECRETARY

Review of Operations

During the six months ended 31 December 2009, ATG completed the development of its Series 5 Superchargers. With the development of the Series 5 Superchargers complete, in the second half of financial year ended 30 June 2010, ATG commenced an active programme to enhance commercialisation activities and to realign the organisation from a research and development focus to a sales and customer delivery focus.

The commercialisation strategy has two key objectives. Firstly, reducing production costs, which is being achieved through initiatives such as casting rather than milling components, challenging component channels and moving to in-house production of the most expensive component, the rotors. This process is ongoing, and developments to-date have now made the Company's product highly cost competitive, with expectations that further cost reductions are readily achievable.

Secondly, with model development and cost reduction initiatives largely having been completed, the Company's focus shifted to revenue generation through after-market sales. The critical challenges in selling after-market kits is careful selection of vehicles to target for installation of after-market kits and the rapid development of these kits, followed by a ready network of distributors to place kits. Starting with vehicle selection, management introduced an enhanced vehicle selection process. This process starts with market surveys aimed at identifying not only high volume vehicles but which also considers the propensity of vehicle owners to modify their vehicles either through choice or necessity, and ultimately those which can be converted into profitable sales of superchargers.

Vehicles for which kits will be finalised in the second half of calendar 2010 include:

- Suzuki Swift: aimed at the Chinese market which produces and consumes 70,000 units per year, and for which there is a trend to modify/customise the vehicle;
- Honda Jazz: a further kit aimed at the Chinese market on a vehicle for which 110,000 units per year are sold;
- New Mini: for which over 800,000 new Minis were sold globally between 2002 & 2007, and with the aging Mini Cooper S fleet reaching an age at which the incumbent supercharger is due for replacement;
- Toyota Reiz: the most commonly customised vehicle in China, of which an estimated 460,000 have been built;
- Jeep Cherokee: a staple vehicle of the off-road fraternity, and a model with an estimated 4 million units produced globally, but centred in the US and China; and
- Toyota 4 litre V6: a widely used engine in models such as the Prado, FJ Cruiser and Hilux.

The introduction of these new kits is forecast to significantly increase sales volumes in the first half of calendar 2011, as has been experienced to date in July and August 2010. In preparation for this planned increase in sales, the Company has expanded its network of dealers in Australia, Europe, China and the US, and is in negotiations with additional dealers for specialty products, such as the large Mini market in the US.

The ability of the Company to develop the new supercharger kits is testimony to the investment which has been made in prototyping equipment which enables rapid model development and prototyping of kits, accelerating the time from design to market delivery.

The Company continues to receive high levels of enquiry for its patented green Sprintex® Supercharging technology, in both after-market and OEM applications. The Company is now supplying superchargers to its first OEM, DeLorean, and has developed a supercharger kit which is being tested by S&S Cycles, USA, which is the second largest hog style motor cycle engine manufacturer behind Harley Davidson.

Continuing with the activities with OEMs, in February and April 2010, the Company, respectively, signed collaboration agreements with Greaves Cotton Limited, an engineering group listed in Mumbai and Indian National Stock Exchanges and PlasmaDrive Inc, a green automotive technology company in the United States to develop Sprintex® supercharger systems.

ATG / Greaves Cotton Limited ("Greaves") collaboration

Greaves manufactures about 300,000 Diesel engines per annum for a variety of applications, from single cylinder stationary units through to large truck and tractor engines. Greaves is particularly looking to supercharger technology to assist in reduction of particulate emissions as India adopts European exhaust emissions standards. For ATG, a successful partnership with Greaves would underpin the currently planned expansion of supercharger manufacturing facilities to a low cost location such as India.

ATG / PlasmaDrive Inc ("PlasmaDrive") collaboration

PlasmaDrive's patented breakthrough technology allows conventional vehicles fitted with the Phas5fuel system utilizing the Company's Sprintex® Superchargers to operate at normal capacity using significantly less fuel, with a proportional decrease in exhaust emissions. Previous extensive testing in the USA has achieved fuel savings of 30% to 50%. In June 2010, a PlasmaDrive Phas5 Fuel system was successfully installed and calibrated on a conventional configuration Ford F250 vehicle, under the supervision of a PlasmaDrive engineer in Perth. Extensive road testing and tuning of the PlasmaDrive-equipped Ford F250 test vehicle has now been completed and was highly successful, with the F250 test vehicle achieving fuel savings of 30% during road testing. The next phase of testing was a dyno testing program to help re-affirm the road results which confirmed the reduced exhaust emissions outcomes, including the ability to provide low NOX output at very lean Air Fuel Ratios (above 20-1) - in both on-road and steady-state test conditions. Certification testing of exhaust emissions and fuel economy of the PlasmaDrive engine system is ongoing to validate the performance of the combined PlasmaDrive / Sprintex® system, with the aim of achieving a commercial launch of the systems during 2011.

Discussions are ongoing with other OEMs in India and China, and as these proceed, the Company anticipates making stock exchange announcements as negotiations progress.

Finally, to validate the performance of the Company's products, a comprehensive programme of comparison testing of the Sprintex® Series Five Supercharger against its major competitor's supercharger product was undertaken. The testing was carried out to Society of Automotive Engineers (SAE) J1723 standard (the standard for the comparison of superchargers) and confirmed the technical superiority of ATG's Sprintex® range of twin screw superchargers. Further details are contained in the Company's announcement dated 5 August 2010.

Financial Review

The financial results for the 2010 financial year reflect achievements in research and development activities in the commercialisation and product testing of the new range of patented Sprintex® Superchargers, the effect of restructuring and cost control processes resulting in much improved results when compared to the financial year ended 30 June 2009.

<u>Operating results</u>
The loss for the financial year was $4,322,826 when compared to a loss of $5,473,738 in the 2009 financial year, representing a decrease of 21% over the year. Sales for the financial were $579,938 (2009, $463,717), representing an increase of 25%. This was largely a result of new products being released to the market during the financial year. This trend is expected to continue as more new products are scheduled for release to the markets in first half of the 2011 financial year. The introduction of more products to the market is the result of intense level of research and development activities in 2009.

Gross profit on sales of products for the year ended 30 June 2010 was $123,797, compared to $42,075 in 2009. Pre-production and prototype kits of new products introduced to the market were sold to customers for market launch, the costs of which were already absorbed in research and development of these prototype kits, rsulting in higher gross profit in 2010. Results for 2010 year were also affected by:

- Provision for losses on the net realisable value of inventory of $653,442 was made in 2009 as a strategic decision to have future focus on the development and manufacturing of Sprintex® products. In 2010, a further provision of only $152,600 was required during 2010
- Foreign exchange gain of $6,475 during the year when compared to foreign exchange loss of $1,950 in 2009.
- Research and development expenses decreased by $694,554 during the year.
- Recognition of share based payment of $129,024 (2009: $57,500).
- Decrease in fees paid to directors of $274,082 as a result of resignation of an executive director – Anthony Hamilton and fee reduction of the non-executive chairman.
- Decreased costs in trade mark and patent management as the process was substantially completed in financial year 2009.

Liquidity and Capital Resources

During the financial year, the Group achieved an increase in cash and cash equivalents of $1,073,448 (2009: a decrease of $3,359,245). The net cash inflow in 2010 in comparison with the net cash outflow the prior year is caused by a number of factors. Financing activities generated a net cash inflow of $6,201,246 (2009: $1,726,640), mainly from various share placements during the year and entitlement share issue in October 2009 (refer to Company's ASX announcements in October 2009), secured convertible note and short term loans from shareholders. The net increase in cash flows from financing activities has been offset by net outflows from operating activities of $5,200,316 (2009: $4,675,762). The increase in net operating cash outflows during the year when compared to last year was mainly a result of payments to suppliers for acquisition and building up of inventory during the year for anticipated sales in current and coming years. The amount of net cash generated from investing activities of $72,518 (2009: net cash used of $410,123) was mainly attributable to the release of pledged deposit and sale of property, plant and equipment, offset by purchases of project vehicle and computer server upgrades.

On 14 December 2009, the Company entered into a standby subscription agreement with an independent third party whereby the Company is granted a standby equity facility in the amount of A$5 million for the term of three years from date of signing of the agreement.

Outlook

The Company used the 2010 fiscal year as a preparation period during which production costs were reduced and the building blocks to establish a sales focused organisation were built. Management are confident that sales will lift and management have set a goal of reaching break even in the first half of calendar 2011.

Also refer to the Review of Operations section included in this Directors' report which details the specific activities and products which are expected to be the enablers to achieving these goals.

As fiscal 2011 progresses, the Company expects to be able to report progress on the market acceptance of supercharger kits developed as well as announcing the introduction of further kits. This is expected to be in both the after-market and in conjunctions with OEMs.

31st August 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 $	2009 $
Sales of goods and services		579,938	463,717
Other revenue	4	2,730	58,813
Revenue		582,668	522,530
Cost of goods sold		(456,141)	(421,642)
Gross profit		**126,527**	**100,888**
Other income/(losses)	4	15,783	(6,169)
Distribution & marketing expenses		(252,515)	(332,096)
Occupancy expenses		(16,070)	(26,141)
Corporate expenses		(1,145,421)	(1,314,543)
Research & development expenses	4	(1,802,634)	(2,497,188)
Administration expenses		(1,162,799)	(1,207,559)
Other expenses	4	(281,624)	(710,942)
Finance costs	4	(171,425)	(180,080)
Loss before income tax expense		**(4,690,178)**	**(6,173,830)**
Income tax benefit		367,352	700,092
Net loss for the year		**(4,322,826)**	**(5,473,738)**
Other comprehensive income, net of tax			
Fair value revaluation of land and buildings		**(79,934)**	**-**
Total comprehensive income for the year		**(4,402,760)**	**(5,473,738)**
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share	5	2.46 cents	5 cents
Diluted loss per share	5	2.46 cents	5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	NOTES	2010 $	2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	75,521	(6,676)
Pledged bank deposits	6	82,000	200,000
Trade and other receivables	7	787,730	479,104
Inventories		2,179,892	1,662,862
TOTAL CURRENT ASSETS		**3,125,143**	**2,335,290**
NON-CURRENT ASSETS			
Receivables		49,762	32,543
Property, plant and equipment		2,722,939	3,080,721
Goodwill & intellectual property		491,207	509,417
TOTAL NON-CURRENT ASSETS		**3,263,908**	**3,622,681**
TOTAL ASSETS		**6,389,051**	**5,957,971**
CURRENT LIABILITIES			
Trade and other payables		527,062	1,115,671
Interest bearing liabilities	8	2,641,127	2,160,079
Provisions		139,066	103,457
Other liabilities		116,969	107,175
TOTAL CURRENT LIABILITIES		**3,424,224**	**3,486,382**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	8	**76,448**	**232,199**
TOTAL LIABILITIES		**3,500,672**	**3,718,581**
NET ASSETS		**2,888,379**	**2,239,390**
EQUITY			
Contributed equity	9	26,568,547	21,622,916
Reserves		1,327,708	1,301,524
Accumulated losses		(25,007,876)	(20,685,050)
TOTAL EQUITY		**2,888,379**	**2,239,390**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

		Reserves				
	Contributed equity	Convertible note equity	Asset Revaluation reserve	Share option reserve	Accumulated losses	Total
	$	$	$	$	$	$
	(note 9)	(note 8(c))				
Balance at 30 June 2008	**20,615,323**	**-**	**832,088**	**401,050**	**(15,211,312)**	**6,637,149**
Total Comprehensive income - Loss for the year	-	-	-	-	(5,473,738)	(5,473,738)
Transactions with owners in their capacity as owners						
Issue of shares	1,023,000	-	-	-	-	1,023,000
Share issue expenses	(15,407)	-	-	-	-	(15,407)
Issuance of convertible note	-	10,886	-	-	-	10,886
Share-based payments	-	-	-	57,500	-	57,500
Balance at 30 June 2009	**21,622,916**	**10,886**	**832,088**	**458,550**	**(20,685,050)**	**2,239,390**
Loss for the year	-	-	-	-	(4,322,826)	(4,322,826)
Other comprehensive income	-	-	(79,934)	-	-	(79,934)
Total Comprehensive income for the year	-	-	(79,934)	-	(4,322,826)	(4,402,760)
Transactions with owners in their capacity as owners						
Issue of shares	5,142,791	-	-	-	-	5,142,791
Share issue expenses	(197,160)	-	-	-	-	(197,160)
Issuance of convertible note	-	30,368	-	-	-	30.368
Share-based payments	-	-	-	75,750	-	75,750
Balance at 30 June 2010	**26,568,547**	**41,254**	**752,154**	**534,300**	**(25,007,876)**	**2,888,379**

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		575,322	487,402
Payments to suppliers and employees		(5,982,787)	(5,421,989)
Interest and finance lease charges paid		(152,933)	(180,080)
Interest received		2,730	58,813
Research & development tax concession received		357,352	380,092
Net cash flows used in operating activities	10(a)	(5,200,316)	(4,675,762)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to non-related parties		(17,219)	(17,543)
Release/(placement) of secured deposit		118,000	(60,000)
Proceeds from sale of property, plant and equipment		60,450	10,944
Payments for property, plant and equipment		(88,713)	(343,524)
Net cash flows generated from/(used in) investing activities		72,518	(410,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings – related parties		1,124,523	931,174
Proceeds from borrowings – insurance premium funding		92,096	82,208
Proceeds from borrowings – others		-	88,518
Repayment of borrowings – related parties		(188,390)	(225,000)
Repayment of borrowings - hire purchase contracts		(330,696)	(202,377)
Repayment of borrowings – insurance premium funding		(93,395)	(105,476)
Proceeds from convertible note		1,700,000	150,000
Proceeds from share capital raised		4,088,367	1,023,000
Capital raising costs		(191,259)	(15,407)
Net cash flows generated from financing activities		6,201,246	1,726,640
Net increase/(decrease) in cash held		1,073,448	(3,359,245)
Net foreign exchange differences		16,267	(3,022)
Cash at the beginning of the financial year		(1,014,194)	2,348,073
Cash at the end of the financial year	10(c)	75,521	(1,014,194)

1. Summary of significant accounting policies

This financial report is a general purpose financial report which complies with Australian Accounting Standards (AASBs) (including Australian interpretations) as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This financial report does not include notes of the type normally included in an annual financial statements.

It is recommended that the preliminary final report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by the Company during the year in accordance with the continuous disclosure obligations of the ASX listing rules.

2. Basis of preparation of financial report

The financial report has been prepared on the historical cost basis except for land and buildings which have been measured at fair value.

Apart from the changes in accounting policy noted in note (b) below, the accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Going concern

The consolidated entity has net assets and net current liabilities of $2,888,379 (2009: $2,239,390) and $299,081 (2009: $1,151,092) respectively as at 30 June 2010 and incurred an operating loss of $4,322,826 (2009: $5,473,738) and net operating cash outflow of $5,200,316 (2009: $4,675,762) for the year ended 30 June 2010. The consolidated entity's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- the continued support of the company financiers to provide sufficient facilities to enable the business to operate on a day to day basis;
- the ability to raise sufficient working capital to ensure the continued implementation of the Company's long term business plan; and
- delivery of existing and new products through the Group's distribution network to generate sales revenues and positive cash flows.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Company has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Should the Group not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2. Basis of preparation of financial statements (cont'd)

(b) Adoption of new or revised accounting standards and interpretations

While the adoption of the standards and interpretations below resulted in a change in the relevant accounting policies of the Group or presentation of the financial statements , neither the adoption of these standards have any effect on the financial position or performance of the Group.

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)
AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary.

The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 101 Presentation of Financial Statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 8 Operating Segments
AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

3. Segment Information

The Group identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and in determining the allocation of resources. Operating segments are identified by management based on the similarity of the products produced and sold.

The Group is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers and Vee Two aftermarket and performance motorcycle accessories.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

	2010 $	2009 $
4. Revenue and expenses		
Other revenue		
Interest income	2,730	58,813
Other income/(losses)		
Gain/(loss) on disposal of property, plant and equipment	9,308	(4,219)
Net foreign exchange gain /(loss)	6,475	(1,950)
	15,783	(6,169)
Employee payments including benefits		
Salaries and wages	1,852,530	2,042,098
Superannuation expense	157,978	180,540
Annual leave and long service leave	26,048	2,567
Other employment expense	100,481	199,098
	2,137,037	2,424,303
Less: Research & development staff costs	(530,831)	(609,671)
Total employee payments	1,606,206	1,814,632
Research & development expenses		
Research and development staff costs	530,831	609,671
Consultant costs	195,409	201,830
Materials/services costs	1,065,921	1,659,384
Testing costs	10,473	-
Travel expenses	-	26,303
Total research & development expenses	1,802,634	2,497,188
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	289,752	322,500
Amortisation for leasehold improvements	33,622	43,129
Amortisation for trademarks and patents	18,210	-
Total depreciation and amortisation	341,584	365,629
Other expenses		
Share based payments	129,024	57,500
Provision for inventory	152,600	653,442
Total other expenses	281,624	710,942
Finance costs		
Interest and finance charges paid	140,219	172,101
Convertible note interest	31,206	7,979
Total finance costs	171,425	180,080

5. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to equity holders of the Company for the year of $4,322,826 (2009: $5,793,738) and the weighted average of 175,832,028 (2009: 105,464,844) ordinary shares in issue during the year.

Diluted loss per share amount for the year was the same as the basic loss per share as the share options and convertible note outstanding as at 30 June 2010 which are considered to be potential ordinary shares had anti-dilutive effects on the basic loss per share.

Transactions involving ordinary shares or potential ordinary shares that would change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of the completion of these financial statements are disclosed in notes 8(c)(ii) and 12(a) to the financial report.

6. Pledged bank deposits

Pledged bank deposit at 30 June 2010 represented a fixed deposit for a term of 2 months maturing on 22 August 2010 bearing interest at 1.5% per annum and is pledged against a guarantee in the amount of $82,000 issued by a bank on behalf of the Company. Pledged bank deposits at 30 June 2009 represented fixed deposits for terms of 6 months and interest bearing at a weighted average rate of 2.7% per annum. The deposits were pledged against bank facilities granted to the Company.

7. Trade and other receivables

	2010 $	2009 $
Trade receivables	27,868	23,252
Other receivables	332,284	320,000
Trade deposits	211,118	41,178
Prepayments	216,460	94,674
	787,730	479,104

Other receivables mainly represent research and development tax concession receivable and are considered fully recoverable.

Trade deposits represents payments to suppliers with no history of unsatisfactory product quality or delivery default and are considered fully recoverable.

8. Interest bearing liabilities

	2010 $	2009 $
Current		
Bank overdraft (secured) (note a)	-	1,007,518
Insurance premium funding (unsecured)	64,467	65,766
Finance lease liabilities (secured)	152,869	327,814
Convertible notes (note c)	1,650,814	142,010
Loans from related parties	772,977	616,971
	2,641,127	2,160,079
Non-current		
Finance lease liabilities (secured)	76,448	232,199

(a) Bank overdraft at 30 June 2009 were repayable on demand. The average effective interest rate on bank overdrafts approximated 10.17% per annum in 2009 and was determined based on 1% plus commercial base rate of the banker. Details of securities are disclosed in note (b) below. The bank overdraft was fully repaid during the year.

(b) As at 30 June 2009, bank overdraft and finance lease liabilities of $1,007,518 and $152,503 respectively and a guarantee of $82,000 granted by the banker were secured by the following:

- fixed and floating charge over the assets and undertakings of the Company;
- mortgage over land and buildings with a carrying value of $1,330,178;
- plant and equipment with total carrying value of $153,592 held under finance leases and hire purchase arrangements;
- a legal right of set off enabling the bank to set off cash security deposits of $200,000 against the interest obligations of at least one year (note 6); and
- guarantee and indemnity given by the two executive directors to the extent of $1,290,000;

The above banking facilities were fully repaid during the year and securities were released, except for a guarantee of $82,000 which was outstanding at 30 June 2010. The guarantee is secured by a bank deposit of $82,000. (note 6)

8. Interest bearing borrowings (cont'd)

(c) Convertible notes

The movement of the convertible notes for the years is set out below:

	Equity component $	Liability component $	Total $
Issuance of convertible note (note i)	10,886	139,114	150,000
Imputed interest	-	7,979	7,979
Coupon interest paid	-	(5,083)	(5,083)
At 30 June 2009	10,886	142,010	152,896
Issuance of convertible note (note iii)	30,368	1,640,314	1,670,682
Imputed interest	-	31,204	31,204
Coupon interest paid	-	(12,714)	(12,714)
Repayment of convertible note (note ii)	-	(150,000)	(150,000)
At 30 June 2010	41,254	1,650,814	1,692,068

(i) On 21 January 2009, the Company entered into an agreement with a non-related party and a convertible note in the principal amount of $150,000 was issued by the Company maturing on 30 June 2010. The convertible note carried a coupon interest rate of 8.25% per annum. The convertible note entitled the noteholder to convert to ordinary shares of the Company at a price of $0.20 per share for the period to 30 June 2010. The carrying amount of the convertible note was split into the equity and liability components at the date of grant at $10,886 and $139,114 respectively.

(ii) On 30 June 2010, the Company has agreed with the noteholder to repay the principal of $150,000. At the same time, the noteholder also agreed to subscribe for 3,750,000 ordinary shares of the Company at the price of $0.04 per share. The ordinary shares were subsequently allotted to the noteholder on 21 July 2010.

(iii) On 6 May 2010, the Company entered into a convertible note deed with Wilson's Pipes Fabrication Pty Limited ("WPF"), an entity controlled by Mr Michael John Wilson for the issuance of a convertible note in the principal amount of $1,700,000. The convertible note is secured by a mortgage over the Company's land and building and building improvement with a total carrying amount of $1,450,000 as at 30 June 2010. The issue of the convertible note and the mortgage was approved by shareholders at the shareholders' meeting on 10 June 2010. The convertible note carries a coupon interest rate of 10% per annum and entitles WPF to convert to ordinary shares of the Company at a price of $0.10 per share for the period to 30 June 2011. The carrying amount of the convertible note in issue, net of issuing cost was split into the equity and liability components at the date of grant at $30,368 and $1,640,314 respectively.

9. Contributed equity

	2010 $	**2009 $**
Paid up capital – ordinary shares	27,240,821	21,846,120
Capital raising costs capitalised	(822,274)	(625,114)
	26,418,547	21,221,006
Subscription proceeds – shares to be issued (note 8(c)(ii))	150,000	401,910
	26,568,547	21,622,916

9. Contributed equity (cont'd)

(a) Ordinary shares

Movements in ordinary share capital are as follows:

	Date	Number of shares	$
Balance at 1 July 2009		108,119,750	21,221,006
Issue of Placement Shares at $0.12 each	Dec 09	3,349,250	401,910
Issue of Placement Shares at $0.05 each	28 Aug 09	8,500,000	425,000
Entitlement Issue Shares at $0.05 each	Oct to Nov 09	83,324,973	4,166,249
Issue of Shares at $0.05 each	10 Dec09	1,210,000	60,500
Issue of Shares at $0.05 each	31 Mar 10	921,800	46,090
Issue of Shares upon exercise of listed options at $0.10 each	13 Apr 10	1,895	190
Issue of Placement Shares at $0.05 each	15 Apr 10	1,000,000	50,000
Issue of Placement Shares at $0.04 each	May to Jun 10	4,750,000	190,000
Issue of Placement Shares at $0.045 each	May to Jun 10	605,844	27,262
Issue of Placement Shares at $0.04 each	30 June 10	687,500	27,500
Less capital raising costs capitalised			(197,160)
Contributions to equity, net of transaction costs			4,795,631
Balance as at 30 June 2010		212,471,012	26,418,547

10. Cash flow statement reconciliation

(a) Reconciliation of cash flows from operating activities to operating loss after income tax

	2010 $	2009 $
Operating loss after income tax	(4,322,826)	(5,473,738)
Add non-cash items:		
Share based payments	129,024	57,500
Convertible note imputed interest in excess of coupon interest	18,490	2,896
Depreciation and amortisation	341,584	365,629
Net (gain)/loss on disposal of property, plant and equipment	(9,308)	4,219
Exchange difference	(16,267)	3,022
Changes in assets and liabilities		
Increase in trade and other receivables	(273,119)	(153,996)
(Increase)/(decrease) in inventories	(524,984)	278,688
(Decrease)/increase in trade and other payables	(578,519)	241,715
Increase/(decrease) in provision for warranty	9,559	(6,162)
Increase in provision for employee entitlements	26,050	4,465
Net cash flows used in operating activities	(5,200,316)	(4,675,762)

(b) Non-cash financing and investing activities

During the year ended 30 June 2010,

(i) the Group issued 2,819,300 ordinary shares in total value of $134,090, inclusive of GST to consultancy companies for the provision of corporate advisory management services and public relation services.

(ii) 12,339,420 Entitlement Issue Shares in total value of $616,971 issued to three shareholders were settled from the loans from them as at 30 June 2009.

10. Cash flow statement reconciliation (cont'd)

(c) Reconciliation of cash and cash equivalents to cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:

	2010 $	2009 $
Cash and cash equivalents	75,521	(7,676)
Bank overdrafts (note 8)	-	(1,007,518)
	75,521	(1,014,194)

11. Share based payment transactions

On 1 December 2009 and 15 January 2010, a total of 9,000,000 options were granted to a non-related consulting company, with an exercise price of $0.10 per share, exercisable at any time on or prior to 3:00 pm (WST) on 30 June 2011 for the provision of corporate advisory management and placement services to the Group. Each option entitles the holder to one ordinary share of the Company. The shares issued upon exercise of the options will rank pari passu in all respects with the issued ordinary shares of the Company.

The number and weighted average exercise prices of the share options granted to directors and consultants during the year are as follows:

	Options granted to directors	Options granted to consultants	Number of share options	Weighted average exercise price
Outstanding at 1 July 2008	4,500,000	2,000,000	6,500,000	$0.30
Granted during the year	-	1,000,000	1,000,000	$0.30
Outstanding at 30 June 2009	4,500,000	3,000,000	7,500,000	$0.30
Granted during the year	-	9,000,000	9,000,000	$0.10
Outstanding at 30 June 2010	4,500,000	12,000,000	16,500,000	$0.19
Exercisable at end of period			16,500,000	

The options granted during the year have a remaining contractual life of 12 months and an estimated fair value of $0.00175 per share, determined based on the service fee to be charged by the consultant.

The options granted during the year ended 30 June 2009 have a remaining contractual life of 6 months and an estimated fair value of $0.005 per option per month until 30 June 2010, determined based on the fair value of the service fee charged by the consultants.

The Group recognised total expenses of $129,024 (2009: $57,500) related to equity-settled share based payment transactions during the year.

12. Events occurring after the reporting period

(a) Subsequent to the reporting period, the Company raised share capital by way of a private placement whereby 11,125,000 and 365,853 ordinary shares at $0.04 and $0.041 per share respectively were issued for total gross proceeds of $460,000.

The private placement also offered one free listed option for every five shares subscribed. The options are exercisable at $0.10 per share expiring on 30 June 2011. A total of 1,026,168 and 2,298,171 listed options were issued in relation to the private placements in May and June 2010 and subsequent to year end respectively.

(b) As stated in the Company's announcement dated 23 August 2010, Mr Michael van Uffelen will join the Company on 6 September 2010 and will replace Ms Eileen Chan as Chief Financial Officer.