



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

EXTRAORDINARY GENERAL MEETING ON 24 NOVEMBER 2011

Chairman's comments on background to proposed sale of Lemtronics and on-market buy-back.

After the global financial crisis in 2008/9 the Directors recognized the need to review Lemarne's position and what strategies it should pursue in future.

While Lemtronics is an excellent and well managed electronic manufacturing services company with long term customers, we believed that the post global financial crisis world would experience unpredictable developments and associated risks outside our control. Directors therefore decided to retain a leading United States strategic advisory firm to identify a suitable merger partner for Lemtronics. We also retained other advisers to explore alternative strategies that would unlock additional value and minimize risks for Lemarne shareholders in future.

After more than two years exploring alternatives, Directors decided that the offer from Paramit Corporation Limited to acquire Lemtronics was the most favourable course of action. The Directors recommendation has been explained in the Explanatory Statement recently sent to shareholders and Resolution 1 reflects this.

On the assumption that this resolution was carried, Directors decided that a substantial portion of the proceeds should be distributed to shareholders. Directors have been reviewing and taking tax advice on alternate ways to distribute the proceeds from the sale so as to achieve the fairest, most equitable and transparent distribution to as many shareholders as possible.

The options available to Lemarne have been outlined in the recently distributed Explanatory Statement and are summarized below:

- **Capital return-** Lemarne can only distribute up to A\$3.6 million as a return of capital as this represents the amount in the company's paid up capital account.
- **Off market share buy back** – The amounts distributed to shareholders are apportioned between capital and revenue components. The capital component is based on the calculation of the average capital per share being 42.6 cents; the low level of

shareholders' equity in the company is due to the extensive buy-backs (3) carried out by Lemarne in previous years. The balance distributed would be an unfranked dividend subject to the receipt of a Private Tax Ruling from the Australian Taxation Office ("ATO") confirming the allocation between capital and revenue. Thus a return of capital, or an off-market buy-back of Lemarne shares potentially only provides minor additional benefits to shareholders.

- **On market buy-back** – The entire consideration received will be treated as a capital receipt in the hands of shareholders, subject to the receipt of a Private Tax Ruling from the ATO confirming the tax treatment of the buy-back for both Lemarne and its shareholders..
- **Unfranked dividends** – Lemarne has virtually no franking credits, thus any dividends will be unfranked and included in the assessable income of shareholders and taxed at the applicable rates accordingly.

Resolution 2, if approved, will give Lemarne the right to proceed with an on-market buy-back.

Brian Noxon
Chairman
24 November 2011