

NOVACOAT

NOVACOAT HOLDINGS LIMITED

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CHAIRMAN'S ADDRESS

Please find following the Chairman's Address to be delivered at Novacoat Holdings Limited's (ASX: NVC) annual general meeting scheduled to commence at 2.00pm WST later today.

Yours faithfully,
NOVACOAT HOLDINGS LIMITED



Len Troncone
Company Secretary

Chairman's Address

It is with great honour and pleasure that I deliver this first Chairman's address of the Company which, subject to your approval at this meeting, will change its name to Paladio Group Limited.

Why the change in name? It is to differentiate the holding company from its original operating subsidiary, Novacoat (WA) Pty Ltd, which was acquired subsequent to the Company's de-merger from mBox.com Limited back in December 2004. With the acquisition of further businesses and subsidiaries, my fellow Directors and I believe it is important that the holding company has a clear identity in its own right.

As I described in the Chairman's Report contained in the 2005 Annual Report, a lot has been achieved in the Company's short existence. Highlights include:

- the original acquisition of the Novacoat (WA) business;
- the successful capital raising at 30 cents per share and public listing on the Australian Stock Exchange during April 2005;
- the acquisition of the McFee business shortly after listing;
- the recruitment of a strong management team;
- the expansion of our Board's composition through the appointment of Peter Wallace as an additional Non-Executive Director in October 2005;
- McFee winning several important projects which I will touch on later in this address;
- the establishment from virtually a zero base of the necessary infrastructure from which to support operating divisions; and
- most importantly of all from an operational perspective, instilled a culture of safety and quality in the work environment.

The past 11 months have been hard in terms of time absorption expected from, and delivered by, the Company's employees and executives. I would like to recognise up front the contribution and support given to me by our quality team of individuals that have been brought together to manage and direct this Company on behalf of Shareholders.

Whilst initially the Board and management were focused on listing the Company and then laying the foundations to build its operations, I and my fellow Directors believe that we have moved on from this start-up phase. We are now firmly focused on delivering quality services to our customers in a safe manner and at a fair price which enables us to deliver value to our Shareholders.

The abrasive blasting and painting operation has expanded to provide on-site services which has broadened its revenue base which has compensated somewhat for a relatively flat mid-year period when the workshop was underutilised.

The acquisition of McFee enabled the Company to immediately achieve its originally stated objective: to establish an enterprise capable of qualifying to tender and win site-based projects to serve the resources and oil and gas sectors. McFee provided such a vehicle and in its early days under our ownership had won several, but relatively small, sub-contracts.

McFee has more recently won three cornerstone contracts, two of which as a Tier 2 contractor.

Firstly, it was awarded a sub-contract to United KG for the Caltex Clean Fuels Project at the Kurnell Refinery in Sydney, NSW. I am pleased to report that this project is performing well with approximately 45 employees working to assist in expediting this project on behalf of the client. Since the project commenced in late September 2005 we have earned approximately \$2 million in revenue on this project.

Secondly, McFee was awarded mechanical and structural services works for Phase 1 of Rio Tinto Iron Ore's Paraburdoo Sustaining Works Project. McFee is the main contractor for this project and, as of now, we have a team of approximately 40 on site.

Thirdly, on 1 November 2005 we announced that McFee was awarded a \$6 million project for the structural and mechanical works for Bendigo Mining's new gold processing plant. We are confident that McFee's role in this important project will be expanded via the award of an additional contract and we hope to be in a position to make a formal announcement on this shortly. Mobilisation occurred in mid-November and we now have approximately 14 people on site. The project is expected to run until the end the first quarter of calendar 2006.

The latter two projects have McFee positioned as the main contractor. This has been the executive team's primary objective: to move up the food chain to a Tier 2 contractor by delivering services directly to the main client where margins are better than Tier 3 sub-contracts.

Our Company has grown rapidly and with growth comes the need to properly fund working capital requirements to service our blue chip clientele who rightly expect to deal with a strong and reputable service provider. It has therefore been necessary to

raise capital to fund our growth and, for the benefit of all Shareholders, we have raised capital at successively higher share prices: 40 cents in September 2005 when we replenished the working capital used to acquire the McFee business, and at 55 cents during this month when we sought to raise \$3.5 million to fund our work in hand and to assist in acquiring our own equipment to enable us to deliver our services at various projects.

As announced to the ASX earlier today, I am pleased to report that the latter capital raising was closed oversubscribed and, subject to your approval to several resolutions to be put to the vote later in this meeting, will enable the Company to utilise these funds in the next few days.

Tendering activities for resource projects remain high and, looking forward, our objectives are to reach critical mass with a significant volume of work in hand and also win long term maintenance contracts. We are also continuing to look at acquisition and alliance opportunities that will complement our existing core business and look forward to the opportunity of reporting further on these initiatives as they develop.

In closing, I would like to thank my fellow Directors for their support, dedication, long hours and contribution to date. We are confident that with the acquisition of McFee and with the additional human and financial resources now at our disposal we can build the Company into a safer, stronger and diversified business to better serve our clients, provide career paths to our employees and deliver improved financial returns to our Shareholders.