

Revetec Holdings Limited
and its controlled entities

A.C.N 115 621 317

Interim Financial Report
4 August 2005 to 31 December 2005

**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 115 621 317**

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**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 115 621 317**

DIRECTORS' REPORT

The Directors present their report together with the financial report of Revetec Holdings Limited ("the company" or "Revetec Holdings") and its controlled entities, for the period 4 August 2005 to 31 December 2005 and the review report thereon.

Directors

The Directors of the Company in office at any time during or since the period end are:

- Charles Chok Kwong Chan Appointed 04 August 2005
- Bradley David Howell-Smith Appointed 04 August 2005
- Paul Rudolf Moitzi Appointed 04 August 2005

Review of operations

The company was incorporated on 4 August 2005.

On 13 September 2005 Revetec Holdings Limited acquired the CCE design technology and all associated patents, copyright and other intellectual property rights from Revetec Limited. The net acquisition consideration was \$203,000 and included the acquisition of 100% of the issued capital of Revetec International Pty Ltd and Revolution Engine Technologies Pty Ltd.

Principal activities

The consolidated entity's principal activities is the research, design, and development of combustion engines for various fuel applications.

The entity's focus for the period has been on:

- Strengthening its intellectual property and its protection in international and domestic markets
- Building stronger relationships in commercial markets in India, China and the Middle East
- Using a specialist team of engineers as needed to focus on refinement of the technology and proto types engines
- The evaluation of strategies for continued expansion in the Company's product development plans including an increase in capital.

Operating and financial review

Since incorporation, the consolidated entity incurred a loss for the period of \$254,490. At 31 December 2005 costs associated with the share issue were \$385,698, which were capitalised as an other current asset in the condensed balance sheet.

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On 9 November 2005 the Company entered into a loan facility under a convertible note arrangement with Douglas John Lomas as Trustee for the Centre Management Trust. The facility is a maximum of \$2.0m, with a term of 3 years from first draw down. There is no interest applicable during this term on amounts drawn down.

No amounts were drawn down at 31 December 2005.

The Lender has the option to convert all or part of loan monies drawn down at any point in time into ordinary shares within 3 years from the date of the first draw down at the lower of 20 cents per share or at the 10% discount to the average price of the ordinary shares traded for a period of 5 consecutive trading days on NSX immediately prior to the date of the exercise of the option. Upon conversion of all or part of the loan, the company's liability to pay that portion of the loan will be discharged.

The consolidated entity has no other financial instruments at period-end.

The company issued a prospectus and supplementary prospectus during the period to raise additional funds and seek listing on the Newcastle Stock Exchange.

Events subsequent to period end

- On 19 January 2005 the company issued 2,183,031 shares at 40 cents raising \$873,212. The estimated cost of the share issue is \$385,698.
- On 31 January 2005 the company listed on the Newcastle Stock Exchange.

The financial effect of the events subsequent to balance date have not been included in the financial report at 31 December 2005.

State of affairs

In the opinion of the Directors, other than outlined in the review of operations, there were no significant changes in the state of affairs of the company or consolidated entity that occurred during the financial period under review.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the period ended 31 December 2005.

Dated at Gold Coast this 15 day of March 2006.

Signed in accordance with a resolution of the directors:



Charles Chan
Chairman



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**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACTS 2001**

To: the directors of Revetec Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2005, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

P G Steer

Partner

Place: Gold Coast

Date: 15 March 2006

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**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE PERIOD 4 AUGUST 2005 TO 31 DECEMBER 2005**

	Note	4 August to 31 December 2005 \$
Revenue	2	-
Employee expenses		24,774
Marketing expenses		13,350
Administrative expenses		42,871
Occupancy expenses		30,766
Depreciation and amortisation expenses	3a	16,769
Director fees		67,482
Research and development expenses		25,589
Loss on sale of plant and equipment		6,458
Other operating expenses		21,301
Operating profit/(loss) before financing costs		<u>(249,360)</u>
Financial income		6,772
Financial expenses	3a	<u>(11,902)</u>
Net financing costs		<u>(5,130)</u>
Profit(loss) before tax		(254,490)
Income tax (expense)/benefit		<u>-</u>
Profit (loss) for the period		<u>(254,490)</u>
Basic earnings/(loss) per share		(0.0013)
Diluted earnings/(loss) per share		(0.0013)

*The condensed interim income statement is to be read in conjunction with the notes
to and forming part of the financial statements.*

**REVETEC HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD 4 AUGUST 2005 TO 31 DECEMBER 2005**

	Note	4 August to 31 December 2005 \$
Net income recognised directly in equity		-
(Loss) for the period		<u>(254,490)</u>
Total recognised income and expense for the period		<u>(254,490)</u>

The condensed interim statement of recognised income and expense is to be read in conjunction with the notes to and forming part of the financial statements.

**REVETEC HOLDINGS LIMITED
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CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	31 December 2005 \$
Current assets		
Cash and cash equivalents		7,148
Trade and other receivables		121,805
Other		385,698
Total current assets		<u>514,651</u>
Non-current assets		
Property, plant and equipment		210,819
Total non-current assets		<u>210,819</u>
Total assets		<u>725,470</u>
Current liabilities		
Trade, other payables and accruals		472,761
Interest-bearing loans and borrowings	13	299,304
Total current liabilities		<u>772,065</u>
Non-current liabilities		
Interest-bearing loans and borrowings	13	207,894
Provisions		-
Total non-current liabilities		<u>207,894</u>
Total liabilities		<u>979,959</u>
Net assets/(deficiency)		<u><u>(254,489)</u></u>
Equity		
Issued capital	5	1
Retained earnings/(accumulated losses)	6	(254,490)
Total Equity/(deficiency)		<u><u>(254,489)</u></u>

The condensed interim balance sheet is to be read in conjunction with the notes to and forming part of the financial statements.

**REVETEC HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD 4 AUGUST 2005 TO 31 DECEMBER 2005**

	4 August to 31 December 2005
Cash flows from operating activities	\$
Cash receipts from customers	521
Cash paid to suppliers and employees	-
Cash generated from operations	521
Borrowing costs paid	(196)
Interest received	6,772
Net cash from operating activities	7,097
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment	-
Acquisition of property, plant and equipment	-
Development expenditure	-
Exploration and evaluation expenditure	-
Net cash from investing activities	-
Cash flows from financing activities	
Proceeds from the issue of share capital	1
Borrowings	50
Net cash from financing activities	51
Net increase/(decrease) in cash and cash equivalents	7,148
Cash and cash equivalents at beginning of financial period	-
Cash and cash equivalents at the end of the financial period	7,148

The condensed interim statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements.

**REVETEC HOLDINGS LIMITED
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Revetec Holdings Limited (the “Company” or “Revetec Holdings”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the period 4 August 2005 to 31 December 2005 comprise the Company and its subsidiaries (together referred to as the “consolidated entity”).

The condensed consolidated interim financial report was authorised for issue by the directors on 15 March 2006.

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

International Financial Reporting Standards (“IFRSs”) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (“AIFRS”).

This is the consolidated entity’s first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First Time Adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The consolidated entity has not previously prepared an annual financial report as the consolidated entity was incorporated on 4 August 2005. This report must be read in conjunction with any public announcements made by Revetec Holdings Limited during the period in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, biological assets and investment property.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(b) Basis of preparation (cont)

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the company's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted (accounting policies) when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change and therefore cannot be determined with certainty. Accordingly, the accounting policies for the annual period that are relevant to the interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

(c) Going concern

The financial information has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 December 2005, the consolidated entity had incurred an operating loss of \$249,360 and had a working capital deficit of \$257,414 and had minimum cash reserves.

The company has prepared cash flow projections indicating that over the next 12 months the company can pay its debts as and when they fall due, after consideration of the following:

- On 19 January 2006 the Company raised net funds of approximately \$487,514 as a result of a share issue under the Prospectus, as disclosed in note 11.
- A related party had incurred the costs to balance date in respect of the Prospectus and will be reimbursed the costs together with interest at 8% per annum, from the funds raised under the public offer.
- The Company's continuing arrangements with an external party are expected to provide assistance with reducing the research and development expenditure in relation to Revetec Holdings' technology.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(c) Going concern (cont)

- The Company is able to utilise funds available under a convertible loan facility, as disclosed in note 10, to enable the ongoing key operations to continue. If such funding is required to be drawn down, the Directors may curtail any operation as they see fit to reduce costs and expenditure.

Accordingly, the Directors are of the opinion that the going concern basis is appropriate for the preparation of the condensed consolidated interim financial report. If the directors are unable utilise the funding facility, or arrangements with external parties change, there is no certainty as to whether the consolidated entity may realise its assets and extinguish its liabilities in the normal course of business.

(d) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current period are as follows:

- buildings 15 years
- plant and equipment 4 years
- fixtures and fittings 4 years
- motor vehicles 5 years

(e) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) Intangible assets (cont)

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the production process is technically and commercially feasible and the consolidated company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets that are acquired by the consolidated company are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- patents and trademarks 10 - 20 years
- capitalised development costs 5 - 7 years

(f) Impairment

The carrying amounts of the company's assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(f) Impairment (cont)

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the consolidated company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(f) Impairment (cont)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Share capital

Dividends are recognised as a liability in the period in which they are declared.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(h) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(i) Employee benefits

Wages salaries annual leave sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave, and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the company as the benefits are taken by the employees.

Long-term service benefits

The consolidated company's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the consolidated company's obligations.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(j) Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables

Trade and other payables are stated cost.

(l) Revenue

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Government grants

An unconditional government grant related to a biological asset is recognised in the income statement as other operating income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the company will comply with the conditions attaching to it. Grants that compensate the company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

(m) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Income tax (cont)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows in a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

	4 August to 31 December 2005 \$
2. REVENUE FROM ORDINARY ACTIVITIES	
Revenue	
Sale of goods revenue from operating activities	-
	-
Other revenues:	
From operating activities	
Interest – other parties	6,772
	6,772
3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	

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- (a) **Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:**

Interest paid – other parties	11,902
Depreciation of property, plant and equipment	16,769
Loss on sale of property, plant and equipment	6,458

4. AUDITORS' REMUNERATION	4 August to 31 December 2005
<i>Audit services</i>	\$
Auditors of the Company – KPMG	
Audit and review of the financial reports	<u>8,000</u>

Other services

Auditors of the Company – KPMG	
Transaction services	55,000

5. SHARE CAPITAL

Issued and paid-up share capital	
190,887,848 ordinary shares fully paid	<u>1</u>

Ordinary shares

Balance at the beginning of period	-
Shares issues	
- 1 ordinary shares raising cash funds of \$1	1
- Share split – 1 ordinary share into 190,887,848	<u>-</u>
Balance at end of period	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the consolidated company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

6. RETAINED EARNINGS

Retained earnings at the beginning of the period	-
Net profit/(Loss) attributable to members of the parent company	<u>(254,490)</u>
Retained profits / (Accumulated Loss) at the end of the period	<u><u>(254,490)</u></u>

7. SEGMENT REPORTING

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The consolidated entity comprises one main business segment being engine development. This incorporates the research, development and design of petrol and diesel application engines.

The consolidated entity's business segment operates in Australia.

8. NON-CASH ITEMS

During the period the consolidated entity incurred general operating expenditure totalling \$302,297 which was paid by a related party and recorded as a current interest bearing loan at 31 December 2005.

9. DIVIDENDS

No dividends were paid during the half-year ended 31 December 2005 and no dividends are currently proposed.

10. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

On 9 November 2005 the Company entered into a loan facility under a convertible note arrangement with Douglas John Lomas as Trustee for the Centre Management Trust. The facility is a maximum of \$2.0m, with a term of 3 years from first draw down. There is no interest applicable during this term on amounts drawn down.

No amounts were drawn down at 31 December 2005.

The Lender has the option to convert all or part of loan monies drawn down at any point in time into ordinary shares within 3 years from the date of the first draw down at the lower of 20 cents per share or at the 10% discount to the average price of the ordinary shares traded for a period of 5 consecutive trading days on NSX immediately prior to the date of the exercise of the option. Upon conversion of all or part of the loan, the company's liability to pay that portion of the loan will be discharged.

11. SUBSEQUENT EVENTS

On 19 January 2005 the company issued 2,183,031 shares at 40 cents raising \$873,212. The estimated cost of the share issue is \$385,698.

On 31 January 2005 the company listed on the Newcastle Stock Exchange.

As a result of the NSX listing, all director and director related securities have been escrowed for a period of 24 months. Total escrowed ordinary securities are 44,417,355 shares.

The financial effect of this matter has not been brought to account at 31 December 2005.

12. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities as at 31 December 2005.

13. RELATED PARTIES

**REVETEC HOLDINGS LIMITED
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Directors

The names of each person holding the position of director of Revetec Holdings Limited during the interim financial period were as follows:

- Charles Chok Kwong Chan Appointed 04 August 2005
- Bradley David Howell-Smith Appointed 04 August 2005
- Paul Rudolf Moitzi Appointed 04 August 2005

Apart from the details disclosed in this note, no director has entered into a material contract with the company since incorporation and there were no material contracts involving directors' interests subsisting at period-end.

Directors fees

During the period directors fees were paid to the each director as follows:

- Charles Chan \$26,591
- Bradley Howell-Smith \$24,050
- Paul Moitzi \$16,841

Directors' holding of shares and share options

Each director held the following shares and share option at 31 December 2005:

	Number of share held	Number of options held
Charles Chan	6,006,399	-
Bradley Howell-Smith	32,380,987	-
Paul Moitzi	5,879,969	-

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Amounts paid to director-related entity

Legal fees

Chan Lawyers received fees of \$51,700 for the period for consulting fees in respect of the prospectus. Mr Charles Chan, a director, is the principal of Chan Lawyers.

Bookkeeping and administration services

During the period, amounts totalling \$35,454 were paid to Wincof Pty Ltd, a director-related entity, for the provision of bookkeeping and administration services of Revetec Holdings Limited. Mr Charles Chan is a director and shareholder of Wincof Pty Ltd.

Transactions

The following material related party transactions occurred during the period:

Acquisition of assets and certain liabilities of related parties

On 13 September 2005, the Company entered into a contract for Revetec Holdings Limited to acquire the CCE design and all associated patents, copyright and other intellectual property rights ('the technology') from Revetec Limited. The directors of the Company were directors of Revetec Limited at the date of the agreement.

The consideration paid to acquire the technology was \$203,000 which was satisfied by a vendor loan of \$203,000. The consideration represented fair market value of the acquired assets and liabilities as determined by the Directors based on a independent valuation. The vendor loan is subject to a commercial interest rate of 8% per annum and is repayable within 10 years.

The acquisition included plant and equipment, intangible assets and certain liabilities of Revetec Limited as summarised below:

	\$
Investment – Revetec International Pty Ltd	1
Investment – Revolution Engine Technologies Pty Ltd	1
Property, plant and equipment	243,135
Provision for employee entitlements	<u>(40,137)</u>
Purchase consideration	<u>203,000</u>

At balance date the amount of the loan including interest was \$207,894 which is disclosed as an interest bearing non-current liability.

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Settlement of liabilities by related party on behalf of Revetec Holdings Limited

During the period Revetec Limited settled amounts payable to creditors of Revetec Holdings Limited totalling \$302,297. At 31 December 2005 the balance of this related party loan to Revetec Limited was \$299,304. Interest has been charged monthly at 10% per annum on amounts payable to related parties.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

14. ADDITIONAL INFORMATION DISCLOSE

Share based payments

Under the loan facility in note 10, options would be granted should the company draw down under the loan facility.

No options to subscribe for ordinary shares vested in external parties at 31 December 2005 as the Company has not drawn any funds against the loan facility as outlined in note 10.

The value of the share options when granted would be valued when funds are drawn.

The fair value of the share options would be required to be expensed as borrowing costs in the income statement.

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DIRECTORS' DECLARATION

1. In the opinion of the directors of Revetec Holdings Limited:
 - (a) the financial statements and notes, set out on pages 4 to 20, are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows, for the period ended on that date; and
 - (ii) complying with Australia Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Gold Coast this 15 day of March 2006.

Signed in accordance with a resolution of the directors:

A handwritten signature in dark ink, appearing to be 'Charles Chan', written over a horizontal line.

Charles Chan
Chairman

**REVETEC HOLDINGS LIMITED
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**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**

A.C.N. 115 621 317

Scope

We have reviewed the financial report of Revetec Holdings Limited (“the Company”) for the period 4 August 2005 to 31 December 2005, consisting of the condensed consolidated interim statement of income, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes 1 to 14 and the directors’ declaration set out on page 21. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the period or from time to time during the period. The Company’s directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity’s financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement of continued independence

The lead auditors’ independence declaration provided to the directors of Revetec Holdings Limited dated 15 March 2006 and included on page 3, would be unchanged if provided to the directors as at the date of this report.

Statement

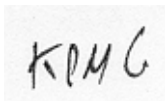
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Revetec Holdings Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity’s financial position as at 31 December 2005 and of its performance for the period 4 August 2005 to 31 December 2005; and
 - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

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Inherent uncertainty regarding going concern

Without qualification to the statement above, as a result of the matters described in Note 1(c), there is significant uncertainty whether the Company will be able to continue as a going concern and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

A handwritten signature in black ink that reads "KPMG".

KPMG

A handwritten signature in black ink that reads "P G Steer".

P G Steer
Partner

Place: Gold Coast

Date: 15 March 2006