APPENDIX 4E

PRELIMINARY FINAL REPORT
12 MONTHS ENDED 30 JUNE 2011

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 30/06/2011	Year ended 30/06/2010

Results for announcement to the market

		Change		Amount
Revenue from ordinary activities	Up	32.8%	to	$773,826
Loss for ordinary activities after tax attributed to members	Down	2.0%	to	$4,238,296
Basic loss per share cents per share	Down	41.5%	to	1.44 cents

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

Record Dates of determining dividend – N/A

Commentary on results and other significant information
Please refer to the attached 2011 unaudited financial report for further information on the Group's financial position and performance for the year ended 30 June 2011.

Dividend reinvestment plans
The Company does not operate dividend reinvestment plans.

Net Tangible Asset Backing

	2011 (cents)	2010 (cents)
Net Tangible Assets per ordinary share	1.532	1.128

Details of controlled entities acquired or disposed of
The Company sold its holding in Vee Two Pty Ltd and liquidated ATG BVI Limited during the year.

Details of associates and joint ventures
Subsequent to year end, the Company signed a binding heads of agreement to establish a manufacturing facility in Malaysia with a joint venture partner (see note 11).

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

Jay Stephenson
Company Secretary

Review of Operations

Over the course of the past year, ATG has repositioned its business and has achieved a number of significant milestones. These culminated with an inaugural order for 500 supercharger systems for the Proton Satria Neo, which should commence delivery in the second quarter of the 2011/12 financial year. Following the cementing of a strong business relationship with Proreka, a tier 1 supplier to the automotive industry supplying companies throughout Asia, ATG and Proreka signed an agreement in July 2011 to establish a joint venture, low cost, high volume manufacturing facility in Malaysia and for Proreka to be the exclusive sales agent for Asia and exclusive distributor for Malaysia. The search for a strategic partner has been a long and challenging process, however your directors and management are confident that we have identified a strong partner to assist us in expanding our global business. While the hard work is not yet finished, ATG has embarked on a step change which positions the Company to be a supplier to car manufacturers worldwide. ATG is already in discussions with a number of car manufacturers for future performance upgrade or engine downsizing programs.

Malaysia as a location and Proreka as a partner bring a range of benefits to ATG. Malaysia has a buoyant automotive industry with well trained and experienced personnel available, a high proportion of English speaking people, established and respected legal system and highly developed public infrastructure. Proreka is an experienced mass producer of automotive components with an OEM customer network that extends throughout Asia. Proreka has recently announced a merger with Malaysian Stock Exchange listed AutoV Corporation, a partnership that offers a more complete suite of products to a wider customer base. The joint sales of the group exceed US$70M p.a..

The current achievements started just under two years ago. ATG closed its motor cycle parts business and repositioned all human, financial and operational resources to the Sprintex® supercharger business. This involved a number of difficult decisions including personnel changes, writing off redundant inventory, changing suppliers and changing manufacturing methods.

Developing and demonstrating that the Sprintex® supercharger is the most efficient in the world

In February 2011, the Company announced that peak isentropic efficiency of 83.89% had been achieved in testing of the Sprintex® Series 5-150 supercharger, and that an efficiency island of more than 80% was achieved across more than one third of the operating speed range. This compares to a typical automotive supercharger having a peak isentropic efficiency of less than 70%.

Reducing the cost of manufacturing Sprintex® superchargers and supercharger systems

In addition to refining and developing our production and procurement process to a point where Sprintex® superchargers are competitively priced in the after-market, the agreement to establish a low cost, high volume manufacturing facility in Malaysia is expected to have further significant costs savings positioning ATG to be able to sell more products to car manufacturers.

Validating product in the after-market

Product validation commenced with the Landcruiser 80/100 Series aimed at the Australian market. Being close to home has enabled us to resolve teething problems in a cost effective manner. We then focused on our two core target markets; compact cars in Asia and SUVs in the United States. In December 2010 we soft launched an aftermarket supercharger system for the Honda Jazz / Fit. In the SUV segment, we have launched a supercharger system for the Jeep XJ Cherokee and are close to finalizing supercharger systems for the Jeep TJ Wrangler, Jeep JK Wrangler and Toyota FJ Cruiser / Hilux.

We also took the opportunity to pit our supercharger against a competitor's by developing a swap out supercharger system for the Mini Cooper S. The results have been impressive, with 21% power and 19% torque gains delivered over the incumbent supercharger.

Focus on distribution

With these key achievements now in place, attention has focused on establishing strong distribution channels in our key target markets – Asia and the US.

The agreement with Proreka provides significant reach into key markets in Asia, with the ability to offer a complete performance upgrade with the world's most efficient supercharger at its heart.

For the US, Kenmar Corporation has been appointed as the Company's exclusive sales representative for the original equipment manufacturer (OEM) market in North and South America. Kenmar is celebrating its 50th year in the automotive technology and component supply arena in 2011, has presence in six countries and manages approximately US$1bn p.a. of automotive component sales.

With sales agents in place, a low cost volume manufacturing facility and world leading technology, the Company's enablers are ready to drive the Company into a sales growth phase.

Financial Review

The financial results for the 2011 financial year reflect the continued research and development activities and preparation for commercialisation. The focus was primarily the development of a number of after market supercharger systems, preparatory steps for a low cost, high volume off-shore manufacturing facility in Malaysia, securing sales agents in Asia and the Americas, and securing an inaugural order for 500 Proton Satria Neo supercharger systems.

Operating results
The loss for the financial year was $4,238,296 compared to a loss of $4,322,826 in the 2010 financial year, a 2% decline. This was achieved by an increase in sales of 32.8% to $773,826 while expenses increased as the research and development activities were accelerated to develop new supercharger products. The introduction of new products resulted in a decline in the gross margin as the cost of manufacturing products declines as products matures and procurement and supplier chain economics are improved, compared to the more mature former motor cycle parts business which was closed down in 2010.

Key items impacting the operating losses for the year were:

- Administration expenses declined from $1,162,799 to $664,139 as a result of a cost reduction program being implemented.
- Research and development (R&D) expenditure increased to $2,302,263 from $1,802,634 as the Company accelerated the development of a series of new supercharger products.
- R&D Tax Concession for 2010 was $341,441 higher than expected at 30 June 2010 and a further amount of $700,000 is expected to be received with respect to 2011 R&D activities.
- Export market development grants of $343,303, including $263,303 being received in relation to the 2009 and 2010 years follow the successful appeal of a previous rejection of the 2009 claim.
- Inventory provisions and receivables provisions of $864,607 were made during the year, compared to $152,600 in the previous year
- Interest expense increased from $171,425 to $312,058, primarily as a result of convertible note financing being used during the year.

Liquidity and Capital Resources
Total equity increased from $2,888,379 at 30 June 2010 to $5,775,934 at 30 June 2011. The movement was largely the result of the operating loss of $4,238,296 which was partially compensated by the net increase in contributed equity from the placement of ordinary shares during the year and one for one entitlement issue at $0.03 per share in November 2010, private placements and advances from a further entitlement issue at $0.03, totalling $5,068,321. This included the repayment of the majority of a convertible note from which the holder used $1,335,177 to participate in an entitlement issue subsequent to year end. The result is that the Company is now largely debt free other that $68,627 of insurance premium financing, $100,507 of equipment financing and $269,349 being due to related parties.

Further, trade creditors declined from $527,062 to $333,081 and cash increased from $75,521 to $596,077 due to the capital raised during the year.

Outlook
The Company has significantly improved its financial position by raising capital, made significant progress with supercharger products and is now targeting sales directly to car manufacturers. This is expected to be underpinned by an inaugural sales order from Proton via the Company's proposed joint venture partner in a new high volume, low cost manufacturing facility to be established in Malaysia, which will service the Asian market. In addition, subsequent to year end the Company engaged the services of Kenmar Corporation, a specialty motor vehicle sector business development company which has been in business for 50 years and manages around US$1 billion of automotive component sales, to be the Company's exclusive sales agent in the Americas targeting sales to cars manufacturers.

With product development largely complete, a new large volume, low cost manufacturing facility being established and distribution and sales agents in place in the Company's core target markets, the Company is positioned to rapidly expand sales while having contained costs via cost reduction programs. These actions are expected to take the Company to profitability in the coming year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	2011 $	2010 $
Sales of goods and services		761,840	579,938
Other revenue	3	11,986	2,730
Revenue		773,826	582,668
Cost of goods sold		(760,318)	(456,141)
Gross profit		**13,508**	**126,527**
Other income/(losses)	3	315,801	15,783
Distribution & marketing expenses		(305,011)	(252,515)
Corporate expenses		(1,098,242)	(1,161,491)
Research & development expenses	3	(2,302,263)	(1,802,634)
Administration expenses		(664,139)	(1,162,799)
Other expenses	3	(927,333)	(281,624)
Finance costs	3	(312,058)	(171,425)
Loss before income tax expense		**(5,279,737)**	**(4,690,178)**
Income tax benefit	4	1,041,441	367,352
Net loss for the year		**(4,238,296)**	**(4,322,826)**
Other comprehensive loss			
Fair value revaluation of land and buildings		**61,914**	**(79,934)**
Total comprehensive gain / (loss) for the year		**(4,176,382)**	**(4,402,760)**
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share	5	1.44 cents	2.46 cents
Diluted loss per share	5	1.44 cents	2.46 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	NOTES	2011 $	2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		596,077	75,521
Pledged bank deposit	6	82,000	82,000
Trade and other receivables	7	1,277,512	787,730
Inventories		1,556,614	2,179,892
TOTAL CURRENT ASSETS		**3,512,203**	**3,125,143**
NON-CURRENT ASSETS			
Receivables		-	49,762
Property, plant and equipment		2,618,620	2,722,939
Goodwill & intellectual property		532,506	491,207
TOTAL NON-CURRENT ASSETS		**3,151,126**	**3,263,908**
TOTAL ASSETS		**6,663,329**	**6,389,051**
CURRENT LIABILITIES			
Trade and other payables		333,081	527,062
Interest bearing liabilities	8	388,521	2,641,127
Provisions		111,331	139,066
Other liabilities		4,500	116,969
TOTAL CURRENT LIABILITIES		**837,433**	**3,424,224**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	8	**49,962**	**76,448**
TOTAL LIABILITIES		**887,395**	**3,500,672**
NET ASSETS		**5,775,934**	**2,888,379**
EQUITY			
Contributed equity	9	33,592,819	26,568,547
Reserves		1,429,287	1,327,708
Accumulated losses		(29,246,172)	(25,007,876)
TOTAL EQUITY		**5,775,934**	**2,888,379**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

		Reserves				
CONSOLIDATED ENTITY	**Contributed equity**	**Convertible note equity**	**Asset revaluation reserve**	**Share option reserve**	**Accumulated losses**	**Total**
	Note 9	Note 9(c)	Note 9(d)	Note 9(e)		
	$	$	$	$	$	$
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 loss	-	-	(79,934)	-	-	(79,934)
Total Comprehensive Loss 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**
Loss for the year	-	-	-	-	(4,238,296)	(4,238,296)
Other comprehensive income	-	-	61,913	-	-	61,913
Total Comprehensive Income / (Loss) for the year	-	-	61,913	-	(4,238,296)	(4,176,383)
Transactions with owners in their capacity as owners						
Issue of shares	3,873,537	-	-	39,666	-	3,910,044
Funds received in advance of share issue	3,212,115	-	-	-	-	3,212,115
Share issue expenses	(61,360)	-	-	-	-	(58,221)
Balance at 30 June 2011	**33,592,819**	**41,254**	**814,067**	**573,966**	**(29,246,172)**	**5,775,934**

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		506,576	575,322
Payments to suppliers and employees		(5,043,767)	(5,982,787)
Interest and finance lease charges paid		(252,046)	(152,933)
Interest received		11,986	2,730
Research & development tax concession received		671,441	357,352
Net cash flows used in operating activities	10(a)	(4,105,810)	(5,200,316)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to non-related parties		-	(17,219)
Release of secured deposit		-	118,000
Proceeds from sale of property, plant and equipment		61,225	60,450
Payments for property, plant and equipment		(210,706)	(88,713)
Net cash flows generated (used in) / from investing activities		(149,481)	72,518
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings – related parties		235,379	1,124,523
Proceeds from borrowings – insurance premium funding and finance leases		111,043	92,096
Repayment of borrowings – related parties		(344,457)	(188,390)
Repayment of borrowings - hire purchase contracts		(171,751)	(330,696)
Repayment of borrowings – insurance premium funding		(64,467)	(93,395)
Proceeds from convertible note		-	1,700,000
Proceeds from share capital raised		5,071,480	4,088,367
Capital raising costs		(61,380)	(191,259)
Net cash flows generated from financing activities		4,775,847	6,201,246
Net increase in cash held		520,556	1,073,448
Net foreign exchange differences		-	16,267
Cash at the beginning of the financial year		75,521	(1,014,194)
Cash at the end of the financial year	10(c)	596,077	75,521

1. Basis of preparation

This preliminary final report has been prepared in compliance with Australian Accounting Standards (AASBs) (including Australian interpretations) as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This financial report does not include notes of the type normally included in 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 2010 and considered together with the continuous disclosure obligations of the ASX listing rules.

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

The accounting policies used in this report are the same as those used in the last annual report.

(a) Going concern

The Company has net assets and net current assets of $5,775,934 (2010: $2,888,379) and $2,674,770 (2010: net current liabilities of $299,081), respectively, as at 30 June 2011 and incurred a loss of $4,176,382 (2010: $4,402,760) and net operating cash outflow of $4,105,810 (2010: $5,200,316) for the year ended 30 June 2011.

The Company'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 ability to raise sufficient working capital to ensure the continued implementation of the Company's business plan;
- delivery of existing and new products through the Company's distribution network to generate sales revenues and positive cash flows; and
- the success of the manufacturing facility being established with a joint venture partner in Malaysia (see note 11).

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 Company 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 statements 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 Company not be able to continue as a going concern.

2. Segment information

The Company 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 Company is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers.

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

3. Revenue and expenses

	2011 $	2010 $
Other revenue		
Interest income	11,986	2,730
Other income/(losses)		
Export market development grant	343,303	-
Gain/(loss) on disposal of property, plant and equipment	(1,154)	9,308
Net foreign exchange gain /(loss)	(26,348)	6,475
	315,801	15,783
Employee payments including benefits		
Salaries and wages	1,730,024	1,852,530
Superannuation expense	140,888	157,978
Annual leave and long service leave	(45,218)	26,048
Other employment expense	80,703	100,481
	1,906,397	2,137,037
Less: Research & development staff costs	(768,834)	(530,831)
Total employee payments	1,137,563	1,606,206
Research & development expenses		
Research and development staff costs	768,834	530,831
Consultant costs	219,382	195,409
Materials/services costs	1,314,047	1,076,394
Total research & development expenses	2,302,263	1,802,634
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	235,504	289,752
Amortisation for leasehold improvements	23,536	33,622
Amortisation for trademarks and patents	14,220	18,210
Total depreciation and amortisation	273,260	341,584
Other expenses		
Share based payments	62,726	129,024
Impairment of receivables	65,999	-
Impairment of inventory	798,608	152,600
Total other expenses	927,333	281,624
Finance costs		
Interest and finance charges	103,366	140,219
Convertible note interest	208,692	31,206
Total finance costs	312,058	171,425

4. Income tax benefit

The income tax benefit relates to a research and development tax benefit of $1,041,441 for the current year and includes $341,441 related to the year ended 30 June 2010 which was received in the year ended 30 June 2011 but had not been recorded in the year ended 30 June 2010.

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 $4,238,296 (2010: $4,322,826) and the weighted average of 294,745,156 (2010: 175,832,028) 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 outstanding and convertible note as at 30 June 2010 which are considered to be potential ordinary shares had anti-dilutive effects on the basic loss per share.

6. Pledged bank deposits

Pledged bank deposits at 30 June 2011 represented a fixed deposit for a term of 6 months maturing on 27 October 2011 bearing interest at 6.0% 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 2010 represented fixed deposits for terms of 2 months and bear interest at a weighted average rate of 1.5% per annum. The deposits were pledged against bank facilities granted to the Company.

7 . Trade and other receivables

	2011 $	2010 $
Trade receivables	201,397	27,868
Allowance for impairment loss	(25,999)	-
	175,398	27,868
Other receivables	783,316	332,284
Trade deposits	222,209	211,118
Prepayments	96,589	216,460
	1,277,512	787,730

Trade receivables are non- interest bearing and are generally on 0-30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Other receivables mainly represents a research and development tax concession receivable and is 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 borrowings

	2011 **$**	**2010** **$**
Current		
Insurance premium funding (unsecured) (note a)	68,627	64,467
Finance lease liabilities (note b)	50,545	152,869
Convertible notes (note c)	-	1,650,814
Loans from related parties (note d)	269,349	772,977
	388,521	2,641,127
Non-current		
Finance lease liabilities (note b)	49,962	76,448

(a) Insurance premium funding is unsecured and due for repayment over 10 equal instalments. The effective interest rate of the loan was 7.6% (2010: 5.1%) per annum.

(b) The average effective interest rate on finance lease liabilities approximated 11.2% (2010: 9.87%) per annum in the year. The carrying value of leased plant and equipment as at 30 June 2011 was $162,699 (2010: $505,554).

(c) Convertible note

During the year the Company settled a convertible note via a combination of repayment of $264,452, participation of $1,335,177 in an entitlement issue (see note 9(a)(vii) for further details) and converting the balance of $259,872 to a short term loan. As part of the settlement, the noteholder released the mortgage over the Company's land and building and building improvement with a total carrying amount of $1,500,000 as at 30 June 2011.

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

	Equity component $	Liability component $	Total $
Issuance of convertible note	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	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	-	(150,000)	(150,000)
At 30 June 2010	41,254	1,650,814	1,692,068
Repayment	-	264,457	264,457
Conversion to short-term loan	-	(259,872)	(259,872)
Use of convertible note to participate in an entitlement issue	-	(1,335,177)	(1,335,177)
Imputed interest	-	(208,692)	(208,692)
At 30 June 2011	41,254	-	41,254

(d) Loans from related parties

Loans from related parties represented unsecured loans from three shareholders, with one bearing interest of 9% and the other two being interest free (2010: 9% per annum and repayable on demand).

	2011 $	2010 $
9. Contributed equity		
Paid up capital – ordinary shares	31,264,356	27,240,821
Capital raising costs capitalised	(883,652)	(822,274)
	30,380,704	26,418,547
Subscription proceeds – shares to be issued	3,212,115	150,000
	33,592,819	26,568,547

(a) Ordinary shares

Movements in ordinary share capital

	Date	Number of shares	$
Balance at 1 July 2010		212,461,866	26,418,547
Issue of Placement Shares at $0.04 each (note i)	July 2010	11,500,000	460,000
Issue of Placement Shares at $0.04 each (note ii)	July 2010	3,750,000	150,000
Entitlement Issue Shares at $0.03 each (note iii)	November 2010	104,228,585	3,126,860
Private placement at $0.03 each to a consultant for services (note iv)	November 2010	300,000	9,000
Less value ascribed to the Options under the Entitlement Issue		-	(39,666)
Placement of Shortfall Entitlement Issue Shares at $0.03 each (note iii)	March 2011	7,478,054	224,342
Issue of Placement Shares at $0.038 each (note v)	April 2011	394,758	15,001
Issue of Placement Shares at $0.03 each (note vi)	May 2011	2,600,000	78,000
Less capital raising costs capitalised		-	(61,380)
Contributions to equity net of transaction costs during the period		130,251,397	3,962,157
Add: proceeds of a share issue received in advance (note vii)			3,212,115
Less: proceeds received in prior period		-	(150,000)
Contributions to equity net of transaction costs during the period		130,251,397	7,024,272
Balance as at 30 June 2011		342,240,451	33,592,819

Holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at shareholders meetings.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors, and are fully entitled to any surplus proceeds of liquidation.

(i) *Placement of 11,500,000 ordinary shares at $0.04 per share*
In July 2010, 11,500,000 ordinary shares at $0.04 were issued to non related parties

(ii) *Placement of 3,750,000 ordinary shares at $0.04 per share*
In July 2010, 3,750,000 ordinary shares at $0.04 were issued to the holder of a convertible note in full satisfaction for settlement of the convertible note.

(iii) *Entitlement Issue Shares at A$0.03 per share*
On 4 October 2010, the Company announced a one for one non-renounceable rights issue of fully paid shares in the Company at an issue price of $0.03 per share, with one free attaching option for every four shares subscribed for, exercisable at 8 cents and expiring on 30 June 2012 ("Entitlement Issue"). The Company issued 104,228,585 ordinary shares and 26,132,153 options, raising $3,126,860 via this Entitlement Issue and subsequently placed a further 7,478,054 ordinary shares and 1,869,514 options, raising $224,342 under this Entitlement Issue to sophisticated investors.

9. Contributed equity (cont'd)

(a) Ordinary Shares (cont'd)

(iv) *Placement of 300,000 ordinary shares at $0.03 per share and 75,000 options*
In March 2011, 300,000 ordinary shares at $0.03 and 75,000 free attaching options, exercisable at 8 cents and expiring on 30 June 2012, to a consultant for business development services

(v) *Placement of 394,758 ordinary shares at $0.038 per share and 98,689 options*
In March 2011, 394,758 ordinary shares at $0.038 and 98,689 free attaching options, exercisable at 8 cents and expiring on 30 June 2012, were issued to non related parties

(vi) *Placement of 2,600,000 ordinary shares at $0.03 per share and 650,000 options*
In May 2011, 2,600,000 ordinary shares at $0.03 and 650,000 free attaching options, exercisable at 8 cents and expiring on 30 June 2012, were issued to non related parties

(vii) Proceed of a share issue received in advance
On 27 May 2011, the Company announced that it would offer up to 342,716,263 new fully paid ordinary shares at 2 cents to existing shareholders under a one for one non-renounceable entitlement issue. In advance of participating in this entitlement issue, the Directors advanced $3,212,115 to the Company, including the conversion of $1,335,177 of a convertible note.

(b) Share options

On 4 October 2010, the Company announced a non-renounceable entitlement issue which included the issue of 1 listed option exercisable as $0.08 per option on or before 30 June 2012 for every 4 shares subscribed to under the entitlement issue. Following closure of this entitlement issue, 29,801,108 options were issued.

As at 30 June 2011, 29,801,108 options of the Company exercisable at $0.08 per share on or before 30 June 2012 were in issue.

(c) Convertible note equity

The equity component of convertible note represents the value of the unexercised equity component of a convertible note issued by the Company.

(d) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

(e) Share option reserve

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to management and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments.

	2011 $	2010 $
10. Cash flow statement reconciliation		
(a) Reconciliation of cash flows from operating activities to operating loss after income tax		
Operating loss after income tax	(4,238,296)	(4,322,826)
Add non-cash items:		
Share based payments	9,000	129,024
Net loss / (profit) on the sale of assets	1,154	(9,308)
Convertible note imputed interest in excess of coupon interest	-	18,490
Depreciation and amortisation	273,260	341,584
Exchange difference	26,348	(16,267)
Changes in assets and liabilities		
Increase in trade and other receivables	(466,368)	(273,119)
Decrease / (increase) in inventories	623,278	(524,984)
(Decrease) in trade and other payables	(306,450)	(578,519)
Increase in provision for warranty	17,484	9,559
(Decrease) / increase in provision for employee entitlements	(45,220)	26,050
Net cash flows used in operating activities	(4,105,810)	(5,200,316)

(b) Non-cash financing and investing activities

During the year ended 30 June 2011,

(i) the Company issued 300,000 ordinary shares in total value of $9,000, inclusive of GST to a consultancy company for business development services.

(ii) the Company acquired $25,749 of equipment under finance leases. This acquisition will be reflected in the cash flow statement over the terms of the finance leases via lease repayments.

(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:

	2011 $	2010 $
Cash and cash equivalents	596,077	75,521
	596,077	75,521

11. Events subsequent to reporting period

Subsequent to the reporting period, the Company raised share capital by way of a one for one non-renounceable entitlement issue at $0.02 per share. 204,825,364 ordinary shares were issued for total gross proceeds of $4,096,507 plus a further 30,390,123 shares were issued from the shortfall for gross proceeds of $607,802. The directors have until 10 November 2011 to place the remaining 107,500,776 shares that were not subscribed to by the existing shareholders and the Company has engaged Patterson Securities Limited to be the lead manager for this placement.

On 5 July 2011, the Company announced that it had signed a binding agreement with Proreka (M) Sdn. Bhd, a tier 1 automotive component manufacturer and supplier to various Asian car manufacturers, to form a joint venture manufacturing facility in Malaysia. Under the agreement, the Company will invest an estimated US$1.25 million to establish a low cost manufacturing facility in Malaysia.