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OPUS Group Limited
ACN 006 162 876

**NOTICE OF EXTRAORDINARY GENERAL
MEETING**

Date: Thursday 8 December 2016

Time: 10:30am (Sydney time)

Place: 138 Bonds Road, Riverwood NSW 2210, Australia

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NOTE: Capitalised terms used in this document are defined in the Glossary (Section 3).

Key dates

Due date for lodgement of Proxy Forms	10:30am (Sydney time) on 6 December 2016
Record date	7:00pm (Sydney time) on 6 December 2016
Extraordinary General Meeting	10:30am (Sydney time) on 8 December 2016

NOTE: The above timetable is indicative only. The Company may vary any of the above dates subject to the Corporations Act, the ASX Listing Rules and any other applicable law.

Important information

The Notice of Meeting is dated 7 November 2016.

A copy of this Notice of Meeting has been lodged with the ASX. The ASX does not take any responsibility for the contents of this Notice of Meeting.

This Notice of Meeting does not take into account the individual investment objectives, financial situation or particular needs of any person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to approve the Resolution set out in the Notice of Meeting.

Financial amounts in this Notice of Meeting are expressed in Australian dollars unless otherwise stated.

This Notice of Meeting is governed by the law in force in New South Wales, Australia.

Corporate directory

Directors

Mr Richard F. Celarc (Chairperson)
Ms Mei L. Lam
Mr Chuk K. Lau
Mr Paul A. Young

Company Secretaries

Ms Virginia Lee
Ms Laura Lou

Registered office

138 Bonds Road
Riverwood NSW 2210
Australia

Website

<http://www.opusgroup.com.au>

Share registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Australia
Telephone: +61 2 9290 9600

Enquiries

If you have any queries about the matters set out in this Notice of Meeting, please contact the Company's share registry Boardroom Pty Limited on +61 2 9290 9600.

1 Notice of Extraordinary General Meeting

Notice is hereby given that the Extraordinary General Meeting of the Shareholders of OPUS Group Limited (**Company** or **OPG**) will be held at 138 Bonds Road, Riverwood NSW 2210, Australia on Thursday 8 December 2016 at 10:30am (Sydney time) for the purpose of transacting the business set out in this Notice of Meeting.

SPECIAL BUSINESS

1 Proposed Share Buyback

To consider and, if thought fit, pass the following Resolution as an ordinary resolution:

"To approve the acquisition, by means of an on-market buyback, of up to 20 million of the Company's fully paid ordinary shares, on the terms set out in the explanatory notes accompanying the notice convening this meeting."

By order of the Board



Virginia Lee
Joint Company Secretary
7 November 2016

1.1 Chairperson's voting intentions

The Chairperson intends to vote undirected proxies on, and in favour of, all the proposed Resolution. If there is a change to how the Chairperson intends to vote undirected proxies, the Company will make an announcement to the market.

1.2 Voting entitlement

Any person registered as a Shareholder on the Register at 7:00pm (Sydney time) on 6 December 2016 is entitled to attend and vote at the Meeting.

Registrable transmission applications or transfers registered after the time specified above will be disregarded in determining entitlements to vote at the Meeting.

In the case of Shares held by joint holders, only one of the joint Shareholders is entitled to vote. If more than one Shareholder votes in respect of jointly held Shares, only the vote of the Shareholder whose name appears first in the Register will be counted.

Each Shareholder may vote by attending the Meeting in person or by proxy, attorney or, in the case of a corporation which is a Shareholder, by corporate representative.

1.3 Voting in person

Any Shareholder entitled to attend and vote at the Meeting who wishes to attend and vote at the Meeting in person will be admitted to the Meeting and given a voting card upon disclosure of their name and address at the point of entry to the Meeting.

1.4 Voting by proxy

Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of the Shareholder.

A proxy need not be a Shareholder.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, that Shareholder may appoint 2 proxies. Where 2 proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the Shareholder's voting rights. If the Shareholder does not specify the proportion or number of the Shareholder's voting rights that each proxy is to represent, each proxy will be entitled to exercise half the Shareholder's votes.

A Proxy Form for the Meeting is enclosed. In order to be valid, a properly complete the Proxy Form must be lodged in any of the following ways:

- (a) **Online:** www.votingonline.com.au/opusgroupegm2016
- (b) **By fax:** +61 2 9290 9655
- (c) **By mail:** Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001, Australia
- (d) **In person:** Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000, Australia

To be valid, your completed Proxy Form must be received by 10:30am (Sydney time) on 6 December 2016.

Please note that post only reaches the Company on Business Days in Sydney, Australia. A proxy will be admitted to the Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Meeting. The return of a completed Proxy Form will not preclude a Shareholder from attending in person and voting at the Meeting.

1.5 **Voting by attorney**

An attorney of any Shareholder entitled to attend and vote at the Meeting may attend the Meeting, and vote on that Shareholder's behalf.

If a Shareholder wishes to vote by attorney at the Meeting, that Shareholder must, if not already done so, deliver the original or certified copy of the power of attorney by the methods specified in Section 1.4 so that it is received before the Meeting commences or, alternatively, ensure the power of attorney is brought to the Meeting and presented at the point of entry to the Meeting.

A Shareholder's attorney will be admitted to the Meeting and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer (ie, the Shareholder) at the point of entry to the General Meeting.

1.6 **Voting by corporate representative**

A corporation that is a Shareholder must appoint a person to act as its representative to vote at the Meeting (if it does not wish to vote by proxy or attorney). The appointment must comply with the Corporations Act. An authorised corporate representative will be admitted to the Meeting and given a voting card upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer at the point of entry to the Meeting.

2 Explanatory Notes

These explanatory notes have been prepared for the information of Shareholders in connection with the business to be transacted at the Meeting.

2.1 Background

The Company is proposing to implement an on-market buyback of up to 20 million Shares in the manner outlined in these explanatory notes (**Proposed Share Buyback**).

The Corporations Act authorises a listed company to buy back its own shares on market if the buyback does not materially prejudice the company's ability to pay its creditors and it follows the procedures required in the Corporations Act.

Shareholder approval is required if all of the shares bought back in the last 12 months, and the shares that will be bought back if the proposed buyback is made, is in aggregate more than 10% of the minimum number of shares on issue at any time during the last 12 months. The limit after which a company requires shareholder approval for a buyback is called the **10/12 limit**.

As at the date of this Notice of Meeting, the Company is able to buy back 9,641,359 Shares on market without Shareholder approval. The Company wishes to buy back on market a total of 20 million Shares, which is 10,358,641 more Shares than it is permitted to do under the 10/12 limit, and accordingly seeks Shareholder approval for the Proposed Share Buyback.

2.2 Details of the Proposed Share Buyback

The key details of the Proposed Share Buyback are as follows:

- (a) **Type:** On-market buyback, on a first come, first serve basis.
- (b) **Maximum number of securities to be bought back:** 20 million Shares. The maximum number of Shares to be bought back represents approximately 20.74% of the Company's total issued share capital of 96,413,596 Shares at the date of this Notice of Meeting.
- (c) **Timing:** If the Resolution is passed, the Proposed Share Buyback will commence on 9 December 2016 and will remain open until the earlier of:
 - (i) 8 December 2017; or
 - (ii) when 20 million Shares have been bought back.
- (d) **Price range:** The ASX Listing Rules impose a moving cap on the price the Company may pay for the Shares of 5% above the volume weighted average market price per Share for the 5 days on which trades were recorded before the day on which the purchase under the buyback was made. The Company will in its discretion offer to buy back Shares on market at the prevailing market price or otherwise as determined by the Company, subject to the ASX Listing Rules. If Mr Celarc and his associates do participate in the Proposed Share Buyback (as discussed in Section 2.7 below and even if their participation is more or less than the 9,416,239 Shares referred to in Section 2.7 below), then for the 10 Business Days following such participation, will buy back further Shares under the Proposed Share Buyback, up to the 20 million maximum limit referred to in Section 2.2(b) above, at A\$0.48 per Share, subject always to ASX Listing Rule 7.33.

2.3 Reasons for the Proposed Share Buyback

As announced on 7 November 2016, as a result of on budget operational performance, the recent sale of the Company's outdoor media division and resultant increase in cash on hand, OPG is proposing to undertake the Proposed Share Buyback.

The Proposed Share Buyback enables OPG to return funds to its Shareholders at a time when the OPG group has turned around its performance since its recapitalisation in 2014.

The Proposed Share Buyback would also facilitate those Shareholders who wish to exit to do so, notwithstanding OPG's recent low trading volumes.

OPG considers structuring the Proposed Share Buyback as an on-market buyback on a first come, first serve basis would enable all Shareholders to vote as to whether the Proposed Share Buyback should be implemented at all and then (if the requisite majority vote in favour of the Resolution) have an opportunity to participate in the Proposed Share Buyback if they wish to do so.

OPG considers the proposed pricing arrangement outlined in Section 2.2(d) above to be fair and reasonable to participating Shareholders should Mr Celarc and his associates participate in the Proposed Share Buyback, noting that the Company's Share price as at close of trading on 12 October 2016 (ie, before the Proposed Share Buyback was announced) was A\$0.525 and the volume weighted average price of the Company's shares for the four month period to 12 October 2016 was A\$0.50.

2.4 Independent expert's report

To ensure that Shareholders are fully informed, the Company engaged Lonergan Edwards and Associates Limited (**Independent Expert**) to prepare an independent expert's report (**IER**) as to whether the Proposed Share Buyback is fair and reasonable to those Shareholders who are not associated with Mr Celarc.

The IER provides a valuation of the Shares and states that in the opinion of the Independent Expert, the Proposed Share Buyback is fair and reasonable to the Company's Shareholders who are not associated with Mr Celarc.

A copy of the IER is attached to this Notice of Meeting as Annexure A.

2.5 Advantages of the Proposed Share Buyback

The key advantages of the Proposed Share Buyback are as follows:

- (a) Provide liquidity for Shareholders. There is a limited market for the Shares on the ASX. The Proposed Share Buyback gives Shareholders an increased ability to exit their investment in the Company should they wish to do so;
- (b) An efficient use of surplus capital at a time when the Company has turned around its performance; and
- (c) Increased price competition for the Company's Shares.

2.6 Disadvantage of the Proposed Share Buyback

The key disadvantage of the Proposed Share Buyback is that it reduces the cash balances of the Company. If the maximum number of Shares is bought back by the Company at A\$0.48 per Share, the cash balance would be reduced by approximately A\$9.6 million.

2.7 Effect of the Proposed Share Buyback on the capital structure of the Company

- (a) The precise effect of the Proposed Share Buyback on the capital structure of the Company will depend on the following factors:
- (i) Whether the Resolution is passed; and
 - (ii) The extent to which Shareholders participate in the Proposed Share Buyback.
- (b) As at the date of this Notice of Meeting:
- (i) 1010 Printing Group Limited (who, through Bookbuilders BVI Ltd, currently holds approximately 59.66 million Shares and 20 million options to subscribe for 20 million Shares, as at the date of this Notice of Meeting) have indicated that they intend to vote in favour of the Proposed Share Buyback and, if the Proposed Share Buyback were to be implemented, they would not participate in the Proposed Share Buyback.
 - (ii) Mr Richard Celarc and his associates (who, together, currently hold approximately 12.33 million Shares as at the date of this Notice of Meeting) have indicated that they intend to vote in favour of the Proposed Share Buyback and, if the Proposed Share Buyback were to be implemented, they would participate in the Proposed Share Buyback and sell up to 9,416,239 of their Shares to OPG at A\$0.48 per Share.
- (c) The example tables below illustrate the effect of the Proposed Share Buyback assuming:
- (i) the Resolution is passed;
 - (ii) 20 million Shares are bought back pursuant to the Proposed Share Buyback at A\$0.48 per Share;
 - (iii) Shareholders participate or do not participate in the Proposed Share Buyback as indicated in Section 2.7(b) above; and
 - (iv) there are no other changes to Shareholdings (other than as a result of the Proposed Share Buyback).

Table 1: Effect on total Share capital

	Number of Shares	Paid up Share capital ¹	Consolidated share capital ²
Before implementation of the Proposed Share Buyback	96,413,596	A\$23,465,028.44	A\$8,098,707.66
Effect of implementation of the Proposed Share Buyback ³	-20,000,000	-A\$8,098,707.00	-A\$8,098,707.00
After implementation of the Proposed Share Buyback	76,413,596	A\$15,366,321.44	A\$0.66

Notes:

1. Paid up Share capital as shown on ASIC's records in respect of the Company.

2. The consolidated share capital of the Company and its subsidiaries as at 30 June 2016 and reflected in the OPG group's consolidated statement of financial position was A\$8,098,708.00. The difference between the consolidated share capital and the Company's paid up share capital was the result of the reverse acquisition accounting treatment in 2012 pursuant to AASB 3.

3. Any excess over A\$8,098,707.00 will be deducted from retained earnings.

Table 2: Change to capital structure

Identity of Shareholder	Before the Proposed Share Buyback		After the Proposed Share Buyback	
	(Relevant interest in) No. of Shares	% of total number of Shares on issue and voting power ¹	(Relevant interest in) No. of Shares	% of total number of Shares on issue and voting power ¹
1010 Printing Group Limited (through Bookbuilders BVI Ltd only)	59,657,143	61.9%	59,657,143	78.1%
Richard Celarc and his associates, comprising:	12,334,647	12.8%	2,918,408	3.8%
Richard Celarc as trustee for the Richard Celarc Family Trust	9,407,851	9.8%	0	0%
Navigator Australia Limited (ACN 006 302 987) as custodian for Richard Celarc	8,388	0.01%	0	0%
D.M.R.A. Property Pty Limited (ACN 060 152 347)	2,918,408	3.0%	2,918,408	3.8%
All Shareholders other than 1010 Printing Group Limited and Richard Celarc	24,421,806	25.3%	13,838,045	18.1%
TOTAL	96,413,596	100.00%	76,413,596	100.00%

Notes:

1. Approximate figures. Totals may not add due to rounding.

2.8 Funding for the Proposed Share Buyback

The Proposed Share Buyback will be funded from the Company's cash reserves. The Directors do not believe that the Proposed Share Buyback will materially prejudice the Company's ability to pay its creditors.

2.9 Consequence if this Resolution is not passed

If the Resolution is not passed, the Company intends to buy back on market the maximum number of Shares permitted under the 10/12 limit without Shareholder approval.

2.10 Directors' recommendation

The Directors recommend that Shareholders vote in favour of this Resolution. Other than as Shareholders, none of the Directors has an interest in the outcome of this Resolution.

3 Glossary

In this Notice of Meeting, unless the context or subject matter otherwise requires:

Agenda Item	An agenda item set out in Section 1.
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by it.
ASX Listing Rules	The official listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.
AASB	Australian Accounting Standards Board
Board	The board of Directors.
Business Day	Has the meaning given to that term in the ASX Listing Rules.
Chairperson	The chairperson of the Board.
Company or OPG	OPUS Group Limited (ACN 006 162 876).
Company Secretary	The company secretary of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth) as amended or replaced from time to time.
Director	A director of the Company.
Meeting	The general meeting of the Company to be held at the time and place specified in this Notice of Meeting.
Notice of Meeting	This document, comprising the notice of extraordinary general meeting, the explanatory notes and all annexures.
Proposed Share Buyback	Has the meaning given to that term in clause 2.1.
Proxy Form	The proxy forms accompanying this Notice of Meeting.
Register	The register of members of the Company.
Resolution	The resolution proposed at the Meeting, as set out in the Notice of Meeting.
Section	A section of this Notice of Meeting.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A person who is registered in the Register as a holder of Shares from time to time.
Sydney time	The time in Sydney, Australia.

Annexure A: Independent Expert's Report

See over the page.

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The Independent Directors
OPUS Group Limited
138 Bonds Road
Riverwood NSW 2210

25 October 2016

Subject: OPUS Group Limited – on market share buy-back

Dear Independent Directors

Introduction

- 1 OPUS Group Limited (OPUS or the Company) proposes to undertake an on-market buy-back of up to 20.0 million shares (Proposed Share Buy-Back). The on-market buy-back will remain open until the earlier of 8 December 2017 or when 20 million shares have been bought back.
- 2 OPUS' major shareholder, 1010 Printing Group Limited (1010), has indicated that it does not intend to participate in the Proposed Share Buy-Back.
- 3 Mr Richard Celarc (Mr Celarc) and his associated entities currently hold some 12.3 million shares in OPUS. Mr Celarc has indicated that he intends to sell up to 9,416,239 shares owned by the Richard Celarc Family Trust (Celarc Shares) at 48.0 cents per share (Celarc Buy-Back Consideration) under the Proposed Share Buy-Back. OPUS has undertaken that upon acquiring the Celarc Shares (regardless of whether the total number of Celarc Shares acquired is more or less than the 9,416,239 shares indicated above) it will, subject to Australian Securities Exchange (ASX) Listing Rule pricing constraints¹, acquire further shares at 48.0 cents per share for a period of 10 business days (provided the total number of shares bought back does not exceed 20 million).
- 4 The 9,416,239 shares to be offered for buy-back by Mr Celarc and his associated entities comprise 9.8% of the total shares that OPUS currently has on issue. All shares bought back will be cancelled.

OPUS

- 5 OPUS is a technology based printing group. The Company employs a dynamic technology platform that allows it to produce and distribute published content to suit the timing and scale

¹ ASX Listing Rule 7.33 requires that the prices paid for shares purchased under the Proposed Share Buy-Back will be no more than 5% above the volume weighted average price (VWAP) of OPUS shares over the five trading days prior to purchase.

requirements of a range of increasingly global customers. The Company has operations in Australia and New Zealand, and its head office is located in Riverwood, New South Wales.

Purpose of report

- 6 Shareholder approval is required for an on-market buy-back under the *Corporations Act 2001* (Cth) (Corporations Act) if all of the shares bought back in the last 12 months, and the shares that will be bought back if the proposed buyback is made, is in aggregate more than 10% of the minimum number of shares on issue at any time during the last 12 months. The limit after which a company requires shareholder approval for a buyback is called the 10/12 limit. The Corporations Act requires the notice of meeting to include a statement setting out all information known to the Company that is material to the decision of how to vote on the resolution. ASIC Regulatory Guide 110 – *Share buy-backs* (RG 110) provides that the notice of meeting sent to shareholders may need to include an independent expert's report (IER) with a valuation of the shares where the company proposes to buy-back the holdings of a major shareholder².
- 7 Accordingly, the Independent Directors of OPUS that are not associated with the Proposed Share Buy-Back (the Independent Directors) have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER with a valuation of OPUS shares and stating whether, in our opinion, the participation of Mr Celarc in the Proposed Share Buy-Back is "fair and reasonable" to the non-associated shareholders, together with the reasons for this opinion.
- 8 Our report will accompany the notice of General Meeting and Explanatory Memorandum (the GM Documents) sent by OPUS to its shareholders for the purposes of approving the Proposed Share Buy-Back.
- 9 LEA is independent of OPUS and Mr Celarc and has no other involvement or interest in the Proposed Share Buy-Back.

Summary of opinion

Fair and reasonable

- 10 In LEA's opinion, the participation of Mr Celarc in the Proposed Share Buy-Back is "fair and reasonable" to the non-associated shareholders of OPUS. This is primarily because:
 - (a) we have assessed the value of OPUS' shares (on a minority interest basis) at 49.6 cents to 56.0 cents per share
 - (b) in comparison, the cash consideration to be accepted by Mr Celarc and his associated entities is 48.0 cents per OPUS share to be bought back
 - (c) as (b) is less than (a), OPUS is acquiring the Celarc Shares at a discount as shown below:

² Section s257D(2) of the Corporations Act does not impose an IER requirement.

	Low (cents)	Mid-point (cents)	High (cents)
Celarc Buy-Back Consideration	48.0	48.0	48.0
Assessed value	49.6	52.8	56.0
Discount	(1.6)	(4.8)	(8.0)
<i>Percentage discount</i>	<i>3.2%</i>	<i>9.1%</i>	<i>14.3%</i>

As a result, Mr Celarc's participation in the Proposed Share Buy-Back is fair to the non-associated shareholders

- (d) in our opinion, Mr Celarc's participation in the Proposed Share Buy-Back has no material impact on the ability of OPUS to pay its creditors
- (e) the Proposed Share Buy-Back removes any stock overhang that may be created by Mr Celarc placing 9,416,239 shares (or some 9.8% of the shares on issue) for sale on-market.

Impact on voting control

- 11 If the Proposed Share Buy-Back is approved and implemented, 1010's voting and ownership interest³ will increase from 68.4% to 74.5% in the event that only Mr Celarc's 9,416,239 shares are bought back on-market, and will increase to 82.6% in the event that a further 10.6 million shares are bought back from other OPUS shareholders. In our opinion, the increase in percentage shareholding from 68.4% to 74.5% does not materially disadvantage the remaining non-associated shareholders. This is because 1010's current holding of 68.4% already provides it with effective control (and the increase in 1010's shareholding due to the acquisition of the Celarc Shares does not materially change this situation).
- 12 However, 1010 may obtain a much greater level of control (i.e. up to 82.6% on a fully diluted basis) if the Proposed Share Buy-Back proceeds and non-associated shareholders also participate.

Participation by other shareholders

- 13 It should be noted that this report does not provide any opinion on whether OPUS shareholders other than Mr Celarc should participate in the Proposed Share Buy-Back. However, as noted above, in our opinion, the minority interest value of OPUS shares exceeds the Proposed Share Buy-Back price of 48.0 cents per share.

Other matters

- 14 In preparing this report we have considered the interests of OPUS' non-associated shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

³ Based on the fully diluted number of shares (i.e. including the impact of the share options held by 1010).

- 15 The ultimate decision by OPUS' non-associated shareholders whether to approve the Proposed Share Buy-Back should be based on each non-associated shareholder's assessment of the proposal.
- 16 If in doubt about the Proposed Share Buy-Back or matters dealt with in our report, non-associated shareholders should seek independent professional advice. For our full opinion on Mr Celarc's proposed participation in the Proposed Share Buy-Back, and the reasoning behind our opinion, we recommend that OPUS' non-associated shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Julie Planinic
Authorised Representative

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I Outline of the Proposed Share Buy-Back

Overview

- 17 OPUS proposes to undertake an on-market buy-back of up to 20.0 million shares (Proposed Share Buy-Back). The on-market buy-back will remain open until the earlier of 8 December 2017 or when 20 million shares have been bought back.
- 18 OPUS' major shareholder, 1010, has indicated that it does not intend to participate in the Proposed Share Buy-Back.
- 19 Mr Celarc and his associated entities currently hold some 12.3 million shares (some 12.8%) in OPUS. Mr Celarc has indicated that he intends to sell up to 9,416,239 shares (Celarc Shares) at 48.0 cents per share under the Proposed Share Buy-Back if the opportunity arises. OPUS has undertaken that upon acquiring the Celarc Shares (regardless of whether the total number of Celarc Shares acquired is more or less than the 9,416,239 shares indicated above) it will, subject to ASX Listing Rule pricing constraints⁴, acquire further shares at 48.0 cents per share for a period of 10 business days (provided the total number of shares bought back does not exceed 20 million).
- 20 The 9,416,239 shares to be offered for buy-back by the Richard Celarc Family Trust comprise 9.8% of the total shares that OPUS currently has on issue. All shares bought back will be cancelled.
- 21 If the Proposed Share Buy-Back is approved and Mr Celarc and his associated entities participate in the Proposed Share Buy-Back as he has indicated, OPUS will buy back 9,416,239 shares from Mr Celarc and his associated entities for \$4.52 million. OPUS will fund the Proposed Share Buy-Back (including the Celarc Buy-Back Consideration) from cash reserves, which stood at some \$11.8 million as at 30 June 2016, prior to the payment in September 2016 of an ordinary and special dividend of some \$1.9 million and the receipt of sale proceeds from the sale of Cactus Imaging Holdings Pty Limited (Cactus) and its subsidiary, Cactus Imaging Pty Limited.
- 22 The Proposed Share Buy-Back is subject to approval by ordinary resolution, which requires at least 50% of the votes cast by members entitled to vote to be in favour of the Proposed Share Buy-Back. 1010 (which currently holds a 61.9% voting interest) has advised that it intends to vote in favour of the buy-back of the Celarc Shares.
- 23 More detail on the Proposed Share Buy-Back (and Mr Celarc's participation therein) is set out in the Explanatory Memorandum to be included in the Notice of General Meeting.

⁴ ASX Listing Rule 7.33 requires that the prices paid for shares purchased under the Proposed Share Buy-Back will be no more than 5% above the VWAP of OPUS shares over the five trading days prior to purchase.

II Scope of our report

Purpose

Corporations Act

On-market share buy-back

- 24 Chapter 2J of the Corporations Act deals with share capital reductions and share buy-backs. A company may buy back its own shares if:
- (a) the buy-back does not materially prejudice the company's ability to pay its creditors
 - (b) the company follows the procedures laid down in Division 2 of Chapter 2J.
- 25 The on-market buy-back will be executed by OPUS making an offer to purchase shares on the ASX in the ordinary course of trading (s257B).
- 26 A company can buy back 10% of its shares within a 12-month period without shareholder approval (s257B). However, the Proposed Share Buy-Back is for up to 20.0 million OPUS shares comprising 20.7% of the shares issued by the Company.
- 27 As the Proposed Share Buy-Back is for more than 10% of the Company's shares on issue, the 10/12 rule requires an ordinary resolution to be passed by the Company's shareholders at a general meeting of the Company before the buy-back is entered into (s257C).
- 28 Whilst there is no specific requirement for an IER under the Corporations Act, under s257D(2) of the Corporations Act, the company must include with the notice of the meeting a statement setting out all information known to the company that is material to the decision of how to vote on the resolution. This statement will be prepared by OPUS' Independent Directors taking into consideration the information contained in the IER. Regulatory Guide 110 – *Share buy-backs* (RG 110) provides that a company may need to provide an IER with a valuation of the shares where the company proposes to buy back the holdings of a major shareholder (RG 110.18).

Our engagement

- 29 Given the above, the Independent Directors of OPUS have requested that LEA prepare an IER with a valuation of OPUS shares and stating whether, in our opinion, Mr Celarc's participation in the Proposed Share Buy-Back is "fair and reasonable" to the non-associated shareholders, together with the reasons for this opinion.
- 30 This report has been prepared by LEA to assist the non-associated shareholders of OPUS in considering the resolution to approve the Proposed Share Buy-Back. The sole purpose of this report is to determine the opinion referred to above. This report should not be used for any other purpose. It should also be noted that this report does not provide any opinion on whether OPUS shareholders other than Mr Celarc should participate in the Proposed Share Buy-Back.
- 31 The ultimate decision whether to approve the Proposed Share Buy-Back should be based on each non-associated shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market

conditions. If any non-associated shareholder is in doubt about the action they should take in relation to the Proposed Share Buy-Back or matters dealt with in this report, they should seek independent professional advice.

Basis of assessment

- 32 In preparing our report, we have given due consideration to the ASX Listing Rules and Regulatory Guides issued by the Australian Securities & Investments Commission (ASIC), particularly Regulatory Guide 111 – *Content of expert reports* (RG 111).
- 33 RG 111 states that “fair and reasonable” should not be applied as a composite test and states there should be a separate assessment of “fair” and “reasonable”. RG 111 provides that a proposed transaction:
 - (a) is “fair” if the value of the financial benefit to be provided by the entity to the party is equal to or less than the value of the consideration being provided to the entity by the party. This comparison is required to be made assuming an arm’s length transaction between knowledgeable and willing, but not anxious parties
 - (b) is “reasonable” if it is “fair”. A transaction may also be “reasonable” despite being “not fair” if the expert believes there are other reasons for non-associated shareholders to vote for the proposal.
- 34 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether Mr Celarc’s participation in the Proposed Share Buy-Back is “fair and reasonable” to the non-associated shareholders is to consider:
 - (a) the market value of the shares in OPUS to be acquired by OPUS as a result of Mr Celarc’s participation in the Proposed Share Buy-Back
 - (b) the market value of the consideration offered. We note that as Mr Celarc’s participation in the Proposed Share Buy-Back is not a control transaction (i.e. a transaction that would result in Mr Celarc acquiring (or increasing) a controlling stake in OPUS), the value of the Celarc Buy-Back Consideration to be received by Mr Celarc will be determined on a minority (as opposed to a 100% controlling) interest basis
 - (c) the extent to which (a) and (b) differ, in order to assess whether Mr Celarc’s participation in the Proposed Share Buy-Back is “fair” to the non-associated shareholders (i.e. whether the market value of the OPUS shares to be bought back is equal to or greater than the Celarc Buy-Back Consideration to be paid by OPUS).
- 35 In addition, we have also had regard to a number of other factors in order to assess the reasonableness of Mr Celarc’s participation in the Proposed Share Buy-Back to the non-associated shareholders:
 - (a) the premium or discount at which the shares are being bought back relative to our assessed valuation range of OPUS shares on a minority interest basis
 - (b) the impact of Mr Celarc’s participation in the Proposed Share Buy-Back on ownership concentration and liquidity

- (c) any issues associated with the related party shareholder (e.g. potential for on-market sale and impact on share price, extent of the related party's involvement in the Company).

Limitations and reliance on information

- 36 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 37 Our report is also based upon financial and other information provided by OPUS. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 38 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the related party transaction from the perspective of OPUS' non-associated shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 39 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.
- 40 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 41 In forming our opinion, we have also assumed that the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects.

III Profile of OPUS

Overview

- 42 OPUS is a technology based printing group. The Company employs a dynamic technology platform that allows it to produce and distribute published content to suit the timing and scale requirements of a range of increasingly global customers. The Company has operations in Australia and New Zealand, and its head office is located in Riverwood, New South Wales.
- 43 OPUS was founded in 2007 with the acquisition of Ligare Pty Ltd. Since that date the Company has acquired and divested a number of other entities as summarised below:

OPUS – transaction history		
Year	Month	Target
2007	May	• Acquisition of Ligare Australia
	August	• Acquisition of Omnigraphics New Zealand
	October	• Ligare Australia acquires Southwood Press
	November	• Acquisition of Cactus Imaging New Zealand
2008	February	• Acquisition of Cactus Imaging Australia
2009	February	• Acquisition of CanPrint, CanMail and Union Offset
2010	February	• Establishment of Ligare New Zealand
	February	• Strategic alliance partner in China secured
	March	• Agreement to acquire C.O.S. (settled in September 2010)
2011	March	• Two strategic alliance partners in the UK announced
2012	March	• Merger with MPG Printing
2015	October	• Sale of Omnigraphics New Zealand
2016	March	• Sale of C.O.S. ⁽¹⁾ to 1010
2016	August	• Sale of Cactus Imaging operations ⁽²⁾

Note:

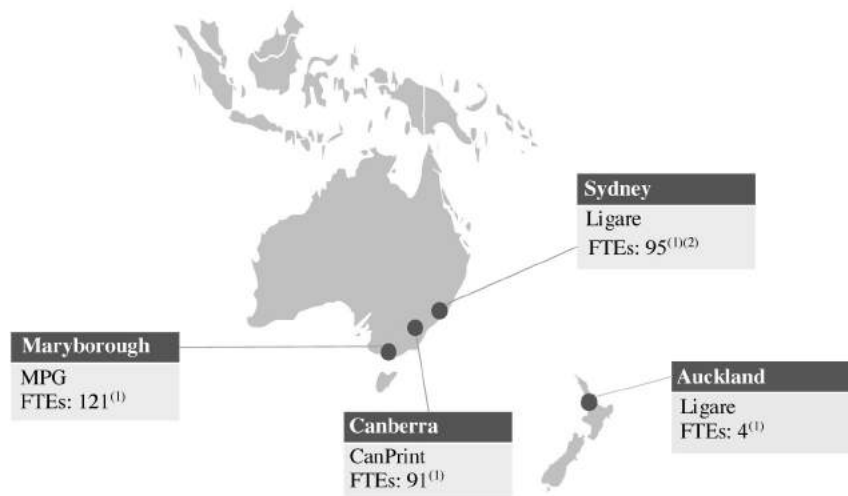
1 C.O.S. – C.O.S. Printers Pte Ltd.

2 The sale of Cactus completed on 1 August 2016 and OPUS ceased to be involved in Outdoor Media.

- 44 OPUS listed on the ASX on 10 April 2012 following implementation of the merger between the OPUS Group and MPG Printing Limited⁵. An overview of the geography of the operations of the Company is as follows:

⁵ Prior to the merger, MPG Printing Limited was part of McPherson's Limited.

OPUS – operations



Note:

- 1 FTEs = full time employees as at 30 June 2016.
- 2 Sydney FTEs are for Ligare and the corporate head office.

- 45 OPUS has significant global capability offering a regional end-to-end value chain through modern facilities in Sydney, Maryborough, Canberra and Auckland, with global access through 1010⁶.

Publishing Services

- 46 The Publishing Services division is responsible for the production, management and distribution of published content including electronic delivery of online material, regional production of professional, educational and trade books, journals, loose-leaf publications and manuals. It provides digital and offset printing as well as ancillary business services and communication solutions including digital asset management, content management, back-catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing. The operations are flexible to suit both short and medium run titles with rapid turnaround available for local customers, as well as providing print and fulfil-on-demand services.
- 47 This division operates with the brands of Ligare in Sydney and Auckland, CanPrint and Union Offset in Canberra and McPherson's Printing in Victoria. The Publishing Services division is integral to the publishing cycle of read for pleasure, professional, educational, government and trade publishers.

⁶ 1010, the major shareholder in OPUS, is an international integrated print management company with printing facilities in China and sales offices and agents in Hong Kong, the United States of America, the United Kingdom and Europe.

48 The operations' significant customers are as follows:

Major customers	
<ul style="list-style-type: none"> • Pan Macmillan • Thomson • Scholastic • LexisNexis 	<ul style="list-style-type: none"> • Wiley • CCH • Australian Government Department of Immigration and Border Protection

49 In March 2016, OPUS sold C.O.S. in Singapore to 1010.

Outdoor Media

50 OPUS has now exited the Outdoor Media division after the sale of operations in New Zealand in late 2015, and Cactus effective 1 August 2016.

Financial performance

51 The financial performance of OPUS for the year ended 30 June 2014 (FY14), the six months ended 31 December 2014 (Dec 14)⁷, the six months ended 30 June 2015 (HY15), the year ended 31 December 2015 (FY15) and the six months ended 30 June 2016 (HY16) is set out below:

OPUS – statement of financial performance ⁽¹⁾					
	12 mths to Jun 14 Audited \$m	6 mths to Dec 14 ⁽²⁾ Audited \$m	6 mths to Jun 15 Reviewed \$m	12 mths to Dec 15 Audited \$m	6 mths to Jun 16 Reviewed ⁽³⁾ \$m
Sales revenue	116.9	58.0	55.5	115.5	47.7
Other income	1.2	0.5	0.8	1.4	0.7
Operating expenses	(106.2)	(53.1)	(50.5)	(104.9)	(41.8)
EBITDA⁽³⁾⁽⁴⁾	11.8	5.4	5.9	12.0	6.5
Depreciation	(7.1)	(2.8)	(1.6)	(3.7)	(1.2)
EBIT⁽⁵⁾	4.7	2.5	4.3	8.3	5.3
Significant items	(39.8)	(8.8)	0.7	1.7	3.6
EBIT after significant items	(35.0)	(6.3)	5.0	10.0	8.9
Net finance costs	(7.3)	(1.6)	(0.2)	(0.2)	-
Profit / (loss) before tax	(42.3)	(7.9)	4.8	9.8	8.9
Income tax (expense) / benefit	(4.8)	(0.9)	(0.1)	2.2	(1.6)
Net profit / (loss) after tax	(47.1)	(8.8)	4.7	12.0	7.3
<i>Revenue growth</i>					
<i>EBITDA margin</i>	10.1%	9.3%	10.6%	10.4%	13.6%

⁷ As at 31 December 2014, OPUS changed its financial year-end to 31 December to be consistent with that of 1010, the major shareholders of OPUS.

Note:

- 1 Rounding differences exist.
- 2 OPUS changed its year-end reporting date in line with its major shareholder 1010 to a calendar year ending 31 December. As a result, the Company prepared an annual report for the six months ended 31 December 2014.
- 3 Excludes the results of C.O.S. as it was reported as a discontinued operation in HY16.
- 4 Earnings before interest, tax, depreciation and amortisation.
- 5 Earnings before interest and tax.

Source: OPUS Annual Reports and Half Year Results.

52 The significant items reported above comprise:

OPUS – significant items					
	12 mths to Jun 14 Audited \$m	6 months to Dec 14 Audited \$m	6 months to Jun 15 Reviewed \$m	12 mths to Dec 15 Audited \$m	6 months to Jun 16 Reviewed \$m
Impairment of:					
Goodwill ⁽¹⁾⁽²⁾	(38.1)	(17.1)	-	-	-
Investment in associate	(0.2)	-	-	-	-
Property, plant and equipment ⁽³⁾	-	(12.0)	-	-	-
Gain / (loss) from disposal of property, plant and equipment	-	-	0.7	-	(0.1)
Restructuring and redundancy costs ⁽³⁾	(1.2)	(3.2)	-	-	-
Debt restructuring costs ⁽⁴⁾	(0.3)	(0.2)	-	-	-
Debt forgiveness ⁽⁵⁾	-	23.7	-	-	-
Gain on disposal of:					
NZ outdoor media business	-	-	-	1.7	-
C.O.S. ⁽¹⁾	-	-	-	-	3.6
	(39.8)	(8.8)	0.7	1.7	3.5

Note:

- 1 The goodwill impairment charge recorded in FY14 is the result of a combination of a reduction in earnings generated through the loss of a major customer, as well as the generally difficult trading environment in the publishing services market.
 - 2 The goodwill impairment charge in the period to Dec 14 included \$10.6 million in respect of C.O.S. However, the C.O.S. business was subsequently sold (in March 2016) for some \$11.3 million (resulting in a gain on sale being recognised in HY16).
 - 3 During the six-month period, OPUS undertook a comprehensive review of major equipment and re-set the cost base. This review resulted in an equipment impairment charge of \$12.0 million. The impairment charge resulted from competition in the printing industry and requirements for up-to-date equipment. In addition, one-off restructuring and redundancy costs were also recognised.
 - 4 In November 2014, OPUS undertook a capital raising, predominantly with 1010, which raised \$28.5 million in new capital. OPUS also recorded a net gain of \$23.7 million as a result of 1010 forgiving debt owing by OPUS.
 - 5 The debt forgiveness in the HY Dec-14 period arose in connection with the recapitalisation of OPUS in November 2014.
- Rounding differences exist.

Commentary on financial results

53 The financial performance in the year ended 30 June 2014 was impacted by (continued) difficult market conditions. Further, management has indicated that customer concerns

regarding OPUS' financial position (particularly its high debt level) adversely impacted the Company's ability to retain and win new work.

- 54 In particular, in February 2014, OPUS announced that its tender to a major publishing house for book printing in Australia was unsuccessful. This followed the merger of two publishing groups in mid-2013, one of which had been a long-term customer of OPUS. Whilst the loss of this contract had some effect on the second half result for the year ended 30 June 2014⁸, the main impact was felt in FY15.
- 55 In the six months to 31 December 2014, the Publishing Services division generated revenue of \$46.4 million (9% down on the prior corresponding period) impacted by the abovementioned customer loss. The revenue of the Outdoor Media division was \$11.6 million (5% up on the previous corresponding period) due to growth in this media channel. As a result of the recapitalisation and debt restructure, the financial results of OPUS started to improve.
- 56 In the year ended 31 December 2015, EBITDA and profit improved for both divisions in FY15 after the restructure of OPUS. Revenue for the Publishing Services division remained stable as OPUS was able to retain key customers. EBITDA for the division recorded a modest increase when compared to FY14. Corporate expenses decreased 30% compared to FY14.
- 57 In HY16, OPUS reported a total net profit after tax from continuing operations of \$7.3 million. The improved performance of the operating businesses was generated on lower revenue than compared to the prior corresponding period. Publishing Services recorded a modest revenue increase of 6% over the prior corresponding period driven by new business and the commissioning of new equipment.

Outlook

- 58 No earnings guidance in respect of the year ending 31 December 2016 (FY16) has been provided to the market⁹.
- 59 At the Annual General Meeting and in the Jun 16 results, OPUS management provided the following comments:

"For our outlook on 2016, we are seeing good momentum in our business as we focus on our niche sectors, value-add and strengths. Market conditions remain uncertain with continued pressure on margins and input costs; however we believe that in conjunction with 1010 and leveraging the benefits of that relationship that we will be able to continue to deliver strong and improved results."

The disposal of the C.O.S. and of the Outdoor Media division means our management team can now fully focus on maintaining the positive momentum we've gained in our Publishing Services division."

⁸ Total revenue under the lost contract was approximately \$6 million in the year ended 30 June 2014.

⁹ We have been provided with the budget for the year ending 31 December 2016. However, we have not disclosed the budgeted results due to commercial confidentiality.

Financial position

60 The financial position of OPUS as at 31 December 2015 and 30 June 2016 is set out below:

OPUS – financial position		
	31 Dec 2015	30 Jun 16
	\$000	\$000
Debtors, prepayments and other assets	19,545	12,943
Inventories	6,430	3,619
Creditors, accruals and provisions	(20,835)	(14,398)
Net working capital	5,140	2,164
Property, plant and equipment	8,183	7,006
Other non-current assets	1,469	441
Net deferred tax assets	2,912	2,575
Provisions (non-current)	(1,363)	(1,328)
Total funds employed	16,341	10,858
Net assets of Cactus – held for disposal as at 30 June 2016	-	2,650
Cash and cash equivalents	11,459	11,821
Interest bearing liabilities	(151)	(14)
Net cash	11,308	11,807
Total equity	27,649	25,315

Source: OPUS Half Yearly Financial Report for the period ended 30 June 2016.

Net cash

61 The financial position of OPUS has improved substantially after the recapitalisation in November 2014. The interest bearing liabilities as at 31 December 2015 and 30 June 2016 comprise finance lease liabilities.

Share capital and performance

62 As at 12 October 2016, OPUS had 96.4 million fully paid ordinary shares on issue¹⁰. In addition, Bookbuilders BVI Limited, a wholly owned subsidiary of 1010, holds 20 million options to subscribe for 20 million shares of the Company at \$0.35 each exercisable up to and including 30 September 2017.

63 As at the date of this report, these options have not been exercised.

Substantial shareholders

64 OPUS has two substantial shareholders¹¹, being 1010 (holding 61.9%) and Mr Celarc and his related entities (holding 12.8%).

65 We note that Knox Opus LP ceased to be a substantial shareholder on 4 October 2016 when the sale of 17,900 shares reduced its holding to less than 5% of the shares on issue.

¹⁰ On 24 October 2014, a resolution was passed to consolidate the Company's shares on issue on the basis of one share for every 10 shares then on issue. In addition, 81.3 million shares were issued at a price of \$0.35 per share.

¹¹ Being those shareholders with a relevant interest in 5% or more of the ordinary shares on issue.

Share price performance

66 The price of OPUS shares from 1 January 2015 to 12 October 2016 is summarised in the table below:

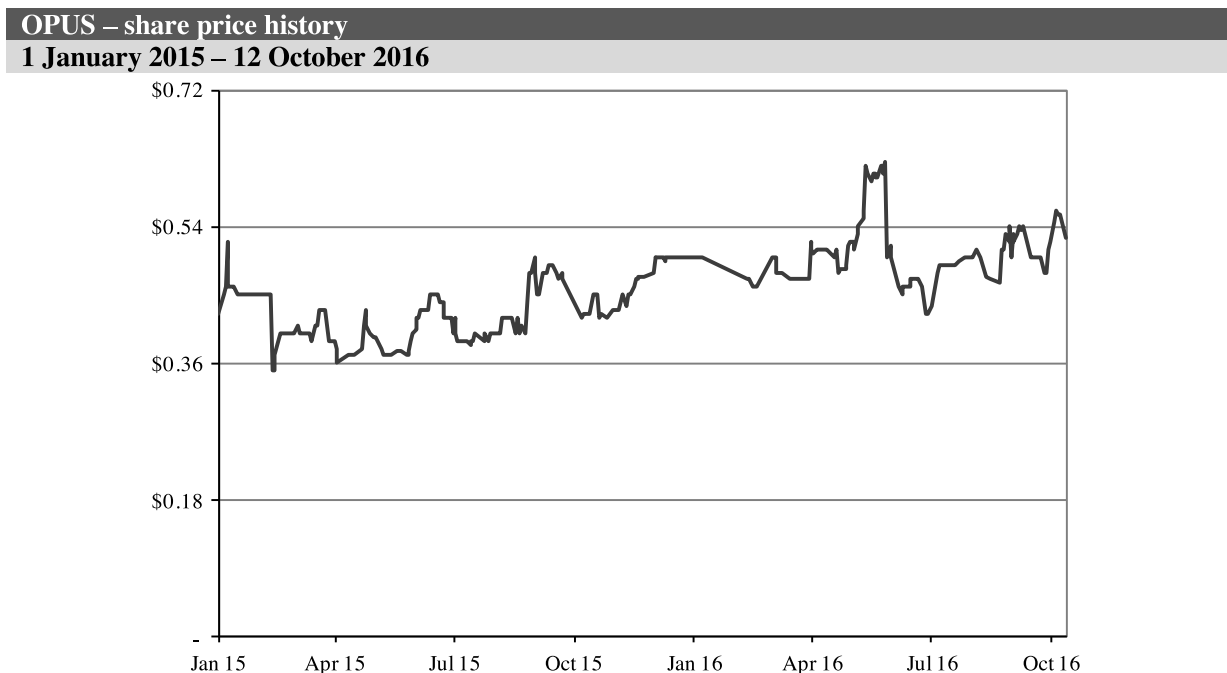
OPUS – share price performance					
	High	Low	Close	Volume⁽¹⁾	VWAP
	\$	\$	\$	000	000
Quarter ended					
March 2015	0.52	0.35	0.40	417	0.45
June 2015	0.45	0.63	0.40	373	0.40
September 2015	0.50	0.39	0.47	539	0.44
December 2015	0.51	0.42	0.50	606	0.47
Month ended					
January 2016	0.50	0.50	0.50	4	0.50
February 2016	0.47	0.46	0.46	17	0.46
March 2016	0.53	0.47	0.51	707	0.50
April 2016	0.52	0.48	0.52	853	0.50
May 2016	0.63	0.50	0.50	1,823	0.58
June 2016	0.47	0.42	0.43	383	0.46
July 2016	0.50	0.44	0.50	165	0.49
August 2016	0.54	0.47	0.50	340	0.51
September 2016	0.54	0.48	0.52	492	0.52
October 2016	0.53	0.53	0.56	90	0.54

Note:

1 Monthly volumes for the quarter ended represent average monthly volumes.

Source: Bloomberg.

67 The following graph illustrates the movement in OPUS' share price from 1 January 2015 to 12 October 2016:



Source: Bloomberg.

- 68 In recent months, shares in OPUS have generally traded within a range of \$0.40 per share to \$0.55 per share. We note that:
- (a) the material increase in share price on 11 May 2016 reflected the announcement of the fully franked special dividend of 9 cents per share (which was announced on 10 May 2016)
 - (b) the fall on 27 May 2016 reflected OPUS shares trading “ex-dividend” on this day.
- 69 The following table provides an overview of OPUS’ VWAP for the one month, two months, three months and four months periods to 12 October 2016:

OPUS – VWAP summary⁽¹⁾				
Period	High \$	Low \$	Close \$	VWAP \$
1 month	0.56	0.48	0.53	0.53
2 months	0.56	0.47	0.53	0.52
3 months	0.56	0.47	0.53	0.52
4 months	0.56	0.42	0.53	0.50

Note:

- 1 We have not calculated the six months VWAP as this period includes the declaration and payment of the special dividend.

Source: Bloomberg.

Liquidity in OPUS shares

- 70 The level of trading in OPUS shares on the ASX over the 12 month period to 12 October 2016 is set out below:

OPUS – share trading information					
	Start date	End date	Value \$000	Volume 000	As a % of issued capital⁽¹⁾
1 month	13 Sep 16	12 Oct 16	77	145	0.15
3 months	13 Jul 16	12 Oct 16	533	1,031	1.07
6 months	13 Apr 16	12 Oct 16	1,960	3,620	3.75
1 year	13 Oct 16	12 Oct 16	3,453	6,687	6.94

Note:

- 1 Based on the weighted average number of shares on issue over the relevant period.

Source: Bloomberg, LEA analysis.

- 71 We note that the low level of implied liquidity based on total shares outstanding is primarily a result of the small free float. 1010 and Mr Celarc¹² hold 61.9% and 12.8% respectively of the total issued shares.

¹² Including personally related parties.

IV Valuation approach

- 72 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 73 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 74 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 75 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.
- 76 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the

proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 77 The market value of OPUS has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings.
- 78 The valuation of OPUS has been undertaken on the basis of market value of the business operations. The primary method used to value OPUS' business is the capitalisation of earnings methodology. Under this methodology, the value of the business is represented by its core underlying earnings capitalised at a rate (or earnings multiple) reflecting the risk inherent in those earnings.
- 79 We have adopted this method when valuing OPUS as we do not have long-term cash flow projections to enable a DCF valuation to be undertaken¹³. In considering earnings for valuation purposes, we have made reference to EBITDA as:
- (a) transaction evidence in the sector is generally expressed in terms of EBITDA multiples
 - (b) notwithstanding that printing / publishing businesses are capital intensive businesses, there are potentially significant differences between the reported depreciation and the capital expenditure requirements to sustain operations.
- 80 The resulting values have also been cross-checked by reference to:
- (a) the level of goodwill implied in the valuation
 - (b) the listed price of OPUS shares (in accordance with RG 111, as OPUS' shares are not liquid and actively traded, we have not made reference to the listed market price as our primary valuation method).

¹³ We note that OPUS has prepared cash flow projections for financial reporting / impairment testing purposes. However, the objective of impairment tests is to opine on whether the carrying values of assets are appropriate rather than to assess market value of 100% of the equity of the entity.

V Valuation of OPUS

Valuation methodology

- 81 As stated in Section IV, we have adopted the capitalisation of EBITDA as our primary valuation method. Under this method the earnings (before non-recurring items) is capitalised at an appropriate multiple.
- 82 The value of OPUS is then derived by adding the net realisable value of surplus and other assets and deducting net interest bearing debt and other liabilities.
- 83 The resulting values have also been cross-checked by reference to:
- (a) the level of goodwill implied in our valuation
 - (b) the listed market price of OPUS shares.
- 84 The shares to be bought back under the Proposed Share Buy-Back from Mr Celarc represent a 9.8% equity interest in the Company. This holding does not provide any significant voting power in a general meeting and Mr Celarc's participation in the Proposed Share Buy-Back does not constitute a control transaction. Therefore, when assessing the value of the shares to be bought back, we have not valued the Company incorporating a premium for control. That is, we have valued the shares on a minority interest basis.

Assessment of earnings for valuation purposes

- 85 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of OPUS' continuing business, i.e. Publishing Services. A summary of the recent financial performance of the business for the three reporting periods ended FY16 is set out in Section III of our report. However, these results include the Outdoor Media division, the operations of which have now been sold.
- 86 The historical earnings of the Publishing Services operations including corporate costs for the years ended 30 June 2015 and 30 June 2016 are summarised below:

OPUS – summary of earnings from continuing operations		
12 months to	30 Jun 15	30 Jun 16
	\$m	\$m
Revenue	78.8	83.3
Other income ⁽¹⁾	0.8	1.6
Operating expenses	(72.8)	(76.6)
EBITDA	6.8	8.3
<i>Revenue growth</i>		5.7%
<i>EBITDA margin</i>	8.6%	10.0%

Note:

- 1 Other income in the above years includes recurring income including scrap recoveries, discounts and rebates. Other income in the year ended 30 June 2016 includes profit on sale of assets (\$0.6 million), government grants and reversal of impairment of investment in associate (\$0.1 million).

Source: Segmental disclosure from OPUS Annual Reports and Half Year Results, adjusted for the results of C.O.S. where relevant.

- 87 The above results from continuing operations reflect the significant improvements in the Publishing Services activities including (inter alia):
- (a) improved demand for printed books generally in both the pleasure and educational markets
 - (b) the successful commissioning of new digital inkjet lines
 - (c) digital production being a key component of the business' strategy going forward. In conjunction with 1010, OPUS has been able to provide service to cross-border customers and realise procurement savings
 - (d) the acquisition of in-house cover embellishment machinery has improved capability, speed of delivery and efficiency (i.e. cost savings)
 - (e) economies of scale have also benefited the Publishing Services business with additional work contributing to the profitability of the operations
 - (f) reduced corporate costs following the recapitalisation of the Company and a review of the executive management structure. As a result, management do not anticipate any further significant savings due to exiting the Outdoor Media division. However, some costs such as information technology are expected to be reduced.
- 88 No earnings guidance has been provided to the ASX with respect to earnings for FY16 or beyond. Whilst we have reviewed management's budgets / forecasts for FY16 and FY17, we have been asked not to disclose these budgets / forecasts in our report as they are commercially sensitive. However, in relation to the outlook management have stated that¹⁴:
- (a) the Publishing Services operations face ongoing challenges with respect to increasing input costs and margin erosion
 - (b) the strong underlying fundamentals of the Publishing Services business and its niche market position are expected to ensure a sustainable result
 - (c) in conjunction with 1010 and leveraging the benefits of that relationship, OPUS expects to be able to continue to deliver strong and improved results.
- 89 Based on the above, for valuation purposes, we have assessed EBITDA for valuation purposes at \$7.5 million. This is consistent with the level of EBITDA achieved in the 12 months ended 30 June 2016, adjusted to exclude the level of one-off other income received in that year.
- 90 We have reflected the outlook for improved profitability in the future in the earnings multiple applied.

Earnings multiples

- 91 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

¹⁴ Source: Annual Report 31 December 2015 and Half Year Report for the six months to 30 June 2016.

Factors impacting on the appropriate earnings multiple

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

92 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple ranges for OPUS.

Listed company multiples

93 There are a number of listed companies operating both in Australasia and globally that provide printing or print related services¹⁵. We have reviewed the activities undertaken by these companies and for comparative analysis purposes have excluded those companies whose activities comprise a reasonable component of non-printing related services. The EBITDA multiples for those listed companies operating in the printing sector are set out below (refer Appendix C for company descriptions):

Listed company multiples						
		EBITDA multiple		Goodwill / EBITDA multiple ⁽⁴⁾		Goodwill
	EV ⁽¹⁾	Historical ⁽²⁾	Forecast ⁽³⁾	Historical ⁽²⁾	Forecast ⁽³⁾	/ EV
	A\$m	FY16 (x)	FY17 (x)	FY16 (x)	FY17 (x)	%
Australian companies						
IVE Group	228	5.3	5.1	4.2	4.0	78.1
Wellcom Group	199	10.4	9.4	9.9	8.9	94.8
PMP	196	3.8	4.0	nm ⁽⁵⁾	nm ⁽⁵⁾	nm ⁽⁵⁾
Salmat	114	5.8	4.8	3.9	3.2	66.9
International companies						
RR Donnelley & Sons ⁽⁶⁾⁽⁷⁾	9,763	6.2	6.1	4.1	4.0	65.7
Transcontinental ⁽⁷⁾	1,650	4.5	4.6	2.7	2.8	61.3
St Ives	496	7.5	7.1	6.2	5.8	82.9
Communis ⁽⁷⁾	232	4.8	4.5	4.6	4.4	95.7
1010 ⁽⁷⁾	143	3.3	na	1.3	na	40.1

¹⁵ Brief descriptions of each company's activities are included in Appendix C.

Note:

- 1 Enterprise value and earnings multiples calculated as at 11 October 2016, unless stated otherwise. Enterprise value includes net debt, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
- 2 Historical earnings is based on latest statutory full year accounts and excludes non-recurring items, significant write-downs, realised investment gains or losses and restructuring charges.
- 3 Forecast earnings is based on Bloomberg broker average forecasts.
- 4 Implied goodwill, divided by EBITDA.
- 5 PMP's market value as at 11 October 2016 was less than its net tangible assets.
- 6 RR Donnelley & Sons Co's enterprise value and earnings multiples are calculated as at 30 September 2016, being the day prior to the demerger of the company into three separate listed companies.
- 7 Earnings (and hence multiples) are calendarised to a 30 June year end.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.

na – not available, nm – not meaningful.

- 94 In relation to the above we note that the above multiples are based on the listed market share price (and therefore exclude a premium for control).

Transaction evidence

- 95 There has been little recent publicly available evidence in respect of transactions in the printing sector. Transaction evidence in the Australian and New Zealand printing sector in respect of transactions that occurred several years ago, which is generally expressed in terms of EBITDA multiples, is summarised below:

Australasian transaction multiples					
Date ⁽¹⁾	Target	Acquirer	Consideration ⁽²⁾ (million)	EBITDA multiple ⁽³⁾	
				Historical	Forecast
Mar 16	C.O.S.	1010	A\$10	na	3.9
2007-11	Various businesses	OPUS	A\$100	na	4.2-5.6 ⁽⁴⁾
Jan 07	Promentum	GEON Group Australia	A\$166	8.0	6.6
Dec 06	Blue Star Print Group	CHAMP Private Equity	NZ\$385	5.9	na
Apr 06	Scanlon & Octane	Promentum Limited	A\$18	na	4.2
Nov 05	Pacific Print Group	Gresham Private Equity	-(⁵)	6.2	4.9
Dec 04	PMP sheet fed operations	Promentum Limited	A\$30.6	4.9 ⁽⁶⁾	na
Apr 04	Pongrass Communications	Penfold Buscombe	A\$7.5	2.7	na

Note:

- 1 Announcement date.
 - 2 Enterprise value.
 - 3 The historical and forecast EBITDA multiples are based on information contained in stock exchange announcements, IERs and media reports. The forecast multiples are also based on average broker forecasts around the time of the transaction (sourced from Reuters) and/or company forecasts contained in stock exchange announcements.
 - 4 It should be noted that most acquisitions were implemented towards the lower end of the above multiple range.
 - 5 We have been asked not to disclose the actual consideration paid in connection with this transaction.
 - 6 Based on pro-forma EBITDA.
- na – not available.

- 96 The above transaction multiples are based on the prices paid for 100% ownership of the target companies and therefore implicitly incorporate a (takeover) control premium.

Conclusion on multiple

- 97 Based on the above and, in particular, the size of OPUS relative to the broadly comparable companies and OPUS' prospects for earnings growth following the recapitalisation and its continuing relationship with 1010, we have adopted an EBITDA multiple range of 5.0 times to 6.0 times the level of EBITDA adopted for valuation purposes (on a minority interest basis).

Enterprise value of OPUS

- 98 On this basis the value of the OPUS business is as follows:

Value of OPUS business		
	EBITDA	
	Low	High
EBITDA adopted for valuation purposes (\$m)	7.5	7.5
EBITDA multiple	5.0	6.0
Enterprise value (\$m)	37.5	45.0

- 99 Based on the above, we have adopted an enterprise value for OPUS of \$37.5 million to \$45.0 million.

Net cash

- 100 Having regard to the net cash position of OPUS as at 30 September 2016 we have adopted surplus net cash of \$13.3 million for valuation purposes.

Value of OPUS

- 101 Based on the above we have assessed the value of OPUS shares on a minority interest basis at 49.6 cents to 56.0 cents per share, as shown below:

OPUS – value on a minority interest basis			
	Paragraph	Low \$m	High \$m
Enterprise value	99	37.5	45.0
Add net (surplus) cash	100	13.3	13.3
Add proceeds from exercise of options ⁽¹⁾		6.9	6.9
Value of equity		57.7	65.2
Fully diluted shares on issue ⁽¹⁾ (m)		116.4	116.4
Value per share (cents)		49.6	56.0

Note:

- 1 Being the net present value of the payment of \$7.0 million for 20.0 million shares at 35 cents each by 1010 on 30 September 2017. The present value has been calculated adopting a 2.0% discount rate.
- 2 Includes the 20.0 million options over unissued shares held by 1010.

Cross-checks

Goodwill

102 The level of goodwill implied by our valuation is as follows:

Implied goodwill			
	Paragraph	Low \$m	High \$m
Enterprise value	99	37.5	45.0
Net tangible operating assets	60	(10.9)	(10.9)
Implied goodwill		26.6	34.1
<hr/>			
Goodwill as a percentage of enterprise value		70.9%	75.8%
Goodwill / EBITDA for valuation purposes (x)		3.5	4.5

103 We consider that the level of goodwill and multiples implied in our valuation assessment are reasonable when compared to the goodwill multiples implied by broadly comparable listed companies (shown in paragraph 93).

Comparison of assessed value with listed market price

104 As outlined in Section III, over the last four months OPUS shares have traded in the range of 42.0 cents to 56.0 cents per share.

105 Notwithstanding the thin trading in OPUS shares during the four month period, and the lack of earnings guidance and broker coverage, we note that shares in OPUS have generally traded at prices consistent with our assessed valuation range.

VI Evaluation of the Proposed Share Buy-Back

Summary of opinion

- 106 LEA has concluded that the participation of Mr Celarc in the Proposed Share Buy-Back is fair and reasonable to the non-associated shareholders.
- 107 We have formed this opinion for the following reasons.

Assessment of fairness

- 108 Pursuant to RG 111, a transaction is fair if the value of the financial benefit to be provided by the entity (i.e. OPUS) to the party (Mr Celarc) is equal to, or less than, the value of the consideration being provided to the entity by the party.
- 109 We have assessed the value of ordinary shares in OPUS at 49.6 cents to 56.0 cents per share (on a minority interest basis). As the Celarc Buy-Back Consideration payable to Mr Celarc of 48.0 cents per share is below the range of our assessed value of an OPUS share, Mr Celarc's participation in the Proposed Share Buy-Back is fair to the non-associated shareholders.

Assessment of reasonableness

- 110 Pursuant to RG 111, a proposed transaction is reasonable if it is fair. Consequently, we have concluded that Mr Celarc's participation in the Proposed Share Buy-Back is both fair and reasonable.
- 111 Pursuant to RG 111, a proposed transaction may be reasonable if, despite not being fair, there are sufficient reasons for shareholders to vote for the proposal.
- 112 In assessing whether Mr Celarc's participation in the Proposed Share Buy-Back is reasonable, LEA has also considered:
- (a) the premium or discount at which the shares are being bought back relative to our assessed valuation range of OPUS shares on a minority interest basis
 - (b) the impact of Mr Celarc's participation in the Proposed Share Buy-Back on ownership concentration and liquidity
 - (c) the impact on OPUS' cash reserves and ability to pay its creditors
 - (d) any issues associated with the party (e.g. potential for on-market sale and impact on share price, extent of the party's involvement in the Company).
- 113 These issues are discussed below.

Comparison of buy-back price to assessed value

- 114 As indicated below, OPUS is acquiring the Celarc Shares at a discount to our assessed value of OPUS shares on a minority interest basis:

	Low (cents)	Mid-point (cents)	High (cents)
Celarc Buy-Back Consideration	48.0	48.0	48.0
Assessed value	49.6	52.8	56.0
Discount	(1.6)	(4.8)	(8.0)
<i>Percentage discount</i>	<i>3.2%</i>	<i>9.1%</i>	<i>14.3%</i>

Effective ownership of OPUS

- 115 The table below shows the shareholding before the Proposed Share Buy-Back and immediately after Mr Celarc's participation in the Proposed Share Buy-Back:

Effective ownership of OPUS – effect of Mr Celarc's participation				
	Before the Buy-Back		After the Buy-Back	
	Shares (m)	Shares %	Shares (m)	Shares %
Shares held by 1010 ⁽¹⁾	79.657	68.4	79.657	74.5
Shares held by Mr Celarc and his associates	12.335	10.6	2.918	2.7
Shares held by other non-associated shareholders	24.422	21.0	24.422	22.8
Total – Fully diluted shares⁽¹⁾	116.414	100.0	106.997	100.0

Note:

- 1 Number of shares includes options held by 1010.

- 116 Mr Celarc's participation in the Proposed Share Buy-Back will result in 1010 and other non-associated shareholders increasing their shareholding.
- 117 Whilst the shareholding of 1010 will increase to 74.5%, 1010 already owns 68.4% of the shares in OPUS (on a fully diluted basis). On this basis, even before the Proposal, 1010 held in excess of 50% of the issued shares. 1010 therefore already had effective control of OPUS (and this position does not materially change due to the acquisition of the Celarc Shares).
- 118 We have also considered the impact of the buy-back of an additional 10.68 million shares from non-associated shareholders under the Proposed Share Buy-Back. The shareholding before and immediately after the Proposed Share Buy-Back is as follows:

Effective ownership of OPUS – effect of the Proposed Share Buy-Back				
	Before the Buy-Back		After the Buy-Back	
	Shares (m)	Shares %	Shares (m)	Shares %
Shares held by 1010	79.657	68.4	79.657	82.6
Shares held by Mr Celarc and his associates	12.335	10.6	2.919	3.0
Shares held by other non-associated shareholders	24.422	21.0	13.838	14.4
Total – Fully diluted shares	116.414	100.0	96.414	100.0

Rounding differences exist.

- 119 Whilst the shareholding of 1010 will increase to 82.6% if non-associated shareholders sell 10.6 million shares on-market into the Proposed Share Buy-Back, 1010 already owns

68.4% of the shares in OPUS (on a fully diluted basis). 1010 may therefore obtain a greater level of control if the Proposed Share Buy-Back proceeds and non-associated shareholders also participate.

OPUS' ability to pay its creditors

- 120 As at 30 June 2016, OPUS had total cash reserves of some \$11.8 million prior to the payment of the dividend in September 2016 of some \$2.0 million. OPUS management have advised that as at 30 September 2016, surplus cash reserves were some \$13.3 million. If the Proposed Share Buy-Back is approved and Mr Celarc and his associates entities participate in the Proposed Share Buy-Back as he has indicated, the available cash balance will reduce by \$4.52 million. Should other shareholders participate in the Proposed Share Buy-Back at 48.0 cents per share, the cash balance will reduce by an amount up to \$9.6 million.
- 121 The consideration for the Proposed Share Buy-Back (including the Celarc Buy-Back Consideration) can therefore be funded from the Company's free cash reserves and should not have any impact on the Company's ability to pay its creditors.

Implications if the Celarc Shares are not bought back

- 122 We note that Mr Celarc's participation in the Proposed Share Buy-Back removes the risk of any potential "overhang" created by him or his associated entities placing the Celarc Shares for sale on-market.

Participation by other shareholders

- 123 It should be noted that this report does not provide any opinion on whether OPUS shareholders other than Mr Celarc should participate in the Proposed Share Buy-Back. However, as noted above, in our opinion, the minority interest value of OPUS shares exceeds the Proposed Share Buy-Back price of 48.0 cents per share.

Other matters

- 124 The ultimate decision by OPUS non-associated shareholders whether to approve the Proposed Share Buy-Back should be based on each non-associated shareholder's assessment of the Proposal. This report has been provided for shareholders in OPUS not associated with Mr Celarc.
- 125 If in doubt about the Proposal or matters dealt with in our report, non-associated shareholders should seek independent professional advice.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the GM Documents to be sent to OPUS shareholders in connection with the Proposed Share Buy-Back.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$35,000 plus GST.
- 9 Neither LEA nor its directors and officers receive any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 IERs to shareholders.
- 2 This report was prepared by Mr Craig Edwards and Mrs Julie Planinic, who are each authorised representatives of LEA. Mr Edwards and Mrs Planinic have over 22 years and 19 years' experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Independent Directors of OPUS to accompany the GM Documents to be sent to OPUS shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Share Buy-Back is fair to OPUS non-associated shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mrs Planinic have any interest in the outcome of the Proposed Share Buy-Back. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has previously prepared IERs in respect of transactions undertaken by OPUS. We have considered the matters described in ASIC Regulatory Guide 112 – *Independence of experts* (Part C), and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, OPUS agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of OPUS which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the GM Documents.

Appendix C

Listed company descriptions

Australian companies

IVE Group Limited

- 1 IVE Group is an integrated marketing and print communications provider based in Australia. It provides creative services across multiple channels (e.g. traditional, digital and mobile platforms) including personalised communications, print production, retail display, promotional merchandising, third party sourcing, logistics and fulfilment and managed solutions. The company operates across three divisions including IVEO, Bluestar Group and Kalido and services a diverse range of customers.

Wellcom Group Limited

- 2 Wellcom Group is an Australian production and content management company. It offers its clients a range of services including graphic design and cross-media adaptations, 3D and 2D illustrations, photography and creative retouching, online and digital services, video and animation, pre-media, image and asset libraries, and online workflow processes. Wellcom Group offers its pre-media and data management services in Australia, the United Kingdom, New Zealand and Asia.

PMP Limited

- 3 PMP is an ASX listed company with over 1,000 employees in locations across Australia and New Zealand. The company specialises in a range of marketing functions including print and distribution, data-driven marketing and customer analytics, photography, retouching, computer generated imagery, pre-media and production, digital asset management, automated workflow solutions and book printing. PMP operates four main businesses, being PMP New Zealand, Gordon and Gotch, GGA Digital and Dimension Studios.

Salmat Limited

- 4 Salmat is a full-service marketing and communications company. The company is organised into four service lines including media, contact, digital and local. In addition the company facilitates client communication via a range of communication channel options, including voice, online, print, electronic and mobile. The company is headquartered in Sydney and employs some 4,000 staff across Australia, New Zealand, North America and the Philippines.

International companies

RR Donnelley & Sons Company¹⁶

- 5 RR Donnelley & Sons is a global commercial printing and information services organisation. The company is headquartered in Chicago (United States of America) and employs more than 65,000 staff around the world. Its solutions include commercial printing, direct mail, financial printing, print fulfilment, labels, forms, logistics, call centres, transactional print-

¹⁶ RR Donnelley & Sons Company description based on operations as at 30 September 2016, being the trading day prior to the company's spin off into three separate companies (LSC Communications, Donnelley Financial and Donnelley).

Appendix C

and-mail, print management, online services, digital photography, colour services as well as content and database management.

Transcontinental Inc

- 6 Transcontinental is Canada's largest printing company and the third largest in North America. Its operations include print, flexible packaging, publishing and digital media. The company's operations can be separated into three sectors including Transcontinental Printing, Transcontinental Packaging and Transcontinental Media. The company is headquartered in Montreal and employs around 8,000 staff.

St Ives Plc

- 7 St Ives is a group of companies that combines capabilities to deliver a diverse range of marketing solutions and book printing services in the United Kingdom, North America, China and Singapore. The company offers digital and mobile solutions, data analysis, research, production services, marketing and printing services through the company's five business divisions (data, consulting, digital, marketing activation and books). The company also has experience in the retail, publishing and commercial markets.

Communis Plc

- 8 Communis is one of Europe's leading providers of personalised customer communication and marketing services. The company assists customers plan, create and deliver their marketing communications both in print and through electronic channels. Communis offers over 100 individual customer communication disciplines from creative services, web production and social network marketing to data intelligence, transactional digital printing and digital asset management. The company is headquartered in the United Kingdom and employs over 2,000 staff.

1010 Printing Group

- 9 Founded in 2005, 1010 was established by a management team with substantial experience in the international book printing market. The company is engaged in providing printing services to international book publishers, trade, professional and educational conglomerates and print media companies. 1010 essentially services global clients, with its printing manufacturing operations based in China and Singapore. Its printed products primarily comprise illustrated leisure and lifestyle books, educational textbooks, learning materials and children's books.

Appendix E

Glossary

Term	Meaning
1010	1010 Printing Group Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
C.O.S.	C.O.S. Printers Pte Ltd
Cactus	Cactus Imaging Holdings Pty Limited
Celarc Buy-Back	48.0 cents per OPUS share
Consideration	
Celarc Shares	9.416 million OPUS shares of the 12.335 million OPUS shares currently held by Mr Celarc and his related entities
Corporations Act	<i>Corporations Act 2001</i> (Cth)
DCF	Discounted cash flow
Dec 14	The six months ended 31 December 2014
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EV	Enterprise value
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FTE	Full time employee
FY	Financial year
FY14	The year ended 30 June 2014
FY15	The year ended 31 December 2015
FY16	The year ending 31 December 2016
GM Documents	Notice of General Meeting and Explanatory Memorandum
HY15	The six months ended 30 June 2015
HY16	The six months ended 30 June 2016
IER	Independent expert's report
Independent Directors	The Independent Directors of OPUS that are not associated with the Proposed Share Buy-Back
LEA	LonerGAN Edwards & Associates Limited
Mr Celarc	Mr Richard Celarc
NPV	Net present value
OPUS / Company	OPUS Group Limited
Proposed Share Buy-Back	The on-market buy-back of up to 20.0 million OPUS shares
RG 110	Regulatory Guide 110 – <i>Share buy-backs</i>
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
VWAP	Value weighted average price

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:30am (Sydney time) on Tuesday 6 December 2016.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** www.votingonline.com.au/opusgroupegm2016
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:30am (Sydney time) on Tuesday 6 December 2016.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** www.votingonline.com.au/opusgroupegm2016
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **OPUS Group Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held at the Registered office, **138 Bonds Road, Riverwood, NSW 2210 on Thursday 8 December 2016 at 10:30am (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

(SPECIAL BUSINESS)

Resolution 1

To approve the acquisition, by means of an on-market buyback, of up to 20 million of the Company's fully paid ordinary shares, on the terms set out in the explanatory notes accompanying the notice convening this meeting.

For Against Abstain*

☐
☐
☐

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2016