

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 September 2007

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1 Introduction

Following our last general update to creditors (15 March 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 30 June 2007 are summarised as follows:

	Jan - Mar	Apr - Jun	Actual \$'000
Cash as at 31 December 2006			270,743
Residual payables and receivables	1,371	(108)	1,263
Administration costs	(2,926)	(2,144)	(5,070)
Proceeds from divestments	11,779	1,988	13,767
Interest	4,298	4,793	9,091
AMT NZ liquidation dividend	-	21,958	21,958
Other	(556)	761	205
Total cash flow for six months ending 30 June 2007	13,966	27,248	41,214
Total cash as at 30 June 2007			311,957

The ION Consolidated Group's activities for the six months ended 30 June 2007 resulted in a net cash inflow of \$41.2 million.

This included residual trade creditor payments made by North Plympton and ION Head Office.

Administration costs include:

- + legal fees;
- + Deed Administrator and Liquidator fees paid in March; and
- + the annual insurance renewal for the group which includes product liability run off.

Proceeds from divestments include:

- + repayments of IES vendor notes;
- + residual proceeds from the sale of Castalloy Manufacturing, being the Kilkenny plant and land and building.

2.2 ION Transmissions and Wingfield

We previously reported on the sale of the ION Transmissions business (February 2006) and the Wingfield assets (April/July 2006). There are no issues to report on these former assets.

2.3 North Plympton

The terms of sale of the North Plympton factory and operations included the requirement that we continued to provide chroming services to the purchaser under licence until March 2007 from the remaining South Australian site at Kilkenny. At the conclusion of this licence period, the plant and equipment was sold to Harley - Davidson. Following the removal of the plant and equipment, the land and buildings were sold to a third party in a competitive tender process.

Several matters arising from the trading of the South Australian operations were finalised including:

- + the reconciliation and final receipt from the Harley - Davidson escrow account;
- + the preparation and lodgement of the final Fringe Benefits Tax return; and
- + dealing with outstanding legal actions regarding injuries to workers.

2.4 ION NZ

The liquidation of ION NZ has been completed pending finalisation of taxation matters.

In April 2007 the Liquidator paid a dividend of NZD 25 million to the ION DOCA Group as foreshadowed in our last creditors' update.

Following completion of liquidation taxation matters, the Liquidator anticipates paying a further dividend to the ION DOCA Group of circa AUD 300,000.

2.5 ION US

As previously reported, we instructed our US lawyers to commence arbitration proceedings with the purchaser of the Kentucky plant to finalise the sale of business dispute.

For commercial reasons, including curtailing costs, both parties have agreed a settlement on all disputed claims to finalise matters, the terms of which are confidential.

Our US lawyers are currently finalising the settlement documentation and the solvent liquidation of the US entity. They anticipate paying a liquidation dividend of circa USD 2.0 million to the Deed Administrators which will increase the total capital funds repatriated from the US entity to the Deed Administrators to circa USD 25.9 million, which exceeds the amount of ION DOCA funds advanced to the US entity to complete plant commissioning and make the operation saleable.

2.6 Funds invested

The funds in the ION Group are being invested in term deposits and/or commercial bills at an average of 6.8% p.a. equating to approximately \$21 million p.a. in interest.

3 Shareholder claims

3.1 Overview of shareholder claims

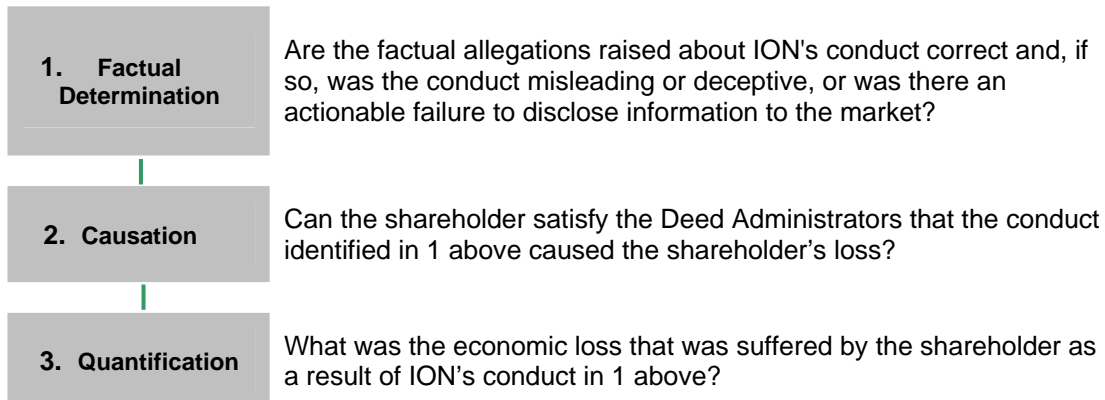
The Deed Administrators previously outlined the general approach to the processing and review of claims received from ION's shareholders. This is a complex and time consuming exercise due to the wide and extensive range of the allegations raised by the shareholders.

To date the Deed Administrators have received more than 3,200 proofs of debt from shareholders, totalling approximately \$122 million.

The 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.

These claims contain a large number of allegations of fact in support of the proofs.

In order to adjudicate the shareholder proofs of debt in respect of a damages claim, each of the following three questions must be answered:



These three tests must be passed in sequential order.

3.2 Status of investigations

Shareholder claimants have raised numerous allegation topics concerning ION:

- + failing to disclose relevant information; and
- + engaging in misleading or deceptive conduct.

For the purposes of our assessment of the merits of those allegations, it has been necessary to break down many of those topics into a series of sub-topics. For instance, a number of sub-topics relate to the same allegation being raised at different points in time over the period between October 2003 and the appointment of the Voluntary Administrators on 7 December 2004. Each sub-topic requires discrete analysis.

In most instances the topics require investigation of factual matters which underpin the shareholders' claims. Some of the topics also require consideration of complex legal issues. In considering the topics raised we have identified the need to seek clarification from some shareholders about particular issues.

The investigation to date has involved the review of a significant volume of documents located in ION's books and records and various other sources.

Former ION personnel and directors who were directly involved in events relating to a particular topic are being identified and interviews are being conducted (or being arranged) with those persons to clarify or confirm relevant information identified in the course of the document review process. The interviews are an important step in the investigation to ensure information sourced from ION's records is not interpreted out of context.

To date, former senior personnel of ION have been cooperative in this process. Interviews of ION directors have yet to commence, although several of the directors have indicated their willingness to participate in this process. The Deed Administrators have, of course, reserved the right to examine publicly any person who may have relevant information that will assist them in their determination of the shareholder claims.

The investigation is progressing well, with a significant volume of material already reviewed and analysed. It is a very extensive forensic exercise. As foreshadowed in our creditors' update of 15 March 2007, we may need to approach the Court in due course for guidance on the matters of disclosure obligations, causation and the quantification of shareholders losses.

Once the investigations progress further we will provide another update to creditors.

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. A focus of the examinations was the conduct around the greenfield projects at Wingfield and Altona.

As we have reported previously, the purpose of the public examinations was to reconstruct the corporate memory of ION and to consider whether successful claims may be brought against ION's former directors.

We do not have any further update regarding this matter as we are continuing to evaluate with our legal advisors the information gained through the public examination process. Furthermore, the investigations necessary to enable us to evaluate shareholder proofs of debt are yielding information which may be relevant to our consideration of the existence of possible claims against former directors. We will not determine this matter until the shareholder process is substantially complete.

Most summonses in respect of the former directors and officers of ION have been adjourned for a period of 6 months. 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 proofs of debt lodged on behalf of creditors.

5 Proofs of Debt

The review of proofs of debt from suppliers of goods and services and financiers has been continuing satisfactorily and is mostly complete with a small number of complex claims currently being resolved and agreed.

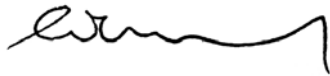
6 Distributions to Creditors

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 15 August 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 February 2007 to 30 June 2007. Copies of the minutes of the Committee meetings are routinely lodged with ASIC.

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



Colin Nicol and Peter Anderson
Deed Administrators