

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

ASX Release

23 July, 2003

Lemarne Proposed Selective Share Buy-Back "Fair and Reasonable"

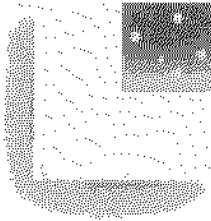
On 22 May, 2003 Lemarne Corporation Limited (ASX: LMC) ("**Lemarne**") announced that it had reached agreement with HGL Group Pty Ltd ("**HGL**") to buy-back 3,306,369 Lemarne shares held by HGL for \$1.80 per Lemarne share ("**proposed share buy-back**"). At that time, Lemarne was subject to a takeover bid by HGL's parent, HGL Limited, which ended on 27 June, 2003.

The directors of Lemarne appointed William Buck Financial Services (Vic) Pty Ltd ("**Independent Expert**") as an independent expert to advise whether the proposed share buy-back was fair and reasonable to Lemarne shareholders (other than HGL and its associates) ("**Non-Associated Shareholders**").

The Independent Expert has delivered its report to the directors of Lemarne and has concluded that the proposed share buy-back is fair and reasonable to Non-Associated Shareholders. In reaching its conclusion that the advantages and disadvantages of the proposed share buy-back proceeding outweighed the advantages and disadvantages of the proposed share buy-back not proceeding, the Independent Expert noted the following advantages:

- the value of a Lemarne share as assessed by it as \$2.23 to \$2.46 compared to the buy-back price of \$1.80 per Lemarne share. The proposed share buy-back price of \$1.80 represented a discount to the assessed value per Lemarne share of between 19% to 27%;
- the proposed share buy-back will assist in the orderly disposal of the Lemarne shares held by HGL and avoid any downward pressure on Lemarne's share price that could occur should HGL dispose of its shareholding on-market;
- the proposed share buy-back will enable the Lemarne Group with its consolidated cash resources of approximately \$31 million to use those resources to buy-back Lemarne shares at a price less than their assessed fair value;
- after the proposed share buy-back, the Lemarne Group will still have cash reserves of approximately \$25 million to pursue any acquisition or growth opportunities; and
- after the proposed share buy-back, the assessed value per Lemarne share will increase from a range of \$2.23 to \$2.46 to a range of \$2.33 to \$2.62 per Lemarne share and the net asset backing per Lemarne share on the basis of book values will improve from approximately \$2.17 to \$2.26 per Lemarne share.

Other advantages of the proposed transaction highlighted in the William Buck report include the possibility of increasing Lemarne's attractiveness as a takeover target, the interests of shareholders in Lemarne being increased by 25% and an increase in earnings per share in years of positive earnings by Lemarne.



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The disadvantages noted in the report are as follows:

- HGL has the opportunity to realise its investment in Lemarne through the proposed share buy-back. The non-participating shareholders will not have this opportunity.
- The buy-back price of \$1.80 per share is higher than the price offered in HGL's takeover bid and higher than the price at which Lemarne's shares were trading at prior to the takeover offer.
- Lemarne's net assets/cash on hand will be reduced by approximately \$5.95 million.

A full copy of the Independent Expert's report will be forwarded to shareholders together with the notice convening the shareholders meeting to approve the proposed share buy-back. Directors expect the meeting to be held towards the end of August, 2003.

The Lemarne directors unanimously support the proposed share buy-back, as it involves an acquisition of Lemarne shares at a significant discount to the value of those shares as assessed by the Independent Expert.

The closing price of Lemarne shares on 22 July, 2003 was \$1.99. Since 22 May, 2003, the Lemarne share price has traded consistently above the proposed share buy-back price of \$1.80.

S L Mason
Finance Director