



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

**CHAIRMAN'S ADDRESS AT THE 37<sup>th</sup>**  
**ANNUAL GENERAL MEETING ON 24 OCTOBER 2007**

Before inviting questions and asking our Managing Director, Peter Murphy, to comment on the past year, the first quarter's results and future plans, I should like to dwell for a moment on the progress we have made in the major restructuring of the Group.

Since 2002 we have successfully divested U R Machinery, Com 10 Power, Richardson Pacific and Pacific Composites and completed the full acquisition of Lemvest, Molescan, Australian Dermatopathology Laboratory (ADL) and ValueNet.

Excess funds have been returned to shareholders by way of tax effective buy-backs and a special fully franked dividend in July 2006. The final buy-back in November 2006 was for up to 50% of each shareholder's holding and resulted in \$14.6 million being returned to shareholders and the shares on issue being reduced by 5.2 million.

Lemarne's shareholding in Exel Oyj was also divested during the year for a net profit of \$1,026,000.

The outcomes from the acquisitions that have been made, have been mixed. The full acquisition of Lemvest simplified the Group and improved profitability, and the returns from ADL have been satisfactory. However the performance of Molescan in particular, has been disappointing while ValueNet is taking more resources and time to reach a viable state than was expected. Thus to date our strategy for investing in niche businesses in the services sector with solid recurring income streams has not lived up to expectations and we are actively exploring all avenues to improve the return from these investments.

Lemtronics was restructured early in 2006/7 and it is particularly pleasing to note the strong improvement in performance achieved by the new management team. C10 also had another pleasing year in developing and selling its broadband products and it has some encouraging prospects in hand.

In overall terms, Lemarne had a successful 2006/7 and has made a sound start to 2007/8.

On 1 November 2007 Stephen Mason will be leaving the Company as an executive director and company secretary to manage his personal interests and take up non-executive directorships. We thank Stephen for his significant contribution to the Group over the past 25 years and we wish him success in his new endeavours.

I'm pleased to announce that on 1 November 2007 Stephen will become a non-executive Director and that Kathy Kotsiopoulos, our Group Financial Controller, will become Company Secretary.

On behalf of the Board I wish to thank the management team and all employees for their continuing commitment, and also to thank shareholders for their ongoing support.

Brian Noxon  
24 October 2007



Lemarne Corporation Limited

Managing Director's Operational Review

37<sup>th</sup> Annual General Meeting

11.30 a.m.  
Wednesday 24<sup>th</sup> October 2007  
Australian Institute of Management House  
181 Fitzroy Street  
Melbourne

Good morning Ladies and Gentlemen,

The 2006/2007 financial year was a successful one for Lemarne with sales revenue growing from \$61 million to \$71 million and the after tax profit for the Group totalling \$6.1 million. Earnings per share was 52.7 cents while the net tangible asset backing per share increased to \$3.15 and shareholder funds were \$36.4 million at 30 June 2007.

Lemtronics

Lemtronics had an outstanding year with significant growth in revenue and profits. The restructure and refocussing of the company on its core customer base has enabled the company to develop a strong base for future growth.

Investments are being made in the company to improve its manufacturing capability and quality systems with the purchase of capital equipment including automated optical inspection systems and the latest production equipment.

Plans have also been agreed to further invest in new equipment and manufacturing reporting systems. These capital investment programmes, coupled with the recruitment of additional production and development engineers, should facilitate the gaining of new business in several key markets as well as strengthening relationships with its existing core customers.

Sales revenue growth in the first quarter of this year has been strong and the company's trading profits are well ahead of last year. The company is well placed to continue this growth throughout the 2007/2008 financial year.

Lemarne Healthcare

Lemarne Healthcare's operating businesses, Molescan Australia ("Molescan") and Australian Dermatopathology Laboratory (ADL) continued to face challenging market conditions in 2006/2007. Whilst revenues were maintained in line with the previous year, margins were depressed due to high costs and the company posted a loss for the year.

Molescan's skin cancer operations were strengthened with the investment in the Molescan brand, new clinics and the gaining of exclusive Australian rights for the latest computerised, skin cancer screening equipment. The number of Molescan doctors has increased along with patient numbers.

Against the background of a fragmented and competitive market, the company is being restructured to improve profits through reduced operating costs.

ADL continued to operate profitably and has retained tight control of its costs. Initiatives are being taken to increase the number of Doctors using ADL's dermatopathology services.

Lemarne Healthcare is currently operating at break even and with the restructuring activities for Molescan in place, the objective is to achieve profitable trading by the end of this financial year.

C10 Communications ("C10")

In 2006/2007 C10 increased its unit sales of broadband products to its well established customer base of major telecommunication companies. Whilst downward price pressures were experienced in this market, the products group continued to post acceptable operating profits.

C10 increased its investment in its hosted IP telephony business with establishment of ValueNet's own head office in Sydney. Throughout 2006/2007 a number of high profile customers, such as Virgin, selected ValueNet as their preferred provider of business grade hosted telephony services. New channel partners were appointed and whilst sales were doubled relative to the previous year, there is still a gap between recurrent revenue and operating costs.

The challenge before the company is to significantly increase its sales and marketing resources whereby ValueNet's unique technology platform is marketed to small and medium size enterprises throughout Australia. The investment will continue and with the expectation of a general shift in the market to hosted services, the company should capitalise on the forecast high growth over the next five years, in the IP telephony market.

Group

Lemtronics and C10 have posted strong operating results both in revenue and profits for the first quarter. The restructure of Lemarne Healthcare is currently underway and the objective is for it to achieve break even by the end of the second quarter FY08 and profitable trading by the end of this financial year.

Overall, Lemarne has commenced the 2007/2008 financial year with solid profit and revenue growth. With the further investment in specific parts of its businesses, and without any major adverse changes in currencies, the company is well placed to achieve its revenue and profit targets this financial year.

Peter Murphy  
Managing Director  
24 October 2007