

ION Limited (ACN 009 106 272)
Yollatsac Limited (formerly Castalloy Limited) (ACN 007 528 583)
Yollatsac Manufacturing Pty Ltd (formerly Castalloy Manufacturing Pty Ltd)
(ACN 007 838 986)
Yollatsac Wheels Pty Ltd (formerly Castalloy Wheels Pty Ltd) (ACN 007 894 984)
Core Cast Limited (ACN 097 447 660)
ION Light Metal Castings Pty Ltd (ACN 104 930 181)
ION Automotive Group Limited (ACN 104 279 156)
XIAS Pty Ltd (formerly ION Automotive Systems Pty Ltd) (ACN 104 930 109)
XITMS Pty Ltd (formerly ION Transmissions Pty Ltd) (ACN 099 982 180)
XCTA Pty Ltd (formerly Cootes Transport Pty Ltd) (ACN 010 383 016)
XCTS Pty Ltd (formerly Cootes Tanker Service Pty Ltd) (ACN 004 495 765)
XIRC Pty Ltd (formerly I.R. Cootes Pty Ltd) (ACN 004 801 076)
XLC Pty Ltd (formerly Liquip Corp Pty Limited) (ACN 082 859 970)
XLO Pty Ltd (formerly Liquip Overseas Pty Ltd) (ACN 094 440 589)
XLS Pty Ltd (formerly Liquip Sales Pty Ltd) (ACN 001 595 222)
XLSE Pty Ltd (formerly Liquip Service Pty Ltd) (ACN 082 859 989)
XLSV Pty Ltd (formerly Liquip Sales (Vict.) Pty Ltd) (ACN 005 691 761)
XST Pty Ltd (formerly Stevenson Transport Pty Ltd) (ACN 006 271 352)

(All subject to Deed of Company Arrangement)
(Collectively "ION DOCA Group")

Deed Administrators' Update

20 March 2009

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1 Introduction

Following our last general update to creditors (6 May 2008), we now provide a further update on the status of the administration and the progress made in dealing with shareholder claims.

2 Trading and asset realisation results

2.1 ION Consolidated Group

The ION Consolidated Group cash flow for the 12 months ended 31 December 2008 is summarised as follows:

	Jan-June 08	Jul-Dec 08	Actual \$'000
Cash as at 1 January 2008			323,962
Residual payables and receivables	1,168	149	1,317
Administration costs	(5,182)	(2,849)	(8,031)
Interest	12,086	12,788	24,874
Proceeds from divestments	689	355	1,044
Other	541	293	834
Total cash flow for the period	9,302	10,735	20,037
Total cash as at 31 December 2008			343,999

The ION Consolidated Group's activities for the 12 months ended 31 December 2008 recorded a net cash inflow of \$20 million resulting in cash on hand of \$344 million.

Interest receipts for the period totalled almost \$25 million.

The Residual payables and receivables cash inflow largely relates to the final receipt of the Federal Government's Automotive Competitiveness and Investment Scheme credits in respect of ION Transmissions trading period.

Proceeds from divestments relate to dividends of \$355,195 and \$681,020 received in respect of the solvent wind-downs of ION Kentucky and ION NZ respectively.

Administration costs include:

- + legal fees;
- + Deed Administrators' and Liquidators' fees paid in June 2008 and November 2008;
- + various professional fees; and
- + miscellaneous administration costs.

2.2 North Plympton

As previously reported, the Deed Administrators received notice of a potential claim from the South Australian WorkCover Corporation ("WorkCover") on the ION DOCA Group in respect

of an 'Exit' Levy which is claimed to be a Deed Liability (a priority claim over ordinary creditor claims). This claim has now crystallised with the receipt of an invoice from WorkCover in the sum of almost \$25.6 million (including GST).

The Deed Administrators have challenged the validity of WorkCover's Exit Levy and its ability to recover this amount. It has been agreed with WorkCover that a test case will proceed with a trial scheduled for April 2009. Creditors will be kept apprised of developments in relation to these proceedings.

2.3 ION NZ

The Liquidator of ION NZ has concluded the solvent winding up of the NZ entities with a final dividend paid to the ION DOCA Group of \$681,020 in June 2008.

2.4 ION US

The Deed Administrators' US lawyers have finalised the solvent liquidation of the US entities. An interim dividend in the sum of \$255,897 and a final dividend in the sum of \$99,298 were paid to the ION DOCA Group in August 2008 and November 2008 respectively.

3 Shareholder claims

3.1 Overview of shareholder claims

In previous updates to creditors, the approach to processing and review of claims received from shareholders was outlined. We note below the current status of the Deed Administrators' investigations into the shareholder claims and the next steps involved in progressing with the determination of those claims.

3.2 Interview of witnesses

Since the last update, extensive interviews with ION's former directors have been conducted (other than for those directors who elected to be examined publically). Interviews of some further former ION managers and employees were also undertaken. These interviews were concluded in September 2008. Following the interview process, the Deed Administrators' legal advisers, Allens Arthur Robinson, began the lengthy process of formalising the evidence arising from those processes.

Of the 23 witnesses that participated in informal interviews, the evidence of only one witness is still to be formalised. The person is a former member of ION's key management personnel and the evidence is important to conclude our findings. This should be completed shortly.

The two former directors who elected to be examined publicly rather than participate in an informal interview process were Mr Graeme Salthouse and Mr Thomas Klinger. Their examinations were conducted in June and July 2008.

3.3 Findings of Fact

The informal interviews and the public examinations, together with the voluminous documentary material compiled by the Deed Administrators, have formed a thorough and extensive pool of evidence from which the Deed Administrators are now able to make their factual findings. Those findings will form the basis of their determination of shareholder proofs of debt. The Deed Administrators (with the assistance of their legal advisers) have made good progress in their analysis of the evidence and in developing their findings on key issues relevant to shareholder claims and potential claims. The Deed Administrators expect to be in a position to complete making their factual findings in the next month or so.

3.4 Notification of findings of Fact

The Deed Administrators propose to notify creditors of their factual findings by way of a detailed Report to Creditors.

The Report to Creditors will also outline the claims process for shareholders who have not yet lodged a claim and wish to do so and for shareholders who wish to amend their previous claim.

3.5 Court application

Prior to issuing the Report to Creditors, the Deed Administrators will be seeking directions from the Court in relation to various issues, including their obligation to notify creditors or potential creditors of their entitlement to lodge proofs of debt, the circulation of the Report to Creditors and the processes that should be followed in relation to the lodgement by shareholders of further and/or amended proofs of debt.

It is presently anticipated that the Deed Administrators will be in a position to file the necessary Court application during April 2009. The hearing of the application will be, of course, at the convenience of the Court and subject to such arrangements as the Court requires regarding representations for interested parties.

3.6 Adjudication of shareholder claims

The above steps must be completed before the Deed Administrators are in a position to adjudicate shareholder claims. The Deed Administrators have a duty to ensure that they adjudicate those claims according to law and having made appropriate enquiries into the factual basis of the claims. The complexity of the issues raised, and the magnitude of those claims make it necessary to undertake this detailed process before adjudicating the shareholder claims.

4 Investigations into potential claims against former directors

As previously reported, public examinations of certain former directors of ION were conducted in November and December 2006, February 2007 in the Federal Court of Australia. One of these purposes of the public examinations was to consider whether successful claims may be brought against ION's former directors. Further examinations were conducted in June and July 2008.

The Deed Administrators expect to be in a position to inform creditors of their views regarding the existence of possible claims against former directors following the conclusion of their present work in relation to the shareholder claims.

5 Proofs of Debt

The review of proofs of debt from suppliers of goods and services and financiers is substantially complete, with a small number of complex claims in dispute.

From our assessments to date, the amount of admissible claims from suppliers of goods and services is not materially different to the estimates made in our Section 439A report to creditors issued on 15 April 2005.

6 Distributions to Creditors

The status of distributions to creditors remains unchanged at this time. As previously reported, the Deed Administrators consider that they are unable to make a distribution to creditors at the present time given the uncertainty of the quantum of shareholder claimants that will ultimately be admitted as creditors. The estimated return to creditors, and the proposed timeframe for the making of a distribution, are dependent on the processes outlined above being undertaken, and will be further explained in the forthcoming Report to Creditors.

7 DOCA Creditors Committees

Meetings of the DOCA Creditors Committees were held on 28 May 2008 and 7 November 2008 during which the Deed Administrators updated the Committees on progress, invited and responded to questions, and obtained the approval of the Committees for Deed Administrators' and Liquidators' remuneration .

Copies of the minutes of the Committee meetings have been lodged with ASIC.

*ION Limited (Subject to Deed of
Company Arrangement)*



Colin Nicol and Peter Anderson
Deed Administrators