

Press Release

24th April 2003

Page 1 of 2



**KAVANAGH
BALLOONS
AUSTRALIA**

PTY LTD (Incorporated in NSW)
ACN 078 369 221 ABN 17 648 174 516

PO Box 53,

Mount Kuring-Gai, NSW 2080

Telephone: (02) 9457 8060 or (02) 9457 8795

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To all Smart Vent owners,

It has been brought to our attention by a UK balloon operator that Cameron Balloons have indicated that they can no longer support the Smart Vent deflation system. It has also been inferred by Cameron Balloons that existing Smart Vents must be removed or modified.

As you may be aware, Kavanagh Balloons have taken Cameron Balloons to court over their infringement of the Smart Vent Patent.

The Court has ruled that Cameron has infringed sections of our patent and Cameron has been ordered to pay damages for that infringement.

For you, as an operator who was sold a Smart Vent by Cameron Balloons, this result will have no effect on your continued operation of existing balloons fitted with the Smart Vent.

The court action was brought on to force Cameron to pay Kavanagh Balloons the royalties they have been collecting from you when selling you the Smart Vent deflation system.

The action was never intended to force the removal of the Smart Vent from balloons already in service. It is not our intention to restrict access to this system or to cause any disruption to existing Cameron Smart Vent owners.

If you are under any pressure from Cameron Balloons to remove your Smart Vent, then it is only coming from Cameron and it is not a requirement of the Court or Kavanagh Balloons for you to do so.

If Cameron Balloons refuse to offer technical support for existing Smart Vents then again this is an issue of their making as this is not a direction of the Court or Kavanagh Balloons.

We have been reading with interest Cameron's push for their RDS system. We believe that this is actually one of our rejected ideas from the early days of R&D on the Smart Vent. Some time ago we had told Cameron about a number of variations we had tried and rejected before perfecting the Smart Vent and putting it to market.

If you are seriously considering a change to the RDS system then we would strongly recommend you demand a flight in a demonstrator of the same size as you intend to operate before you go ahead with this modification.

We do not believe that the system Cameron has proposed will be any where near as good as a true Smart Vent and is merely the marketing spin on an inferior system that may or may not be outside the scope of our patents. This is another attempt to avoid paying for the design.

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As an interesting side note for operators of large ride balloons, our Lite Vent deflation system has actually been in use since 1999. It is not a new system being rushed into production. Lite Vent is presently operating in more than 50 trouble free balloons worldwide.

The Lite Vent has superseded Smart Vent in all Kavanagh balloons over 180,000 cu.ft. and has proven its reliability and performance in some of the toughest passenger balloon operations in the world such as Alice Springs, Cairns and Kenya.

At this time we are not directly selling Kavanagh Balloons into the UK but a dealership is starting up in the Netherlands as our first entry into the European market.

Other European manufacturers such as Kubicek and Schroeder have licences, which gives them access to both the Lite Vent and Smart Vent deflation systems. If you want the best deflation system in the world immediately, those two companies would be well worth looking at.

Best Regards,

Phil Kavanagh