



CORUM GROUP LIMITED

ABN 25 000 091 305

NOTICE OF GENERAL MEETING

incorporating

EXPLANATORY MEMORANDUM

and

PROXY FORM

DATE AND TIME OF MEETING

10.00 am

12 May 2009

VENUE

**Carruthers Room
SMC Conference Centre
66 Goulburn Street
Sydney**

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD CAREFULLY READ THIS DOCUMENT. IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE IN RELATION TO THIS DOCUMENT OR THERE IS ANY MATTER YOU DO NOT UNDERSTAND YOU SHOULD CONTACT YOUR PROFESSIONAL ADVISER(S) FOR ADVICE.

9 April 2009

Dear Shareholder,

The Board of Corum Group Limited (Corum) has convened a General Meeting of Shareholders to be held on 12 May 2009 to obtain Shareholder approval for a number of resolutions of major importance to the Company and its Shareholders.

As previously announced, the Company has on issue 6,700,000 unsecured redeemable convertible notes of \$1 each (**Notes**) which were due to be converted or redeemed by 30 September 2008. The Noteholders have not elected to convert their Notes into Shares and the Company has not redeemed the Notes as it does not have sufficient funds. Accordingly, the Company still owes \$6,700,000 to the Noteholders in the form of **Unsecured Debt**. Interest has been accruing on this Unsecured Debt at 12%, compounding daily, since 1 October 2008.

Since June 2008, the Company's shares have consistently traded below the original 10 cent conversion price of the Notes, global stock markets have suffered and encountered severe volatility as a result of the global financial crisis and the likelihood is that the Company's share price may remain depressed for some time. It is for these reasons, by and large, that Noteholders did not elect to convert their Notes into Shares.

Until recently, the Company was also in breach of its banking covenants with Westpac Banking Corporation. However as announced on 26 November 2008, Westpac Banking Corporation has agreed to reset the banking covenants subject to:

- Unsecured Debt to the value of \$6,250,000 held by Lujeta Pty Ltd (**Lujeta**) and Winmark Investment Group Pty Ltd (**Winmark**) being capitalised; and
- the Company addressing a working capital requirement of approximately \$2 million.

On 16 December 2008, the Company announced that it had reached agreement with its major shareholders and other parties for a capital raising of \$2 million by way of the issue of new 12% unsecured convertible redeemable notes (**New Notes**) which are intended to be convertible at a price of 5 cents per Share. I have personally subscribed for \$100,000 worth of New Notes and Lujeta has subscribed for \$912,294 worth of New Notes.

In order to help resolve Corum's financial situation to the satisfaction of the Company's bankers, Lujeta and Winmark have agreed to:

- (a) convert \$6,250,000 of Unsecured Debt into Shares at 5 cents per Share;
- (b) receive payment of interest accrued since 1 October 2008 by way of Shares at 5 cents per Share,

but only on condition that Shareholders approve this proposal, the activation of the Conversion Rights attaching to Lujeta's New Notes and, in particular, that Shareholders approve, under Item 7 of Section 611 of the Corporations Act, the issue of Shares to be acquired by Lujeta under the proposal and through the conversion of and payment of interest on Lujeta's New Notes. These approvals are sought under Resolutions 1 and 2.

When the issue of the Notes was originally approved in November 2005, it was advised that Lujeta in conjunction with Winmark could eventually hold up to 60% of the Company between them. Under the current proposal Lujeta could hold up to 61.1% of the Company's Shares in its own right.

As I am a related party of Corum, it is necessary that Shareholders approve the activation of the Conversion Rights attaching to the New Notes for which I have subscribed, together with the issue of any Shares by way of payment of interest.

One of the other subscribers for New Notes (as to \$50,000) is WH & LD Winnett. As the parents of Mark Winnett, currently a director of Corum, they are technically to be treated as related parties of Corum, although they have no other interest in the Company. Accordingly, it is necessary that Shareholders approve the activation of the Conversion Rights attaching to the New Notes for which they have subscribed, together with the issue of any Shares by way of payment of interest.

Resolutions 3 and 4 seek the requisite approvals in regard to WH & LD Winnett and myself.

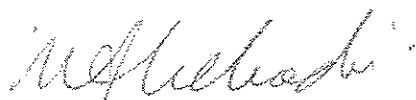
Resolution 5 seeks the approval of Shareholders for the activation of the Conversion Rights attaching to all the other New Notes to avoid breaching the provisions of ASX Listing Rule 7.1.

The Board has retained Hall Chadwick Corporate as an Independent Expert to assess Resolutions 1 to 4. Their report, which you should read in full, is set out in Part 3 of the Explanatory Memorandum. They have assessed Resolutions 1 to 4 to be **fair and reasonable** to the non-associated shareholders.

The Board of Corum, excluding myself in relation to Resolution 3 and Mark Winnett in relation to Resolutions 2 and 4, being interested parties, strongly recommends that you vote in favour of the resolutions and encourages you to attend the General Meeting in person, failing which you are requested to lodge your votes by proxy in the required manner.

Yours sincerely,

For Corum Group Limited,



Michael Shehadie

Chairman.

PART 1

NOTICE OF GENERAL MEETING

CORUM GROUP LIMITED

ABN 25 000 091 305

NOTICE IS GIVEN that a General Meeting of the shareholders of Corum Group Limited (**Corum or Company**) will be held in the Carruthers Room, SMC Conference Centre, 66 Goulburn Street, Sydney at 10.00 am on Tuesday 12 May 2009.

Terms used in this Notice of General Meeting will, unless the context otherwise requires, have the meaning given to them in the Glossary contained in the Explanatory Memorandum attached hereto.

Agenda

Resolution 1 – Approval of capitalisation of debt, issues of securities and acquisition of relevant interest

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

"That for the purposes of section 208 and section 611 Item 7 of the Corporations Act, ASX Listing Rule 7.1, ASX Listing Rule 10.11 and for all other purposes, the Company approves:

- (a) in relation to the \$5,468,000 of Unsecured Debt held by Lujeta, the capitalisation of the Unsecured Debt by way of the issue of 109,360,000 Capitalisation Shares to Lujeta, at an issue price of 5 cents per Share;*
- (b) the issue of up to a total of 8,357,000 Interest Shares to Lujeta at a price of 5 cents per Share;*
- (c) the activation of Conversion Rights attaching to 912,294 New Notes held by Lujeta;*
- (d) the issue of up to a total of 18,246,000 Conversion Shares to Lujeta at an issue price of 5 cents per Share;*
- (e) the issue of up to a total of 2,183,000 New Interest Shares to Lujeta at an issue price of 5 cents per Share;*
- (f) the acquisition of any relevant interest by Lujeta in the Company's Shares as a result of the issues of the Company's Shares as Capitalisation Shares, Conversion Shares, Interest Shares and New Interest Shares,*

as detailed in the Explanatory Memorandum which accompanies and forms part of the Notice."

Resolution 2 – Approval of capitalisation of debt and issues of securities

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

"That for the purposes of section 208 of the Corporations Act, ASX Listing Rule 7.1, ASX Listing Rule 10.11 and for all other purposes, the Company approves:

- (a) in relation to the \$782,000 of Unsecured Debt held by Winmark, the capitalisation of the Unsecured Debt by way of the issue of 15,640,000 Capitalisation Shares to Winmark, at an issue price of 5 cents per Share;*
- (b) the issue of up to a total of 1,196,000 Interest Shares to Winmark at a price of 5 cents per Share,*

as detailed in the Explanatory Memorandum which accompanies and forms part of the Notice."

Resolution 3 – Approval of issue of securities to Mr. Michael Shehadie

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

"That for the purposes of ASX Listing Rule 7.1, ASX Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, the Company approves:

- (a) the activation of Conversion Rights attaching to 100,000 New Notes held by Mr. Michael Shehadie;*
- (b) the issue of up to a total of 2,000,000 Conversion Shares to Mr. Michael Shehadie, at an issue price of 5 cents per Share;*
- (c) the issue of up to a total of 249,000 New Interest Shares to Mr. Michael Shehadie, at an issue price of 5 cents per Share,*

as detailed in the Explanatory Memorandum which accompanies and forms part of the Notice."

Resolution 4 – Approval of issue of securities to WH and LD Winnett

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

"That for the purposes of ASX Listing Rule 7.1, ASX Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, the Company approves:

- (a) the activation of Conversion Rights attaching to 50,000 New Notes held by WH & LD Winnett;*
- (b) the issue of up to a total of 1,000,000 Conversion Shares to WH & LD Winnett, at an issue price of 5 cents per Share;*
- (c) the issue of up to a total of 105,000 New Interest Shares to WH & LD Winnett, at an issue price of 5 cents per Share,*

as detailed in the Explanatory Memorandum which accompanies and forms part of the Notice."

Resolution 5 – Approval of issues of other securities

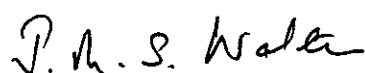
To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company ratifies and approves:

- (a) the activation of Conversion Rights attaching to 890,317 New Notes, being New Notes not held by Lujeta, Mr. Michael Shehadie or WH & LD Winnett;*
- (b) the issue of up to a total of 17,807,000 Conversion Shares in respect of those 890,317 New Notes, at an issue price of 5 cents per Share;*
- (c) in relation to those 890,317 New Notes, the issue of up to 2,170,000 New Interest Shares at an issue price of 5 cents per Share,*

as detailed in the Explanatory Memorandum which accompanies and forms part of the Notice."

BY ORDER OF THE BOARD,



Julian M.S. Walter,

Company Secretary.

Dated 26 March 2009

Sydney, Australia

VOTING

Voting Exclusion Statements

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast (whether in person or by proxy) on any of the Resolutions by:

- any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary shares in the Company) if a Resolution is passed; or
- any of their associates; and specifically,
- any vote cast on Resolution 1 by Lujeta or any of its associates;
- any vote cast on Resolution 2 by Winmark or any of its associates;
- any vote cast on Resolution 3 by Mr. Michael Shehadie or any of his associates;
- any vote cast on Resolution 4 by WH & LD Winnett, Mr. Mark Winnett or any of their associates;
- any vote cast on Resolution 5 by Link Enterprises (International) Pty Ltd, Fordholm Investments Pty Ltd, Oliveprince Pty Ltd, Somar Holdings Pty Limited, Ginga Pty Ltd or any of their associates.

It should be noted that:

- Under section 224 of the Corporations Act, a vote on a proposed resolution under Division 3 of Part 2E.1 of the Corporations Act must not be cast (in any capacity) by or on behalf of:
 - (a) a related party of the public company to whom the resolution would permit a financial benefit to be given; or
 - (b) an associate of such a related party.
- Under Item 7 of section 611 of the Corporations Act, an acquisition will be exempt from the prohibition under section 606 of the Corporations Act, if in relation to the proposed resolution approving the acquisition, no votes are cast in favour of the resolution by:
 - (a) the person proposing to make the acquisition and their associates; or
 - (b) the persons (if any) from whom the acquisition is to be made and their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Determination of Shareholders' Right to Vote

For the purposes of Regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the voting entitlements for the purposes of the Meeting will be based on the registered holdings as at 7.00pm (Sydney time) on 10 May 2009. Accordingly those persons will be entitled to attend and vote at the meeting.

How to Vote

A Shareholder may vote by attending the Meeting in person, by proxy, attorney or authorised representative.

Proxy Form

A proxy form is enclosed with the Notice. If an additional proxy form is required, the Company's share registry will supply it on request.

PROXIES

1. Each Shareholder has a right to appoint a proxy.
2. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then each proxy may exercise one-half of the votes. Fractions of votes will be disregarded.
3. A proxy need not be a Shareholder.
4. To be effective, the Company must receive the completed proxy form and, if the form is signed by the Shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 10.00am (Sydney time) on 10 May 2009 in accordance with the instructions attached to the Proxy Form.
5. Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or under the hand of a duly authorised officer or attorney.
6. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.

PART 2

Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist Shareholders in considering the resolution set out in the Notice. It is part of, and should be read in conjunction with, the Notice.

1. Resolutions 1 and 2 – Approval of capitalisation of debt, issues of securities and acquisition of relevant interest

1.1 Introduction and summary

In October 2005 Shareholders approved of the issue of \$6,250,000 of Notes, now Unsecured Debt, to Winmark, a company controlled by the Managing Director of the Company Mr. Mark Winnett, and Lujeta, a company controlled by Mr William Paterson (see section 1.5(f)).

The Company is now seeking shareholder approval of Resolutions 1 and 2, pursuant to which Lujeta and Winmark would,

- (a) convert their \$6,250,000 of Unsecured Debt into Shares at 5 cents per Share; and
- (b) receive payment of interest accrued since 1 October 2008 by way of the issue of Shares at 5 cents per Share.

This is one of the steps required to achieve the satisfaction of the conditions of Westpac Banking Corporation, the Company's bankers, for resetting the financial covenants of its lending facilities with the Company.

In addition, the Company is seeking approval under Resolution 1 for the activation of the Conversion Rights attaching to the 912,294 New Notes for which Lujeta has subscribed.

The Directors reached the decision to put Resolutions 1 and 2 (and indeed the other Resolutions) to Shareholders for the following reasons:

- (a) in 2006, when the Company obtained its \$5,000,000 cash advance from Westpac, the loan documentation included a covenant to the effect that the Company would be in default if the \$6,250,000 of Notes held by Lujeta and Winmark were not converted to equity;

At the time, this covenant was regarded as acceptable to the Company as:

- In October 2005, shareholders had already approved (for the purposes of Item 7 of section 611 of the Corporations Act) the issue and conversion of the Notes held by Lujeta and Winmark. This action effectively acknowledged and approved the change of control of Corum following the conversion of the Notes (at 10 cents a share);
- Corum's shares were trading comfortably above the 10 cent conversion price; and
- Equity and financial markets were stable.

In order for Corum to satisfy the original lending covenants with Westpac, it is necessary for the Notes held by Lujeta and Winmark to be capitalized or for additional new equity to be raised to pay out their Notes without adding to the amount being borrowed by Corum as the Directors believe Corum is over geared as it is.

- (b) when the Maturity Date for the Notes (ie 30 September 2008) held by Lujeta and Winmark occurred, the Company's shares had been consistently trading below the original 10 cent conversion price of the Notes, equity and financial markets had suffered and had encountered severe volatility as a result of the global financial crisis.

The Directors believed then, and still believe, that the likelihood is that the Company's share price will remain depressed for some time.

- (d) In June/July 2008, Corum sought to raise \$1,500,000 from shareholders by way of a 1 for 7 rights issue at 6.5 cents per share. This raising was not successful in that the two shareholders who took up their rights were Lujeta and a substantial shareholder, representing funds of \$418,573 (or approximately 27.7% of the issue).

From this experience, it became clear to the Directors that Corum could not raise sufficient funds for its ongoing business purposes from the general body of shareholders.

- (d) After the unsuccessful attempt to raise funds from shareholders, the Directors sought informal advice from Australian and International independent corporate advisers as to other ways Corum could raise funds to carry on its business. In each case, Corum was advised that the better strategy was for it to attempt to raise funds to continue with the strategy of growing the Corum businesses organically rather than selling them.

Nevertheless, to test available options, the Directors also considered the concept of funding the company's business by way a joint venture with third party investors. These enquiries did not give rise to any opportunity that was sufficiently advanced to be put to shareholders and the global financial crisis effectively brought this line of enquiry to an end.

- (d) Despite attempts to do so, Corum has been unable to raise equity funding from parties not connected to the company already.
- (e) In December 2008 it was critical to find the funding identified as required in June/July 2008 and, given the above circumstances, Corum was able to raise its required operational funding from those that have taken up the New Notes.

An Independent Expert's Report has been prepared to assist Shareholders with their decision on whether or not to approve Resolutions 1 and 2. The report has been prepared by Hall Chadwick and accompanies and forms part of the Notice at Part 3. The Independent Expert's Report comments on whether Resolutions 1 and 2 are fair and reasonable to the non-associated Shareholders, that is, Shareholders other than Lujeta, Winmark and their associates.

Shareholders should note that Hall Chadwick has concluded that Resolutions 1 and 2 are **fair and reasonable** to the non-associated Shareholders of the Company.

Please see sections 1.8 and 1.11 for details on the directors' review of the advantages and disadvantages of Resolutions 1 and 2 and their recommendation.

The Board recommends that Shareholders read this Explanatory Memorandum and the Independent Expert's report in full before making a decision in relation to Resolutions 1 and 2.

The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 1.

The Directors of the Company (other than Mr. Mark Winnett who is an associate of Winmark) unanimously recommend that Shareholders vote in favour of Resolution 2.

1.2 Capital Raising

On 16 December 2008 the Company announced that agreement had been reached for a capital raising of \$2 million by way of an issue of New Notes. The actual number of New Notes issued since the announcement is 1,952,611.

The funds raised have been used as follows:

	\$
Repayment of outstanding Notes	450,000
Repayment of loan from Lujeta	374,000
Provision of working capital and payment of Interest on outstanding notes and loan	<u>1,128,611</u>
Total	<u>1,952,611</u>

Included in the New Noteholders are Lujeta, Mr. Michael Shehadie and WH & LD Winnett (parents of Mr. Mark Winnett), which parties have subscribed for 912,294, 100,000 and 50,000 New Notes respectively.

1.3 Terms of New Notes

The material terms of the new unsecured redeemable convertible notes are:

- each New Note has a Face Value of \$1.00, being the outstanding principal amount;
- the maturity date is 31 December 2009;
- simple interest is payable on the maturity date (or sooner if New Notes are converted) calculated at a rate of 12 per cent per annum;
- each New Note is redeemable on the maturity date unless converted earlier;
- each New Note is unsecured;
- in the event of default each New Note becomes repayable on demand together with accrued interest;
- the following are events of default:
 - (a) the Company is default in the payment of any moneys due under the New Note;
 - (b) the Company becomes insolvent;
 - (c) an administrator or receiver is appointed to the Company;
 - (d) a winding-up order is made against the Company;
- interest will be paid in cash unless the New Notes are converted in which case the related interest will be paid in Shares at a price of 5 cents per Share;
- subject to the prior approval of Shareholders as a condition precedent, a holder of New Notes may elect to convert all or any of such New Notes into Shares at an issue price of 5 cents per Share by giving notice at any time up to 15 December 2009.

The New Noteholders have agreed to subordinate their entitlements to be repaid principal and interest on the New Notes in cash to the interests of Westpac Banking Corporation.

1.4 Current capital structure of the Company

The Company's existing equity capital structure at the date of the Notice is set out in Table 1 below.

TABLE 1

Shares		<u>Number</u>
Issued Shares		<u>107,338,861</u>
Options		
<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number</u>
24 Jan 2010	\$ 0.40	7,800,000
28 Nov 2010	\$ 0.12	1,350,000
30 Nov 2010	\$ 0.12	200,000
28 Feb 2011	\$ 0.25	250,000
4 Mar 2012	\$ 0.26	1,000,000
17 Dec 2012	\$ 0.26	2,600,000

Unsecured Redeemable Convertible Notes

As the maturity date for the Notes has passed, the Noteholders do not have any right to convert them into Shares. The Notes now represent Unsecured Debt obligations of the Company in the amount of \$6,700,000.

Interest on the Unsecured Debt, payable in cash, has been compounding daily at the rate of 12% per annum since 1 October 2008.

1.5 ASX Listing Rule 7.1 and ASX Listing Rule 10.11

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity security, or other securities with rights of conversion to equity securities (such as options or convertible notes), if the number of those equity

securities exceeds 15% of the number of securities in the same class on issue at the start of the 12 month period before the date of the new issue. An issue of equity securities made with the prior approval of shareholders is not subject to this restriction. Further, any equity securities issued with prior shareholder approval are not counted towards the 15% limit when considering further issues of equity securities.

In accordance with ASX Listing Rule 7.2 (exception 14), if approval is given under ASX Listing Rule 10.11, separate approval is not required under ASX Listing Rule 7.1. Shareholders should note that the issue of the securities under ASX Listing Rule 10.11 will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.11 prohibits a listed company from issuing securities to a related party of the Company without the approval of shareholders.

In accordance with ASX Listing Rule 10.13, the following additional information is provided to Shareholders to assist them in deciding how to vote in relation to Resolutions 1 and 2.

- (f) Lujeta Pty Ltd (ACN 001 930 865) (**Lujeta**) is a company ultimately owned and controlled by Mr William Paterson, the company's sole director. Lujeta's principal activity is acting as trustee of the Margaret Trust, a related family trust. As sole director, Mr Paterson makes all the investment decisions of the Margaret Trust. The trust has a wide range of investments in real estate and in shares of listed and unlisted companies.
- (g) The Directors propose to issue Shares under Resolutions 1 and 2 to Lujeta which is deemed to be a related party of the Company in accordance with section 228(6) of the Corporations Act, and to Winmark, which is a company controlled by Mark Winnett, a Director of the Company, and deemed to be a related party of the Company in accordance with sections 228(2)(a) and 228(4) of the Corporations Act.
- (h) The maximum number of Shares that may be issued pursuant to Resolutions 1 and 2 is:

	<u>Lujeta</u>	<u>Winmark</u>	<u>Aggregate</u>
Capitalisation Shares	109,360,000	15,640,000	125,000,000
Interest Shares	8,357,000	1,196,000	9,553,000
Conversion Shares	18,246,000	-	18,246,000
New Interest Shares	<u>2,183,000</u>	<u>-</u>	<u>2,183,000</u>
Total	<u>138,146,000</u>	<u>16,836,000</u>	<u>154,982,000</u>

- (i) The Capitalisation and Interest Shares will be issued within 5 business days of the passing of Resolutions 1 and 2 in General Meeting. Conversion and New Interest Shares will only be issued if the New Noteholder elects to convert its New Notes in accordance with the terms thereof.
- (j) Each of the new Shares will be issued at a price of 5 cents and will rank pari passu with all existing Shares.
- (k) The Company will apply for the listing and quotation of the new Shares on ASX. If granted, quotation of and trading in the new Shares will commence as soon as practicable after allotment.

1.6 Section 611 Item 7 of the Corporations Act

Section 606 of the *Corporations Act* prohibits, subject to various specified exceptions, a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the Company increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined under section 610 of the *Corporations Act*. The calculation of a person's voting power in the Company involves determining the voting shares in the Company in which the person and the person's associates have a relevant interest.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they:

- are the holder of the securities;
- have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- have the power to dispose of, or control the exercise of a power to dispose of, the securities.

Section 611 item 7 of the *Corporations Act* provides an exception to the prohibition in section 606 if shareholders approve the acquisition of voting shares by virtue of any allotment or acquisition at a meeting at which no votes are cast by parties making the proposed acquisition, including their associates.

Shareholder approval is being sought under section 611 item 7 for the issue of Interest Shares and Capitalisation Shares on capitalisation of the Unsecured Debt and New Interest Shares and Conversion Shares on conversion of the New Notes held by Lujeta because Lujeta will substantially increase its voting power in the Company beyond the current 20.81% which was previously approved by Shareholders on 28 October 2005.

Additional information required under ASIC Regulator Guide 74 to be given to Shareholders under this approval is:

- (a) The proposed allottee of the Interest Shares, Capitalisation Shares, New Interest Shares and Conversion Shares is Lujeta.
- (b) At the date of this Explanatory Memorandum Lujeta holds 22,338,146 (20.81%) of the Shares on issue.
- (c) The immediate increase in Lujeta's voting power from the current level of 20.81%, if Resolution 1 is approved, could be as set out in the table below:

TABLE 2

Assuming that Lujeta is allotted Interest Shares to 12 May 2009 and Capitalisation Shares in full, its shareholding will become:

	Number	%
Lujeta – relevant interest	140,055,146	57.9

Accordingly, at that stage the percentage shareholding of all other Shareholders will be reduced from 79.2% to 42.1%.

- (d) In the event that other New Noteholders convert their New Notes in full, the maximum increase in Lujeta's voting power from the current level of 20.81%, if Resolution 1 is approved, could be as set out in the table below:

TABLE 3

Assuming that Lujeta is allotted Interest Shares to 12 May 2009, Capitalisation Shares, Conversion Shares and New Interest Shares in full, its shareholding will become:

	Number	%
Lujeta – relevant interest	160,484,146	56.2

- (e) In the event that no other New Noteholders convert their New Notes, the maximum increase in Lujeta's voting power from the current level of 20.81%, if Resolution 1 is approved, could be as set out in the table below:

TABLE 4

Assuming that Lujeta is allotted Interest Shares to 12 May 2009, Capitalisation Shares, Conversion Shares and New Interest Shares in full, its shareholding will become:

	Number	%
Lujeta – relevant interest	160,484,146	61.2

- (f) Although Lujeta can nominate additional Directors to the Board if Resolution 1 is approved by Shareholders, it does not have any current intention of doing so.
- (g) The Company understands that Lujeta:
 - i. has no intention of making any changes to the business of the Company;
 - ii. may participate in the future raising of additional working capital for the Company;
 - iii. has no current intentions to substantially change the continued employment of the current employees of the Company;
 - iv. does not propose that any property be transferred between the Company and Lujeta or any person associated with Lujeta;
 - v. has no intention to redeploy the fixed assets of the Company; and
 - vi. has no intention to change significantly the financial or dividend policies of the Company.

These statements are based on the present intentions of Lujeta on the basis of facts and information concerning the Company and the existing circumstances that affect the Company that are known to Lujeta at the time of preparing the Notice. However, if circumstances change, Lujeta's intentions may change in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

- (h) The terms and timing of the allotments of Shares following the approval of Resolution 1 are summarised at Section 1.5 of this Explanatory Memorandum.
- (i) The reasons for the proposed allotments are set out at Section 1.8 below and the Chairman's letter preceding this Explanatory Memorandum.
- (j) No Director of the Company has an interest in Resolution 1, save for any interest they share in common with other Shareholders arising out of their shareholdings in the Company.
- (k) All of the Directors unanimously voted in favour of putting Resolution 1 to Shareholders.

1.7 Summary of capital structure if Resolutions 1 and 2 are passed

If Resolutions 1 and 2 are passed, the capital structure of the Company immediately thereafter will be as set out in Table 5 below.

TABLE 5

	No of Shares
Shares on issue at date of Notice	107,338,861
Interest Shares issued to 12 May 2009	9,553,000
Capitalisation Shares	<u>125,000,000</u>
Total Share capital	<u>241,891,861</u>

The options shown in Table 1 will remain outstanding and are unaffected by the Proposal.

There will be 1,952,611 New Notes of \$1 each still outstanding as unsecured debt.

Up to a further 43,759,000 Conversion and New Interest Shares could be issued if all New Noteholders chose to convert their New Notes in full on the Maturity Date.

1.8 Summary of the Directors' analysis of Resolutions 1 and 2

Advantages of voting for Resolutions 1 and 2

Re-set of banking covenants

As previously stated, the Company has been in breach of its financial covenants with Westpac Banking Corporation. In order for the bank to re-set the covenants it is a requirement that \$6,250,000 of Unsecured Debt is converted into equity, which the relevant parties have agreed to do. The subscription by Lujeta for New Notes is also a key component of the \$2 million capital raising which is required to satisfy the bank.

Reduced debt level and balance sheet improvement

The current principal debt obligations of the Company are approximately \$13.14 million, which are all technically due for repayment on demand. This includes the Unsecured Debt, banking facilities and New Notes. Approval of Resolutions 1 and 2 will result in the debt levels of the Company falling to \$6.89 million. Once the bank agrees to reset its covenants (it has not yet done so), the Company will be able to re-classify a large portion of the bank loan as a non-current liability.

Improvement in profitability

The conversion of \$6.25 million of Notes into equity will reduce the interest charge to the Company by \$797,000 per annum at the current interest rate of 12% per annum compounding daily.

Disadvantages of voting for Resolution 1

Dilution

The issue of all of the Capitalisation and Interest Shares will result in the immediate substantial dilution of the non-associated Shareholders' interest in the Company from 79.2% to 42.1%.

Depending on the subsequent levels of conversion of the New Notes, the interest of the non-associated Shareholders could vary from 43.8% to 38.8%.

However, it should be noted that when the Notes were originally approved by Shareholders in October 2005, it was contemplated at that time that their holdings could be diluted to around 40%.

Control by Lujeta

Lujeta will potentially hold up to 61.2% of the Company's Shares on issue if Lujeta is issued with all of the Shares contemplated under Resolution 1. Lujeta will, in those circumstances, hold sufficient Shares to effectively exercise control of the composition of the Company's Board in its own right and, consequently, the management of the Company, including its major strategic and financial decision-making.

Disadvantages of voting against Resolutions 1 and 2

Impact on the Company as a going concern

If the resolutions are not passed, Westpac Banking Corporation will not reset its covenants and the Company will be in breach of Westpac's banking facility and the 6,700,000 Notes. In such circumstances, it is possible that the Company will not be able to continue as a going concern. The bank, as a secured creditor and the New Noteholders, would then most probably seek to enforce their rights.

If the Company ceases to continue as a going concern or the bank enforces its rights, the likelihood is that either or both of an administrator or liquidator would be appointed to the Company. In such circumstances, the directors would cease to have day to day control of the Company, the Company's future would be subject to significant uncertainty and its value as a going concern detrimentally affected.

1.9 Impact on Company balance sheet

The following table shows the consolidated statement of the Company's unaudited financial position at 31 December 2008 adjusted for subscriptions for New Notes received after 31 December 2008 (namely \$178,000), the capitalisation of \$6,250,000 of Unsecured Debt and the issue of the Capitalisation Shares.

It reflects the Company's expectation that upon passing of the resolutions put to Shareholders at the Meeting, Westpac will agree to reset its lending covenants with Corum and thereby allow the Company to reclassify the relevant portion of bank debt (namely \$4,569,000) as a non-current financial liability.

	As at 31 Dec 2008 (unaudited) \$'000s	Adjustment \$'000s	Adjusted \$'000s
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	3,065	178	3,244
Trade and other receivables	416		416
Inventories	52		52
Other	732		732
	<u>4,265</u>	<u>178</u>	<u>4,443</u>
<u>NON-CURRENT ASSETS</u>			
Plant & equipment	1,018		1,018
Investments	-		-
Intangible assets	18,847		18,847
Other	181		181
	<u>20,046</u>		<u>20,046</u>
TOTAL ASSETS	<u>24,311</u>	<u>178</u>	<u>24,489</u>
<u>CURRENT LIABILITIES</u>			
Trade and other payables	5,644		5,644
Deferred revenue	171		171
Financial liabilities	12,908	(10,641)	2,267
Provisions	709		709
	<u>19,432</u>	<u>(10,641)</u>	<u>8,791</u>
<u>NON-CURRENT LIABILITIES</u>			
Financial liabilities	50	4,569	4,619
Provisions	207		207
	<u>257</u>	<u>4,569</u>	<u>4,826</u>
TOTAL LIABILITIES	<u>19,689</u>	<u>(6,072)</u>	<u>13,617</u>
NET ASSETS	<u>4,622</u>	<u>6,250</u>	<u>10,872</u>
<u>EQUITY</u>			
Contributed Equity	78,576	6,250	84,826
Reserves	313		313
Accumulated Losses	(74,267)		(74,267)
TOTAL EQUITY	<u>4,622</u>	<u>6,250</u>	<u>10,872</u>

1.10 Independent Expert's report

ASIC Policy Statement 74 recommends that shareholders be provided with an analysis of whether the proposal to be presented is fair and reasonable to the non-associated shareholders.

The Directors have commissioned an independent expert, Hall Chadwick, to prepare a report on whether Resolutions 1 and 2 are fair and reasonable to shareholders not associated with Lujeta or Winmark. In its report, Hall Chadwick concludes that Resolutions 1 and 2 are **fair and reasonable** to the non-associated Shareholders. Please see Sections 1.8 and 1.11 for details on the Directors' review of the advantages and disadvantages of approving Resolutions 1 and 2 and their recommendation.

A copy of the report is contained in Part 3 of this Notice. Shareholders should read this carefully and seek their own independent professional advice if necessary.

1.11 Directors' recommendation

The Independent Expert has concluded that Resolutions 1 and 2 are fair to the non-associated Shareholders because, in summary, the price of the Shares to be issued to Lujeta and Winmark is more than the theoretical value of the Corum securities being issued, even allowing for a control premium.

The Directors have considered the report of the Independent Expert, in particular the opinion that Resolutions 1 and 2 are fair to non-associated Shareholders, together with the advantages and disadvantages of Resolutions 1 and 2 that the Directors have identified and which are set out in section 1.8 above. In their opinion the advantages of approving Resolutions 1 and 2 considerably outweigh the disadvantages.

Other than Mark Winnett in respect of Resolution 2, none of the Directors has a material personal interest in the approval of the resolutions. In light of these reasons and the conclusions of the Independent Expert on the reasonableness of Resolutions 1 and 2 to non-associated Shareholders, **the Directors (other than Mark Winnett in relation to Resolution 2) resolved to put Resolutions 1 and 2 to Shareholders for approval and unanimously recommend that Shareholders approve Resolutions 1 and 2.**

1.12 Part 2E.1 of the Corporations Act - Section 208

For the reasons set out in section 1.12(a) below, both Lujeta and Winmark are deemed to be related parties of Corum. It should be noted that Lujeta is not a related party of Winmark.

Part 2E.1 of the Corporations Act exists to protect the interests of a public company's members as a whole by requiring that financial benefits to related parties are disclosed and approved by the shareholders in general meeting.

A **financial benefit** is defined in section 229 of the Corporations Act in broad terms and includes a public company issuing securities. The issue of Shares by the Company to Lujeta and Winmark and the activation of the Conversion Rights constitute financial benefits as defined under section 208 of the Corporations Act.

Section 210 of the Corporations Act sets out an exception to the requirement to seek shareholder approval under section 208 if the financial benefit being provided is on terms that would be reasonable in the circumstances if the Company and the related party were dealing on arm's length terms.

The Company and Lujeta and Winmark have, in their view, been dealing with each other at arm's length and believe that the terms of Resolutions 1 and 2 are reasonable. However, for the avoidance of doubt, the Company is seeking Shareholder approval for the purposes of Chapter 2E of the Corporations Act in respect of the Shares to be issued to Lujeta and Winmark pursuant to the approval of Resolutions 1 and 2.

Section 208 of the Corporations Act permits the Company to give a financial benefit to a related party of the Company if shareholders approve the giving of the benefit and the benefit is given within 15 months after the approval.

In accordance with section 219 of the Corporations Act, the following information is provided to Shareholders to assist them in deciding whether or not it is in the Company's interests to pass Resolutions 1 and 2.

(a) Related party

As indicated in sections 1.6 and 1.8 above, upon the passing of Resolution 1, Lujeta will control the Company in its own right and thereby be a related party of the Company by reason of section 228(1) of the Corporations Act. As there are reasonable grounds to believe that Resolution 1 will be passed, resulting in Lujeta becoming a related party of the Company, section 228(6) of the Corporations Act says that Lujeta is a related party today despite the fact that the Resolution 1 has not yet been put to Shareholders.

Winmark is controlled by Mark Winnett, a Director of the Company, and is therefore deemed to be a related party of the Company in accordance with sections 228(2)(a) and 228(4) of the Corporations Act.

(b) Nature of financial benefit

The nature of the financial benefit to be given to Lujeta and Winmark, as defined in Section 229(3)(e) of the Corporations Act is:

- the issue of 109,360,000 Capitalisation Shares and up to 8,357,000 Interest Shares to Lujeta at a price of 5 cents per Share;
- the issue of 15,640,000 Capitalisation Shares and up to 1,196,000 Interest Shares to Winmark at a price of 5 cents per Share;
- the activation of conversion rights in regard to 912,294 New Notes held by Lujeta and the issue of up to 18,246,000 Conversion Shares and up to 2,183,000 New Interest Shares to Lujeta at a price of 5 cents per Share.

(c) Other information

Tables 2 to 4 in section 1.6 and Table 5 in section 1.7 show the outcomes for the Company's capital structure and dilution of non-associated Shareholders' interests if Shareholders approve Resolutions 1 and 2.

Information relating to trading prices of the Shares on ASX is set out below:

- during the twelve months prior to the date of this Notice the highest and lowest sale price of Shares on ASX was \$0.08 on 25 March 2008 and \$0.01 on 13 October 2008;
- the last sale price of Shares on ASX prior to the date of lodgement of the Notice was \$0.04 on 20 March 2009;

The pricing of the new Shares represents a 36% premium to the volume weighted average share price during the last three months of trading.

Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 1 and 2.

Other than Mark Winnett, the Directors do not have any shareholdings in the Company. See section 1.11 for the Directors' recommendation on Resolutions 1 and 2.

(d) Independent Expert's report

The Board has commissioned an Independent Expert's report which is included in Part 3. The Independent Expert has reported on the fairness and reasonableness of Resolutions 1 and 2 and has concluded that Resolutions 1 and 2 are **fair and reasonable**. Shareholders should read this report when assessing how to vote on Resolutions 1 and 2, including in relation to any financial benefit described in this section 1.12.

2. Resolution 3 – Approval of issue of securities to Mr. Michael Shehadie

2.10 Introduction

Mr. Michael Shehadie, the chairman of Corum, has subscribed for 100,000 New Notes at an issue price of \$1 each as part of the capital raising described in section 1.2. Mr. Shehadie is a Director of the Company and therefore deemed to be a related party.

2.11 ASX Listing Rule 10.11 and ASX Listing Rule 7.1

ASX Listing Rule 10.11 prohibits a listed company from issuing securities to a related party of the Company without the approval of shareholders.

The provisions of Listing Rule 7.1 are described in section 1.5 above. In accordance with ASX Listing Rule 7.2 (exception 14), if approval is given under ASX Listing Rule 10.11, separate approval is not required under ASX Listing Rule 7.1. Shareholders should note that the issue of the securities under ASX Listing Rule 10.11 will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

In accordance with ASX Listing Rule 10.13, the following additional information is provided to Shareholders to assist them in deciding how to vote in relation to Resolution 3:

- (f) The Directors propose to grant or issue the securities under Resolution 3 to Mr. Michael Shehadie, a Director of the Company and a related party of the Company in accordance with section 228(2)(a) of the Corporations Act.
- (g) The maximum number of securities that may be granted or issued to Mr. Shehadie under Resolution 3 is:

	<u>Number</u>
Conversion Rights	<u>100,000</u>
New Interest Shares	249,000
Conversion Shares	<u>2,000,000</u>
Total Shares	<u>2,249,000</u>

- (h) The Conversion Rights become effective on the passing of Resolution 3.
- (i) Should Mr. Shehadie elect to convert his New Notes into Shares and receive payment of interest in Shares, each of the Shares will be issued at a price of 5 cents and will rank pari passu with all existing Shares.
- (j) The Company will apply for the listing and quotation of the Shares on ASX. If granted, quotation of and trading in the Shares will commence as soon as practicable after allotment.

2.12 Part 2E.1 of the Corporations Act - Section 208

The background and requirements connected with Part 2E of the Corporations Act are set out in section 1.12. The comments made in that section generally apply to Mr Shehadie.

In accordance with section 219 of the Corporations Act, the following information is provided to Shareholders to assist them in deciding whether or not it is in the Company's interests to pass Resolution 3.

(a) *Related party*

Mr. Shehadie is a Director of the Company, and is therefore deemed to be a related party of the Company, to whom the proposed resolution would permit the financial benefits to be given.

(b) Nature of financial benefit

The financial benefits to be given to Mr. Shehadie, as defined in Section 229(3)(e) of the Corporations Act include:

- the activation of the Conversion Rights in respect of 100,000 New Notes;
- the issue of up to 2,000,000 Conversion Shares and up to 249,000 New Interest Shares at a price of 5 cents per Share.

(c) Other information

Other relevant information is set out in section 1.12 above:

(d) Independent Expert's report

The Board has commissioned an Independent Expert's report which is included in Part 3. The Independent Expert has reported on the fairness and reasonableness of the activation of the Conversion rights and has concluded that the proposal is **fair and reasonable**. Shareholders should read this report when assessing how to vote on Resolution 3, including in relation to any financial benefit described in this section 2.3.

2.4 Directors' recommendation

Mr. Shehadie has a personal interest in the outcome of the approval of Resolution 3 and, accordingly, abstained from voting. **The Directors other than Mr. Shehadie resolved to put Resolution 3 to Shareholders and unanimously recommend that Shareholders approve Resolution 3.**

3. Resolution 4 – Approval of issue of securities to WH & LD Winnett

3.1 Introduction

WH & LD Winnett, the parents of Mark Winnett, Corum's Managing Director, have subscribed for 50,000 New Notes at an issue price of \$1 each as part of the capital raising described in section 1.2. As parents of a director, by operation of section 228(3) of the Corporations Act they are deemed to be a related party.

3.2 ASX Listing Rule 7.1 and ASX Listing Rule 10.11

The background and requirements connected with Listing Rules 7.1 and 10.11 are set out in section 1.5.

In accordance with ASX Listing Rule 10.13, the following additional information is provided to Shareholders to assist them in deciding how to vote in relation to the Resolution:

(f) The Directors propose to grant or issue the securities under Resolution 4 to WH & LD Winnett and as the parents of Mark Winnett, Corum's Managing Director, they are related parties of the Company in accordance with section 228(3) of the Corporations Act.

(g) The maximum number of securities that may be granted or issued to WH & LD Winnett under Resolution 4 is:

	<u>Number</u>
Conversion Rights	<u>50,000</u>
New Interest Shares	105,000
Conversion Shares	<u>1,000,000</u>
Total Shares	<u>1,105,000</u>

(h) The Conversion Rights become effective on the passing of Resolution 4.

(i) Should WH & LD Winnett elect to convert their New Notes into Shares and receive payment of interest in Shares, each of the Shares will be issued at a price of 5 cents and will rank pari passu with all existing Shares.

(j) The Company will apply for the listing and quotation of the Shares on ASX. If granted, quotation of and trading in the Shares will commence as soon as practicable after allotment.

3.3 Part 2E.1 of the Corporations Act - Section 208

The background and requirements connected with Part 2E of the Corporations Act are set out in section 1.12. The comments made in that section generally apply to WH & LD Winnett.

In accordance with section 219 of the Corporations Act, the following information is provided to Shareholders to assist them in deciding whether or not it is in the Company's interests to pass Resolution 4.

(a) Related party

WH & LD Winnett, to whom the proposed resolution would permit the financial benefits to be given, are deemed to be related parties of the Company as they are the parents of Mr. Mark Winnett, the Managing Director of Corum.

(b) Nature of financial benefit

The financial benefits to be given to WH & LD Winnett, as defined in Section 229(3)(e) of the Corporations Act include:

- the activation of the Conversion Rights in respect of 50,000 New Notes;
- the issue of up to 1,000,000 Conversion Shares and up to 104,000 New Interest Shares at a price of 5 cents per Share.

(c) Other information

Other relevant information is set out in section 1.12 above.

(d) Independent Expert's report

The Board has commissioned an Independent Expert's report which is included in Part 3. The Independent Expert has reported on the fairness and reasonableness of the activation of the Conversion rights and has concluded that the proposal is **fair and reasonable**. Shareholders should read this report when assessing how to vote on Resolution 4, including in relation to any financial benefit described in this section 3.3.

3.4 Directors' recommendation

As Mark Winnett is the son of WH & LD Winnett he abstained from voting. **The Directors other than Mr. Mark Winnett resolved to put Resolution 4 to Shareholders and unanimously recommend that Shareholders approve Resolution 4.**

4. Resolution 5 – Approval of issues of other securities

4.1 ASX Listing Rule 7.1

The parties below, other than Lujeta, Mr. Michael Shehadie and WH & LD Winnett, have subscribed for 890,317 New Notes at an issue price of \$1 each as part of the capital raising described in section 1.2.

Holder	New Notes
Link Enterprises (International) Pty Ltd	456,141
Fordholm Investments Pty Ltd	171,106
Oliveprince Pty Ltd	103,070
Somar Holdings Pty Ltd	100,000
Ginga Pty Ltd	<u>60,000</u>
Total	<u>890,317</u>

The New Notes are not convertible until Shareholders approve the activation of the Conversion Rights, being a condition precedent. In the event that Shareholders so approve and should all such New Noteholders elect to convert their New Notes into Shares then the Company would need to issue up to 17,807,000 Conversion Shares, representing a conversion price of \$0.05 per Share.

Should all the New Noteholders above elect to receive payment of interest due by way of issue of New Interest Shares, then the Company would need to issue up to 2,170,000 New Interest Shares.

Shareholder approval is now sought under Australian Stock Exchange Listing Rule 7.1, the provisions of which are described in section 1.5 above, to approve the above matters both to comply with those provisions in the first instance and also to ensure that there is optimum capacity under the 15% available to the company during the next 12 months should there be occasion to issue further equity securities.

4.2 Directors' recommendation

None of the Directors has a material personal interest in the outcome of the approval of Resolution 5. **The Directors unanimously resolved to put Resolution 5 to Shareholders and unanimously recommend that Shareholders approve Resolution 5.**

* * *

26 March 2009

The Directors
Corum Group Limited
Level 17, 24 Campbell Street
Sydney, NSW 2000

Dear Sirs,

Independent Expert's Report regarding the Conversion of Unsecured Debt into Equity and the Issue of New Convertible Notes for the purpose of Repayment of Debt and raising Working Capital.

Hall Chadwick Corporate
(NSW) Limited

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1. INTRODUCTION

Background

- 1.1 Corum Group Limited ("Corum" or "the Company") currently has outstanding \$6,700,000 in Unsecured Debt resulting from Convertible Notes ("Notes") that were on issue in the Company and not redeemed or converted into shares by their Maturity Date of 30 September 2008. The Notes were convertible into ordinary shares at the option of the Convertible Noteholders ("Noteholders") at a conversion price of \$0.10 per share.
- 1.2 The majority (\$6,250,000) of the Unsecured Debt is owed to Winmark Investment Group Pty Ltd ("Winmark"), an entity associated with Mark Winnett, a Director of the Company, and Lujeta Pty Ltd ("Lujeta"), which currently holds a 20.8% interest in Corum.
- 1.3 Lujeta and Winmark advised that they were not prepared to convert the Notes they held at 30 September 2008 into shares at \$0.10 per share. The explanation they provided was that the Corum shares were trading at a much lower value.
- 1.4 The conversion of the Unsecured Debt owing to Lujeta and Winmark (arising from the maturing of the Notes) is required to bring the debt / equity ratios of the Company into line with its banking covenants.
- 1.5 Corum proposes to issue up to 134,553,000 shares at \$0.05 each to Lujeta and Winmark to extinguish \$6,250,000 in Unsecured Debt and interest accrued thereon.
- 1.6 The Company has received written notification from the remaining parties that held Notes to the value of \$450,000 that they require their Unsecured Debt to be repaid in cash.

- 1.7 Corum has also reached an agreement with its major shareholders and other parties for a capital raising of approximately \$2 million by way of subscription for new 12% unsecured convertible redeemable notes ("New Notes") which are intended to be convertible at a price of \$0.05 per Share. Michael Shehadie, a director of Corum, has subscribed for \$100,000 worth of New Notes, Lujeta has subscribed for \$912,294 worth of New Notes and WH and LD Winnett, parents of Mark Winnett, a director of Corum, have subscribed for \$50,000 worth of New Notes. The conversion rights attaching to the New Notes is subject to shareholder approval.
- 1.8 The proceeds from the New Notes will be applied as follows:
- As to \$450,000, to repay the Notes referred to in paragraph 1.6 above;
 - As to \$374,000, to repay a short term loan from Lujeta; and
 - As to the balance, for the general working capital purposes of Corum.

Purpose of Report

- 1.9 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of Corum, other than those associated with the proposals referred to in Section 2.10, ("Non-Associated Shareholders"), whether these proposals are fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.10 HCC understands and has agreed that this report will accompany the notice to convene a meeting of Corum shareholders, to assist the Non-Associated Shareholders in their consideration of the proposals referred to in Section 2.10 (the "Transaction").

Opinion

- 1.11 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Corum.
- 1.12 The ultimate decision on whether to accept the proposed Transaction should be based on Corum shareholders' own assessment of their circumstances.

2. THE PROPOSED TRANSACTION

- 2.1 During the 2006 financial year ("FY2006") Corum (previously known as Cosmos Limited) entered into subscription agreements with a number of investors for the issue of Unsecured Redeemable Convertible Notes ("Notes") in the company, raising \$6,700,000 in working capital.
- 2.2 The Noteholders are:
- | | |
|--|-------------|
| Lujeta Pty Ltd ("Lujeta") | \$5,468,000 |
| Winmark Investment Group Pty Ltd ("Winmark") | \$782,000 |
| Link Enterprises (International) Pty Ltd | \$200,000 |
| Fordholm Investments Pty Ltd | \$150,000 |
| Oliveprince Pty Ltd | \$100,000 |
- 2.3 Winmark previously held \$1,000,000 in Notes. In February 2009 Winmark disposed of \$218,000 of this interest to Lujeta. Winmark is an entity associated with Mark Winnett, a director of the Company. Lujeta currently holds a 20.8% interest in Corum. Both Lujeta and Winmark are related parties of Corum but Lujeta and Winmark are not related to each other.
- 2.4 The original terms of the Notes were:
- Each Note is convertible into 10 ordinary shares for each \$1 of Notes at a conversion price of \$0.10 per share;
 - Interest at 10% p.a. is payable in shares at \$0.10 per share; and
 - Notes are convertible into ordinary shares only at the option of the Noteholders.
- 2.5 The Notes had an original Maturity Date of 30 September 2008. No Notes were redeemed by this date and no Noteholders have lodged conversion notices. The Company has received legal advice concluding that, as the period in which the Notes could have been converted into Corum shares has expired, the Notes continue to retain the legal characterisation of unsecured debt obligations of Corum (totalling \$6,700,000) and the Noteholders (now Unsecured Creditors) are no longer entitled to exercise their conversion rights under the original subscription agreements. The Unsecured Debt has been accruing interest at 12% p.a., compounding daily, since 1 October 2008, which is the rate Corum has agreed to pay the Unsecured Creditors following the expiration of the Notes.
- 2.6 As part of the Company's bank financing arrangements, Lujeta and Winmark had agreed to effectively hold/control sufficient ordinary voting shares so that after dilution on conversion of the Notes they would hold/control in aggregate a relevant interest in at least 65,000,000 ordinary voting shares of Corum. Lujeta and Winmark also agreed that they would not seek to redeem their Notes (or have their Unsecured Debt repaid) for cash while the bank facilities are in place, without the bank's permission. However, Lujeta and Winmark were not prepared to convert the Notes they held at 30 September 2008 into shares at \$0.10 per share. The explanation they provided was that the Corum shares were trading at a much lower value.
- 2.7 The Company has received written notification from Link Enterprises (International) Pty Ltd, Oliveprince Pty Ltd and Fordholm Investments Pty Ltd (collectively referred to

herein as the "Minor Creditors") that they require their Unsecured Debt to be repaid in cash. Lujeta and Winmark have agreed to convert their Unsecured Debt into equity under the terms detailed at Section 2.10 below.

2.8 On 16 December 2008, the Company announced that it had reached agreement with its major shareholders and other parties for a capital raising of approximately \$2 million by way of subscription for new 12% unsecured convertible redeemable notes ("New Notes") which are intended to be convertible at a price of \$0.05 per Share. Michael Shehadie, a director of Corum, has subscribed for \$100,000 worth of New Notes and Lujeta has subscribed for \$912,294 worth of New Notes. One of the investors (as to \$50,000) is WH & LD Winnett, the parents of Mark Winnett, currently a director of Corum. They are also technically to be treated as related parties of Corum, although they have no other interest in the company. Corum has now raised funds from the issue of New Notes totalling \$1,952,611. The balance of New Notes not held by Lujeta, Michael Shehadie, and WH & LD Winnett, totalling \$890,317, have been issued to parties not related to Corum.

2.9 The proceeds from the New Notes will be applied as follows:

- As to \$450,000, to repay the Notes referred to in paragraph 2.7 above;
- As to \$374,000, to repay a short term loan from Lujeta; and
- As to the balance, for the general working capital purposes of Corum.

2.10 This report deals with the following proposals which Corum intends to put to shareholders for their approval, referred to hereinafter as the "Transaction":

- a) The conversion by Lujeta and Winmark of their Unsecured Debt totalling \$6,250,000 into 125,000,000 Corum Shares at an issue price of \$0.05 per share.
- b) The payment of interest accrued on the Notes held by Lujeta and Winmark by the issue of up to 9,553,000 Corum Shares at an issue price of \$0.05 per share.
- c) The approval of conversion rights attaching to \$1,952,611 of New Notes at a conversion price of \$0.05 per Share. If New Notes are converted, then the interest thereon is also payable in Shares ("New Interest Shares").

Our report specifically deals with the New Notes subscribed for by Michael Shehadie, a director of Corum (face value of \$100,000), Lujeta, a substantial shareholder and related party of Corum (face value of \$912,294), and WH & LD Winnett, the parents of Mark Winnett, currently a director of Corum, and therefore related parties of Corum (face value of \$50,000), which may result in the issue of the following Conversion Shares and New Interest Shares, being up to:

- i. 2,000,000 Conversion Shares and 249,000 New Interest Shares to Michael Shehadie;
- ii. 18,246,000 Conversion Shares and 2,183,000 New Interest Shares to Lujeta; and
- iii. 1,000,000 Conversion Shares and 105,000 New Interest Shares to WH & LD Winnett.

2.11 The proposed issue price of the shares to be issued as a result of the conversion of Unsecured Debt and the conversion price of the New Notes of \$0.05 per share is herein referred to as the "Proposed Issue Price".

- 2.12 The following table shows the effect on the share capital of Corum immediately after the approval of the Transaction:

Effect on Ordinary Shares	Number of Shares
Ordinary shares currently on issue	107,338,861
Shares issued on conversion of \$6,250,000 of Unsecured Debt at the Proposed Issue Price of \$0.05 per share (1)	125,000,000
Shares issued as payment of interest on Unsecured Debt at the Proposed Issue Price of \$0.05 per share (2)	9,553,000
Total ordinary shares on issue after transaction	<u>241,891,861</u>

Notes:

1. Only the Unsecured Debt owing to Lujeta and Winmark totalling \$6,250,000 is to be converted. The Minor Creditors with Unsecured Debt totalling \$450,000 in value have requested their Unsecured Debt to be repaid.
2. Interest accrued at 12% p.a., compounding daily, from 1 October 2008 to 12 May 2009 (proposed date of shareholders meeting to approve the Transaction).
3. There will be 1,952,611 New Notes of \$1 each still outstanding as unsecured debt. Up to 39,053,000 Conversion Shares and 4,706,000 New Interest Shares could be issued if all New Noteholders chose to convert their New Notes in full on the Maturity Date.

- 2.13 The maximum numbers of Shares that may be issued to Lujeta and Winmark following the Transaction is as follows:

	<u>Lujeta</u>	<u>Winmark</u>	<u>Aggregate</u>
Capitalisation Shares	109,360,000	15,640,000	125,000,000
Interest Shares	8,357,000	1,196,000	9,553,000
Conversion Shares	18,246,000	-	18,246,000
New Interest Shares	<u>2,183,000</u>	<u>-</u>	<u>2,183,000</u>
Total	<u>138,146,000</u>	<u>16,836,000</u>	<u>154,982,000</u>

- 2.14 Lujeta and Winmark currently hold 22,338,146 (20.8%) and 2,599,795 (2.4%) Corum shares respectively. In the event that no other New Noteholders convert their New Notes, the maximum potential increase in Lujeta's and Winmark's voting power if the Transaction is approved, is as follows:

	<u>Number</u>	<u>%</u>
Lujeta	160,484,146	61.2
Winmark	19,435,795	7.4

- 2.15 In the event that other New Noteholders convert their New Notes in full, the maximum voting power Lujeta and Winmark will hold in Corum if the Transaction is approved, is 56.2% and 6.8% respectively.

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 BACKGROUND
- 7 OVERVIEW OF CORUM
- 8 VALUATION METHODOLOGIES
- 9 VALUE OF CORUM
- 10 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 11 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of Corum of the fairness and reasonableness of the Transaction.

This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the Corum shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).

The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

For the Transaction to be fair, the Proposed Issue Price must be equal to or greater than the market value of the Corum ordinary shares to be issued (including the Conversion Shares and New Interest Shares). To be reasonable, the shareholders must obtain an overall benefit if the transaction proceeds.

- 3.2 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act") and the Australian Stock Exchange ("ASX") Listing Rules.

Corporations Act Requirements

- 3.3 If the Transaction is approved, Lujeta's voting power in Corum will increase from 20.8% to a maximum of 61.2% (assuming no other New Noteholders convert their New Notes on maturity).
- 3.4 Corum has confirmed that there are no other Corum shareholders that may be regarded as related to or associated with Lujeta.
- 3.5 Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or from a starting point that is above 20% and below 90%. Section 606(1) prohibits Lujeta from acquiring an interest in the ordinary shares in Corum as a result of the Transaction unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.
- 3.6 The exceptions set out in Item 7 of Section 611 of the Corporations Act include a transaction that is approved by a resolution of shareholders of Corum passed at a general meeting as per Section 611. This is the exception which is being relied upon by the Corum shareholders. At the general meeting of Corum no votes will be allowed to be cast by those persons (or their associates) acquiring shares under the Transaction (that is, Lujeta and its associates).
- 3.7 Under Chapter 2E (inclusive of Sections 207 to 230), Section 208 of the Corporations Act, a public company must not give a financial benefit to a related party without shareholder approval. Section 228(2) of the Corporations Act defines a related party as the following:

- An entity that controls a public company;
- Directors of the public company;
- Directors of an entity that controls the public company;
- If the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- Spouses and de-facto spouses of the persons referred to above;
- Parents and children of directors of entities referred to above.

However, Section 210 of the Corporations Act states that member approval is not required to give a financial benefit on terms that:

- Would be reasonable in the circumstances if the public company or entity and the related party were dealing at arms length (i.e. the transaction was for market value); or
- Are less favourable to the related party than the terms above.

Following shareholder approval of the Transaction, Lujeta will control the Company in its own right and thereby be a related party of the Company by reason of section 228(1) of the Corporations Act. As there are reasonable grounds to believe that the Transaction will be approved, resulting in Lujeta becoming a related party of the Company, section 228(6) of the Corporations Act says that Lujeta is a related party today despite the fact that the Transaction has not yet been put to Shareholders.

As Mark Winnett and Michael Shehadie are directors of Corum, they are related parties of Corum for the purposes of Chapter 2E.

As Winmark is a company controlled by Mark Winnett, this entity is a related party of Corum under Section 228 of the Corporations Act.

WH & LD Winnett, the parents of Mark Winnett, currently a director of Corum, are also related parties of Corum for the purposes of Chapter 2E.

Under Section 229(3)(e) of the Corporations Act, the giving of a “financial benefit” includes issuing securities to the related party.

Accordingly, the issue of shares to Lujeta, Winmark, Michael Shehadie and WH & LD Winnett requires shareholder approval under Chapter 2E of the Corporations Act.

- 3.8 Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 “Content of Experts Reports” requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert’s report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

ASX Listing Rules

- 3.9 ASX Listing Rule 7.1 states that without the approval of holders of ordinary shares, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula:

$$(A \times B) - C$$

Where:

A = The number of fully paid ordinary securities on issue 12 months prior to the date of agreement;

- Plus the number of fully paid ordinary securities issued under an exception in ASX Listing Rule 7.2,
- Plus the number of partly paid ordinary securities that became fully paid in the 12 months,
- Plus the number of fully paid ordinary securities that become fully paid in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1,
- Less the number of fully paid ordinary securities cancelled in the 12 months.

B = 15%

C = The number of equity securities issued or agreed to be issued in the 12 months before the date of the issue or agreement to issue but under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

- 3.10 The ordinary shares to be issued as part of the Transaction will result in an issue of Corum ordinary securities greater than allowed under the above formula. Accordingly, under ASX Listing Rule 7.1 Corum must obtain approval from the holders of the ordinary shares.
- 3.11 ASX Listing Rule 7.3 sets out the items to be included in the notice of general meeting of shareholders. Listing Rule 7.3 does not specifically require the notice to include a copy of an independent expert's report commenting on the issue.
- 3.12 ASX Listing Rule 10.11 requires that an entity must not issue or agree to issue equity securities to any of the following persons without the approval of holders of ordinary securities:
- A related party;
 - A person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained.
- 3.13 Accordingly, under ASX Listing Rule 10.11, Corum must obtain approval from the holders of ordinary shares to issue shares to Lujeta, Winmark, Michael Shehadie and WH & LD Winnett as related parties of Corum.

4. OPINION

- 4.1 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Corum.
- 4.2 Our opinion is based solely on information available as at the date of this report.
- 4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

- 4.4 For the Transaction to be fair, the Proposed Issue Price must be equal to or greater than the market value of the Corum shares to be issued (including the Conversion Shares and New Interest Shares).
- 4.4.1 Based on the analysis contained in section 9 of this report, the indicative value of the Corum shares is in the range of \$0.041 to \$0.045 per share, with a midpoint value of **\$0.043** per share, which is inclusive of a 20% premium for control under the primary valuation method in section 9.
- 4.4.2 The conversion rights attaching to the New Notes represent options to convert to Conversion Shares. The New Notes have a maturity date of 31 December 2009 and may convert at a predetermined price of \$0.05 per share. We must therefore attribute a value to the option representing the additional value to the noteholder for the 12-month period in which the Corum share price may vary from the current price.
- 4.4.3 Interest on the New Notes at 12% per annum is payable in shares at \$0.05 per share ("New Interest Shares") if the New Notes are converted on the maturity date of 31 December 2009, or sooner at the holders option. As the New Interest Shares may be issued at a fixed price of \$0.05 per share, they represent a potential cost to the Company if the shares are issued at a discount to the market value at the time of issue. The entitlement to New Interest Shares therefore reflects an option to subscribe for shares at \$0.05 per share at any time up to 31 December 2009.
- 4.4.4 Based on our analysis of Corum shares and the application of the Black Scholes formula at Section 9.5, we are of the opinion that the value of the Conversion Shares and New Interest Shares which may be issued pursuant to the Transaction is in the range of \$0.044 to \$0.050 per share, with a midpoint value of \$0.047 per share.
- 4.4.5 The value of the maximum number of securities to be issued following approval of the Transaction, based on the midpoint share values detailed above, totals **\$7,842,452**, as shown in the following table:

Share / Option	No. of shares (Note 1)	Value per share (\$)	Total Cost to Corum (\$)
Unsecured Debt Conversion	125,000,000	0.043	5,375,000
Interest Shares from Unsecured Debt	9,553,000	0.043	410,779
Conversion Shares	39,053,000	0.047	1,835,491
New Interest Shares	4,706,000	0.047	221,182
Total	178,312,000		7,842,452

Notes:

- (1) Shares to be issued under the Transaction to Lujeta, Winmark, Michael Shehadie and WH & LD Winnett are as follows:

	<u>Lujeta</u>	<u>Winmark</u>	<u>M.Shehadie</u>	<u>WH & LD Winnett</u>
Capitalisation Shares	109,360,000	15,640,000		
Interest Shares	8,357,000	1,196,000		
Conversion Shares	18,246,000	-	2,000,000	1,000,000
New Interest Shares	<u>2,183,000</u>	<u>-</u>	<u>249,000</u>	<u>105,000</u>
Total Shares	<u>138,146,000</u>	<u>16,836,000</u>	<u>2,249,000</u>	<u>1,105,000</u>
Total Value	<u>\$6,021,994</u>	<u>\$723,948</u>	<u>\$105,703</u>	<u>\$51,935</u>

- (2) In relation to the valuation of shares, we have assumed that circumstances and variables are exactly the same when the shares are issued (either as convertible notes with the option to convert to shares or as an option to convert interest to shares) as current circumstances and variables, notwithstanding the shares may not be issued until 31 December 2009.
- (3) The cost of the New Interest Shares calculated at 12% p.a. reflects a reasonable return to noteholders for the time-value of money and the risk associated with the loan being made by the noteholders, based on the current financial circumstances of Corum.

4.4.6 The Proposed Issue Price is **\$0.05** per share. Based on the total shares to be issued under the Transaction of 178,312,000, the total consideration received by Corum as part of the Transaction is **\$8,915,600**.

4.4.7 Therefore, based on the value attributed to Corum shares to be issued and comparing this to the Proposed Issue Price and total consideration to be received by Corum, in our opinion the Transaction is fair.

Reasonable

4.5 ASIC Regulatory Guide 111 considers a Transaction to be reasonable if:

- The Transaction is fair; or
- Despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the Transaction proceeds.

4.5.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors.

- The Transaction is fair;
- Lujeta and Winmark advised Management that they were not prepared to convert the Notes they held at 30 September 2008 into shares at \$0.10 per share. The explanation they provided was that the Corum shares were trading at a much lower value;
- The \$1,952,611 in funds raised from the New Notes will allow the company to extinguish certain debts and provide necessary working capital to the business;
- The Transaction will result in a net reduction in debt of approximately \$6.25 million and a reduction in associated interest charges at the current interest rate of 12% per annum compounding daily; and
- The Transaction will allow Corum to rectify a breach of covenants with its bankers, as the conversion of the \$6,250,000 in Unsecured Debt at \$0.05 per share brings the debt / equity ratios of the Company into line with its banking covenants.

4.6 Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of Corum.

5 BASIS OF EVALUATION

Fair and Reasonable Assessment

- 5.1 In our assessment of whether the Transaction is fair and reasonable to Corum Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 111 "Content of Experts Reports" and Regulatory Guide 112 "Independence of Experts Reports".
- 5.2 ASIC Regulatory Guide 111 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is "fair" if the value of the asset being acquired (or in this case the consideration being paid for the shares to be issued) is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is "reasonable" if it is fair. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the Proposed Issue Price under the proposed Transaction and the current market value of the shares being issued (including the Conversion Shares and New Interest Shares) is only one element of this assessment.
- 5.4 Additionally we have considered whether any shareholder will obtain a level of control in Corum as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case Lujeta will obtain control of Corum with a possible maximum interest of 61.2% and this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm's length. We have adopted this approach in determining the market value of Corum.
- 5.6 In evaluating the Transaction, we have considered the value of the Corum shares to be issued and compared this to the Proposed Issue Price of \$0.05. We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in Corum will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholders' interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of Corum;
 - The value of Corum shares, under various methodologies;
 - Any control premium associated with the Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - The share trading history of Corum shares;
 - The likely value and liquidity of Corum shares in the absence of the Transaction.

Information relied upon

- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. 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. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. 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.
- 5.11 We in no way guarantee the achievability of any forecasts of future profits of Corum. Forecasts are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may very significantly from those forecast by Corum. We have not independently verified any forecast financial information for Corum.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

Independence of Hall Chadwick Corporate (NSW) Limited (HCC)

- 5.13 HCC is not the auditor of Corum. The auditor of Corum is Hall Chadwick Chartered Accountants and Business Advisors Sydney Partnership. The partners of Hall Chadwick Chartered Accountants and Business Advisors Sydney have a 100% interest in HCC. We have assessed that HCC has sufficient independence to prepare this Report. The matter the subject of this report is not one on which Hall Chadwick, as auditor, will rely in any future audit process. The audit partner and all members of the Hall Chadwick audit staff have not been involved directly or indirectly in the preparation of this report.

6 BACKGROUND

- 6.1 Corum is an Australian listed public company. During FY2006 Corum entered into agreements with a number of investors for the issue of Unsecured Redeemable Convertible Notes ("Notes") in the company, raising \$6,700,000 in working capital.
- 6.2 The Noteholders are:
- | | |
|--|-------------|
| Lujeta | \$5,468,000 |
| Winmark | \$782,000 |
| Link Enterprises (International) Pty Ltd | \$200,000 |
| Fordholm Investments Pty Ltd | \$150,000 |
| Oliveprince Pty Ltd | \$100,000 |
- 6.3 Winmark previously held \$1,000,000 in Notes. In February 2009 Winmark disposed of \$218,000 of this interest to Lujeta.
- 6.4 The original terms of the Notes were:
- Each Note is convertible into 10 ordinary shares for each \$1 of Notes at a conversion price of \$0.10 per share;
 - Interest at 10% p.a. is payable in shares at \$0.10 per share;
 - Notes are convertible into ordinary shares only at the option of the Noteholders.
- 6.5 The Notes had an original Maturity Date of 30 September 2008. No Notes were redeemed by this date and no Noteholders have lodged conversion notices. The Company has received legal advice concluding that, as the period in which the Notes could have been converted into Corum shares has expired, the Notes continue to retain the legal characterisation of unsecured debt obligations of Corum (totalling \$6,700,000) and the Noteholders (now Unsecured Creditors) are no longer entitled to exercise their conversion rights under the original subscription agreements.
- 6.6 As part of the Company's bank financing arrangements, Lujeta and Winmark agreed to effectively hold/control sufficient ordinary voting shares so that after dilution on conversion of the Notes they would hold/control in aggregate a relevant interest in at least 65,000,000 ordinary voting shares of Corum. Lujeta and Winmark also agreed that they would not seek to redeem their Notes (or have their Unsecured Debt repaid) for cash while the bank facilities are in place, without the bank's permission. Lujeta and Winmark were not prepared to convert the Notes they held at 30 September 2008 into shares at \$0.10 per share. The explanation they provided was that the Corum shares were trading at a much lower value.
- 6.7 The Company has received written notification from the Minor Creditors that they require their Unsecured Debt to be repaid in cash. Lujeta and Winmark have agreed to convert their Unsecured Debt into equity under the terms detailed at Section 6.10 below.
- 6.8 On 16 December 2008, the Company announced that it had reached agreement with its major shareholders and other parties for a capital raising of approximately \$2 million by way of subscription for New Notes, which are intended to be convertible at a price of \$0.05 per Share. Michael Shehadie has subscribed for \$100,000 worth of New Notes, Lujeta has subscribed for \$912,294 worth of New Notes and WH and LD Winnett, parents of Mark Winnett, a director of Corum, have subscribed for \$50,000 worth of New Notes. Corum has now raised funds from the issue of New Notes totalling \$1,952,611.

The balance of New Notes not held by Lujeta, Michael Shehadie and WH & LD Winnett, totalling \$890,317, have been issued to parties not related to Corum.

- 6.9 The proceeds from the New Notes will be applied as follows:
- As to \$450,000, to repay the Notes referred to in paragraph 6.7 above;
 - As to \$374,000, to repay a short term loan from Lujeta; and
 - As to the balance, for the general working capital purposes of Corum
- 6.10 This report deals with the following proposals which Corum intends to put to shareholders for their approval, referred to hereinafter as the "Transaction":
- a) The conversion by Lujeta and Winmark of their Unsecured Debt totalling \$6,250,000 into 125,000,000 Corum Shares at an issue price of \$0.05 per share.
 - b) The payment of interest accrued on the Notes held by Lujeta and Winmark by the issue of up to 9,553,000 Corum Shares at an issue price of \$0.05 per share.
 - c) The approval of conversion rights attaching to \$1,952,611 in New Notes at a conversion price of \$0.05 per Share. If New Notes are converted, then the interest thereon is also payable in Shares ("New Interest Shares").

Our report specifically deals with the New Notes subscribed for by Michael Shehadie, a director of Corum (face value of \$100,000), Lujeta, a related party and substantial shareholder of Corum (face value of \$912,294), and WH & LD Winnett, the parents of Mark Winnett, currently a director of Corum, and therefore related parties of Corum (face value of \$50,000), which may result in the issue of the following Conversion Shares and New Interest Shares, being up to:

- i) 2,000,000 Conversion Shares and 249,000 New Interest Shares to Michael Shehadie;
 - ii) 18,246,000 Conversion Shares and 2,183,000 New Interest Shares to Lujeta; and
 - iii) 1,000,000 Conversion Shares and 105,000 New Interest Shares to WH & LD Winnett.
- 6.11 The material terms of the New Notes are as follows:
- each New Note has a Face Value of \$1, being the outstanding principal amount;
 - the maturity date is 31 December 2009;
 - simple interest is payable on the maturity date (or sooner if New Notes are converted) calculated at a rate of 12 per cent per annum;
 - each New Note is redeemable on the maturity date unless converted earlier;
 - each New Note is unsecured;
 - in the event of default each New Note becomes repayable on demand together with accrued interest;
 - the following are events of default:
 - (a) the Company is default in the payment of any moneys due under the New Note;
 - (b) the Company becomes insolvent;
 - (c) an administrator or receiver is appointed to the Company;
 - (d) a winding-up order is made against the Company;

- interest will be paid in cash unless the New Notes are converted in which case the related interest will be paid in Shares at a price of 5 cents per Share;
- subject to the prior approval of Shareholders as a condition precedent, a holder of New Notes may elect to convert all or any of such New Notes into Shares at an issue price of 5 cents per Share by giving notice at any time up to 15 December 2009.

6.12 The Proposed Issue Price of the shares to be issued as a result of the conversion of Unsecured Debt and the conversion price of the New Notes is \$0.05 per share.

6.13 Reasons for the proposed Transaction include:

- Lujeta and Winmark advised that they were not prepared to convert the Notes they held at 30 September 2008 into shares at \$0.10 per share. The explanation they provided was that the Corum shares were trading at a much lower value.
- Bringing the debt / equity ratios of the Company into line with its banking covenants through the conversion into shares of \$6,250,000 in Unsecured Debt.
- Raising \$1,952,611 from the issue of New Notes to be used as follows:

Repayment of Minor Creditors	\$450,000
Repayment of a loan from Lujeta	\$374,000
Provision of working capital and payment of interest on outstanding Notes and loan	\$1,128,611

6.14 Following the Transaction Lujeta may hold an interest of up to 61.2% in Corum (assuming no other New Noteholders convert their New Notes on maturity).

7. OVERVIEW OF CORUM

7.1 Corporate History

7.1.1 Corum is an Australian public company which owns companies operating in a variety of service industries. Committed to service and innovation, Corum leverages the assets, relationships and intellectual property of all its companies and the industry knowledge of their respective key personnel to ensure each becomes and remains a high-performance operation.

7.1.2 Corum's strategy combines industry-specific expertise in consulting and technology with a consistent framework of strategic planning, commercial management and governance. A hands-on executive management team works actively in each company to review processes, effect financial efficiencies, improve service standards and product offerings, and continually identify and exploit new opportunities.

7.2 Products and Services

7.2.1 Through the products, services and processes of each of its companies Corum is determined to offer the best solutions to its customers.

7.2.2 Corum has three operating divisions:

- **Corum Health Services:** provides point-of-sale and dispensing software solutions to almost half of the pharmacies Australia-wide, through Corum Health Services' Amfac and Pharmasol products.
- **Corum eCommerce:** provides bill presentment and payment solutions to corporations and government bodies. eCommerce incorporates *Corum Real Estate Services*, which provides electronic rent card services to real estate franchise groups and independent agents.
- **Corum Training:** is a recently licensed Registered Training Organisation (RTO) that aims to become the preferred provider of training to Australian real estate professionals.

7.2.3 Corum's consolidated revenue from trading operations for FY2008 totalled \$18.6 million. Despite restructuring issues faced by the company in previous years, the revenue base of the Company's operating divisions has stayed relatively stable as shown in the table below:

\$000's	2005	2006	2007	2008
Health Services	10,361	11,320	12,728	13,071
eCommerce	5,165	4,995	4,391	5,163
Training	-	-	224	378
Total	15,526	16,315	17,343	18,612
Interest and other revenue	38	49	489	224
Total Reported Revenue	15,564	16,364	17,832	18,836

7.2.4 Management advises that the growth potential of each Corum company is underpinned by the increasing use of technology to improve profitability and reduce costs through

operational efficiencies. Continued industry regulatory change is a source for new opportunities and Corum has positioned itself to maximise this potential.

- 7.2.5 Through shared assets and experience each Corum company has developed its own product for its clients which management believes are both strong and reliable. Corum management believe their future growth, diversification opportunities and profitability is facilitated through consistent industry support for the products and services developed and maintained by the Corum group of companies.

7.3 Corum Health Services

- 7.3.1 Corum Health Services holds a leading position in the Australian pharmacy market for point-of-sale and dispensing software applications with Corum Health Services' Amfac and Pharmasol products. It has a stable market share of approximately 45% with more than 2,300 pharmacies as customers Australia-wide.
- 7.3.2 Compliant with the latest health care legislation, these products assist pharmacists to dispense scripts safely, maintain inventory in the dispensary and shop-front and manage orders with wholesalers. The current product suite comprises point-of-sale, script dispensing and wireless stocktaking solutions with supply-chain management and comprehensive reporting.
- 7.3.3 By maintaining close relationships with industry bodies, government and other software groups, Corum Health Services actively participates on an industry level to improve standards and efficiencies through technological innovation. Corum Health Services was the first to install PBS Online in an Australian pharmacy in September 2004 and is part of the PharmX consortium providing an innovative on-line ordering system for pharmacists and wholesalers.
- 7.3.4 PBS Online is a government funded initiative to streamline and manage the Pharmaceutical Benefits Scheme at the pharmacy level.
- 7.3.5 Corum Health Services continues to invest in the rationalisation of its product suite and the development of additional functionality, particularly for banner group head offices. In FY2009 it expects to launch the new banner group product. Corum would expect to achieve an improved EBITDA contribution from this business in FY2009.
- 7.3.6 All pharmacies currently have EFTPOS facilities; however these have been arranged individually by each pharmacy (or group of pharmacies) directly with various banks. The EFTPOS terminals are not integrated into the pharmacy's Point of Sale (POS) systems, which forces the pharmacy checkout staff to manually process the transaction. This often results in keystroke errors, and the possibility of reconciling transactions with sales is non-existent. There is an immediate benefit to the pharmacy in integrating EFTPOS into the POS. Corum has integrated EFTPOS terminals into the pharmacy POS systems and advertises this functionality to all pharmacy customers.
- 7.3.7 The main competitors of Corum Health Services include:
- **Symbion Health Limited:** Provides health care products and services. **Minfos**, part of the Symbion Pharmacy Services division of Symbion Health, offers an integrated database solution that is a single database for all applications, one product file, one

customer file, one software update etc. Core products are minfos multiStore, Dispense & Pos.

- **PCA NU Systems Pty. Ltd:** Corum's main competitor, PCA Nu Systems, provides IT and business solutions to pharmacy and retail industries.
- **Simple Retail:** Providers of software & hardware solution, including a Mini-POS system specifically developed in response to the needs of smaller pharmacies, such as medical centre pharmacies with a small front shop trade and few staff.
- **Posmaster:** Provides a POS system aimed at simplifying and automating the retail functions of pharmacists and general retailers, including sales audit trails, order entry, electronic ordering, electronic invoicing, bar coding and multi-store.
- **Mountain Top:** Offers a windows based Pharmacy POS with multi-store and warehouse capabilities.
- **CDC Systems:** Supplies Dispense POS Warehouse Head office & Accounting programs that run under Linux & windows operating systems. CDC also provides software for minilabs (photography) in pharmacies.
- **EzyUse:** Provides computer business solution to pharmacy and small to medium retail businesses, including POS and web-based multi-store software.
- **Merlin POS:** Provides Warehouse System (electronic ordering, electronic invoicing, electronic price books and promotions and reporting facilities) and Point of Sale System (ability to compare the last invoice price against the wholesalers best buy price, full system audit trails, clerk and department comparison statistics, customer flow charts and other information services.
- **Pharmacy Pro:** Provides Integrated Dispense & POS modules.

7.4 Corum eCommerce

- 7.4.1 Corum eCommerce provides bill presentment and payment solutions to many of Australia's best-known corporate entities such as AGL and Federal Express, plus government bodies such as local councils. Corum management advise the business processes approximately \$2 billion of such transactions annually.
- 7.4.2 Solutions are founded on a scalable flexible platform, facilitating a secure fully integrated revenue collection process to streamline receivables management. This automated exchange between an organisation, its customers and its bank dramatically reduces transaction and billing costs in administration, delivery, reconciliation and reporting.
- 7.4.3 Multiple solutions are available that address each client's unique requirements including customised branding, surcharging and electronic bill presentment and payment. Corum eCommerce was the first to enable 'user pays' credit card payments to councils, resulting in considerable savings to these organisations.
- 7.4.4 Corporate transaction processing is stable with the mix of customers slowly shifting from the private sector to utilities such as AGL and local councils. All these customers are on long term contracts.
- 7.4.5 The eCommerce division is enjoying a resurgence of interest from many of its existing clients. The word of mouth marketing has resulted in substantial additional inbound

enquiry from existing and prospective clients. Corum eCommerce currently has 74 active corporate clients.

- 7.4.6 A separate business development team has been established to focus on the corporate sector, once again with a range of web and IVR based e-commerce services. These services are complemented with custom developed applications and enhanced reporting functionality that is not currently available through most of the smaller payment gateway service providers.
- 7.4.7 Mobile EFTPOS is also a primary focus for the eCommerce group, and is emerging as a significant market segment.
- 7.4.8 Corum eCommerce is expanding its transaction processing business in the corporate and government sectors, and has invested in a new platform that will significantly decrease the costs of transactions and improve end-user functionality when paying bills. This facility is due to go live in the second quarter of 2009 and is expected to have a positive impact on earnings in FY2009.

Corum Real Estate Services

- 7.4.9 Leveraging the eCommerce technologies, Corum advises that Real Estate Services currently processes about \$1 billion in rent payments for the 17 major real estate franchise groups and independent agents annually.
- 7.4.10 Designed in conjunction with real estate agents and property managers, Corum's electronic rent card service streamlines the rent collection process to dramatically reduce costs in banking, reconciliation, administration and reporting. Customised branding also enables agents to increase brand awareness, for example through the L.J. Hooker Priority Card.
- 7.4.11 Tenants Australia-wide enjoy the convenience of multiple rent payment options which in turn deliver significant savings to real estate agents.
- 7.4.12 Corum Real Estate Services increased tenant numbers by 34% during FY2008, and is currently providing payment services for over 104,000 tenants. The growth rate in this division is approximately 3% per month.

7.5 Corum Training

- 7.5.1 An extension of Corum's involvement in the real estate industry, Corum Training is a licensed Registered Training Organisation which aims to become the preferred provider of training to Australian real estate professionals. Corum Training was officially launched in November 2006 after receiving accreditation as a RTO. Corum's offering ranges from industry qualification courses and distance learning to skill development, success orientated programs and coaching.
- 7.5.2 Real estate professionals in sales and property management must undertake training to obtain and continue to hold the required certificate or licence qualifications.

7.6 Financial Information

7.6.1 Set out below are the Consolidated Profit and Loss Statements of Corum for the years ended 30 June 2007 ("FY2007") and ("FY2008").

CORUM GROUP LIMITED		
PROFIT AND LOSS STATEMENTS		
\$'000	FY2008	FY2007
Revenue		
Health Services	13,071	12,728
E-Commerce	5,163	4,391
Training	378	224
Interest and other revenue	224	489
	<u>18,836</u>	<u>17,832</u>
Materials and consumables used	(2,321)	(2,062)
Employee expenses	(12,345)	(9,185)
Occupancy costs	(944)	(703)
Legal expenses	(401)	(616)
Marketing expenses	(803)	(527)
Depreciation and amortisation expense	(1,146)	(701)
Borrowing costs	(1,150)	(1,683)
Impairment of intellectual property	(1,260)	-
Provision against loan to joint venture	(15)	(126)
Other expenses	(1,573)	(1,820)
	<u>(21,958)</u>	<u>(17,423)</u>
Net profit/(loss) before income tax benefit	(3,122)	409
Income tax expense	-	-
Net profit/(loss) after income tax benefit	<u>(3,122)</u>	<u>409</u>

7.6.2 Normalised results for FY2007 and FY2008:

The FY2007 and FY2008 results include a number of one-off or abnormal items, which if adjusted would increase net profit before tax ("NPBT") for these years as follows:

\$'000	FY2008	FY2007
NPBT per audited accounts	(3,122)	409
Add back:		
Interest expense on Convertible Notes (1)	625	625
Impairment of intellectual property (2)	1,260	-
Provision for write down of Investment in PharmX Joint Venture	141	-
Normalised NPBT	<u>(1,096)</u>	<u>1,034</u>

(1) Earnings have been adjusted for the interest expense on the Convertible Notes on the basis that Convertible Notes totalling \$6,250,000 are treated as an equity instrument.

- (2) Intellectual property relating to the transaction processing business of Corum eCommerce was written down by Directors in FY2008 as it had been rendered obsolete by recent product and systems development. This has been added back as a non-recurring expense.
- (3) Corum has income tax losses and capital losses carried forward at 30 June 2008 totalling \$53,118,562 and \$11,784,296 respectively in the following entities:
 - Corum Group Limited: \$39,863,671 tax losses, \$11,784,296 capital losses
 - Amfac Pty Ltd: \$636,707 tax losses
 - Pharmasol Pty Ltd: \$1,504,401 tax losses
 - Corum eCommerce Pty Ltd: \$3,820,185 tax losses
 - Corum Training Pty Ltd: \$169,335 tax losses
 - Corum Systems Pty Ltd: \$7,124,263 tax losses

For the following reasons we consider that these losses may not have a material value to Corum as at the date of this report:

- The Corum group of companies has not consolidated for income tax purposes. Therefore the trading subsidiaries do not have access to the losses in the parent entity, Corum Group Limited.
- The Transaction will result in a majority change in ownership of Corum which may have an effect on the availability of the losses to be carried forward as the companies may not pass the Continuity of Ownership test. In such case, only those losses which satisfy certain tests relating to a continuation of business will be able to be carried forward.
- The Corum group of companies have historically traded at a loss and it is uncertain as to whether the Company and its wholly owned subsidiaries will earn sufficient profits in the future to fully utilise the losses available. Future earnings are unable to be reliably determined due to uncertainty regarding future revenue streams and the general economic environment.
- As discussed at section 8, we have valued Corum using the market value of shares approach. We have assumed the market value of the Corum shares reflects all publicly available information on the Company, including all historical financial information, in particular that relating to the availability of tax losses.

7.6.3 Corum believes that earnings for FY2009 and beyond will be substantially improved on historical results achieved to date due to the following:

- Completion of the majority of product development and rationalisation and the release of new products during FY2009;
- New integrated EFTPOS system for eCommerce and Health Services divisions from January 2009; and
- Continued growth in eCommerce (Real Estate) client base consistent with the current growth rates being maintained.

7.6.4 However, Management is unable to disclose forecast financial information and is not able to provide sufficient verification to support forecasts due to uncertainty regarding future revenue streams and the general economic environment. There is uncertainty regarding the continuation of the Pharmaceutical Benefits Scheme ("PBS") Online Scheme, and the system Corum will adopt to manage its PBS business revenue in the future. There is also a level of uncertainty regarding the effect the current economic downturn will have on the future earnings of the Company.

- 7.6.5 Set out below is the Reviewed Consolidated Balance Sheet of Corum as at 31 December 2008 and the Pro forma Consolidated Balance Sheet showing the effect of the proposed Transaction.

CORUM GROUP LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2008

S'000	Actual Reviewed	Pro forma Adjustments (iv)	Pro forma
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	3,065	178	3,244
Trade and other receivables	416		416
Inventories	52		52
Other	732		732
	<u>4,265</u>	<u>178</u>	<u>4,443</u>
<u>NON-CURRENT ASSETS</u>			
Plant & equipment	1,018		1,018
Intangible assets (i)	18,847		18,847
Other assets	181		181
	<u>20,046</u>		<u>20,046</u>
TOTAL ASSETS	<u>24,311</u>	<u>178</u>	<u>24,489</u>
<u>CURRENT LIABILITIES</u>			
Trade and other payables	5,644		5,644
Deferred revenue	171		171
Financial liabilities (ii)	12,908	(10,641)	2,267
Provisions	709		709
	<u>19,432</u>	<u>(10,641)</u>	<u>8,791</u>
<u>NON-CURRENT LIABILITIES</u>			
Financial liabilities (ii)	50	4,569	4,619
Provisions	207		207
	<u>257</u>	<u>4,569</u>	<u>4,826</u>
TOTAL LIABILITIES	<u>19,689</u>	<u>(6,072)</u>	<u>13,617</u>
NET ASSETS	<u>4,622</u>	<u>6,250</u>	<u>10,872</u>
<u>EQUITY</u>			
Issued capital	78,576	6,250	84,826
Reserves	313		313
Accumulated losses	(74,267)		(74,267)
TOTAL EQUITY	<u>4,622</u>	<u>6,250</u>	<u>10,872</u>

Notes:

- i. Intangible assets comprise the following:
 - 1. Goodwill of \$15,364,000 relating to the acquisitions of the Lockie Computer business (now Pharmasol) and the Amfac business, and goodwill arising on the consolidation of Corum eCommerce.
 - 2. Intellectual property of \$14,000 relating to the transaction processing business of Corum eCommerce.
 - 3. Development costs of \$3,469,000 relating to computer software programs developed by Pharmasol, Amfac and Corum eCommerce.
- ii. Financial liabilities comprise the following:
 - 1. Convertible Notes (now Unsecured Debt) totalling \$6,700,000, of which it is proposed \$6,250,000 will be converted into 125,000,000 ordinary shares at an issue price of \$0.05, and the balance of \$450,000 repaid to Minor Creditors.
 - 2. New Notes issued to 31 December 2008 totalling \$1,264,000.
 - 3. Secured bank loan facility of \$4,994,000.
- iii. The Pro forma balance sheet shows the effect of the capitalisation of \$6,250,000 of Unsecured Debt and subscriptions for New Notes received after 31 December 2008 (namely \$178,000). In addition, it reflects the banking covenants being reset and the reclassification of the relevant portion of bank debt (namely \$4,569,000) as a non-current financial liability.

8 VALUATION METHODOLOGIES

8.1 Selection of Methodology

8.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to Corum shares.

8.1.2 In assessing the value of Corum we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings, plus the estimated realisable value of any surplus assets;
- Discounted Cash Flow: the net present value of future cash flows, plus the estimated realisable value of any surplus assets;
- Comparable Market Transactions: the identification of comparable sale transactions for a similar industry company to that being valued.

We consider each of these valuation methodologies below.

8.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of 'unusual' and/or 'abnormal' trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the 'fair' market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

We consider that adopting a market value of shares methodology to determine an indicative value of Corum is appropriate as it reflects all publicly available information on the Company and therefore we believe it is a reliable reflection of the current value of Corum shares.

8.1.4 Realisation of Assets or Net Asset Backing

The asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

As Corum has predominantly revenue based businesses, the book value of the assets may not be representative of the inherent value of the Company. However, we have chosen the asset approach as a secondary valuation methodology as a comparison to the primary method chosen, being the market value of shares.

8.1.5 Capitalisation of Future Maintainable Earnings

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

The capitalisation of earnings or future maintainable profits is the most frequently used method of valuing an ongoing and established business. This method of valuation is used in the majority of business valuations where there is a history of earnings, the business is established and is capable of having an almost infinite life. Under this methodology, a valuation is assessed by determining expected future earnings and capitalising the earnings at an appropriate earnings multiple, representing the required investor return.

The capitalisation of future maintainable earnings is the most appropriate method used to value an existing enterprise. It is usually applied when the business has an operating history and a consistent earnings trend that will provide a good indication as to the level of future profitability of the business. When using this methodology, HCC attempts to assess the expected "future" earnings that the business will generate.

The earnings multiple used to value a business reflects the risk of investing in the business and the investor's required return on the investment.

This approach is not an appropriate method for the valuation of Corum as the Company has historically made losses and does not have a consistent earnings trend on which to assess future maintainable earnings. We are also unable to rely on forecasts to assess maintainable earnings due to uncertainty regarding future revenue streams and the general economic environment.

8.1.6 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted to reflect the risk involved with achieving the forecast cash flows.

Although technically the most theoretically correct method to value a business, discounted cash flow methodology is usually very susceptible to changes in business inputs and assumptions, making it the most difficult to apply in valuing a business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned.

The use of the discounted cash flow method has not been used for Corum, as Management has not prepared long-term forecast cash flows based on sufficiently reliable and verifiable assumptions on which a valuation can be based.

8.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale transactions for a similar industry company to that being valued. We have determined that this method is not considered appropriate for valuing Corum due to the following:

- i. Lack of comparable transactions: Most of the other businesses in the Software and Services Sector are different in terms of type and stage of business operations and their geographical locations;
- ii. There are other more appropriate methods available which consider the future maintainable earnings of Corum and comparable company trading multiples, as opposed to transaction multiples.

We are also not aware of any alternative offers or transactions for the acquisition of shares in Corum.

8.2 **Valuation of Options**

The conversion rights attaching to the New Notes represent options to convert to Conversion Shares. The New Notes have a maturity date of 31 December 2009 and may be converted at any time up to the maturity date at a predetermined price of \$0.05 per share. We must therefore attribute a value to the option representing the additional value to the noteholder for the 12-month period in which the Corum share price may vary from the current price.

Interest on the New Notes will be payable in New Interest Shares at \$0.05 per share only if New Notes are converted. As the New Interest Shares are to be issued at a fixed price of \$0.05 per share, they represent a potential cost to the Company if the shares are issued at a discount to the market value at the time of issue. The entitlement to New Interest Shares therefore reflects an option to subscribe for shares at \$0.05 per share at any time up to 31 December 2009.

In valuing an option any method will need to reflect the value of the underlying shares, the entitlements of the option holder, the expected performance and volatility of the underlying shares, the conversion or exercise price and the time to expiration¹.

The Black-Scholes formula is commonly used for assessing the value of options over shares. Other valuation methodologies include computing the difference between the share price and the option exercise price and taking into consideration the benefit to the option holder of having the use of the funds required to exercise the option less the present value of the foregone dividends on the shares.

The Black-Scholes formula is a recognised and accepted model for the valuation of options and HCC has selected this as the preferred method as it takes into account the key parameters effecting the option valuation.

The Black-Scholes formula is as follows:

$$P_o = P_s N(d_1) - \frac{E N(d_2)}{(1+r)^t}$$

$$d_1 = \frac{\log(P_s / (E / (1+r)^t)) + (q\sqrt{t})/2}{q\sqrt{t}}$$

$$d_2 = d_1 - q\sqrt{t}$$

where:

P_o	=	the current value of the option
P_s	=	the current price of the share
E	=	the exercise price of the option
t	=	the time remaining before expiration (in years)
r	=	the continuously compounded risk free rate of interest
q	=	an estimate of the standard deviation of the continuously compounded annual rate of return on the shares
$N(d_1) \& N(d_2)$	=	the probability that a deviation less than d will occur in a normal distribution with a mean of zero and a standard deviation of one.

The assumptions underlying the Black-Scholes formula are as follows:

- the underlying share pays no dividends during the life of the option;
- the option can only be exercised on the expiration date;
- there are no margin requirements, taxes or transaction costs;
- the risk-free interest rate is constant over time and the market operates continuously;
- the volatility of the share is constant and is defined as the standard deviation of the share's price movement;
- short selling is permitted.

8.3 Premium for Control

8.3.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the transaction. A premium for control is the difference between the price for each share that a buyer would

¹ "The Valuation of Businesses, Shares and Other Equity", Third Edition, Wayne Lonergan

be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains control of the cash flows of the company being acquired or invested into, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) when an entity takes over a company in its entirety, it is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

8.3.2 Our experience suggests that the premium for control (over and above the market price of the Company's shares) ranges, on average, between 20% and 35%. However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

8.3.3 The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a raising.

8.3.4 A shareholder or group of associated shareholders is deemed to influence a company when it has control of more than 20 percent of the issued shares in a company. At this time a premium for control should normally be considered.

8.3.5 A premium for control is relevant to the Transaction, as it will result in Lujeta owning an interest in Corum of between 56.2% and 61.2%.

8.3.6 For the reasons detailed above, we have determined that the change in the level of ownership is sufficient in the proposed transaction to require a premium for control to be included when valuing the Corum shares.

8.3.7 As detailed above, although a premium for control ranges, on average, between 20% and 35%, we have applied a premium for control of 20% to the value of Corum shares as, although Lujeta will obtain control over Corum and such things as cash flows, decision making and strategic issues, Corum has historically made significant losses and currently has no material net surplus assets.

9 VALUE OF CORUM

9.1 Selected Methodologies

9.1.1 We have selected the Market Value of Shares as the primary valuation methodology and Net Asset Backing as the secondary valuation methodology for Corum as detailed in section 8.

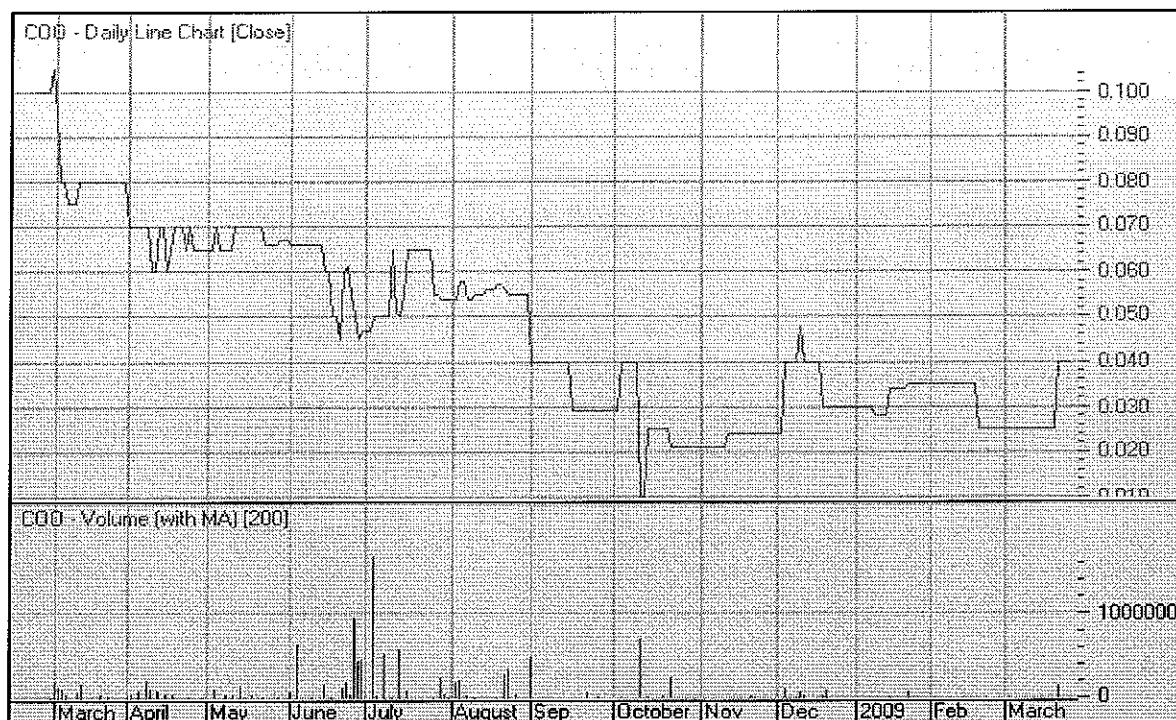
9.1.2 In forming an opinion on the valuation methodologies and relevant multiples selected for Corum, HCC has considered the following:

- The historical results of the Company;
- The industries in which the Corum businesses operate;
- The periods of time in which the businesses have been operating;
- Competition in the markets in which Corum operates;
- Information provided and discussions undertaken with management regarding future operations of the Company.

9.2 Market Value of Shares

9.2.1 In our opinion the value of Corum for the purpose of the Transaction should be examined on the basis of the current market value of the shares listed on the ASX. The market value of the shares listed on the ASX reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of the Company.

9.2.2 Following is a graph of the trading of Corum shares over the last twelve months:



9.2.3 The table below sets out the movement of Corum share prices and trading over the last twelve months:

	High \$	Low \$	VWAP (1)	Volume	Trading days
March 2009	0.040	0.025	0.038	179,687	2
February 2009	0.025	0.025	0.025	11,686	2
January 2009	0.035	0.028	0.034	100,000	3
December 2008	0.048	0.030	0.038	396,000	6
November 2008	0.024	0.024	0.024	60,586	3
October 2008	0.040	0.010	0.014	1,032,500 (2)	7
 Last 2 months	 0.040	 0.025	 0.036	 291,373	 7
Last 3 months	0.048	0.025	0.037	687,373	13
Last 6 months	0.048	0.010	0.027	2,361,689	27
Last 12 months	0.100	0.010	0.052	12,301,878	107

(1) The VWAP was calculated using the total value of all transactions divided by the total trading volume in the time period considered.

(2) The largest trades in October 2008 were at \$0.01 per share (780,000 shares traded on 10 October 2008) and \$0.021 per share (250,000 shares traded on 22 October 2008).

9.2.4 We conclude that the value of the Corum shares under the market value approach for the purpose of this report is in the range of \$0.034 to \$0.038, with a midpoint of \$0.036, based on the volume weighted average trading prices in the last three months of trading. We note this valuation is on a portfolio basis and does not reflect a premium for control.

9.3 Conclusion on the Value of Corum Shares

9.3.1 In our opinion the value of the Corum shares for the purpose of this report is as follows:

<i>Valuation Methodology</i>	<i>Low</i>	<i>High</i>	<i>Midpoint</i>
Market value of shares	\$0.034	\$0.038	\$0.036

9.3.2 Inclusive of a 20% premium for control, we conclude that, for the purpose of this report, the valuation of Corum shares is in the range of \$0.041 to \$0.045 per share, with a midpoint value of \$0.043 per share as at the date of this report.

9.4 Net Asset Backing

9.4.1 The asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. Although Corum has predominantly revenue based businesses, we have chosen the asset approach as a secondary valuation methodology as a comparison to the primary method chosen, being the market value of shares.

9.4.2 As at 31 December 2008 the net assets of Corum totalled \$4,622,000. This value included intangible assets totalling \$18,847,000, \$15,364,000 of which relates to the acquisitions of the Lockie Computer business (now Pharmasol) and the Amfac business, and goodwill arising on the consolidation of Corum eCommerce.

9.4.3 The carrying values of intangible assets have been based on the present value of cash flow projections over a five-year period prepared by Corum Directors. The cash flows have been discounted at a rate of 18.5% p.a. As stated in Note 3 to Corum's December

2008 half-year financial report, cash flow projections incorporate management's best estimates of projected revenues using growth rates based on historical experience, anticipated market growth and the expected effect of Company initiatives.

9.4.4 Both the June 2008 Audit Report and the December 2008 half-year Review Report for Corum contained a 'Significant Uncertainty regarding the carrying value of goodwill, development costs and plant and equipment attributable to the Corum eCommerce business': "If the cash flow projections used in the value in use calculations are not met the carrying value of Goodwill, Development Costs and Plant and Equipment may be impaired".

9.4.5 We have not conducted a review of Corum's cash flow projections, nor do we provide an opinion regarding these projections.

9.4.6 Placing reliance on the book values of Corum assets as determined by Directors, the value of Corum shares under a net asset approach is as follows:

Net asset value	\$4,622,000
Number of shares	107,338,861
Value per share	\$0.043

9.4.7 Following conversion of \$6,250,000 in Unsecured Debt into 133,627,000 ordinary shares (including shares issued in consideration for interest accrued thereon), Corum's net assets will increase to \$10,872,000. This equates to a value per share as follows:

Net asset value	\$10,872,000
Number of shares	241,891,861
Value per share	\$0.045

9.4.8 The value of Corum shares under the net asset backing approach of \$0.043 is 16.3% less than the Proposed Issue Price of \$0.05. The value per Corum share will also increase by 4.6% to \$0.045 following conversion of the Unsecured Debt. Therefore Non-Associated Shareholders should benefit if the Transaction is approved.

9.5 Value of Conversion Shares and New Interest Shares

9.5.1 The Conversion Shares and New Interest Shares may be issued at a predetermined fixed price of \$0.05 per share at any time up to and including the Maturity Date of 31 December 2009 if the noteholder exercises its conversion rights. Thus the value of the option represents the additional value to the noteholder for the period to conversion of the New Notes in which the Corum share price may vary from the current price.

- 9.5.2 Based on our analysis of Corum shares above and the application of the Black Scholes formula, we are of the opinion that the value of the Conversion Shares and New Interest Shares to be issued pursuant to the Transaction is in the range of \$0.044 to \$0.050 per share, with a midpoint value of \$0.047 per share, calculated as follows:

	<i>Low</i>	<i>High</i>	<i>Midpoint</i>
Market value of underlying shares	\$0.041	\$0.045	\$0.043
Value of option (9.4.3)	\$0.003	\$0.005	\$0.004
Total value of each Conversion Share and New Interest Share	\$0.044	\$0.050	\$0.047

- 9.5.3 The assumptions underlying the option calculation under the Black-Scholes formula detailed at Section 8.2 are as follows:

Ps	=	Low and High share price of \$0.041 and \$0.045 as determined in Section 9.3 (inclusive of a 20% premium for control)
E	=	\$0.05
t	=	12 months (to the maturity date of 31 December 2009)
r	=	2.65%, Australian government bond rate for exercise period
q	=	34%, based on the movements in the Corum share price for the last 12 months of trading

10 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

10.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

10.2 Advantages of the Transaction

- 10.2.1 Lujeta and Winmark advised Management that they were not prepared to convert the Notes they held at 30 September 2008 into shares at \$0.10 per share. The explanation they provided was that the Corum shares were trading at a much lower value.
- 10.2.2 The Company does not currently comply with the debt / equity ratios that it covenanted with its bankers. The conversion of the Unsecured Debt totalling \$6,250,000 at a price of \$0.05 per share brings the debt / equity ratios of the Company into line with its banking covenants.
- 10.2.3 The \$1,952,611 in funds raised from the New Notes will allow the company to extinguish certain debts and provide necessary working capital to the business.
- 10.2.4 The Transaction will result in a net reduction in debt of approximately \$6.25 million and a reduction in associated interest charges at the current interest rate of 12% per annum compounding daily.

10.3 Disadvantages of the Transaction

- 10.3.1 The Transaction will result in the significant dilution of the Non-Associated Shareholders' percentage ownership of the Company. Depending on the levels of conversion of the New Notes, the interest of the Shareholders not associated with Lujeta will decrease from their current interest of 79.2% down to between 43.8% and 38.8%.

11 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

11.1 Fairness

For the Transaction to be fair, the Proposed Issue Price must be equal to or greater than the market value of the Corum shares to be issued (including the Conversion Shares and New Interest Shares).

Based on the analysis contained in this report, the indicative value of the Corum shares is in the range of \$0.041 to \$0.045 per share, with a midpoint value of **\$0.043** per share, which is inclusive of a 20% premium for control.

Based on our analysis of Corum shares and the application of the Black Scholes formula at Section 9.5, we are of the opinion that the value of the Conversion Shares and New Interest Shares which may be issued pursuant to the Transaction is in the range of \$0.044 to \$0.050 per share, with a midpoint value of **\$0.047** per share.

The Proposed Issue Price is **\$0.05** per share.

Therefore, based on the value attributed to Corum shares to be issued and comparing this to the Proposed Issue Price and total consideration to be received by Corum as detailed in Section 4, in our opinion the Transaction is fair.

11.2 Reasonableness

ASIC Regulatory Guide 111 considers a Transaction to be reasonable if:

- The Transaction is fair; or
- Despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the Transaction proceeds.

We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors.

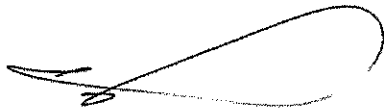
- The Transaction is fair;
- Lujeta and Winmark advised Management that they were not prepared to convert the Notes they held at 30 September 2008 into shares at \$0.10 per share. The explanation they provided was that the Corum shares were trading at a much lower value;
- The \$1,952,611 in funds raised from the New Notes will allow the company to extinguish certain debts and provide necessary working capital to the business;
- The Transaction will result in a net reduction in debt of approximately \$6.25 million and a reduction in associated interest charges at the current interest rate of 12% per annum compounding daily;
- The Transaction will allow the Company to rectify a breach of the covenants with its bankers, as the conversion of the \$6,250,000 in Unsecured Debt at a price of \$0.05 per share brings the debt / equity ratios of the Company into line with its banking covenants.

Accordingly, in our opinion, having considered the advantages of the Transaction and the possible disadvantages of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of Corum should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

11.3 General

- Appendix I – Details the Sources of Information that were reviewed and relied on in preparing this report;
- Appendix II – Details the Qualifications and experience of HCC and of the persons involved in preparing this report which also contains declarations that form part of, and should be read in conjunction with the report;
- Appendix III – Financial Services Guide

Yours faithfully
Hall Chadwick Corporate (NSW) Limited

A handwritten signature in black ink, appearing to be 'R.W.J. ELLIOTT', with a large, sweeping loop at the end.

R.W.J. ELLIOTT

APPENDIX I - SOURCES OF INFORMATION

- Corum Group Limited Audited Financial Reports for the years ended 30 June 2007 and 30 June 2008;
- Corum Group Limited Reviewed Financial Report for the six months to 31 December 2008;
- Corum Group Limited Notice of General Meeting;
- Corum Group Limited Explanatory Memorandum;
- Corum Company registry details;
- Corum share trading history;
- Regulatory Guide 111 'Content of Expert Reports';
- Regulatory Guide 112 'Independence of Expert's Reports';
- APES 225 'Valuation Services'.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to Corum with reference to ASIC Regulatory Guide 112 (RG 112) entitled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of Corum.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Corum, its related parties or associates that would compromise our impartiality.

Mr Robert Elliott, who is a registered company auditor and director of Hall Chadwick Corporate (NSW) Limited, a licensed investment adviser, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits (other than normal professional fees) directly or indirectly, for or in connection with the preparation of this report.

HCC provided a draft copy of this report to the Directors and management of Corum for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of Corum have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by Corum, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Accordingly, we have taken no steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit in accordance with Australian Auditing Standards (AUS), nor a review in accordance with AUS 902 applicable to review engagements. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

Corum has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by Corum to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 29, St Martin's Tower, 31 Market Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of Corum. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Corum shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to Corum shareholders.

Shareholders should read all documents issued by Corum that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the non-associated shareholders of Corum. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than an unassociated shareholder of Corum, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

HCC its officers, representatives, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in the those documents or any loss or damage suffered by any person directly or indirectly through reliance on this information.

Our procedures and enquiries do not include verification work, nor constitute an audit in accordance with Australian Auditing Standards (AUS), nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to its date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 29, St Martin's Tower, 31 Market Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients.

The Corporations Act 2001 requires HCC to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a Notice of Meeting provided to members by the company or other entity for which HCC prepares the Report.

HCC does not accept instructions from retail clients. HCC provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. HCC does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, HCC's client is the Entity to which it provides the Report. HCC receives its remuneration from the Entity. In respect of the Report for Corum Group Limited ("Corum") in relation to the proposed conversion of Unsecured Debt owing to related parties, HCC will receive a fee for its services on a time cost basis estimated to be \$40,000, excluding GST.

No related body corporate of HCC, or any of the directors or employees of HCC or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

HCC is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission. The following information in relation to the independence of HCC is stated in Appendix II of the Corum Report:

"Prior to accepting this engagement HCC determined its independence with respect to Corum with reference to ASIC Regulatory Guide 112 (RG 112) entitled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of Corum.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Corum, its related parties or associates that would compromise our impartiality.

Mr Robert Elliott, a director of Hall Chadwick Corporate (NSW) Limited, who is a licensed investment adviser and registered company auditor, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits (other than normal professional fees) directly or indirectly, for or in connection with the preparation of this report."

HCC has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, membership number 11442.

HCC is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to HCC which is not responsible for that document. HCC will not respond in any way that might involve any provision of financial product advice to any retail investor.

PART 4

Glossary

In this Notice and Explanatory Memorandum:

ASX means ASX Limited ACN 008 624 691;

Board means the Company's board of Directors;

Capitalisation Shares means the Shares to be issued upon the capitalisation of the Unsecured Debt held by Lujeta and Winmark, respectively, as described in section 1.5;

Company and **Corum** mean Corum Group Limited ACN 000 091 305;

Conversion Rights means the right to convert any or all of the New Notes held by a New Noteholder into Shares at an issue price of 5 cents per Share;

Conversion Shares means the Shares to be issued upon the conversion of the New Notes, as described in sections 1.3 and 1.5;

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of Corum;

Explanatory Memorandum means the explanatory memorandum that accompanies, and is incorporated as part of, the Notice;

Face Value means the principal value of each of the Notes and the New Notes, being \$1.00;

General Meeting and **Meeting** means the General Meeting of the members of the Company convened by this Notice;

Glossary means this glossary;

Hall Chadwick means Hall Chadwick Corporate (NSW) Limited (ACN 080 462 488);

Independent Expert means Hall Chadwick;

Independent Expert's Report means the Hall Chadwick report that forms Part 3 of the Explanatory Memorandum;

Interest Shares means Shares to be issued in respect of interest accrued on the Unsecured Debt held by Lujeta and Winmark, respectively, from 1 October 2008 to the date of payment of such interest, as described in section 1.5;

Listing Rules means the listing rules of the ASX;

Lujeta means Lujeta Pty Ltd (ACN 001 930 865);

New Interest Shares means any Shares to be issued in respect of interest accrued on the New Notes from the date of subscription to 31 December 2009 at the option of the New Noteholders, as described in sections 1.3 and 1.5;

New Noteholder means a holder of New Notes;

New Notes means the new 12% unsecured redeemable convertible notes of \$1 each subscribed for between December 2008 and February 2009, as described in Section 1.3;

Noteholder means a holder of the Unsecured Redeemable Convertible Notes;

Notes means the Unsecured Redeemable Convertible Notes or some of them;

Notice means this Notice of General Meeting;

Shareholder means a holder of Shares;

Shares means fully paid ordinary shares in the capital of the Company;

Unsecured Redeemable Convertible Notes and **Unsecured Debt** means the existing 6,700,000 Unsecured Redeemable Convertible Notes of \$1 each or some of them;

Winmark means Winmark Investment Group Pty Ltd (ACN 108 409 963).