

COSTARELLA DESIGN LIMITED

2 February 2008

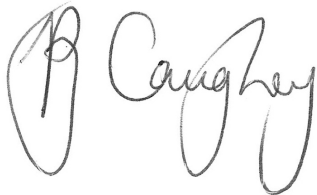
Convertible Loan

Costarella Design Limited (Company) is pleased to announce that, through its 100% subsidiary Aurelio Costarella Pty Ltd, it has secured a convertible loan of \$200,000 from Aurelio Costarella and Antonio Costarella (Lender). The loan is for a minimum term of 3 months or such term otherwise agreed by the parties and has an interest rate of 10% per annum. Subject to the receipt of shareholder and all other necessary approvals being obtained, the Lender has the option to convert the whole or part of the loan to ordinary shares in Aurelio Costarella Pty Ltd, at a price to be agreed prior to the necessary approvals being obtained. The loan will be used to fund the working capital of the Costarella Design business.

This month the company is due to receive a research and development grant of \$209,986.80 which will also assist in funding the working capital of the Costarella Design business.

Any questions in relation to the Convertible Loan should be directed to the Company's Corporate Director Sam Di Giacomo on 0416 920 449.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Peter Caughey'. The signature is written in a cursive style with a large initial 'P'.

Peter Caughey
Company Secretary
ASX: CLD