



30 June 2011

Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

BERKLEE LIMITED (ASX CODE: BER)
STRATEGIC BUSINESS REVIEW

Please find following the Berklee Board announcement regarding the outcome of the Strategic Business Review.

Signed

A handwritten signature in black ink, appearing to read 'E. van Berkel'.

Edward van Berkel
Company Secretary



BERKLEE LIMITED
A.B.N. 80 004 661 205
MANUFACTURERS OF
AUTOMOTIVE EXHAUST SYSTEMS
AND PARTS

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Berklee Limited

ASX Announcement 30 June 2011

New direction for Berklee to enhance shareholder value

Chairman Alan Beckett released this announcement today on behalf of the Berklee Board.

Berklee Limited (ASX: BER) advised shareholders at the Company's 2010 AGM that a detailed strategic review would be undertaken to determine the Company's future direction.

Manufacturing for the automotive sector in Australia has become less profitable over recent years and the Company has recognised that growth must come from pursuing a new direction.

The Board's immediate objective is to move away from relying solely on automotive products and to return the company to long term profitability, positive cash flow and sustainable dividends while providing greater market liquidity for shareholders.

Our first priority has been to address the negative operating cash drain on the business. We now believe that this issue is well on the way to being resolved with the commencement of a restructure program and supply of a new non-automotive product to a leading Australian specialist support services provider. Supply arrangements which have already commenced and were initially expected to be formalised by 30 June 2011 will be documented by the imminent signing of a three year Preferred Supplier Agreement.

Sales revenue pursuant to this agreement is expected to be at least \$7 million over the three year period of the agreement.

Our second priority has been to determine what will be the best outcome for shareholders in the short to medium term.

With the assistance of an external consultant we have examined a number of scenarios including:

1. winding up the Company and returning capital to shareholders,
2. merging with, or selling to, a competitor with the view to rationalising the industry, or
3. significantly rationalising the business and operating under a very different business model.

Each option has been explored in detail and modelled to ascertain the likely return to shareholders.



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After extensive discussion and consultation with our external, financial and legal advisors the Board has resolved that the most appropriate strategy for the Company is to:

- Transform the business into a specialised metal engineering solutions business with local design, manufacture and quality control, using both local and overseas components,
- Further diversify the current business into new, non-automotive lines by both organic growth and through acquisition,
- Continue as a supplier of exhausts in the replacement and original equipment markets using both our own production facility and other manufacturers,
- Complete the restructuring of Berklee's distribution business to best serve the new direction (further details in relation to this restructure will be advised by 31 August 2011 including the amount of the provision to be booked in the 30 June 2011 accounts), and
- Undertake a thorough review of the Company's capital management policy.

The Company is now in a stronger position in which to continue the transition with positive net assets, cash in the bank, no debt and an energised team. The Board believes that the Company can now look towards further new opportunities arising.



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