



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

SALE OF PACIFIC COMPOSITES

The terms of the sale of the Pacific Composites Group to Exel included a net asset adjustment calculated as at completion on 28 February 2006. The draft completion accounts of the Pacific Composites Group confirm net assets of \$14,366,422. Based on the terms of the Share Sale Agreement, Exel will be liable to pay Lemarne an additional \$691,422.

Also under the terms of the Share Sale Agreement, \$1,625,000 was deposited as a Retention Amount in an account with our Solicitors to cover certain rectification costs and claims for breach of Seller's warranties. The balance of this Retention Amount was to have been released to the Seller on or after 31 August 2006 following finalisation of the cost of the agreed rectification works. These costs have not yet been agreed.

Lemarne has now received a claim from Exel alleging breach of warranties provided in the Share Sale Agreement. Exel has claimed damages of \$6.5 million.

Lemarne strongly disputes this claim, does not accept that Exel has suffered loss in the amount claimed or at all and, intends to vigorously defend this claim.

S.L. MASON
Company Secretary

31 August 2006