



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

CHAIRMAN'S ADDRESS AT THE 34th
ANNUAL GENERAL MEETING ON 29 OCTOBER 2004

Before formally moving the adoption of the 2003/2004 financial statements I should like to briefly comment on the past year and our initiatives to reposition the group before handing over to our Managing Director, Darryl Rainsbury, who will tell you about our operations and the group's future prospects.

The main highlights of 2003/2004 were:

- Excluding the prior year profit on the sale of Richardson Pacific Limited, the operating profit before tax of the ongoing operations, boosted by a strong second half, increased by 100% to \$5.4 million.
- September 2003 – Lemarne buys back HGL's 19.9% shareholding at \$1.80 per share and these shares are cancelled. This utilised \$5.95 million in funds and reduced Lemarne's shares on issue to 13.2 million.
- October 2003 – Lemarne bids to acquire the 3.8 million shares it does not own in subsidiary, Lemvest Limited, with a 6 for 5 share offer. This is strongly supported by the Lemvest shareholders and resulted in Lemvest becoming wholly owned on 23/12/2003 and subsequently delisted.
- February 2004 – Lemarne announced an off-market buy-back offer to purchase 35% of each shareholder's holding of shares and Directors recommended shareholders seek independent advice on what action to take. The final outcome was a 58% acceptance level and the final adjusted buyback price was \$2.52 per share. This reduced Lemarne's funds on deposit to \$11.5 million and decreased the shares on issue to 14.2 million.

In summary, most objectives were achieved in 2003/4 and excellent progress was made in re-structuring and repositioning the Group for future growth as well as improving the performance of subsidiaries. In addition fully franked dividends of 12.5 cents per share were paid during the year versus 7.5 cents per share last year.

Before moving on to talk about the future I should again like to thank shareholders for their strong, ongoing support, especially in their response to HGL's overtures and during this recent repositioning phase.

In reviewing Lemarne's future direction, Directors are conscious of the rapid emergence of China as a manufacturing superpower and the increasing challenge this represents for Australian manufacturers. We are also aware of the emerging skills and growth both domestically and internationally of the Australian services sector and of the opportunities this may present.

For these and other reasons, the Board has decided to focus more on the service sector in future.

The first step in this direction was accomplished in July 2004 when C10 Communications acquired ValueNet. This modest acquisition puts the Group in a position to provide VoIP services to the SME market. This is expected to be a rapidly growing market and we aim to be a successful participant.

The second move, which was only announced this week, was the acquisition of 80% of the Molescan Group. The founder and Managing Director of Molescan, Dr Gordon Patrick, will retain the other 20%. Molescan is a rapidly expanding healthcare services business specialising in the diagnosis, monitoring and treatment of skin cancer. It has over 20 clinics throughout Australia and is seen as the market leader. Australia has the highest incidence of skin cancer in the world and is a leader in its diagnosis and treatment. We are excited about this acquisition and about its future prospects and welcome Dr Patrick and his team to the Group.

Even after this acquisition the Group is virtually ungeared and has a strong balance sheet with shareholder funds over \$44 million.

In summary, Directors believe the Lemarne Group is now becoming well positioned to achieve its stated goals and objectives and to provide shareholders with improving returns in future.

The operating results for the first quarter are encouraging and Darryl will now tell you more about these and our prospects for the remainder of the year.

Brian Noxon
Chairman
29 October 2004