



2 October 2006

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Update on Final Funding Agreement Extension to 31 October 2006

James Hardie today advised that it and the NSW Government have agreed to extend the deadline for satisfaction of certain conditions precedent to the Final Funding Agreement (FFA) until 31 October 2006. The current deadline expired on 30 September 2006.

The extension recognises the fact that James Hardie remains involved in discussions with the NSW Government and the Australian Taxation Office (ATO) to resolve outstanding issues relating to the tax treatment of the Special Purpose Fund (SPF).

As outlined in a statement to the ASX on 15 September 2006, the company is in discussions with the NSW Government in relation to potential and limited amendments to the FFA and related agreements to achieve a satisfactory outcome for all stakeholders which would enable the substantive obligations agreed in the FFA to be implemented in full.

As we have stated publicly in the past, the company will seek fresh binding rulings in relation to the tax treatment of the SPF, once the proposed amendments have been agreed with the NSW Government.

James Hardie CEO Louis Gries said: "These are complex arrangements that are regrettably taking longer to finalise than expected. However, there is considerable goodwill and co-operation amongst all stakeholders to remove any remaining barriers to implementation of the FFA. James Hardie is moving as quickly as possible to achieve implementation of the FFA."

The company reiterated that the Medical Research and Compensation Foundation (MRCF) continues to provide compensation for all proven asbestos-related claims against the former James Hardie subsidiaries.

The extension will also enable James Hardie to finalise options to provide interim funding assistance to the MRCF in the event that the MRCF's liquid assets are exhausted before the FFA is implemented in full.

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Disclaimer

This Company Statement contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering circulars and prospectuses, in media releases and other written materials and in oral statements made by the company's officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of forward-looking statements include:

- *expectations that the conditions precedent to the Final Funding Agreement will be satisfied;*
- *expectations about payments to a special purpose fund for the compensation of proven asbestos-related personal injury and death claims;*
- *expectations concerning the company's Australian Tax Office amended assessment;*
- *expectations that the company's credit facilities will be extended or renewed;*
- *projections of operating results or financial condition;*
- *statements regarding plans, objectives or goals, including those relating to competition, acquisitions, dispositions and products;*
- *statements about future performance; and*
- *statements about product or environmental liabilities.*

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should," "aim" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties. The company cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the risk factors discussed under "Risk Factors" beginning on page 6 of the Form 20-F filed on 7 July 2005, and: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of product distributors; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; foreign exchange risks; the successful implementation of new software systems and the successful implementation of the internal control over financial reporting requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as codified by Item 308 of Regulation S-K. The company cautions that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made.

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