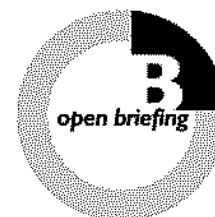


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Date of lodgement: 07-Dec-2006

Title: Open Briefing®. Candle. MD on Business Update

Record of interview:

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At Candle Australia Ltd's AGM last week you referred to Project Refresh, the update of the back office business systems and processes. What is the goal of this project and what are the anticipated costs and benefits?

MD Rob Collins

Over the past few years we've grown and diversified our business to become the premier white collar recruitment company in the region. Given market conditions, we see further opportunities for growth and expansion in the future and to realise our potential we've launched Project Refresh, a program designed to improve back office processes and efficiency by creating a solid back office platform for further efficient expansion.

Over two years we'll upgrade and consolidate our business systems, implement a head office organisational restructure and streamline processes. Total expenditure is likely to be up to \$2 million of which we expect to capitalise 60 percent. We're still modeling the direct financial benefits, but we'd expect returns above our benchmark and payback over the next two to three years.

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You recently consolidated several brands and now have six divisions. What changes have you made and would you explain them?

MD Rob Collins

Premier Personnel and Workskills Professionals became Alliance Recruitment and niche ICT recruitment specialist, Choice IT, now operates as the South Australian branch of Candle ICT. We also merged our organically grown Executive Search and Selection into Lloyd Morgan and we plan to expand this brand nationally and internationally.

In the last month, we've also strengthened our finance recruitment capability by consolidating Parker Bridge Australia and Freeman Adams to create a major player in the banking, finance and accounting recruitment sector. We plan to announce a new brand name early in 2007 as part of our strategy to be a major regional supplier in the accounting, banking and finance markets.

We'll therefore start the new calendar year with five (rather than six) strong divisions which will be able to deliver specialist recruitment services at an individual brand level or as part of wider agreements across the Candle group. Opportunities for cross selling have never been stronger.

We continue to be recognised for our ability to service a wide variety of industries with truly specialist recruitment brands. We intend to pursue this brand strategy for the foreseeable future. We've consolidated and streamlined some of our brands to ensure stronger market positioning and service offerings.

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You made three acquisitions in FY06. What plans do you have for further acquisitions?

MD Rob Collins

Our vision is to be the recognised leader of employment services in the region. We continue to investigate potential acquisition opportunities, both in outsourced recruitment and the more general employment services market.

In recent years our clients have been asking us to assist with or extend our recruitment programs into Asia. In response we are actively looking to expand via acquisition into this market to provide a foothold for future organic growth.

All acquisitions need to fit with our financial disciplines and acquisition criteria. These criteria include the aim of EPS accretion in the first year, talent retention, cultural fit and opportunities for cross selling.

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Recent acquisitions in the sector have changed hands at EBIT multiples of seven times or more. Does this inhibit your scope for growth by acquisition?

MD Rob Collins

No. There are many recruitment businesses that see Candle Australia as their purchaser of choice. While price is a factor, it's not the only factor. Our model which rewards vendors for post acquisition growth has worked well. Past vendors have enjoyed working with us to grow their businesses and have benefited from

our input, as well as enjoying strong shareholder returns and dividends. The overall package has proven to be very attractive.

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Your growth strategy has combined double digit organic growth with acquisitions. What is your current strategy for growth and how does it differ from that of the past?

MD Rob Collins

Our priorities for the first half of this financial year have been the establishment of a platform for significant growth under Project Refresh, plus cross selling between our key brands. We've added sales capacity by hiring additional recruitment personnel and focused on innovating our service offering.

We've been actively investigating acquisitions in the first half and expect this work to bear fruit in the second half of the year. Taking out one-off costs, we expect organic growth to be fairly similar to that of the recent past.

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There are several new recruitment models in the market. How do you see these impacting your business and what is your response to these?

MD Rob Collins

With demand for talent outstripping supply in some sectors in the short term, the impact of these new models will be minimal; indeed, most of them are variations on an old theme. It is execution that will set one company apart from another and that's where we see a gap emerging in the market.

We've researched these new recruitment models focusing in particular on recruitment process outsourcing (RPO) arrangements. We've found that existing models focus primarily on the recruitment of permanent staff and do not cater adequately for the recruitment of temporary contract staff.

We therefore intend to enter the RPO market this year with a second generation RPO model that also provides contractor management outsourcing. This new service will enhance our core recruitment model and will be one of many stand-alone and complementary recruitment solutions that we offer our clients.

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Cash flow for the last half was \$1.8 million compared with \$4.8 million in the December 2005 half year. What is your expectation for cash flow in the current half year?

MD Rob Collins

The operating cash flow for the half year to June 30, 2006 was impacted by one major client delaying some payments. This has now been corrected and we expect the operating cash flow will improve.

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The information and communications technology (ICT) sector accounts for at least 70 per cent of your turnover. What is the current trend in demand within this segment? Where is the sector in terms of its cyclical recovery?

MD Rob Collins

Demand for ICT talent remains strong across Australia and New Zealand. ICT project spend across the region in both the public and private sector has increased with many new projects now being funded. The listed ICT service providers expect demand to remain strong for the foreseeable future and as a major supplier of talent in the ICT market, we expect to benefit from this increase in demand.

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The recruitment industry is increasingly competitive. How is this competitive environment impacting Candle Australia?

MD Rob Collins

The industry needs competition to innovate and grow. Our focus and diversification in a competitive market have delivered record results with good revenue growth, improved operating margins and strong shareholder returns. Our discipline in sticking to strict acquisition criteria has also benefited shareholders. Most recently, competitive forces have caused us to innovate which has spawned a whole new area of business opportunity for us. In short, the competitive environment is welcome as it challenges us to achieve ever higher standards.

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Thank you Rob.

For further information about Candle Australia, visit www.candle.com.au or call Rob Collins on +61 2 9250 8100.

For previous Candle Australia Open Briefings, or to receive future Open Briefings by email, visit www.corporatefile.com.au.

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