

**LEMARNE CORPORATION LIMITED** A.C.N. 004 834 584

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AUSTRALIAN STOCK EXCHANGE



LMC000105

**FACSIMILE MESSAGE**

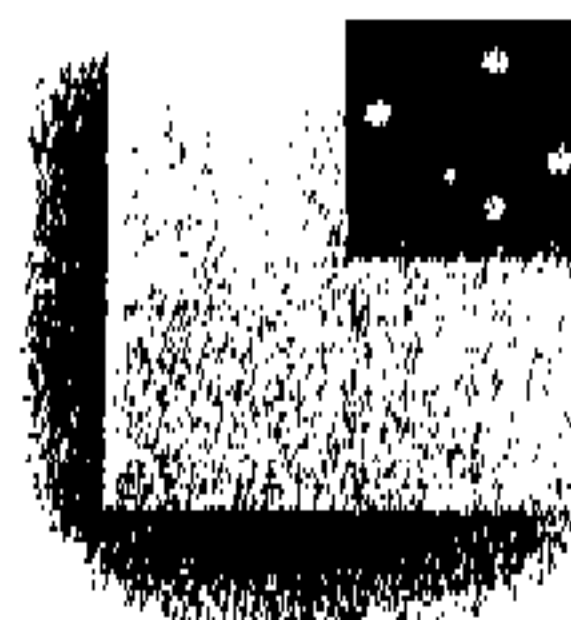
<b>TO: ASX Company Announcements Office</b>	<b>Att:</b>
<b>FAX NO: 1900 999 279</b>	<b>Date: 1 July, 2003</b>
<b>FROM: STEPHEN MASON</b>	<b>No. of Pages: (including this Page)</b>
<b>RE: Information to Shareholders re Update Report, Forecast Results and HGL</b>	

**Message**

We forward herewith copy of letter being mailed to Shareholders within the next few days.

S.L. MASON  
Company Secretary

**FAX: (03) 9820 2038**



LEMARNE CORPORATION LIMITED  
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30 June 2003

Dear Shareholder,

**UPDATE REPORT TO SHAREHOLDERS**

As the financial year draws to a close, we are pleased to advise that the forecast results for the year confirm the strong turnaround that has taken place in the Group this year, following the restructuring and organizational changes undertaken in 2001/2.

**Forecast Results for Year**

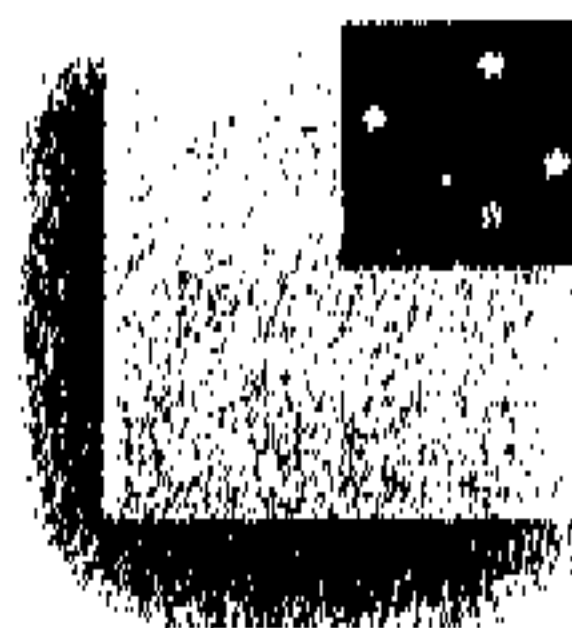
Following the sale of Richardson Pacific Limited ("RPL"), and subject to the finalization of the audited Completion Accounts of RPL, we now have forecast results for the year ending 30 June 2003. The results are based on RPL being part of the Group for the 9 months ended 31 March 2003.

Lemarne's operating profit before tax is forecast to be between \$15 and \$16 million, a \$20 million improvement on the previous corresponding period. This is after expensing the HGL takeover defence costs to date and various RPL abnormals, but including the profit on the sale of RPL.

The trading performance of the RPL group deteriorated in the March 2003 quarter particularly in Asia, where significant losses were incurred. In addition to the trading losses in RPL, abnormal losses of over \$400K for the March quarter were incurred, primarily due to the loss on the sale of Metal Systems, which did not form part of the RPL sale to Locker Group Pty Ltd.

Lemtronics continued to trade profitably but its results have been impacted by increased provisions for stock obsolescence and write downs associated with the company consolidating its production facilities on one site in Penang, the benefits from which will be derived this coming financial year.

C10 Communications likewise continues to trade profitably but experienced subdued trading conditions in the second half.



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The Pacific Composites Group is forecasting a second half profit similar to the first half. As previously advised, the Australian operations results were adversely effected by the lack of major project work in the second half which is expected to continue into the first half of next year. Conversely, there was increased activity in the U.K. but the results, although well up on the first half, were not as strong as expected due to technical and production difficulties experienced on one of its major projects concluded in May 2003.

Lemarne's net profit after tax attributable to shareholders is forecast to be a record \$8 million, giving an Earnings Per Share (EPS) of 50 cents for the year. This is an \$11 million improvement on the previous corresponding period.

**Dividend**

Your Directors, at its June 2003 meeting, confirmed their intention of maintaining the current dividend rate (15 cents per annum fully franked) and in line with previous practice, are aiming to increase it over time subject to satisfactory results.

As a result, Lemarne has an attractive dividend yield, based on its current share price.

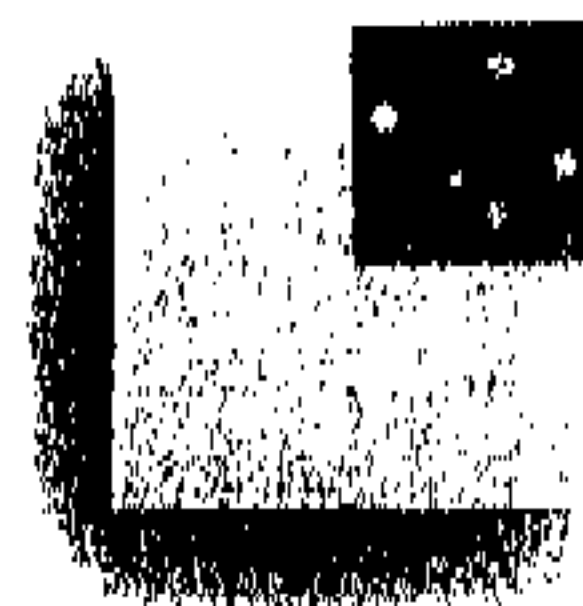
**HGL Selective Share Buy-back**

As was announced to ASX on 22 May 2003, Lemarne has entered into an agreement with HGL Group Pty Ltd to buy-back its 3,306,369 Lemarne shares at \$1.80 per share.

The proposed buy-back is conditional upon it being approved by a special resolution of shareholders at a general meeting, and the Australian Taxation Office (ATO) issuing a private tax ruling confirming that at least 50 cents per share of the buy-back price is deemed a fully franked dividend and the anti-avoidance provisions contained in the tax legislation will not be applied to the buy-back.

Your Directors believe that the proposed buy-back has the following advantages for Lemarne shareholders (other than HGL):

- It is less than the NTA of Lemarne which at, 31 May 2003, we estimated to be \$2.19 per share;
- It is significantly less than the value of Lemarne shares as assessed by your Directors;



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- It avoids the potential of a substantial over-hang of Lemarne shares had HGL decided to dispose of its shareholding on-market. If that were to happen, your Directors believed that it would have generated downward pressure on the Lemarne share price possibly, over a prolonged period.
- If the buy-back proceeds, net asset backing per share will increase by approximately 10 cents (for remaining shareholders);
- Lemarne's share price since 22 May 2003 has generally traded in a range in excess of the buy-back price of \$1.80; and
- If the 2003/2004 budgeted level of net profit after tax is achieved, the reduced number of shares will lead to an estimated 15- 18% increase in EPS.

We expect that the Notice of General Meeting, together with an Explanatory Memorandum and Independent Expert's Report relating to the proposed buy-back, will be dispatched to shareholders in July 2003 after the ATO has informed us of the outcome of the private tax ruling.

In accordance with the agreement reached with HGL, the takeover bid for Lemarne ended on 27 June 2003.

**Sale of Pultrex Limited (UK)**

On 19 June 2003, Pultrex Limited (UK), a subsidiary of Pacific Composites Pty Ltd., sold its capital equipment manufacturing business and associated assets to a company controlled by Douglas Curtis Machine Tools Limited ("DCMT") and Colin Leek, the former Managing Director of Pultrex. DCMT had for some time been manufacturing machines for Pultrex on a sub-contract basis.

All employees were transferred to the Purchaser. The sale was basically at "book value" and allows Pacific Composites to concentrate on its core business of composites manufacturing.

S.L. MASON  
Company Secretary  
30 June 2003