

# **NOVACOAT HOLDINGS LIMITED**

**ACN 111 210 390**

## **PROSPECTUS**

**FOR THIS OFFER OF 5,000,000 SHARES AT AN ISSUE PRICE OF \$0.30 PER SHARE TO RAISE \$1,500,000 (OVER SUBSCRIPTIONS OF UP TO A FURTHER 2,000,000 SHARES AT AN ISSUE PRICE OF \$0.30 PER SHARE TO RAISE UP TO \$600,000 MAY BE ACCEPTED).**

**Manager to the Offer: Cunningham Securities**

### IMPORTANT INFORMATION

This is an important document that should be read in its entirety.  
If you do not understand it you should consult your professional advisers without delay.  
The Shares offered by this Prospectus should be considered speculative.

## **IMPORTANT NOTICES AND STATEMENTS**

This Prospectus is dated 14 February 2005 and was lodged with the ASIC on that date. The ASIC and ASX and its respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Before deciding to invest in the Company it is important that investors read this Prospectus in its entirety and seek professional advice before deciding to invest. In particular investors should consider the risk factors outlined at Section 8 of this Prospectus that could affect the performance of the Company and should carefully consider these factors in light of their own personal circumstances. The Shares described in this Prospectus should be considered speculative.

No person is authorised to give any information or make any representation in connection with this Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company in connection with this Offer.

Any photographs and illustrations used in this Prospectus are not necessarily of assets or business interests of the Company but have been included to give an indication of the Company's business and operations and the industry in which the Company operates.

## **WEB SITE – ELECTRONIC PROSPECTUS**

A copy of this Prospectus can be downloaded from the website of the Company at [www.novacoat.com.au](http://www.novacoat.com.au). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

## **EXPOSURE PERIOD**

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of 7 days from the date of lodgement with the ASIC. This period may be extended by ASIC for a further period of 7 days. This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Acceptances and applications for Shares under this Prospectus will not be accepted by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge acceptances and applications prior to the expiry of the Exposure Period.

This Prospectus has been prepared by the Company. In preparing this Prospectus, the Company has taken reasonable steps to ensure that the information contained in this Prospectus is not false or misleading. In doing so, the Company has had regard to the requirements of the Corporations Act.

## **CORPORATE DIRECTORY**

### **Current Directors**

Mr Richard Wright (Executive Chairman)

Mr Robert Franco (Executive Director)

Mr Geoffrey Gander (Non Executive Director)

### **Share Registry**

Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace  
PERTH WA 6000

Telephone: 1300 557 010

Facsimile: (08) 9323 2033

### **Company Secretary**

Mr Andrew Meloncelli

### **Solicitors to the Company**

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### **Registered Office**

104 Colin Street  
WEST PERTH WA 6005

Telephone: (08) 9214 2529

Facsimile: (08) 9214 2511

### **AFS Licensee/Manager to the Offer**

Cunningham Securities  
Level 1, City Arcade  
207 Murray Street  
PERTH WA 6000

### **Auditors**

RSM Bird Cameron Partners  
8 St Georges Terrace  
PERTH WA 6000

AFS Licence No: 258483

Telephone: (08) 9322 9158

Facsimile: (08) 9322 1236

### **Independent Accountant**

RSM Bird Cameron Corporate Pty Ltd  
8 St Georges Terrace  
PERTH WA 6000

## CONTENTS

1.	CHAIRMAN'S LETTER.....	1
2.	INVESTMENT OVERVIEW .....	3
3.	DETAILS OF THE OFFER.....	5
4.	COMPANY AND BUSINESS OVERVIEW .....	9
5.	CURRENT DIRECTORS .....	12
6.	INDEPENDENT ACCOUNTANT'S REPORT .....	13
7.	MATERIAL CONTRACTS .....	14
8.	RISK FACTORS .....	17
9.	ADDITIONAL INFORMATION .....	21
10.	DIRECTORS' AUTHORISATION .....	27
11.	GLOSSARY.....	28
	PUBLIC OFFER APPLICATION FORM .....	30
	ROUND UP APPLICATION FORM .....	32

## **1. CHAIRMAN'S LETTER**

Dear Investor

On behalf of the Board of Directors I am pleased to introduce an exciting opportunity to invest in a Company that has an established protective coating services business and the vision to diversify to provide other services to resource companies and infrastructure owners in Australia for maintenance, operations and construction.

Novacoat provides shop based surface treatment to structural and mechanical components as well as rubber lining applications to the construction sector servicing resources and infrastructure projects in Western Australia and Australia and also has the potential to expand into site based coating services for construction and maintenance work.

The Company's strategy is to grow and diversify the services offered to the resources and infrastructure sectors through a combination of acquisitions, organic growth and alliances with specialist groups, provided these opportunities fit the business model and add value to the Company.

The Board and senior management have experience in starting, growing and developing service companies and an extensive knowledge of the resource and infrastructure sector in Australia.

Novacoat Pty Ltd, a private company, was established in 1991 in Kwinana, Western Australia as a surface treatment services company. In 2002 Fero Industries Pty Ltd acquired the business and associated assets. On 28 October 2004, the Company signed a business sale agreement with Fero Industries Pty Ltd to acquire the business and nominated assets.

Since 2002, the business has been restructured and capital has been invested to increase efficiency. In the Directors' opinion, the Kwinana operation is now recognised as one of the largest surface treatment facilities in Western Australia. Novacoat's success has come from maintaining strong customer and supplier relationships and providing quality services on time and at a competitive price.

With the increase in demand for services in the resources and construction sectors as documented by recent reports from both the ABS and Australian industry group, Outlook, the Board and executive management will initially focus on increasing the throughput of surface treatment work at the Kwinana facility, expanding rubber lining services and commencing site based protective coating maintenance services. In keeping with the implementation of a diversification growth strategy, Novacoat has also recently added to its executive management team to ensure that the business is positioned to add to its current range of services.

NHL offers both new shareholders, and those shareholders that received shares in the Company via an in specie distribution from mBox.com Ltd, an exciting opportunity to participate in what Directors believe is a company ideally positioned to take advantage of the current surge in investment occurring across Australia as a result of the favourable conditions for both the mining resources and oil & gas sectors.

Funds raised from this Offer will provide the Company with sufficient working capital to finance the immediate expansion of site based services, while also providing funds for other opportunities that may arise. The Company, upon its successful listing on ASX, will have a strong balance sheet, will be cash flow positive, and should be well positioned to capitalise on exciting growth opportunities.

On behalf of the Board of the Company, I invite you to invest in our Company and in what we believe will be an excellent opportunity but I request that you read this Prospectus in detail before making an investment decision.

Yours sincerely

A handwritten signature in black ink, appearing to read "R. Wright", written in a cursive style.

**Richard M Wright**  
**EXECUTIVE CHAIRMAN**

## **2. INVESTMENT OVERVIEW**

### **2.1 Important Notice**

This Section is not intended to provide full information for investors intending to apply for Shares. This Prospectus should be read and considered in its entirety.

### **2.2 Summary of the Offer**

By this Prospectus, the Company invites investors to apply for up to 5,000,000 Shares at an issue price of \$0.30 each to raise up to \$1,500,000 (oversubscriptions of up to a further 2,000,000 Shares at an issue price of \$0.30 each to raise up to \$600,000 may be accepted).

### **2.3 Indicative Timetable**

Lodgement of Prospectus with the ASIC – Exposure Period Begins	14 February 2005
Opening Date – Exposure Period ends	21 February 2005
Closing Date (5pm WST)	16 March 2005
Issue of Shares to investors	23 March 2005
Expected date for listing on ASX	30 March 2005

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close this Offer early without notice. Accordingly, investors are encouraged to submit their Applications as early as possible.

### **2.4 Objectives**

The Company's objectives are to raise sufficient funds to implement the organic growth of the existing Novacoat business into site based services, increase throughput through its existing Kwinana facility and commence a strategy for growth by diversification into offering other resource and construction related services. Following the completion of this Offer, the Company will have enough working capital to carry out these objectives.

### **2.5 Use of Proceeds**

The Company intends to apply funds raised from this Offer as follows:

<b>Description</b>	<b>Amount</b>
Development of Site Based Services Business Management System and other set-up costs	\$400,000
Site Based Services Marketing and Costs of Initial Sales	\$300,000
Plant and Equipment for Site Based Services Business	\$400,000
Expenses of Offer and Listing Costs (Excluding Supporting Broker Fees)	\$76,650
Supporting Broker Fees	\$90,000
Working Capital	\$233,350
<b>Total</b>	<b><u><u>\$1,500,000</u></u></b>

If the Company attains full over subscription it intends to apply the funds of \$600,000 as follows:

<b>Description</b>	<b>Amount</b>
Plant and Equipment for Site Based Services Business	\$200,000
Supporting Broker Fees	\$36,000
Working Capital	\$364,000
<b>Total</b>	<b><u>\$600,000</u></b>

## **2.6 Capital Structure**

The capital structure of the Company following completion of this Offer is summarised below:

<b>Shares</b>	<b>Number</b>
<b>Existing</b>	<b>15,476,670</b>
Current Offer	5,000,000
Oversubscriptions	2,000,000
<b>Total</b>	<b><u>22,476,670</u></b>

There are no Options on issue as at the date of this Prospectus. Subject to the successful completion of this Offer, the Directors intend to seek shareholder approval to the issue of a total of 650,000 unlisted Options to the Directors. Refer to section 9.1 for further details.

### **3. DETAILS OF THE OFFER**

#### **3.1 The Offer**

This Offer follows announcements by mBox.com Ltd in October and December 2004 regarding the de-merger and proposed listing of a new public company, Novacoat Holdings Ltd. By this Prospectus, the Company offers for subscription up to 5,000,000 Shares at an issue price of \$0.30 per Share to raise \$1,500,000 (oversubscriptions for up to a further 2,000,000 Shares at an issue price of \$0.30 to raise up to \$600,000 may be accepted).

This Offer consists of:

- (a) a Round Up Offer exclusively to Novacoat Shareholders; and
- (b) a Public Offer which is open to the general public.

Please refer below for full details of the Round Up Offer and the Public Offer.

#### **Round Up Offer**

Under the Round Up Offer, each Novacoat Shareholder registered as a member on the Record Date will be offered a priority allocation of additional Shares subject to the following terms and conditions:

- (a) the Round Up Offer is not an entitlement. The relevant Novacoat Shareholders will merely be given priority over the general public in relation to their applications for Shares if they have a Shareholding of less than 6,667 Shares; and
- (b) the minimum number of Shares that must be applied for by a Novacoat Shareholder under the Round Up Offer is that required to round up their shareholding to 6,667 Shares. If a Novacoat Shareholder fails to subscribe for this minimum number of Shares, the Directors reserve the right to disregard the Application.

Applications for Shares by Novacoat Shareholders who wish to apply for Shares under the Round Up Offer will only be accepted on the Round Up Application Form attached to this Prospectus.

Shares not taken up by Shareholders pursuant to the Round Up Offer will be made available to public investors through the Public Offer.

#### **The Public Offer**

Under the Public Offer, members of the general public may apply for Shares pursuant to this Prospectus. The Company does not guarantee that an application for Shares pursuant to the Public Offer will be accepted by the Company.

Applications for Shares under the Public Offer will only be accepted on the Public Application Form attached to this Prospectus.

#### **3.2 Application for Shares**

Applications for Shares by investors must be made using an Application Form attached to this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.30 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares (save for Novacoat Shareholders who may apply for a lesser number of Shares to round up their shareholding to 6,667 Shares). Completed Application Forms and accompanying cheques must be delivered to:

Computershare Investors Services Pty Ltd  
Level 2  
Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 6000

Or mailed to:

Computershare Investors Services Pty Ltd  
GPO Box D182  
PERTH WA 6840

Cheques should be made payable to "Novacoat Holdings Limited – Share Offer Account" and crossed "Not Negotiable". Completed Application Forms must reach Computershare Investor Services Pty Ltd by no later than the Closing Date.

### **3.3 Oversubscriptions**

The Company reserves the right to accept oversubscriptions of up to \$600,000 through the issue of a further 2,000,000 Shares at an issue price of \$0.30 per Share. The maximum amount which may be raised under this Prospectus is therefore \$2,100,000.

### **3.4 Allotment**

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Shares pursuant to this Offer will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

Subject to the terms of the Round Up Offer, the Directors reserve the right to allot Shares pursuant to this Offer in full for any application or to allot any lesser number or to decline any application. Directors may in their discretion give preference to Novacoat Shareholders in accepting applications under this Offer, especially where subscription for Shares is pursuant to the Round Up Offer. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

### **3.5 Minimum Subscription**

The minimum amount to be raised pursuant to this Prospectus is \$1,500,000.

If the minimum amount has not been raised within 4 months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

### **3.6 Underwriting**

This Offer is not underwritten.

### **3.7 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable Shares law. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of Shares. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

### **3.8 CHESS**

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, investors will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

### **3.9 Privacy Act**

If you complete an Application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder, facilitate distribution of payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your Shares in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised Shares brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

### **3.10 Financial Forecasts**

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the Company is in an expansion phase and so such forecasts would be inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## **4. COMPANY AND BUSINESS OVERVIEW**

### **4.1 Background**

This Offer and the proposed admission of the Company to the Official List has been made possible by the de-merger of the Company from mBox.com Limited. The Company was incorporated on 1 October 2004. Its only asset was \$1,400,000 in cash. The shareholder base was created via an in specie distribution to mBox.com Limited shareholders on 14 December 2004.

The Company was created with the specific purpose of acquiring Novacoat from Fero Industries Pty Ltd with the ultimate aim of listing the Company on the ASX.

The Novacoat business (formerly a division of Fero Industries Pty Ltd) was originally established in 1991, and was acquired by NHL on 8 December 2004. The Novacoat business provides protective coating and rubber lining services to the construction sector predominately servicing the mining, construction, petroleum and refining industries.

In the financial year 1 July 2003 to 30 June 2004, Novacoat (as a division of Fero Industries Pty Ltd) recorded unaudited revenues of \$5,988,090, and recorded an unaudited EBIT of \$755,233.

Novacoat's workshop and office is situated in the Kwinana industrial precinct, approximately 30 kilometres south of Perth. The site covers some 4 hectares of land and incorporates a workshop of approximately 9,300 square metres as well as lay down areas for assembly of components prior to treatment and transport to site. The success of the business has come from the investment in efficient and modern facilities and from maintaining strong customer relations by providing quality service. The business is recognised throughout the construction industry as evidenced by its large client base, its recurring income stream and its 10 year history of operations. The Directors believe that the Kwinana operation is one of the leading facilities of its type in Western Australia, with the capability of being able to apply a wide range of protective coatings. Treatment contracts performed by the business to date have been for many construction companies and have included components for projects undertaken by BHP Billiton, Alcoa, Rio Tinto, Apache Energy, Ausclad, Outokumpu, GRD Minproc, Ludowici, CSBP, B.P. Refinery, and others.

Novacoat's market position, coupled with the current activity in the resource industry, provides opportunities to improve current turnover and profit levels by increasing the scope of services offered. The introduction of several key executives should assist the Company in targeting these new strategic opportunities.

### **4.2 Market Analysis and Opportunities**

Western Australia and other states are currently undergoing sustained growth in the construction industry that services the resources and infrastructure sectors. This is evidenced by a recent report from the ABS which outlined a large number of current and proposed projects developing over the next few years.

This is significant in that steelwork used in the construction of resource and infrastructure projects requires protective coatings treatment to prevent the premature failure of the structure by corrosion. The ability to provide shop based application and ongoing maintenance on site by a single applicator ensures

quality performance of work and removes the need for the client to have to deal with multiple vendors.

The Directors believe that as a result of its geographical location, modern facilities and skilled workforce, Novacoat is well positioned to capture a large section of the increase in the current protective coatings market. The location of Kwinana gives strategic access to a wide area road network as well as a sea port created to allow for the transport of modularised sections to the various projects around the State. The current workshop has the capacity to treat higher quantities of steelwork than it does presently, without any additional major capital investment. The Directors are already focused on developing opportunities that utilise this additional capacity and thereby increase current turnover levels.

Novacoat's modern facilities and strategic location provide it with the ability to surface treat steel work and consolidate and pre-assemble structures for despatch direct to any site. This is a common trend as it reduces both manpower and costs for remote projects where this type of work was traditionally carried out on site.

Additionally, the growth of capital expenditure in the resource and infrastructure sectors gives rise in demand for other outsourced services such as engineering, project management, fabrication and construction. As well as this, the increased capital invested in the resources and infrastructure sectors will also ultimately lead to an increase in demand for maintenance services.

These areas are examples of the service sectors that the Company will be reviewing for growth by organic means, acquisitions or strategic alliances.

### **4.3 Detailed Segment Analysis**

#### **(a) *Workshop Facilities***

Novacoat's workshop facility comprises approximately 9,500 square metres undercover, arguably one of the largest treatment facilities in Western Australia. An additional hardstand area of approximately 8,000 square metres (serviced by two 12.5 tonne semi portal cranes) provides the ability to treat, consolidate and assemble steel structures for delivery to site for immediate installation. The workshop has one of the largest overall lifting facilities (100 tonnes) for steel treatment in Western Australia.

Novacoat's large customer base has, in the past, generally provided the workshop facility with a continuous work flow. This is assisted by the geographical location of Novacoat which provides access to customers heavily involved in various aspects of the resource and construction industry.

The large covered area at the premises of Novacoat also allows work to continue during unfavorable climatic conditions.

#### **(b) *Site Based Work***

Following work-shop based treatment of steelwork, a large market also exists for additional site based work. Providing workshop and site based services provides certainty to clients with regard to quality and performance of coatings.

Site based contracts are generally for site touch up of newly constructed projects, or for ongoing maintenance work once projects are in operation. Based on its industry experience, the Directors believe Novacoat is well positioned to capture both aspects of these site based contracts.

#### **4.4 Opportunities**

The increased activity in the resource industry should provide significant opportunities for the Company. Future plans for Novacoat are focused on expansion through strategic opportunities that increase the size or scope of services offered and increasing the level of site based activities. It is important to note that the Company already owns mobile purpose built equipment for site based work.

To generate increased levels of long term revenue, the Company will be particularly focused on winning long term maintenance contracts. It is envisaged that the experience and contacts of incoming executives will facilitate this process.

The Novacoat facility also provides exciting opportunities for the Company due to its ability to offer additional services. This may include treatment, assembly and commissioning of new modules, or maintenance of existing items.

The Directors believe that Novacoat's current operations and its longevity in the sector provide an excellent base on which to build the Company into a leading industrial services entity.

The new Board and additions to the existing Novacoat management team should facilitate the Company expanding into larger workshop and site based contracts. The Board's future plans for the Company may also involve expansion through the acquisition of other businesses which complement the organisation's strategic business model and which Directors consider will add value to the Company.

## **5. CURRENT DIRECTORS**

### **5.1 Richard Wright (Executive Chairman)**

Mr Wright serves as Executive Chairman of the new Board. Mr Wright has been involved with resource, engineering, construction and maintenance companies for over 35 years. He is a mechanical engineer graduated from the University of New South Wales and has completed a postgraduate course in business at the Hass Business School at the Berkeley Campus of the University of California. Mr Wright's strengths have been in the leadership of creating, developing and growing service companies providing engineering project management, construction and maintenance services to the resource and infrastructure market sectors. Recent positions include the Executive Chairman of ADrail Pty Ltd, which was responsible for the design and construction of the Alice Springs-Darwin rail project, and prior to that he was the Managing Director of Fluor Daniel Australia, a wholly owned subsidiary of an international engineering, construction and maintenance company.

### **5.2 Robert Franco (Executive Director)**

Mr Franco graduated from the University of Western Australia, completing a degree in Engineering (Hons) and in Commerce. Mr Franco worked as an engineering consultant for a major multi-disciplinary national firm until 2001, holding status as a chartered professional engineer. His involvement included resource and commercial developments. Mr Franco has recently been involved with Fero Industries Pty Ltd, a rapidly expanding company in the mining services industry, having been involved in business development and financial management. Mr Franco was previously a director of mBox.com Limited.

### **5.3 Geoffrey Gander (Non Executive Director)**

Mr Gander graduated from the University of Western Australia in 1984 where he completed a Bachelor of Commerce Degree. Mr Gander has had more than 19 years experience in the information technology industry. He has held various senior management roles in technology companies including Sales and Regional Marketing Manager at IBM Australia, General Manager of the Global Electronic Payments and General Manager of the ASX listed Intellect Holdings Limited.

Mr Gander has also worked as an industry consultant to a range of private and public technology companies. In addition to his Non-Executive Director role at NHL, Mr Gander also sits on the board of publicly listed Virtualplus Holdings Limited, Westcoast Mining Limited and Acuity Investment Management Limited, and the privately held companies Buyshop Limited and Highway1 (Australia) Pty Limited. Mr Gander was appointed as an NHL director on 1 October 2004 and had been a director of mBox.com Limited (now Virtualplus Holdings Limited) since 20 November 2003.

**6. INDEPENDENT ACCOUNTANT'S REPORT**

# RSM! Bird Cameron Corporate Pty Ltd

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9101  
www.rsmi.com.au

E-mail: andy.gilmour@rsmi.com.au  
Direct line: 9261 9447  
AJG:SET

14 February 2005

The Directors  
Novacoat Holdings Limited  
104 Colin Street  
WEST PERTH WA 6005

Dear Sirs

## Independent Accountant's Report

### Introduction

- 1.1. This report has been prepared at the request of the directors of Novacoat Holdings Limited ("NHL" or "the Company") for inclusion in a Prospectus to be dated on or about 14 February 2005 relating to the proposed offer of 5,000,000 fully paid ordinary shares in NHL at an issue price of \$0.30 per share to raise \$1,500,000.
- 1.2. Oversubscriptions of up to 2,000,000 shares at an issue price of \$0.30 per share to raise an additional \$600,000 may be accepted.
- 1.3. This report has been prepared in accordance with the general disclosure requirements of the Corporations Act 2001 to assist investors make an informed assessment of the financial performance and financial position of NHL.
- 1.4. The future prospects of NHL other than the preparation of the proforma statement of financial position, assuming completion of the proposed transactions are not addressed in this report. This report also does not address the rights attaching to the shares to be issued pursuant to this Prospectus, nor the risks associated with the investment.

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'Liability is limited by the Accountants' Scheme pursuant to the NSW Professional Standards Act 1994'

RSM Bird Cameron Corporate Pty Ltd  
ABN 82 050 508 024  
Licensed Investment Adviser  
No 255847

Major Offices in:  
Perth, Sydney,  
Melbourne, Adelaide  
and Canberra

RSM Bird Cameron Corporate Pty Ltd is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

## **2. Scope of Examination**

- 2.1. You have requested RSM Bird Cameron Corporate Pty Ltd to prepare a report on the following for the Company:
- unaudited statement of financial position of the Company as at 1 October 2004; and
  - unaudited proforma statement of financial position as at 1 October 2004 assuming completion of the capital raising and the transactions summarised in Note 1(h) to the financial statements.
- 2.2. The directors of NHL are responsible for the proforma financial information included in this report.
- 2.3. Our review has been conducted in accordance with Australian Auditing Standards AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:-
- an analytical review of the financial information;
  - review of the application of accounting standards and policies;
  - examination of financial records; and
  - enquiries of management.
- 2.4. These procedures were substantially less in scope than that would be required in an audit examination conducted in accordance with Australian Auditing Standards, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

### 3. Background

- 3.1. NHL was incorporated on 1 October 2004 with the issue of one fully paid ordinary of \$1 to mBox.Com Limited.
- 3.2. On 21 October 2004, NHL issued 6,476,669 fully paid ordinary shares to mBox.Com Limited, for a cash consideration of \$1,399,999.
- 3.3. At the Annual General Meeting of mBox.Com Limited held on 7 December 2004, shareholders approved a number of resolutions including resolutions to effect the following:-
  - The acquisition of the Novacoat business for consideration of \$2.7 million satisfied by the issue of 9,000,000 fully paid ordinary shares in NHL at an issue price of 30 cents each; and
  - The in specie distribution of 6,476,670 fully paid shares held by mBox.Com Limited in NHL to mBox.Com Limited shareholders.
- 3.4. The business of Novacoat is now owned by NHL. Novacoat is a leading supplier of anti corrosion treatment services to the mining, oil and gas, marine, construction and engineering industries. The services supplied by Novacoat include abrasive blasting, painting and rubber lining.
- 3.5. The Company commenced trading on 8 December 2004.
- 3.6. The Novacoat business is currently held in NHL. At the date of this report, the Company has set up two wholly-owned subsidiaries:
  - Novacoat (WA) Pty Ltd, incorporated on 10 December 2004 with an issued share capital of one fully paid ordinary share of \$1; and
  - Novacoat Workforce Pty Ltd, incorporated on 10 November 2004 with an issued share capital of one fully paid ordinary of \$1.
- 3.7. The directors intend to transfer the Novacoat business into Novacoat (WA) Pty Ltd in due course.

#### **4. Subsequent Events**

- 4.1. Apart from the matters dealt with in this report, having regard to the scope of our work, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company have come to our attention that are not otherwise disclosed in this Prospectus, which require further comment upon or adjustment to, the information referred to in this report, or which would cause the information in this report to be misleading.

#### **5. Opinion on historical and pro forma financial information**

- 5.1. In our opinion, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information set out in the Appendix to this report does not present fairly:
  - 5.1.1. the unaudited statement of financial position of the Company as at 1 October 2004; and
  - 5.1.2. the unaudited pro forma statement of financial position as at 1 October 2004 adjusted to include funds proposed to be raised pursuant to the Prospectus and the completion of the transactions summarised in Note 1(h) to the financial statements.

#### **6. Declaration**

- 6.1. RSM Bird Cameron Corporate Pty Ltd beneficially owned by the directors of RSM Bird Cameron, a large national firm of chartered accountants.
- 6.2. Mr A J Gilmour CA is a director and authorised representative of RSM Bird Cameron Corporate Pty Ltd and a director of RSM Bird Cameron. He has professional qualifications and experience appropriate to the advice offered.
- 6.3. RSM Bird Cameron Corporate Pty Ltd has acted as Independent Accountant for the Company but has not been involved in the preparation of any other part of this Prospectus. Accordingly, we make no representations as to the completeness and accuracy of the information in any other part of this Prospectus. RSM Bird Cameron Corporate Pty Ltd has not made and will not make any recommendation, through the issue of this report, to potential investors of the Company as to the merits of the investment.
- 6.4. RSM Bird Cameron Corporate Pty Ltd will receive a fee for the preparation of this report based on actual hours spent on the assignment at normal professional rates. With the exception of the above fee, neither Mr A J Gilmour nor RSM Bird Cameron Corporate Pty Ltd will receive any other benefits, either directly or indirectly, from the preparation of this report and have no pecuniary or other interest which could be regarded as affecting the ability to provide an unbiased opinion in relation to the proposed transaction.

- 6.5. RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion of this report in the Prospectus in the form and context in which it appears. At the date of this report, this consent has not been withdrawn.

Yours faithfully

ANDREW GILMOUR  
Director

**NOVACOAT HOLDINGS LIMITED**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at 1 OCTOBER 2004**

	Note	Unaudited as at 1 October 2004 \$	Unaudited Proforma as at 1 October 2004 \$
<b>Current assets</b>			
Cash assets	3	1	2,735,000
Inventories	4	-	500,000
<b>Total current assets</b>		1	3,235,000
<b>Non current assets</b>			
Property, plant and equipment	5	-	1,600,000
Intangible assets	6	-	630,000
<b>Total non current assets</b>		-	2,230,000
<b>Total assets</b>		1	5,465,000
<b>Current liabilities</b>			
Provisions		-	30,000
<b>Total current liabilities</b>		-	30,000
<b>Net assets</b>		1	5,435,000
<b>Equity</b>			
Contributed equity	7	1	5,435,000
Accumulated losses		-	-
<b>Total equity</b>		1	5,435,000

The unaudited proforma statement of financial position represents the unaudited statement of financial position as at 1 October 2004 adjusted for the transactions outlined in Note 1(h). The statements of financial position should be read in conjunction with the notes to and forming part of the financial statements.

**NOVACOAT HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**AS AT 1 OCTOBER 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of this financial report are:-

(a) Basis of preparation

The financial report has been prepared in accordance with the Accounting Standards and other mandatory reporting requirements in Australia except some of the disclosure requirements under Accounting Standards have not been included where the information that would be disclosed is not considered relevant or material to potential investors.

The financial report has been prepared using the accrual basis of accounting and is based on historical costs and does not take into account changing money values or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Income Tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

(c) Property, plant and equipment

*Plant and equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**NOVACOAT HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**AS AT 1 OCTOBER 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Property, plant and equipment (Cont.)

*Depreciation*

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	10-33%

(d) Intangibles

*Goodwill*

Goodwill, representing the excess of purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity or a business is amortised over the period of time during which benefits are expected to arise. Goodwill is amortised on a straight line basis over 20 years.

(e) Inventories

*Raw materials and stores*

Raw materials and stores are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for at purchase cost on a first in first out basis.

(f) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

**NOVACOAT HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**AS AT 1 OCTOBER 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(h) Proforma financial statements

The proforma statement of financial position has been included for illustrative purposes only. The proforma consolidated statement of financial position has been prepared by adjusting the statement of financial position to reflect the financial effect of the following transactions as if they had occurred at 1 October 2004.

- (i) Issue of 6,476,669 fully paid ordinary shares to mBox.Com Limited for a cash consideration of \$1,399,999.
- (ii) Issue of 9,000,000 fully paid ordinary shares to Fero Industry at an issue price of 30 cents each as consideration for the acquisition of the business of Novacoat.
- (iii) Issue of 5,000,000 fully paid ordinary shares of 30 cents each to raise \$1,500,000 pursuant to this Prospectus.
- (iv) Estimated costs of \$165,000 associated with the capital raising have been set off against share capital.

**NOVACOAT HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**AS AT 1 OCTOBER 2004**

**2. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the current financial year, being 1 July 2004.

The Company's directors and management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to IFRS. The directors will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are:

- *Impairment of Assets*

The Company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: *Impairment of Assets*, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

- *Goodwill*

Under the new AASB 3 : Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to a rigorous annual impairment test, that is further discussed below in relation to Impairment of Assets. Amortisation of goodwill is to be prohibited. AASB 3 also requires that where possible identifiable intangible assets be recognised rather than goodwill. Identifiable intangible assets acquired are to be amortised over their useful lives. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 20 years.

**NOVACOAT HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**AS AT 1 OCTOBER 2004**

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>1 October 2004</b>	<b>Proforma</b>
	<b>\$</b>	<b>1 October 2004</b>
		<b>\$</b>
<b>3. CASH</b>		
Cash at Bank (Note 8)	1	2,735,000
		2,735,000
<b>4. INVENTORIES</b>		
Raw materials and shares – at cost	-	500,000
		500,000
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Plant & Equipment at Cost	-	1,377,000
Motor vehicles at cost	-	223,000
	-	1,600,000
		1,600,000
<b>6. INTANGIBLES</b>		
Goodwill	-	630,000
		630,000

**NOVACOAT HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**AS AT 1 OCTOBER 2004**

**7. CONTRIBUTED EQUITY**

No. of Shares		Unaudited 1 October 2004 \$	Unaudited Proforma 1 October 2004 \$
1	1 fully paid share issued on incorporation	1	1
<u>1</u>	As at 1 October 2004	<u>1</u>	<u>1</u>
6,476,669	Fully paid shares issued for a cash consideration of \$1,399,999	-	1,399,999
9,000,000	Fully paid shares of 30 cents each issued as consideration for the acquisition of the business and business assets of Novacoat	-	2,700,000
5,000,000	Fully paid shares of 30 cents each issued pursuant to this Prospectus	-	1,500,000
-	Costs associated with this share issue	-	(165,000)
<u>20,476,670</u>		<u>1</u>	<u>5,435,000</u>

**8. RECONCILIATION OF CASH**

	Note	Unaudited Proforma 1 October 2004 \$
Cash at Bank	3	1
Issue of 6,476,669 shares to MBox.Com Limited	1h(i)	1,399,999
Funds raised pursuant to this Prospectus	1h(iv)	1,500,000
Capital raising Costs	1h(v)	(165,000)
	3	<u>2,735,000</u>

**NOVACOAT HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**AS AT 1 OCTOBER 2004**

**9. RELATED PARTY DISCLOSURE**

(a) Directors

The directors of NHL at the date of this report are:

Richard Wright  
Geoff Gander  
Robert Franco

(b) Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 9 of this Prospectus.

**10. COMMITMENTS**

	\$
Lease expenditure commitments	
Operating leases (non-cancellable)	
Minimum lease payments	
- not later than one year	177,200
- later than one year and not later than five years	708,800
- later than five years	<u>886,000</u>
Aggregate lease expenditure contracted for at reporting date	<u>1,772,000</u>

The Company has entered into a 10 year lease agreement for its premises in Kwinana at \$177,200 per annum (plus GST and outgoings). The commitments note above does not take consideration of future rental increases that may occur (see Section 7 of this Prospectus for further details).

## 7. MATERIAL CONTRACTS

### 7.1 Business Sale Agreement – Fero Industries Pty Ltd

On 28 October 2004 the Company and Fero Industries Pty Ltd (**Fero**) entered into a business sale agreement for the acquisition of 100% of the Novacoat business (**Business Sale Agreement**). Completion of the Business Sale Agreement occurred on 8 December 2004.

The purchase consideration of \$2,700,000 was satisfied by the issue of 9,000,000 Shares with a deemed issue price of \$0.30 each. The Shares issued to Fero will be held in escrow for 24 months or for a time period determined by the ASX.

However this transaction will be reversed if the following conditions are not satisfied prior to 31 March 2005:

- (a) the Company completing due diligence investigations in relation to the Novacoat business to the satisfaction of the Board (now complete);
- (b) the receipt of an independent expert's report concluding that the acquisition of the Novacoat business is fair and reasonable to the existing shareholders of mBox (report has been obtained);
- (c) the approval in a general meeting of the acquisition of Novacoat by the shareholders of mBox (shareholder approval has now been obtained);
- (d) the execution of escrow agreements by all parties who receive Shares in consideration for the Novacoat business;
- (e) the signing of a preferred supplier agreement between Fero and the Company on terms and conditions acceptable to the Company;
- (f) the Company being admitted to the Official List of ASX on or before 31 March 2005;
- (g) the Company raising a minimum of \$900,000 pursuant to this Prospectus; and
- (h) the signing of the lease referred to in Section 7.4 of this Prospectus (this has now been signed).

Reversal of the transaction will have the following affects:

- (a) the Novacoat business and all assets will be transferred back to Fero;
- (b) all Shares issued to Fero as consideration for the acquisition of the Novacoat business will be cancelled;
- (c) a dividend will be paid out of the profit made by the Company for the period running from 8 December 2004 to 31 March 2005 in proportion to the respective shareholdings of the Company and Fero;
- (d) the board of the Company must resign and the directors of Fero in place prior to 7 December 2004 will be reinstated; and
- (e) the net position of the Company must not be less than \$1,200,000 as at 31 March 2005 (in the event that there is any shortfall in the net position

of the Company, Fero shall be responsible for the shortfall and pay to the Company the amount of any shortfall.

Pursuant to the Business Sale Agreement the employees of Fero were offered employment by the Company on the same terms which they were employed by Fero. The maximum liability of Fero for any claims made by the Company for breaches of representations, warranties or covenants under the Business Sale Agreement is an aggregate of \$1,320,000.

The Business Sale Agreement contains the usual confidentiality and warranty clauses.

## **7.2 Novacoat (WA) Pty Ltd Business Sale Agreement**

Novacoat (WA) Pty Ltd (**Novacoat WA**) is a wholly owned subsidiary of the Company.

On 28 January 2005 the Company and Novacoat WA entered into a sale of business agreement for the purchase by Novacoat WA of the business and nominated assets the subject of the business sale agreement summarised in Section 7.1 (**Sale Agreement**).

The Sale Agreement embodies the same terms as the Business Sale Agreement, subject to minor variations.

The Sale Agreement is conditional upon it being assessed as exempt from stamp duty pursuant to section 75JD of the Stamp Act.

## **7.3 Supporting Broker Agreement**

On 14 February 2005 the Company entered into an agreement with Cunningham Securities whereby Cunningham Securities is responsible for raising funds under this Prospectus on a best endeavours basis.

The fees for this raising are made up of two components:

- (a) a 5% brokerage fee payable to AFS licensees as directed by Cunningham Securities in respect of all funds raised by Cunningham Securities (a total of up to \$75,000 if the Offer is subscribed to the extent of \$1,500,000 and up to \$105,000 if the Offer is subscribed to the extent of \$2,100,000); and
- (b) a 1% management fee payable to Cunningham Securities (a total of up to \$15,000 if the Offer is subscribed to the extent of \$1,500,000 and a total of \$21,000 if the offer is subscribed to the extent of \$2,100,000).

These fees will be payable by the Company to Cunningham Securities if:

- (a) prior to the closing date of this Prospectus, Cunningham Securities provide the Company application forms and cleared funds in relation to the Prospectus; and
- (b) the investors introduced by Cunningham Securities together with existing capital shareholders satisfied ASX shareholder spread requirements to enable the Company to list on ASX.

#### **7.4 Lease**

On 28 January 2005 the Company entered into a lease with Emmerick Pty Ltd for the term of 10 years for its Kwinana operations (**Lease**). The Lease has two five year options for renewal.

The proposed leased facility comprises of a workshop and associated office, amenities and annexure totalling 9,300 square metres.

The cost of the rental property is \$177,220 per annum (plus GST and outgoings) for the first 2 years. After the first 2 years the rent shall be at the agreed rate, or if the agreement cannot be reached then the rent shall be determined by an independent market valuation of the rental return.

The Lease agreement otherwise contains terms and conditions which are usual in a contract of this nature.

## **8. RISK FACTORS**

### **8.1 Introduction**

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **8.2 Economic Risks**

The Company, in common with other companies, is affected by general economic conditions including the level of interest rates, employment rates, commodity demand and prices, State and federal government's levels of spending on infrastructure, global inflation and spending by clients on capital and maintenance work. Any changes in government fiscal, monetary and regulatory policies may also affect the Company's business.

### **8.3 Market Conditions**

This Offer represents the first offering of NHL shares, and therefore Shares in the Company have no past trading market. The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the NHL.

### **8.4 Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from investments in it, the Company may require further financing in addition to amounts raised in this Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its growth plans.

### **8.5 Uncertainty of Future Profitability and Competition**

The Company's ability to operate profitably in the future will depend on its ability to achieve its customer expectations in quality, timely delivery and value and building on existing customer relationships and developing new customer base. This will depend on the ultimate demand for its services by customers which cannot be guaranteed.

Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets the Company operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of such profitability cannot be predicted.

### **8.6 International Accounting Standards**

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (**IFRS**). These changes

will affect the way certain items are reported in the Company's financial statements. The most significant changes to accounting treatment under IFRS as it applies to the Company relates to the accounting for research and development costs, intangible assets being patents and goodwill, share based payments and foreign currency translation.

All share-based payments to employees and third parties in respect of goods and services must be expensed and a corresponding increase in equity is recognised when goods or services are received (or a liability if the goods or services were acquired in a cash-settled share-based transaction).

In relation to foreign currency, the Company can choose which currency it will present its financial statements in. If Australian currency is not used a justification is required in the notes to the accounts.

Also in relation to foreign currency, there is no longer a distinction between self sustaining and integrated foreign operations. Instead, where a foreign operation is required to be consolidated into the Company's financial statements (or vice versa), general translation provisions are included in the Standard which largely follow the current method for translating self sustaining operations using a separate equity reserve for foreign exchange differences.

## **8.7 Licences and Registration**

Novacoat is currently awaiting registration from the Department of Environmental Protection, approving its abrasive blasting and protective coating application at its Kwinana facility. The registration was previously held under the name of Fero Industries Pty Ltd. The Directors are unaware of any reason why such licence would not be granted. Novacoat also holds a licence to store dangerous goods, issued by the Department of Industry and Resource. If the Company did not obtain the abovementioned registration or either the registration or licence to store dangerous goods was revoked, Novacoat would be unlikely to be able to continue its current business operations.

## **8.8 Legislation**

The Company's operations are subject to laws and regulations relating to, amongst other things, occupational safety, the use and handling of hazardous materials, prevention of illness and injury and environmental protection. There can be no assurance that future legislation will not impose further regulation, which may adversely effect the business or financial condition of the Company.

## **8.9 Commodity**

The Company provides protective coating services predominantly to the mining, petroleum and refining industries. Accordingly, a downturn in any of these industries due to fall in commodity prices or a cut back in infrastructure spending would adversely affect the business of the Company.

## **8.10 Supply Arrangements and Raw Material Prices**

The Company relies on four principal suppliers for the supply of the special protective coating which it uses to carry out its business. Increase in the cost of the special protective coating or the inability of all four suppliers to supply the special protective coating (which is unlikely) would have an adverse effect on the profitability and success of the business of the Company.

### **8.11 Lease Arrangements**

The Company has recently entered into a lease for its Kwinana operations. This lease is for a term of 10 years.

Termination of this lease through, amongst other things, default on the Company's part duty any failure to pay rent, failure to effect repairs or breach of covenants contained within the lease could have a material adverse effect on the operations of the business of the Company.

### **8.12 Insurance**

The Company could be adversely effected by increases in the cost of insurance premiums or an ability to access insurance coverage arising from circumstances that might or might not be related to the business of the Company. In addition, some risks may be uninsurable or may exceed sums insured. Such events, if they arise, could have a material adverse impact on the Company.

### **8.13 Exchange Rate Risk**

If the Company is successful in securing major overseas contracts, potential income of the Company may be derived from overseas markets and thus the Company will become exposed to exchange rate risks. Some contract income may be nominated in foreign currencies whereas the income and expenditure of the Company are taken into account in Australian currency. The Company could be exposed to fluctuations and volatility of the rate of exchange between various foreign currencies and the Australian dollar as determined in an international market.

### **8.14 Reliance on Key Personnel**

The Company relies on a number of key employees. There is a risk that the Company may fail to attract, retain or develop key employees which could have an impact on the development of the Company.

The Company's success also largely depends on the core competencies of its Directors and their familiarisation with and ability to operate in the protective coating and construction and maintenance services industry in the resources sector.

The loss of one or more of the Directors, or other key persons could have a material adverse effect on the Company's business, financial position and results of operations.

### **8.15 Environmental Risks**

The operations of the Company are subject to laws and regulations concerning the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability. Change in environmental laws governing the Kwinana operations may affect the company's work processes.

#### **8.16 Competition**

The Company will be competing with other companies in its activities, many of which may have access to greater resources than the Company and may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

#### **8.17 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in NHL. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in NHL is speculative and should consult their professional advisers before deciding whether to apply for Shares.

## 9. ADDITIONAL INFORMATION

### 9.1 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares as set out in the table below:

Director	Shares
Mr Richard Wright	0
Mr Robert Franco	7,040,900*
Mr Geoff Gander	100,000

\*2,300,000 Shares are held by Delauney Pty Ltd ATF The Franco Family Trust, which is a discretionary trust of which Robert Franco is a potential beneficiary. 20,900 Shares are held by the Mario Franco Super Fund of which Robert Franco is a member. Robert Franco's parents control the Mario Franco Super Fund. 4,120,000 Shares are held by LMR Franco Unit Trust of which Robert Franco is a beneficiary, with Primo Family Trust (a discretionary trust that Robert Franco has control over) being a one third unit holder. 600,000 Shares are held by The LMR Franco Partnership of which Robert Franco has a one third direct interest.

See Section 9.5 for rights attaching to the Shares.

The Directors also propose to seek Shareholder approval to the issue of 650,000 unlisted Options at the Company's next shareholder meeting. These Options will form part of each Director's agreed remuneration package. It is proposed that Mr Richard Wright and Mr Robert Franco will be issued 250,000 Options each and Mr Geoff Gander will be issued 150,000 Options. These Options will not vest until the relevant Director has completed 12 months of service. These Options will all be exercisable at \$0.30 each on or before 30 June 2007.

### 9.2 Remuneration

The Company's Constitution provides that the remuneration of Directors will be not more than the aggregate fixed sum determined by the Directors prior to the first annual general meeting of the Company. The Directors have determined that the maximum remuneration for each Director is \$120,000. The remuneration of the Directors can only be increased by Shareholders in a general meeting.

On 28 January 2005 Mr Robert Franco entered into a service agreement with NHL covering the terms and conditions of his employment as Chief Executive Officer and Managing Director of the Company. Under this agreement Mr Franco receives remuneration totalling \$120,000 per annum (including superannuation). The terms and conditions of Mr Franco's employment will be reviewed by the Board following the release of the 2004/2005 operating results of the Company.

On 28 January 2005 Mr Richard Wright entered into a service agreement with NHL covering the terms and conditions of his employment as Executive Chairman of the Company. Under this agreement Mr Wright receives remuneration totalling \$120,000 per annum.

Symdean Pty Ltd (**Symdean**), a company controlled by Mr Geoff Gander, has entered into a consulting agreement with the Company for the provision of Mr Gander's services to the Company. Symdean will be paid \$4,000 per month for the provision of these services and an hourly rate of \$150 per hour (plus GST) is

payable to Symdean for all assignments undertaken by Symdean outside the scope of its duties under the agreement.

As at the date of this Prospectus, the Company does not have any commitments or contractual obligation with respect to executive Directors other than those disclosed in this Prospectus.

### **9.3 Fees and Benefits**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter,

has, or has had within 2 years before lodgement of this Prospectus with ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (iii) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

RSM Bird Cameron Corporate Pty Ltd has acted as the independent accountant to the Company and has prepared the Independent Accountant's Report which has been included in Section 6. The Company estimates it will pay RSM Bird Cameron Corporate Pty Ltd a total of \$7,500 for these services (exclusive of GST). Subsequently, fees, if any, will be charged in accordance with normal charge out rates.

Steinepreis Paganin has acted as the solicitors to the Company in relation to this Offer and has been involved in due diligence enquiries on legal matters involving the Company. The Company estimates it will pay Steinepreis Paganin \$20,000 (exclusive of GST) for these services. Subsequently, fees, if any, will be charged in accordance with normal charge out rates.

## 9.4 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

RSM Bird Cameron Corporate Pty Ltd has given its written consent to being named as independent accountant in this Prospectus and to the inclusion of the Independent Accountant's Report in Section 6 in the form and context in which the report is included. RSM Bird Cameron Corporate Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

RSM Bird Cameron Partners has given its written consent to being named as auditors to the Company in this Prospectus. RSM Bird Cameron Partners has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus and have not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Cunningham Securities has given its written consent to being named as manager to the Offer in this Prospectus and have not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Ltd has given its written consent to being named as share registry to the Company in this Prospectus and have not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## 9.5 Rights Attaching to Shares

### Ordinary Shares

The rights and liabilities attaching to Shares can be summarised as follows:

#### (a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

#### (b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (or credited) bears to the total amounts paid and payable (including amounts credited).

**(c) Dividend Rights**

The Board may from time to time declare a dividend to be paid to shareholders entitled to the dividend. The dividend shall (subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act. The Board may from time to time pay to the shareholders such interim dividends as they may determine and will be paid according to the proportion that the amount paid (or credited) is of the total amounts paid and payable (including amounts credited) in respect of such shares. No dividends shall be payable except out of profits. A determination by the Board as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

**(d) Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted Shares and which are subject to escrow restrictions at the time of the commencement of the winding up shall rank in priority after all other shares.

**(e) Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

**(f) Changes to Capital Structure**

The Company may by ordinary resolution and subject to the Corporations Act and the Listing Rules:

- (i) increase its share capital by the issue of new shares of such amount as is specified in a resolution;
- (ii) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; and
- (iii) sub-divide all or any of its shares into shares of smaller amount than is fixed by the Company's Constitution, but so that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived.

**(g) Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

**9.6 Corporate Governance**

The Board monitors the business affairs of the Company on behalf of Shareholders and has formally adopted a corporate governance policy which is designed to encourage the Board to focus their attention on accountability, risk management and ethical conduct.

**9.7 Restricted Shares**

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in Shares held by them. These agreements will be entered into in accordance with the Listing Rules.

No shares issued under this Prospectus will be subject to restricted trading.

**9.8 Expenses of the Offer**

The total expenses of this Offer, estimated to be approximately \$166,650 assuming the amount of \$1,500,000 is raised, are to be applied towards the items set out in the table below:

ASIC and ASX Fees	\$27,650
Legal Adviser's Fees	\$20,000
Investigating Accountant's Fee	\$7,500
Supporting Broker Fees*	\$90,000
Printing and distribution	\$17,500
Other Consultants	\$4,000
<b>TOTAL</b>	<b><u>\$166,650</u></b>

\*Note that the estimated supporting broker fees have been based on Cunningham Securities raising \$1,500,000 (as set out in the agreement summarised in Section 7.3).

## **9.9 Litigation**

As at the date of this Prospectus, the Company are not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

**10. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Sections 716 and 720 of the Corporations Act, each Director has consented in writing to the lodgement of this Prospectus with the ASIC and the inclusion of any statements in the Prospectus attributable to them.

A handwritten signature in black ink, appearing to read "R. Wright". The signature is written in a cursive style with a large initial 'R'.

**Richard M Wright**  
**For and on behalf of**  
**Novacoat Holdings Limited**

## 11. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings, unless the context indicates otherwise:

**\$** means an Australian dollar.

**ABS** means Australian Bureau of Statistics.

**Annual General Meeting** means the annual general meeting of mBox.com Limited shareholders held on 7 December 2004.

**Application** means an application under this Offer made on an Application Form.

**Application Form** means a Round Up Application Form or a Public Application Form.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means Australian Stock Exchange Limited.

**Board** means the board of Directors as constituted from time to time.

**Business Day** means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

**Closing Date** means the closing date for receipt of Application Forms under this Prospectus, being 5pm(WST) on 16 March 2005 (unless this Offer is extended or closed early).

**Company** or **NHL** means Novacoat Holdings Limited (ACN 111 210 390).

**Company's Constitution** or **Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Cunningham Securities** means Cunningham Securities Pty Ltd (ACN 088 055 636).

**Directors** means the directors of the Company at the date of this Prospectus.

**EBIT** means earnings before interest and tax.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

**GST** has the meaning given to it in the GST Act.

**GST Act** means A New Tax System (Goods and Services Tax) Act 1999 and any regulations thereto or such other act or regulations of equivalent effect.

**Listing Rules** means the official Listing Rules of the ASX.

**mBox** means mBox.com Ltd (ACN 090 772 222).

**Novacoat** means the business acquired by NHL from Fero Industries Pty Ltd.

**Novacoat Shareholders** or **Shareholders** means a holder of Shares on the Record Date.

**Offer** means the invitation to investors to apply for Shares pursuant to this Prospectus at an issue price of \$0.30 per Share as detailed in Section 3.1 (which includes both the Round Up Offer and the Public Offer).

**Official List** means the official list of ASX.

**Official Quotation** means official quotation by ASX in accordance with the ASX Listing Rules.

**Options** means an option to acquire a Share.

**Prospectus** means this prospectus.

**Public Application Form** means the Public Offer Application Form attached to this Prospectus.

**Public Offer** means the invitation to the general public to apply for Shares pursuant to the general offer detailed in Section 3.1 of this Prospectus.

**Record Date** means 5.00pm (WST) on the date of this Prospectus.

**Round Up Application Form** means the Round Up Application Form attached to this Prospectus.

**Round Up Offer** means the invitation for Novacoat Shareholders to apply for Shares pursuant to the Round Up Offer detailed in Section 3.1 of this Prospectus.

**Section** means a section of this Prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**WST** means Western Standard Time, Perth, Western Australia.



## GUIDE TO THE APPLICATION FORM

If an applicant has any questions on how to complete this Application Form, please telephone Computershare Investor Services Pty Limited on 1300 557 010.

### A. Application for Shares

The Application Form must only be completed in accordance with instructions included in Prospectus.

### B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registerable title. Applications using the incorrect form of registerable title may be rejected.

### C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registerable title.

### D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

### E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

### F. CHESS HIN or existing SRN Details

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

### G. Cheque Details

Make cheques payable to **"Novacoat Holdings Limited – Share Offer Account"** in Australian currency and cross them **"Not Negotiable"**. Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Application Form.

### H. Declaration

This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application money this Applicant hereby:

- (1) applies for the number of Shares specified in the Application Form or such lesser number as may be allocated by the Directors;
- (2) agrees to be bound by the constitution of the Company;
- (3) authorises the directors of the Company to complete or amend this Application Form where necessary to correct any errors or omissions;
- (4) acknowledges that he/she has received a copy of the Prospectus attached this Application Form or a copy of the Application Form before applying for the Shares; and
- (5) acknowledges that he/she will not provide another person with this Application Form unless it is attached to or accompanied by the Prospectus.

## CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert Williams & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



## GUIDE TO APPLICATION FORM

Please post or deliver the completed Application Form together with a cheque to the share registry of the Company. If an Applicant has any questions on how to complete this Application Form, please telephone Computershare Investor Services Pty Ltd on 1300 557 010.

### A. Application for New Shares

The Application Form must only be completed in accordance with instructions included in Prospectus.

### B. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

### C. Cheque Details

Make cheques payable to **"Novacoat Holdings Limited – Share Offer Account"** in Australian currency and cross them **"Not Negotiable"**. Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Application Form.

### H. Declaration

This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application money this Applicant hereby:

- (6) applies for the number of Shares specified in the Application Form or such lesser number as may be allocated by the Directors;
- (7) agrees to be bound by the constitution of the Company;
- (8) authorises the directors of the Company to complete or amend this Application Form where necessary to correct any errors or omissions;
- (9) acknowledges that he/she has received a copy of the Prospectus attached this Application Form or a copy of the Application Form before applying for the Shares; and
- (10) acknowledges that he/she will not provide another person with this Application Form unless it is attached to or accompanied by the Prospectus.

