



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

7 October 2011

Sale of Lemtronics business

Lemarne Corporation Limited (ASX:LMC) is pleased to advise that it has entered into an agreement to sell its Malaysian based Lemtronics business to Paramit Corporation, a US based provider of medical devices and instrument manufacturing services.

The key commercial terms of the agreement are as follows:

- The transaction will be effected by the transfer by Fine Pearl Sdn Bhd (**Fine Pearl**) (Lemarne's wholly owned subsidiary) of all of the shares held by Fine Pearl in Lemtronics Sdn Bhd to Paramit.
- Lemarne will guarantee Fine Pearl's obligations under the agreement.
- The purchase price is US\$20 million on a "cash free and debt free" basis and based on a normal level of net assets.
- 80% of the purchase price, being US\$16 million, is payable to Fine Pearl on completion of the sale, with the balance of US\$4 million being placed in escrow for a period of 12 months after completion as security for any warranty claims from Paramit. If there are no warranty claims during the 6 month period after completion, 50% of the amount placed in escrow would be released to Fine Pearl.

A summary of the other key terms of the agreement is attached to this announcement as a Schedule.

Following completion of the sale, Lemarne will no longer have any operating subsidiaries. The current intention is that most of the net sale proceeds will be distributed to Lemarne shareholders. Lemarne will then be actively exploring several future opportunities for the company.

The proposed sale requires the approval of Lemarne shareholders under Chapter 11.2 of the ASX Listing Rules as it represents the disposal of Lemarne's main undertaking.

Lemarne shareholder approval will be sought at a general meeting of the Company which is expected in mid to late November 2011, with completion is scheduled to occur shortly following the date of the general meeting.

Commenting on the proposed sale, Chairman of Lemarne Mr Brian Noxon said:

“After exploring a wide range of alternatives, Lemarne’s directors are pleased to announce the agreement with Paramit Corporation. The proposed sale will enable shareholders to receive a substantial cash return when the transaction is completed.”

In the absence of a superior proposal:

- Lemarne's directors unanimously recommend that Lemarne shareholders vote in favour of the sale of the Lemtronics business; and
- subject to any voting exclusions, each Lemarne director will vote (or procure the voting) of all shares held or controlled by him in favour of the sale.

Next steps

A notice of meeting and explanatory statement providing further information in relation to the proposed sale will be sent to Lemarne shareholders at least 28 clear days prior to the meeting.

It is likely that the annual general meeting of Lemarne shareholders, which is currently scheduled to take place on 28 October 2011, will be postponed so that it takes place on the same date as the general meeting for the vote on the proposed sale of the Lemtronics business. An announcement by Lemarne on the postponement of the annual general meeting will be made shortly.

* Ends *

Schedule: summary of key terms of the Share Sale Agreement

The Share Sale Agreement (SSA) contains the terms and conditions upon which Lemarne has agreed to sell its Lemtronics business to Paramit. Set out below is a summary of the key terms of the SSA, apart from price, which is detailed in the cover announcement. Further details will be sent out in the notice of meeting and explanatory statement to be sent to shareholders prior to the annual general meeting.

1. Key conditions

Completion under the SSA is subject to a number of conditions including the following:

- (a) all representations and warranties made by Lemtronics, Fine Pearl and Lemarne continuing to be true and accurate, except to the extent that such failure would not give rise to a material adverse effect to Lemtronics;
- (b) Lemtronics, Fine Pearl and Lemarne complying in all material respects with all material obligations and material covenants required to be performed or complied with by Lemtronics, Fine Pearl and Lemarne at or prior to Completion;
- (c) approval being obtained from the Malaysian Ministry of International Trade and Industry for the transfer of the shares of Lemtronics as required under Lemtronics' statutory licences;
- (d) Shareholders passing the resolution to approve the sale under ASX Listing Rule 11.2;
- (e) no material adverse change in Lemtronics occurring up until Completion; and
- (f) no law, litigation or other legal restraint preventing the consummation of the transaction under the SSA or adversely affecting the right of Paramit to own the shares of Lemtronics or to operate the business of Lemtronics.

2. Deal protection mechanisms

The SSA contains deal protection mechanisms, which are usual in transactions of this kind, including:

- (a) standard exclusivity, 'no shop', 'no talk' and 'no due diligence' undertakings, qualified by fiduciary exceptions; and
- (b) 'matching rights' which require Lemarne to provide the Purchaser three business days prior notice of any proposed change in the Lemarne's Board's Transaction recommendation and during which time the Purchaser has the right to offer a counter proposal; and

- (c) a termination fee of the greater of \$200,000 or the amount equal to the aggregate amount of fee, costs and expenses incurred by Paramit, capped at \$500,000, is payable to the Purchaser if a competing proposal emerges and the SSA is terminated by either Paramit as a result of the breach by Lemtronics, Lemarne or Fine Pearl of their obligations under the SSA or by Lemarne in order to proceed with the competing proposal.

3. Termination rights

- (a) Either Paramit or Lemarne may terminate the SSA in a number of circumstances, including if completion does not occur by 31 December 2011, a condition precedent cannot be satisfied or if the shareholders of Lemarne do not approve the transaction.
- (b) Paramit may terminate the SSA in a number of circumstances, including Lemarne committing a material breach of the SSA or a change in recommendation by any Director.
- (c) Lemarne may terminate the SSA in a number of circumstances, including Paramit committing a material breach of the SSA or a change in recommendation by any Director.

4. Other terms of the SSA

The SSA also contained representations and warranties by Lemtronics, Fine Pearl and Lemarne on the Lemtronics' business as well as certain tax indemnities.