



REVETEC
H O L D I N G S L I M I T E D

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CHAIRMAN'S REPORT TO 2009 AGM

Attached is a copy of the Chairman's Report to the 2009 Revetec Holdings Limited Annual General Meeting held on 30th November 2009.

Issued: 01st December 2009

Bradley Howell-Smith
Managing Director



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Chairman's Report

Year Ending June 2009

I'd like to welcome everyone who is attending this very important AGM. The Company now is at a stage that decisions we make determine our future path. The decisions and voting today are very critical to the Company's future goals and direction. We hope the shareholders will support the board, which will allow us to steer the Company onto the most rapid and profitable path.

I will now give an overview of this year ending operations, followed by a post year end overview.

Revetec's Factory

During the course of the year your company's factory lease required renewal. An opportunity arose to relocate to a more presentable facility. The new facility provides us with a better image and allowed us to reduce our operational costs in August 2008.

US Military

The US military visited our Gold Coast Factory to meet with us and discuss the testing and further opportunities prior to the prototype being shipped to Germany. Originally the US military were only interested in our engine for use in UAVs. After discussions with the military, we were advised they were also interested in our engine for generators and the re-fitment of the Hum vics. They require engines running on JP8 which we will pursue in the year ending 2010.

Prototype Testing

The X4v2 engine was shipped to Germany, and I followed once the engine had arrived. On my arrival I discovered the University was running behind schedule in completing the testing of engines booked in prior to our engine.

Further delays were experienced in the set up of the engine on the Dynamometer. Once the engine was started we noticed an unusual vibration, which I repaired.

Upon refitting the engine to the dynamometer, University staff experienced many equipment failures & sourcing difficulties including:

The main water pump failed twice;

Sourcing a cylinder pressure peizo sensor to suit our spark plugs;



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The fuel measuring system was not reading correctly and was ultimately replaced.

The University relies on third parties gratuitously repairing and replacing faulty and broken equipment. Whilst we understand their position we run a commercial enterprise and have our own timetable to consider.

After 3 months at the University, testing figures were finally consistent with the previous testing at Orbital under low load test conditions.

At this point we had an engine breakdown and the engine was removed and stripped down for inspection. It was found that the same problem had occurred as after the Orbital testing and we determined that the problem was a modified engine component. Unfortunately this had caused foreign material to enter the oil system and had damaged the bearings.

I have analysed the delays during testing and can report that out of the 62 working days, the university spent 51 of these setting up, experiencing delays from equipment failure and 9 days of testing with inaccurate fuel measuring. Only 2 days of data was usable. We had 5 days of downtime due to repairing the engine vibration problem.

I returned to Australia at this point to organise the required parts and service items for the repair.

The University has prepared a computer simulation of the engine which predicts very high efficiency levels in line with our in house testing and testing at Orbital.

Funding

The delays in producing the test figures resulted in the Chinese group delaying payments to the Company as per our contract. Our convertible note holder Doug Lomas was experiencing his own financial problems as a result of the ABC Learning disaster and was unable to comply with his financial obligations. This put the Company in a difficult financial position. The Directors formed a strategy to release a share offer to the existing shareholders to fund the return to Germany to complete the testing. The offer was prepared and released, and resulted in excellent shareholder support whereby the offer was oversubscribed.

Marketing

During my stay in Germany I was fortunate enough to source an excellent German consultant Dr Rolf Werner. He has assisted the company to network with the representatives of a number of high profile German manufacturers.



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Post Year Ending June 2009

Prototype Testing

When I returned to the University a number of further difficulties arose and include:

Parts that were commissioned to be produced by the University had not been made;
Inferior materials for the engine bearings and bushes were used due to lack of supply;
The machining which was carried out was inaccurate forcing me to hand finish every bearing produced;
We were moved to a different Dynamometer and were required to completely setup again;
The fuel supply to the engine seemed to have stale fuel;
The Dynamometer was inaccurate and would jump up to over 350Nm by itself;
The electronic accelerator controller did not work at one stage;
The exhaust manifold cracked due to excessive heat and lack of cooling in the laboratory;
The fuel system was replaced with a system that would measure the fuel by flow and weight, and would be able to regulate the fuel to the correct pressure;

Further testing took place where the university students operated the engine under high loads for extended periods. I constantly had to request that the engine should be able to idle and cool down between tests.

During the last test the engine was held at 150Nm for an extended time. During this test we noticed the torque had dropped 30Nm and the engine was brought back to idle then turned off. We decided further testing would cause further damage, and we halted testing.

On this visit we had been there for another 62 working days and had only 4 days of meaningful testing data. The board was advised by the University that it would not be in a position to recommence testing of our engine for approximately three months due to dyno commitments to other clients.

This is regrettably unacceptable given the fact that we have significant commercial enquiry to deal with.

Every cloud has a silver lining.

Commercial Discussions and Further Testing

During the course of the calendar year we have fielded several very strong commercial enquiries. The Managing Director of a division of a large German Corporation has expressed an interest in utilising our technology in power generation project. He had previously offered to test the engine in his facility to speed up our discussions. As a result of the University being unable to recommence testing in a timely manner the board



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decided to accept the earlier invitation we had received to move our test engine to a commercial testing facility for modification, testing and evaluation.

The engine has been dismantled. It was found that a bush that had been manufactured at the university had failed and is currently being manufactured, and will be available later today. I will be travelling back to the facility tomorrow to assemble and commence testing this week. No other component in the engine is worn or damaged.

Marketing

During this visit to Munich we signed a performance based agreement with our new consultant. Since then he has introduced me to several leading manufacturers. One of these manufacturers has asked me to complete a feasibility study regarding the design and manufacture of one of its engines with our technology. I have designed a draft model and am currently completing this study. A summary will be sent this week and a further meeting is planned in about 10 day's time.

Further interest has been received from a large Brazilian company that is currently aiming to raise capital for a development and production plan for our engine technology.

A prominent vehicle, engine and generator manufacturer from India has contacted us recently regarding a prospective engine development program, and is extremely keen to explore the possibility of work with us to produce engines for their products.

We have been approached by a Motorcycle Company from the Philippines about developing an engine range for them and we are in early talks with them.

We have been approached by a leading US military supplier to develop and manufacture engines for generators for a large client, presumably the US Military. We are currently dealing with their enquiry.

Our prospective Chinese client awaits further test results.

We are also having initial talks with a small capacity diesel engine manufacturer in Germany.

Steve will be flying out to Germany this week to attend meetings with several of these companies who are based in Germany.

After initial testing at the new facility, all of these companies will be invited to visit us during testing, and to meet for further discussions.

Your company has a significant level of inquiry from potential customers and has never been in a more advantageous position.



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Summary

Technology and share price value are now a crucial issue for the future of our company. While the company is listed on the NSXA, the share price will not only be a hindrance to negotiations with these companies due to a perceived lack of value, but will also inhibit any possibility for large financial input from financial institutions if needed. The board is of the view that our company will not be able to raise significant funds if required for any project whilst we are listed on the NSXA.

For these reasons, the vote to delist is a critical decision to our company's future. If the delisting vote is passed by the shareholders, we plan to relist on a stronger market in either the United Kingdom, Europe or the United States of America once a production contract is signed.

I thank you for your listening patience, and we look forward to now see the light at the end of multiple tunnels.

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