

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

6 May 2008

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1 Introduction

Following our last general update to creditors (20 September 2007), we now provide a further update on the status of the administration and the progress of the process to resolve shareholder claims.

2 Trading and asset realisation results

2.1 ION Consolidated Group

The ION Consolidated Group cash flow for the 6 months ended 31 December 2007 are summarised as follows:

	Jul - Sep	Oct - Dec	Actual
			\$'000
Cash as at 1 July 2007			311,957
Residual payables and receivables	4,083	257	4,340
Administration costs	(1,598)	(2,820)	(4,418)
Interest	4,932	5,443	10,375
Proceeds from divestments	-	2,024	2,024
Other	(2,036)	1,720	(316)
Total cash flow for six months ending 31 December 2007	5,381	6,624	12,005
Total cash as at 31 December 2007			323,962

The ION Consolidated Group's activities for the six months ended 31 December 2007 resulted in a net cash inflow of \$12 million.

Interest receipts for the period totalled \$10.4 million.

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

Administration costs include:

- + legal fees;
- + Deed Administrator and Liquidator fees paid in August and December 2007;
- + various professional fees; and
- + miscellaneous administration costs.

Proceeds from divestments relate to the sale of ION's Kentucky plant.

2.2 ION Transmissions and Wingfield

There are no issues to report on these former assets.

2.3 North Plympton

The Deed Administrators received notice of a potential claim from the South Australian WorkCover Corporation on the ION DOCA pool for an amount of up to \$22 million. The amount is said to be claimed as a Deed Liability, that is, as an amount which attracts priority of payment over ordinary unsecured claims.

WorkCover's potential claim is for payment of a Supplementary Levy (referred to as an 'Exit Levy' or 'Balancing Payment'). This claim on the DOCA pool will not crystallise until such time as WorkCover formally issues an invoice for the levy which, to date, it has not done. In the meantime, we have informed WorkCover that the Deed Administrators consider that it has no right to receive a distribution from the DOCA Pool in respect of the Exit Levy and that any action taken to recover the Exit Levy would be contested.

Creditors will be kept apprised of developments in relation to this potential claim.

In addition to the above matter, the Deed Administrators have also been finalising taxation obligations during which a refund for exporters rebate and payroll tax was identified. To date AUD 624,427 has been received.

2.4 ION NZ

Further to the previous update, the Liquidator of ION NZ received final taxation clearances in March 2008 which will allow completion of the liquidation of ION NZ in the near term.

The Liquidator anticipates paying a final dividend to the ION DOCA Group of circa AUD 700,000 (approximately AUD 400,000 higher than previously foreshadowed) in April 2008.

Following payment of the dividend, the Liquidator will lodge a final report to conclude the liquidation.

2.5 ION US

As previously foreshadowed, the Deed Administrators' US lawyers are finalising the solvent liquidation of the US entity.

In December 2007 a liquidation dividend of USD 1.75 million was paid to the Deed Administrators. Following completion of historical accounting and taxation matters, a final liquidation dividend of circa USD 200,000 is anticipated to be paid to the Deed Administrators.

3 Shareholder claims

3.1 Overview of shareholder claims

In the Deed Administrators' previous update to creditors, the approach to processing and review of claims received from shareholders was outlined. You will recall that certain shareholders claim damages on the basis that they have suffered economic loss principally as a consequence of ION's misleading or deceptive conduct and/or its non disclosure of certain information that allegedly ought to have been disclosed.

The Deed Administrators had received more than 3,200 proofs of debt from shareholders, totalling approximately \$122 million.

3.2 Status of investigations

The shareholders' claims contain a large number of allegations of fact that need to be investigated and determined as a pre-condition to the Deed Administrators adjudicating on the shareholder proofs. Aside from the factual matters there are various legal issues raised in the proofs which also require review. The Deed Administrators have been conducting work with their lawyers to determine an appropriate response to those issues.

In connection with the investigation of the facts alleged by the shareholders, the Deed Administrators have conducted extensive forensic investigations including reviewing a large volume of company records and identifying and analysing key issues. Relevant former ION personnel and some third parties who were directly involved in the events raised in the shareholder claims have been identified and interviews are now largely completed with those persons. The interview process has taken some time as relevant persons were either

unavailable in particular periods or required appropriate time to consider the matters raised by the Deed Administrators.

The Deed Administrators are presently scheduling interviews with the former directors of ION and those interviews are expected to occur in late May and June 2008.

Mr Graeme Salthouse, a former managing director of ION, will be examined pursuant to section 596A of the Corporations Act (2001), at his request. Mr Thomas Klinger, a former director of ION, will also be examined pursuant to section 596A of the *Corporations Act (2001)*. Dates are presently being arranged with the Court for this examination. The Deed Administrators have reserved all of their rights to examine other persons if they consider it appropriate to do so.

Once the interviews and Public Examinations have been completed, the Deed Administrators will be well placed to make relevant findings in relation to the allegations of fact raised in the shareholder claims. Given the large number of allegations that have been raised it will take some time to make all of those findings.

The Deed Administrators will then conclude their assessment with their lawyers of the legal issues raised by the shareholder claims. That assessment will be made against the background of the facts as established by the Deed Administrators through their investigations. The Deed Administrators are considering whether it is necessary to make any applications to the Court concerning those legal issues. These matters must be resolved before the Deed Administrators are in a position to adjudicate finally upon the shareholder claims.

As will be appreciated, the Deed Administrators have a duty to ensure that they adjudicate on the shareholder claims according to law for the benefit of all persons properly entitled to receive a distribution from the fund under their control. The complexity of the issues raised, and the magnitude of those claims, make it necessary to undertake this detailed process in adjudicating on the shareholder claims.

Creditors will be informed of the Deed Administrators' progress in future updates.

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 and February 2007 in the Federal Court of Australia. One of the purposes of the public examinations was to consider whether successful claims may be brought against ION's former directors.

Most summonses in respect of the former directors and officers of ION have been adjourned until 31 July 2008. The adjournments enable us to recommence the examinations if we form the view that this would assist our investigations or the reconstruction of other aspects of the corporate memory necessary for us to determine the admissibility of any shareholder claims.

We do not have anything further to report in this update regarding the existence of possible claims against former directors. Creditors will be kept informed of the Deed Administrators' position in that regard in further updates.

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 will not exceed the estimates made in our 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 present 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. Creditors will be kept apprised of the Deed Administrators' views in this regard in future updates.

7 DOCA Creditors Committees

A meeting of the DOCA Creditors Committees was held on 5 December 2007 during which the Administrators updated the Committees on progress, invited and responded to questions, and obtained the approval of the Committees for Administrators' remuneration for the period 1 July 2007 to 31 October 2007. 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