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Paladio Group Limited ABN 35 111 210 390

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MARKET UPDATE

Paladio Group Limited (**ASX:PDO**) advises that a wholly owned subsidiary company (McFee Pty Ltd) has not received full payment owing for work completed for Windimurra Vanadium Limited (**ASX:WVL**) which yesterday advised Administrators and Receivers and Managers were appointed.

While at present we are not in position to form a view as to the recoverability of the amount owed, the Board of Paladio has made a prudent decision to make a provision of \$4m in the second half of this financial year, which covers the full amount outstanding to Paladio on the Windimurra project.

Paladio Managing Director, Victor Kuss said despite this event, and despite incurring substantially all the costs associated with the Windimurra project in the first half of this year, the company remained cash flow positive for that period. The company's remaining contracts are with major blue chip customers, including Woodside and BHP Billiton.

Paladio remains confident it is well placed to deliver a profit for the full year despite this setback on Windimurra.

For further information please contact:

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Paladio Group Limited (ASX: PDO) is a Perth-based Australian company which provides a range of services to resources and energy projects and infrastructure owners throughout Australia. Paladio is the parent company of a group of businesses with offices in Western Australia and Queensland providing services including engineering design and drafting, commissioning, structural, mechanical and civil construction, industrial coatings and maintenance. Paladio listed on the ASX in April 2005 and has since acquired several businesses, including Decmil Australia, McFee, Fabcon, Novacoat, Eastman Fort, Matrix and CASE Engineering Services. These businesses provide a strong foundation, economies of scale, cost synergies and the ability to deliver turnkey design and construction services to clients in the oil and gas, resources and industrial sectors. www.paladio.com.au