

ASX Release | 21 June 2012

Market update

Trading Update

Talent2 International Limited (**Talent2**) (ASX:TWO) advises that, based on its results for the eleven months to 31 May 2012 and its forecast for the month of June 2012, it estimates that for the twelve month period ending 30 June 2012:

- consolidated revenue will be in the range of A\$315 million to A\$325 million; and
- consolidated EBITDA will be in the range of A\$9 million to A\$10 million.

Global and regional economic uncertainty and the volatility of financial markets has continued to adversely influence decision making, particularly in relation to recruiting new permanent hires in Asia and Australia as well as delaying decision making in the larger managed services contracts.

Talent2 wishes to confirm that nothing in this trading update will impact on the proposed scheme of arrangement announced on 28 May 2012 (the **Scheme**).

Standstill Agreement and Potential Capital Raising

As a result of these difficult trading conditions and in the absence of the Scheme, the Board of Talent2 was likely to have undertaken a capital raising to reduce Talent2's debt levels and fund future growth. Since the announcement of the Scheme, Talent2 has entered into a Standstill and Facilities Amendment Agreement with Westpac (**Standstill Agreement**) whereby Westpac will, amongst other things, refrain from accelerating Talent2's obligations and taking any other enforcement action against Talent2, under the various facilities pending the outcome of the Scheme.

In the event the scheme of arrangement does not become effective, Talent2 will be required to repay \$10 million to Westpac within 60 days of the Scheme not proceeding. In this event, or in the absence of a superior proposal, Talent2 expects that it will be required to undertake a significant equity capital raising under which Talent2 would seek to raise approximately \$20 million in order to:

- repay \$10 million to Westpac,
- fund the deferred consideration commitments payable in respect of prior acquisitions, and
- further reduce its current levels of net indebtedness so as to establish a platform for resumed growth and a more conservative capital structure.

Scheme Update

On 28 May 2012, Talent2 announced it had entered into a Scheme Implementation Deed with Morgan & Banks Investments Pty Limited (**MBI**)¹, Allegis Group, Inc. (**Allegis**) and Perbec Pty Limited (**Perbec**)² under which it is proposed that Perbec will acquire all of the outstanding Talent2 shares not currently held by MBI for a cash consideration of \$0.78 per share, via a scheme of arrangement.

It is also proposed that the outstanding Talent2 options will be cancelled in return for Perbec paying a cash amount to optionholders via a separate scheme of arrangement (**Option Scheme**).

Talent2 wishes to update the market on the indicative timetable for the Scheme and Option Scheme. It should be noted that the timing is for guidance only and may be influenced by a number of factors. Talent2 will publicly announce any material changes to this timetable.

Event	Indicative date
First court hearing	Mid-July 2012
Scheme meetings	Late-August 2012
Second court hearing for approval of the schemes	Late-August 2012
Implementation date	Mid-September 2012

The independent committee of directors (the **IBC**) unanimously recommend shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the independent expert concluding that the Scheme is in the best interests of shareholders.

Other Items

Talent2 security holders should consult their stockbroker, accountant, tax, financial or other professional adviser about the impact of the Scheme and Option Scheme on their particular investment objectives. Talent2 will inform the market of any material developments at the appropriate time, including whether a Special Dividend is likely to be declared and paid.

The Independent Directors of Talent2 have engaged KPMG Corporate Finance as financial adviser and Freehills as legal adviser in relation to the Scheme.

¹ MBI is a company controlled by Andrew Banks and Geoff Morgan, each of whom is a director of Talent2. MBI holds 21.8% of the Talent2 shares. Allegis does not currently own any Talent2 shares.

² As at the date of this announcement, Perbec is a wholly owned subsidiary of MBI. If the Scheme becomes effective, it will be 50% indirectly owned by MBI and 50% indirectly owned by Allegis Group, Inc. (**Allegis**).

About Talent2

Talent2 was founded in 2003, is listed on the Australian Stock Exchange (ASX:TWO) and operates from 45 offices, delivering services in 31 countries across the Asia Pacific region, Middle East, UK and USA. It is the leading HR BPO organisation in the Asia Pacific region, working with clients across diverse organisation types and industries to deliver end-to-end talent management solutions that put people first. These include HR Advisory, Payroll, Recruitment and Learning. Talent2's end-to-end talent management solution gives it a unique capacity to fulfil the rapidly evolving business needs for talent management, to help organisations to improve the power and productivity of their people.

For further information please contact:

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Disclaimer as to forward looking statements

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