



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

CHAIRMAN'S ADDRESS AT THE 38th
ANNUAL GENERAL MEETING ON 29 OCTOBER 2008

Good morning Ladies and Gentlemen,

At last year's AGM I summarized the action that had been taken since 2002 to restructure and reposition the Group and return excess funds to shareholders.

In 2007/8 further restructuring was undertaken with the divestment of Lemarne's Healthcare business and ValueNet; neither business living up to earlier expectations. The cash generated from these sales and cash generated by Lemtronics and C10, resulted in the Group's funds on deposit at 30 June 2008 reaching \$24.2 million. During this period, management has continued to focus on further strengthening Lemtronics and C10 with pleasing results.

Lemarne's operating profit before tax from its continuing operations was \$9.2 million and the earnings per share, 73.4 cents.

Lemarne has a very strong balance sheet with shareholders' funds of \$37 million, virtually no debt, no intangibles and an NTA of \$3.73 per share.

A final fully franked dividend of 12.5 cents per share was paid in October, making a total of 25 cents per share for the year.

Despite the overall market sentiment, Lemarne's share price recently climbed to a 10 year high which was around the NTA per share.

The Group has made an excellent start to the new financial year and Peter will expand on this shortly.

In light of this and our strong financial position, Directors are pleased to advise that a special fully franked dividend of 15 cents per share will be paid to shareholders on 10 December 2008 to those members on the register at 7 pm on 28 November 2008.

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Your Directors consider that Lemarne is in a sound position to deal with the downstream setbacks which our subsidiaries customers will experience as a result of the current global financial upheaval and expected recession. Your Directors also believe that these turbulent times may expose opportunities to further enhance shareholder returns and we have retained advisers to assist us in this matter.

On behalf of my fellow Directors, I thank all employees for their strong commitment and also thank all shareholders for their continuing support.

Brian Noxon
29 October 2008



Lemarne Corporation Limited

Managing Director's Operational Review

38th Annual General Meeting

11.30 a.m.
Wednesday 29th October 2008
Australian Institute of Management House
181 Fitzroy Street
Melbourne

Good morning Ladies and Gentlemen,

I would like to welcome you to Lemarne's 38th Annual General Meeting. Firstly, I plan to briefly review the operating performance of Lemarne Corporation for the year ended 30 June 2008. Secondly, to provide you with an overview on how we see the Company operating in this current, highly turbulent financial environment.

During the last financial year, the Company consolidated its operations and focussed on its two profitable businesses, Lemtronics and C10. Lemarne Healthcare was divested in January of this year and the ValueNet business sold in April.

Group sales in 2007/2008 totalled nearly \$66 million and the operating profit before tax and losses on disposal was \$7.8 million.

The two business units, Lemtronics and C10 Communications, which now constitute the Lemarne Group, are profitable cash generators and both have established strong positions in niche markets.

The 2007/2008 sales revenue and earnings before interest and tax for these two subsidiaries is shown below.

	Lemtronics	C10 Communications
Total Sales	\$48.7 million	\$12.6 million
EBIT (before non recurring items)	\$5.84 million	\$1.9 million
Total Assets	\$20.0 million	\$4.5 million
Employees	701	13

Lemtronics

Lemtronics is a contract manufacturer of electronic sub-assemblies and it has successfully positioned itself as a niche electronic manufacturing service provider specialising in high mix low volume product. It has three major product divisions:

- Power tools
- Radio frequency and automotive products
- Mechatronics, where it manufactures and assembles the complete product.

Over the last twenty years it has developed long term supply partnerships with leading international companies such as Bosch, Festool, Hilti, Huf, Honeywell and more recently the Firebeam company based in the UK. It is with these companies that Lemtronics has focussed its resources and attention in providing a full turnkey service.

This strategy has resulted in a significant turnaround in the company's operating performance and in 2007/2008 increased its operating profit before tax to \$5.8 million compared to \$4 million in the previous year.

The Company has continued to strengthen its manufacturing operations at its facility in Penang, Malaysia with further investments in new plant and equipment. A new Surface Mount Technology Line was installed in June 2008 and after being successfully commissioned, has increased the capacity and efficiency of the plant. New optical inspection and circuit testing machines were installed to enhance the quality system for its products and various specialist equipment was acquired to meet specific market and customer requirements.

Lemtronics continues to expand its engineering and development resource, which is critical to provide a greater contribution to the value add of its customer products. In addition, the company will increase its business development resources and activities.

Plans have been developed for Lemtronics to expand its manufacturing facilities in Penang but the decision to proceed to a second manufacturing facility will not be decided until March 2009 when it is hoped there will be greater clarity about the requirements of our major customers.

The company has posted strong revenue and profit growth in the first quarter of this financial year. However the current financial turbulence in world markets is having an impact on Lemtronics' major customer and there has been a softening in forward orders.

Action has been taken to accommodate these market conditions and management is confident that Lemtronics is well positioned to meet these challenges.

C10 Communications ("C10")

Following the divestment of the ValueNet business in April 2008, C10 has focussed on the development, manufacture and supply of specialist data communication and access network products to its major telecommunication companies, which include:

- Telstra Australia
- Telecom New Zealand
- AAPT
- Internode
- TPG
- Thomson
- NetCom.

In addition, C10 products, in special consumer designed packs, are distributed throughout Australia via a number of specialist wholesalers such as Middendorp Electrical, Lawrence and Hanson, Jackson Industries and Hills Industries.

The Company has increased its investment in research and development activities and several new products are under development. The Company is focussed on a specialised, niche segment of the telecommunications market, particularly in Australia and New Zealand. Within this market area it has established a strong reputation for the quality of its products which have unique, patented intellectual property.

The company operated profitably in 2007/2008 and following the ValueNet divestment, has increased its cash generating contribution to the Lemarne Group.

It is expected C10 will continue to post solid profits in 2008/2009.

Group

Lemtronics and C10 Communications posted strong operating results in 2007/2008 and these performances have continued in the first quarter of 2008/2009 resulting in the Company's operating profits being substantially ahead of the same period last year.

The full impact of the financial crisis on our markets and future prospects is not yet clear but it would be unrealistic not to assume that our second half results will be weaker.

Nevertheless, Lemarne is well placed, with an ungeared balance sheet, significant funds on deposit and strong operating businesses, to capitalise on any opportunities which may arise..

Peter Murphy
Managing Director
29 October 2008