



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

## **ASX ANNOUNCEMENT UPDATE**

In relation to the proposed share buy-back, we are continuing to liaise with the Australian Taxation Office regarding our application for a Private Tax Ruling. Further details will be provided when available.

Based on the unaudited results of the Lemarne Group for the 11 months ended May 2006, Directors expected Lemarne's operating profit after tax prior to the significant one off profit on the sale of Pacific Composites and the Lemtronics adjustment referred to below to be at the lower end of the range predicted at the 2005 Annual General Meeting.

Following a detailed review of Lemtronics' operations, the Lemarne Directors believe that year end write downs of some \$1.3 million will be required covering plant, computer systems and stock.

In overall terms Lemtronics' sales have been strong but it has been adversely impacted by currency movements. Lemarne Healthcare has also performed below expectations, partially due to a shortage of qualified doctors; while C10 Communications has continued to perform well due to the strong ongoing demand for its broadband products.

The sale of Pacific Composites, was subject to Lemarne undertaking certain rectification work outlined in the Environmental Reports commissioned prior to the sale. Obtaining quotes from contractors in the United Kingdom for this kind of work has taken longer than anticipated, but we expect to have all quotes finalized shortly. To date, these quotes have been in line with expectations and within our estimated provisions.

The Completion Accounts, which the Pacific Composites' purchase price adjustment is dependant upon, have also taken longer than expected. This is due to a difficulty involving the reconciliation of a major creditor's account in the U.K. Although the account has not yet been reconciled to our satisfaction, based on information to hand, the net assets of the Pacific Composites Group may be reduced in the order of \$300,000 to \$400,000.

S.L. MASON  
Company Secretary  
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