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CHAIRMAN'S REPORT TO 2008 AGM

Attached is a copy of the Chairman's Report to the 2008 Revetec Holdings Limited Annual General Meeting held on 28th November 2008.

Issued: 05th December 2008

A handwritten signature in black ink, appearing to read "Bradley Howell-Smith", is written over a horizontal dotted line.

Bradley Howell-Smith
Managing Director



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Chairman's Report

At our last AGM we displayed the X4v2 engine mounted on the GTM trike for the share holder to view.

After we held the AGM we continued testing the X4v2 engine on the dynamometer.

We fitted the engine to the GTM trike, and performed a test day with Directors of GTM as the test drivers to gauge there opinion. They were very impressed with the performance, acceleration and fuel economy on the day. The company released images and videos of the day.

After the test day we fitted the engine back on the dynamometer, for fuel economy testing. We produced very good in-house economy figures of 234g/(kW-h), which was slightly better than the best petrol engine on the market. We booked the engine into Orbital Australia for independent testing. We were to test the engine as is, then perform the scheduled piston modification to increase the compression ratio up to 10:1. The dynamometer cell was unavailable for three weeks, and we decided to perform the modification prior to sending. We knew this modification would increase fuel economy, although we were unclear to what extent.

The engine was shipped to Orbital Australia and set up in their test cell. The first test was at an air/fuel ratio of 14.5:1 which was richer than we had been testing. We achieved a BSFC figure of 237g/(kW-h) or 34.4% efficiency. We then tested the engine at our nominated air/fuel ratio of 15.2:1 and achieved a best BSFC figure of 207g/(kW-h) or 39.5% efficiency, and an average of 212g/(kW-h) or 38.6% efficiency. We decided to conclude testing at this point.

We researched the internet and found we had set a world's best in efficiency of any petrol engine, which was a great achievement. We received the final report from Orbital and made the announcement on the internet.

We started to promote the efficiency of the engine with mixed reactions. Most parties were in disbelief of the figures, even though Orbital is very respected in the industry, and used by many large car manufacturers. After further research we found that the way engines are tested and the losses calculated, our figures were deemed impossible. I researched into this area further and found a flaw in what is classed as an engine loss. The theory behind this was formed, and we posted the information on the internet.

A Chinese group then approached us about a deal to fund a verification testing in a German University, funded by the group, which would acquire equity in the company. Once the testing is verified, and a simulation is performed to verify the testing, we are assured two of the top ten car companies in China would jointly develop a Revetec engine for their vehicles. The Director's agreed on the project and signed an agreement with the group.



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The company's factory lease was due, and I started to look for a more suitable facility for the marking stage of our company. I found a suitable new factory which was also cheaper in rent, thus reducing our operational costs, and we moved factory in August.

The engine was prepared for shipping to Germany, and just prior to leaving the US military made a trip to the Gold Coast to meet with me and discuss the testing and further opportunities. Originally the US military were only interested in our engine for use in UAVs. After discussions with the military, it was put forward that they were also interested in our engine for generators and also the re-fitment of the Hum vics.

The X4v2 engine was shipped to Germany, and I followed once the engine had arrived. We spent a great deal of time setting the engine up on the dynamometer and started the engine. A unusual vibration was evident and the testing was halted. I checked the engine and found a component had failed due to an assembly adjustment problem. I had the correct spare part in Germany with me. The engine was going to be stripped down anyway for measuring of components for the analysis. This has now been completed.

During the last few weeks we have had two visits from BMW, who spent over an hour crawling over the engine and asking questions, one visit from BMW F1, and I have met with representatives of the R&D section for the German Police/military. I have forwarded information on at their request. We have also been approach by a former member of Renault F1 who plans to forward the information to Renault F1 then the Renault car company.

The engine has been reassembled and has just been fitted back onto the dynamometer, and testing will commence on Monday.

During the year we have also been pursuing other marketing avenues for the engine. We have had initial talks with a consultancy group for marketing the engine in the US to companies like Ford, GM and Chrysler. This requires capital which we planned to draw down on the convertible note we signed with Doug Lomas. We received some initial funds from Mr Lomas but unfortunately he started to delay payments, but promised to catch up during the year.

After many deadlines have passed, the company has had to put a hold on pursuing those markets. Mr Lomas promised funds just prior to my departure to Germany, but failed to supply the funds. Three letters of demand have been issued, and we are currently in the process to acquire those funds through legal avenues. We are expecting success with the pursuit on this matter, as he recently committed higher funding to another group.

Upon successful conclusion of the testing and signing agreements with the Chinese car manufacturers, we will be asking the shareholders to support our commercialisation and funding strategy for the final stage into production.

This concludes my report, and it has been a real pleasure to deliver it.