

MCN+

McGRATHNICOL

CORPORATE RECOVERY

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 October 2010

1. Introduction

As foreshadowed in the last update on 14 October 2010, a further update is provided in relation to matters concerning claims by shareholders.

As previously reported, on 14 October 2010, the Federal Court of Australia made orders concerning the publication of the Deed Administrators' updated Report to Creditors, notifying potential claimants of their right to lodge new or amended proofs of debt and the timing of lodgement of those proofs. Further information about these matters is set out below.

2. Updated Report to Creditors

The Deed Administrators' updated Report to Creditors dated 20 October 2010 was published today via the ION website at www.ionlimited.com. The Report can be downloaded and printed from that site. Alternatively, a hard copy of the Report is available on request from the Deed Administrators.

To date, the Deed Administrators have received in excess of 3,000 proofs of debt from current and former shareholders of ION, containing numerous allegations of misconduct by ION. The number and variety of allegations have required the Deed Administrators to undertake extensive forensic investigations in order to obtain the information necessary to make determinations about the factual matters raised by shareholders in their proofs of debt. Having completed their detailed investigations, the Deed Administrators are now in a position to report on the results of those investigations. The updated Report outlines those results and identifies conduct of ION which, in the Deed Administrators' view, gives rise to potential claims by current and former shareholders against ION.

The information in the Report will assist current and former shareholders of ION to consider (based on the information now available) whether they have a basis for a claim against ION and, if they have not already done so, to lodge a proof of debt. For those who have already lodged proofs, the Report will assist those shareholders to refine their claims and, if considered appropriate by them, to lodge amended proofs of debt.

The Report also provides an update on the ION administration generally (including estimated returns) and explains the next steps required to enable the Deed Administrators to determine shareholder claims and distribute funds to creditors pursuant to the Deeds of Company Arrangement.

3. Shareholders who have not yet lodged proofs

Shareholders who have not already lodged a proof of debt and wish to do so must complete the necessary documents (see section 5 below) and lodge hard copies of those documents with the Deed Administrators by **13 December 2010**. Further details of the procedures for completing and lodging a proof of debt can be found at www.ionlimited.com.au or by contacting the Deed Administrators' office on (03) 9038 3133.

As noted in the on-line procedures, and as explained further in section 15.10 of the Report, all shareholders wishing to make a claim against ION in respect of shares purchased before 10 September 2004 must submit evidence of causation establishing how ION's conduct is said to have caused the shareholder's loss.

In respect of claims concerning shares purchased on or after 10 September 2004, shareholders may elect to:

- (a) submit evidence of causation in support of their claim (as required for all shareholder claimants) and seek admission to proof of 100% of their claim; or
- (b) submit no causation evidence in respect of shares purchased on and after that date and (provided that they prove the other aspects of their claim) compromise their claim in respect of those shares so that it is admitted to proof for 80% of the loss suffered (calculated in accordance with the applicable legal principles).

Further details concerning this election are set out in section 15.10 of the Report and shareholders should refer to that information before making any election.

In accordance with the Federal Court's orders made on 14 October 2010, the Deed Administrators will be mailing notices to all shareholders who purchased ION shares on or after 10 September 2004 and have not yet lodged proofs, notifying them of their potential right to do so and the procedure they should follow.

4. Shareholders who have lodged proofs

Shareholders who have already lodged proofs of debt will also be sent individual notices in the mail as ordered by the Court. In the case of shareholders who have already lodged a proof of debt and who have indicated in that proof that they are represented by Slater & Gordon or DC Legal (formerly Dennis & Co Solicitors), these notices will be sent directly to their nominated legal representative. These notices will provide shareholders with information as to the steps they may wish to take in relation to their claim.

Shareholders who have already lodged proofs may wish to amend their existing proof of debt in light of the new information contained in the Deed Administrators' updated Report and the election which is now available in relation to claims concerning shares purchased on or after 10 September 2004 (see section 3 above). Any existing shareholder claimant who wishes to make this election will need to lodge a revised proof of debt and should refer to section 15.10 of the Report before doing so.

Details of the procedures for completing and lodging a revised proof of debt can be found at www.ionlimited.com.au or by contacting the Deed Administrators' office on (03) 9038 3133.

Any amended proof of debt must also be received by the Deed Administrators in hard copy by **13 December 2010**.

5. How to lodge your new or amended proof of debt

As mentioned above, shareholders who wish to lodge a revised proof of debt or who have not yet lodged a proof and wish to do so, must complete a Form 535 Proof of Debt, Shareholder Claim Form and Statutory Declaration, and lodge hard copies of these documents (together with the necessary supporting material) with the Deed Administrators by **13 December 2010**.

The Form 535, Shareholder Claim Form and Statutory Declaration may be completed using the on-line system which has been specifically tailored to assist in the efficient completion and

determination of shareholder proofs. Please go to www.ionlimited.com.au and follow the instructions. Once completed, the relevant electronic forms must be printed, signed, and provided to the Deed Administrators in hard copy. For shareholders who do not wish to utilise the on-line electronic process, hard copies of the Form 535, Shareholder Claim Form and Statutory Declaration can be requested from the Deed Administrators and completed manually.

Once completed, a hard copy of the Form 535, Shareholder Claim Form and Statutory Declaration (together with the necessary supporting material) must be sent to the Deed Administrators. These documents must be received by the Deed Administrators on or before **13 December 2010**.

Failure to do so may result in shareholders being excluded from the benefit of any distributions made before their claim has been proved or its priority established, and losing the right to object to any such distributions.

6. Further Information

If you require further information in relation to the matters dealt with in this update, please refer to the ION website at www.ionlimited.com or contact the Deed Administrators at ionshareholder@mcgrathnicol.com or (03) 9038 3133.

ION Limited (Subject to Deed of Company Arrangement)



Colin Nicol and Peter Anderson
Deed Administrators