



FACSIMILE TRANSMISSION

TO: ASX COMPANY ANNOUNCEMENTS PLATFORM
FAX NO: ASX ON-LINE
FROM: GEOFF DAVIESON
DATE: 11 JUNE 2003
SUBJECT: ANNOUNCEMENT
NO OF PAGES: 2

Dear Sirs,

Please arrange for the attached announcement to be released to the market.

Yours faithfully,

G V DAVIESON
Company Secretary

HOWE LEATHER - BUSINESS UPDATE

In response to market speculation, Schaffer Corporation Limited ("SFC") would like to provide an update in relation to the operations of its Howe Leather subsidiary.

Following decreases in output volume during the last three months, Howe Leather has been forced to reduce its workforce by approximately ten percent, representing 65 people.

Two factors have combined to necessitate the workforce reduction.

Firstly, Howe Leather is, by its nature, a seasonal business where workforce numbers increase and decrease in line with periods of high and low demand.

Secondly, the Australian subsidiary of an international car manufacturer appears to have recently moved its automotive leather program from Howe Leather to a South African supplier. The South African supplier is able to provide its leather seat covers at a heavily government-subsidised price. The relevant programme represented approximately five percent of Howe Leather's annual sales.

Howe Leather is working with the Australian Government to try to resolve the issue of foreign subsidised product unfairly competing with unsubsidised Australian automotive leather.

SFC advises there is no change to its June 2003 profit and final dividend forecast dated 19 February 2003 of \$17.1m and at least 50c per share fully franked.

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