GALE PACIFIC LIMITED
(ASX: GAP)

ASX ANNOUNCEMENT

24 August 2006

Gale Pacific announces sale of Jung Garten business in Germany and impact on FY06 year end operating result following internal business review

Lifting the voluntary trading suspension placed on Gale Pacific Limited ("Gale") securities at their request, Directors now report on the two significant items referred to in the announcement dated 14 August 2006.

1. Sale of Jung Business (garden products)

The February 2004 acquisition of Jung provided Gale with the opportunity to launch its Coolaroo product range into the European market through an established sales and distribution network. As a platform for accelerated market entry, this strategy proved successful, with Coolaroo products now ranged in approximately 1270 retail outlets throughout Europe.

Over the past two years, the Gale Europe management team has separately developed important relationships with key retailers in its own right and has gathered significant market intelligence in regions not serviced by Jung. With a separate and wider European presence now established, Directors believe that the Jung business, specifically, the distribution of garden products, is not core to the future Gale business and have reached an agreement to sell that business.

The sale of the Jung business will enable Gale's Europe management to focus on the Company's core business, and continue to grow market distribution for Gale products throughout Europe in both the retail and commercial markets.

The sale of Jung, which is expected to be completed in September 2006, will generate cash proceeds of approximately A$14 million, which will be used to further reduce debt in accordance with the Directors' previously announced objective.

2. Business Review and Impact on FY06 Group Operating Result

The previously announced comprehensive management review of the Company's major business units, R&D activities, organisational structure and accounting controls and processes, has been completed. As a result, the Directors have decided to write off plant and equipment and any raw materials remaining from the transfer of the Company's knitting plant from Braeside to China. In addition the carrying value of certain R&D activities has been written down, and in some cases written off, and provisions for slow moving inventories have been increased.

These non-cash write downs are expected to total approximately A$6.4 million, and together with the A$5.8 million loss on sale of the Jung business, have contributed to the Company reporting a Group loss for the year ended June 2006 of approximately A$11.2 million.

Outlook

Importantly the Directors believe that the sale of Jung will bring significant medium-term benefits to the business, with management more focused on growing our core business, delivering the organic sales growth and operational efficiencies recently announced. Positively, the cash injection and resultant reduced debt levels will further strengthen the business.

Directors expect that the previously announced profit guidance for the year ending 30 June 2007 of approximately A$7.2 million will not be impacted by the sale of Jung and the non-cash write downs.

Peter McDonald
Chief Executive Officer

For further information contact Mr. Peter McDonald, CEO/Managing Director or Mr. Jeff Cox, CFO, on (03) 9518 3352.

Gale Pacific is a leading manufacturer and marketer of advanced polymer fabrics and related products with subsidiaries in the USA, Europe, UAE, New Zealand and China.