

**Facsimile**

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FROM: Rod House

SUBJECT: ASX Announcement – Annual General Meeting

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AUSTRALIAN STOCK EXCHANGE



GAP000029

Dear Sir,

Please find enclosed the Chairman's and Managing Director's addresses for the Annual General Meeting of Gale Pacific Limited being held on 14 November 2002 at 11.00am.

Yours Faithfully

Rod House
COMPANY SECRETARY

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Gale Pacific Ltd

145 Woodlands Drive, Braeside, Victoria 3195, Australia. P O Box 892, Braeside, Victoria 3195, Australia

Ph: (03) 9518 3333 Fax: (03) 9518 3398 Toll Free: 1800 331 521

ABN 80 082 263 776

ACN 082 263 776



CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING NOVEMBER 2002

I welcome you to our second AGM.

The past financial year has seen;

- A 20% increase in profit on a very modest increase in sales
- Strong productivity gains in our factory here from the past investment programme in new plant and, in particular, the water recycling programme.
- Strong improvements in cash flow as a result of detailed focus on inventory, logistics management and debtors.

The past year also highlighted the dependence of the Company on good weather conditions for strong sales, both in Australia and the USA. The past year saw a very poor and cool start to the Australian season which progressively improved but resulted in our retail customers carrying over stocks into the current season. In America a better weather pattern helped offset the declines in sales to K Mart, USA which went into Chapter 11.

Your board and management have recognised the need to develop three strong legs to the Gale business.

The first leg has been in place for some years – the supply of advanced polymer products to the Australian market.

The second leg is our presence in the commercial arena which has been modest. The acquisition of the Industrial Fabrics business has strengthened Gale's presence in this sector and provides a strong distribution platform to increase market penetration of its current and planned products. This has set up the second leg of Gale's long term business plan. The Visy acquisition has also brought into Gale a modern paper coater and I am pleased to report that this equipment is now operating at above the performance levels prior to its acquisition by Gale.

The third leg of our immediate strategy is to strengthen our established and growing US operation.

To conclude, we have a clear plan going forward. Apart from strengthening of the US business, the key tasks now are to effectively integrate the acquisition into our established structure. It will take the balance of the financial year to progressively extract the value implicit in our recent acquisition.

A brief comment on the progress in the new financial year. We are encountering strong trading conditions, particularly in our retail business despite a slow start to the year as a result of carry-over inventory. We are on target to meet our retail performance targets which are well ahead of prior year.

The industrial fabric acquisition sales are tracking to expectations with the exception of heavy duty tarpaulins for the agricultural sector which have been impacted by the severe drought. The paper coater offers Gale some unique opportunities to supply quality products to the building industry and is performing ahead of original expectations.

I will now hand over to the Managing Director for a short update on the key features of Gale's ongoing business and in particular, the progress with our new product developments.

HUW DAVIES
CHAIRMAN

14 November 2002



ASX ANNOUNCEMENT

GALE PACIFIC LIMITED – ANNUAL GENERAL MEETING

Our profit after tax for the year was \$3.6M, a 20 % increase on the prior year and which surpassed our own expectations. \$2.4M was paid in dividends which were fully franked.

This was a most credible performance given the poor Australian summer, the K-mart USA writedown and that the Company had geared its overhead structure for strong growth and the Industrial Fabrics acquisition. A key improvement was achieved in working capital management, with inventory levels considerably lower than last year, improved accounts receivable collections and operating cash flow higher by \$5.2M.

The improvement in inventory management has continued into the current year, whereby our new logistics team has successfully implemented new sales forecasting and requirements planning systems. These initiatives have supported sales growth whilst maintaining reduced inventory levels.

Year to date sales are strong in all regions, and notably the Company has recently received its first significant orders from Europe following the SPOGA show in Germany in September; an important first step in a market larger than the USA.

The introduction of a new shift configuration in the plant has enhanced our production capacity and provided greater flexibility in staff deployment. The performance of the waste recycling plant has also strengthened; both improvements contributing to improved plant productivity.

The assimilation of the Industrial Fabrics acquisition into the Gale business has proceeded smoothly, with the customer base virtually fully retained. This acquisition is forecast to deliver in excess of \$20M revenue per annum to the Company in fabric sales (not including the Visy paper coating business), in addition to a range of synergies and access to a broad spectrum of markets. It will also diversify the Company's revenue base, and reduce the seasonality of the business and its reliance on hot, dry summers.

Sales in outdoor retail fabrics are benefiting well from our excellent beginning to the Summer season, balancing the effects of the drought on waterproof fabrics. Continued strong demand for the paper coating operations by the Visy group have significantly exceeded expectations. Further, our first new product arising from the combined business, a coated knitted fabric, has now been developed and will soon be commercialized. We anticipate other planned synergies to significantly benefit earnings in the second half.

Supply of woven scrim, the key raw material for the coating operation, has now been secured through a number of Asian suppliers. Further, a significant investment has been made to the coating line which has delivered performance never previously achieved.

We are continuing to assess augmentation of our current operation in the Peoples Republic of China post World Trade Organisation (WTO).

Our immediate focus is to build on our recent achievements in working capital management, plant productivity, and the synergies and diversification of the Industrial Fabrics acquisition. We are also continuing to actively pursue acquisition opportunities to augment the solid growth we have achieved in the USA market, which last year improved by 6% notwithstanding extraordinary economic conditions. The Middle East market also offers significant potential.

Longer term opportunities exist in developing new products through the coating line technology, and cultivating export sales for the coated industrial fabrics within the US market. Underpinning these activities will be a continuing investment in research and development projects.

NEW PRODUCT DEVELOPMENT

New product development is a key factor in providing future growth for the business.

The Company is pleased to report that during the 2001/2002 year some significant breakthroughs were achieved in this area. Importantly also, most of the development programs foreshadowed last year have been commercialized.

Profile 98 Commercial Shadecloth

The company has recently launched to the Australian and Middle Eastern markets a new Commercial Grade Knitted Shadecloth, Profile 98, which provides a very effective combination of strength and high UV protection.

The patented Profile 98 construction records Ultra Violet Protection Factor (UPF) ratings of 35 to 50+, significantly higher than levels achieved by competitor shadecloth products. These high levels of protection are particularly relevant for schools, kindergartens and public areas where very high levels of UV protection are sought.

Importantly, the launch of this product range positions the Company extremely well for future market penetration.

Flame Retardant Commercial Shadecloth

Further development has taken place in the area of Flame Retardancy and all relevant international flame tests have been successfully passed.

Importantly, these results have been achieved whilst maintaining the durability of the fabric, and the Company has recently launched this range of fabric into the USA market.

The heavily regulated USA market provides the greatest opportunity for this range of products, however immediate opportunities also exist in Australia, the Middle East and Japan where a higher specification product will have significant applications.

Bioclip

Throughout the year the Company, together with Bioclip Pty. Ltd., has been field-testing various disposable lamb nets for the effective capture of wool during biological wool harvesting.

Significant progress has been achieved and the Company is now regularly supplying nets to wool growers as this exciting project is launched to the Australian wool market.

The Company holds substantial intellectual property in relation to the knitted fabric and the nets together with Bioclip Pty. Ltd. It is anticipated that the market for biological shearing will develop rapidly based on the significant improvements in wool quality, farm flexibility and animal husbandry achieved through the process.

Aquaspan

The joint venture between Gale Pacific Limited and Tech Span Pty. Ltd. has been finalized and Aquaspan Pty Ltd has now been incorporated.

The joint venture brings together the significant expertise of Gale Pacific, in the area of knitted fabrics, and Tech Span Pty. Ltd. in relation to the design and installation of fabric structures.

The Aquaspan technology involves providing cost-effective water management, in both quality and delivery, through the provision of covers for town water dams, textile pipe for irrigation channels and covers and liners for farm dams.

A full-scale trial of an Aquaspan structure was conducted at the town water dam at Bemm River, Victoria, through East Gippsland Water and total coliforms (a measure of water bacterial levels) and algae levels reduced significantly.

Additionally, CSIRO testing indicated significant reductions in evaporation through the utilization of a knitted shadecloth cover over water.

With the ongoing challenges of water management, the Aquaspan program provides a significant opportunity for the business.

PVC Replacement Fabrics

The integration of the recently acquired Industrial Fabrics business provides the Company with enhanced technological capabilities and a significantly strengthened industrial market position.

The further development and sale of polypropylene and polyethylene fabrics that can replace environmentally harmful PVC coated polyester fabrics will enhance this position in the future.

TRENDS DRIVING OUR BUSINESS

Four contemporary global trends continue to underpin the Company's future:

1. Global warming and ozone depletion, leading to UV damage to people and plants.
2. Water conservation and water quality – quite likely the greatest challenge of the 21st century.
3. The move to organic agricultural products, requiring passive protection from birds, insects and extreme weather conditions.
4. "Cocooning" – in the wake of current uncertainty and fear over traveling, we are more likely to invest in home improvements than "big ticket" spends such as holidays and cars.

The Company's commitment to innovative product development and low cost production leaves it well positioned to satisfy consumer demand heavily influenced by these factors, thereby ensuring the Company's long term future.

GARY GALE
MANAGING DIRECTOR

14 November 2002

For further information, please contact the above on (03) 9518 3312.