

Explanatory Memorandum and Notice of Extraordinary General Meeting

Opus Capital Limited ACN 095 039 366

Date	Tuesday 23 September 2014
Time	10:00 am
Location	Level 18 Trustee House 444 Queen Street BRISBANE QLD 4000

This meeting has been convened to allow members to consider and vote on two resolutions to approve a transaction involving Opus Capital Limited (**OCL**) acquiring the business of Madsen Finance Pty Ltd (an entity associated with the current managing director of OCL, Mr. Matthew Madsen) in exchange for a significant new issue of ordinary shares in OCL and other cash consideration.

BDO Corporate Finance (Qld) Ltd has prepared an Independent Expert's Report on the proposed acquisition, and has concluded that in their opinion, the proposed transaction is **not fair, but reasonable** to the non-associated Shareholders. Refer to section B-12 for further information.

In this document you will find:

1. a director's letter outlining the proposal;
2. an explanatory statement containing an explanation of, and information about, the proposal;
3. a Notice of Extraordinary General Meeting;
4. an Independent Expert Report; and
5. a Proxy Form.

Section A – Non-executive director’s letter

Letter from the non-executive director

Dear Shareholder,

Enclosed with this letter are documents setting out details of the proposal for Opus Capital Limited (**OCL**) to acquire Madsen Finance Pty Ltd ACN 104 184 367 (**MF**) from Madsen Nominees Pty Ltd as trustee for the MB & PM Madsen Family Trust (**Vendor**), an entity controlled by the current managing director of OCL, Mr. Matthew Madsen (**Transaction**). A meeting of OCL’s shareholders is being called for Tuesday, 23 September 2014 to seek approval for the Transaction.

The Company is required by the Corporations Act to provide certain details of the Transaction and to obtain various shareholder approvals in order to implement the Transaction. The relevant approvals are identified in full in the Notice of Meeting and the Explanatory Memorandum. You are urged to consider carefully all of this material, determine how you wish to vote, and cast your vote accordingly.

Completion of the Transaction

Completion of the Transaction is conditional upon, amongst other things, the passing of the two Resolutions set out in the attached Notice of Meeting. The terms of the Transaction are summarised in the Explanatory Memorandum.

Conclusion of the Independent Expert

Shareholders are referred to the Independent Expert’s Report prepared by BDO Corporate Finance (QLD) Ltd (**Independent Expert**). The Independent Expert was engaged by the Non-Associated Directors of OCL to provide an independent opinion as to whether or not the Transaction as a whole, including the issue of the Consideration Shares and payment of Deferred Consideration, is ‘fair and reasonable’ to OCL’s Shareholders who are not excluded from voting on the Resolutions (**Non-Associated Shareholders**).

The Independent Expert has concluded that the Transaction and the issue of the Consideration Shares and other Deferred Consideration, which are the subject of the Resolutions in the enclosed Notice of Meeting, is not fair but reasonable to OCL’s Non-Associated Shareholders.

The Independent Expert’s Report is contained in **Annexure A** of this document. Please read that carefully, as it outlines various important matters relating to the Transaction.

Proposal

The proposal is for OCL to acquire the sole share of MF, in exchange for 691,751,161 ordinary shares in OCL, and a first amount of Deferred Consideration of \$450,000, payable on or before 30 days after Completion. There is also an amount payable by OCL at Completion for the balance sheet items of MF.

MF will then become a full subsidiary of OCL, and all future revenues associated with MF will be to the benefit of the OCL Group. The proposed Transaction has an earn-out - if profits before income tax are over \$500,000 in each of the following three years (\$950,000 in the financial year ended 30 June 2015, to take into account the Deferred Consideration already paid by OCL) – this number having been picked as it is higher than, but within reach of, MF’s prior years’ EBITDA figures – then the Vendor will become entitled to 50% of that additional earning as a Further Deferred Consideration. If the targets are not met, on a cumulative basis, OCL pays no more for MF.

The balance of the 50% 'outperformance' for these subsequent three years, and revenues from year four onwards, will be retained in the OCL Group, except for fees associated with an historic transaction, (which may or may not occur) will be paid back out to the Vendor in full for the prior work done.

Mr. Madsen will continue to be managing director of MF (in addition to his managing director role at OCL), through an existing consulting agreement with an associated entity.

The proposed Transaction was extensively negotiated on behalf of the Non-Associated Shareholders, and is detailed in section B-4.

Benefits of the proposal

Your Non-Associated Directors, Mr. Rowan Ward and Mr. Leylan Neep believe the proposal is in the best interests of OCL and its Shareholders. We agreed on the following reasons for reaching this conclusion:

Advantages:

The Transaction will:

- align Mr. Madsen's interests to Shareholder interests;
- provide considerable incentive to Mr. Madsen to outperform historical performance;
- assist with retention of the key man of the Group;
- generate additional revenues and cash flow to assist with the growth and development of OCL's businesses;
- result in more diversified revenue streams which should improve the risk profile of the Group and enhance revenues and profitability; and
- capture where appropriate debt procurement fees (which currently exit the Group), to benefit all Shareholders.

Disadvantages:

- the Transaction is opined as being not fair but reasonable to Shareholders by the Independent Expert. There is a premium (for control) being ascribed to the Transaction by the Independent Expert;
- there is a loss of control for the majority Shareholder given its reduction in shareholding from 73.57% to 47.87%;
- as earnings of MF are dependent on business relationships, there is a material 'key man' risk; and
- exposure of Shareholders to the funds management business of OCL will be diluted.

Please read Section B-6 for a comprehensive discussion of the advantages and disadvantages, as well as general Risks, of the Transaction.

Recommendation of the Directors

Mr. Matthew Madsen, Mr. Mark Hallett, Mr. Rowan Ward and Mr. Leylan Neep are the usual directors of OCL. Mr. Leylan Neep was acting as an alternate director for Mr. Madsen and Mr. Hallett at the date the Transaction was entered into, and acted as a director in place of Mr. Hallett. He has since been appointed to the board as an executive director on 31 July 2014.

Mr. Madsen and Mr. Hallett make no recommendation with respect to the Resolutions due respectively to their material personal interest or potential future interest in them. Further details of their interests in the Transaction and the Resolutions are set out in the Explanatory Memorandum.

The Non-Associated Directors, Mr. Ward and Mr. Neep, unanimously recommend that Shareholders vote in favour of the Resolutions set out in the enclosed Notice of Meeting, having regard to the advantages set out above.

Resignation as Independent director

Prior to the date of this notice, I have given notice to OCL of my intention to resign as independent director. My decision is based on personal reasons, and I will be serving out my three months' notice period. Regardless of my resignation and as put forward in the Explanatory Memorandum, I believe this Transaction is in OCL's best interests. OCL is in the progress of identifying a suitable candidate to replace me as an independent director. Mr. Leylan Neep, who has acted as an alternative director for Mr. Mark Hallett in relation to the Transaction, was appointed to the board of OCL as a director from 31 July 2014.

What you should do

Shareholders are encouraged to carefully read the enclosed Explanatory Memorandum and Independent Expert's Report in their entirety, and to attend the Extraordinary General Meeting and vote on the Resolutions. Capitalised terms can be found in the Glossary at the back. A Proxy Form is enclosed at Appendix B so that any Shareholder who is unable to attend the Extraordinary General Meeting can still vote.

Should you wish to discuss this Notice of Meeting please contact Mr. Lachlan Davidson on (07) 3002 5300.

If you are unable to attend the Extraordinary General Meeting, you are strongly urged to complete the Proxy Form and return it (see Proxy Form for details) as soon as possible and in any event so it is received by OCL by no later than 48 hours prior to the date and time of the meeting (or by close of business on Friday, 19 September 2014 if the proxy is being returned by post).

Once again, on behalf of the Board I would like to thank you for your continued support.

Yours sincerely



Rowan Ward
Non-executive director
Opus Capital Limited

Dated: 22 August 2014

Important notice

This Explanatory Memorandum contains an explanation of, and information about, the proposal to be considered at the Extraordinary General Meeting of OCL on Tuesday, 23 September 2014. It is given to OCL's eligible Non-Associated Shareholders to help them determine how to vote on the two important resolutions set out in the accompanying Notice of Meeting.

Shareholders should read this Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Transaction contemplated in this Explanatory Memorandum. This Explanatory Memorandum forms part of the accompanying Notice of Meeting and should be read together with the Notice of Meeting.

If you are in doubt about what to do in relation to this document or the proposals in it, you should consult your financial or other professional adviser.

This Explanatory Memorandum is dated 22 August 2014.

Explanatory Memorandum and Notice of Extraordinary General Meeting

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Section B - Explanatory Memorandum

1. Introduction

The Extraordinary General Meeting referred to in the accompanying Notice of Meeting is being held so OCL's Non-Associated Shareholders can consider the two approval Resolutions set out in the Notice of Meeting in accordance with the requirements for shareholder approval under section 611 (Item 7) and Part 2E.1 of the Act. If both Resolutions are approved, OCL can proceed with the proposed acquisition contemplated in this Explanatory Memorandum without contravening provisions of the Act governing takeover prohibitions and related party transactions.

The purpose of this Explanatory Memorandum is to provide all information to Shareholders which would be material in deciding whether or not to pass the Resolutions set out in the attached Notice of Meeting.

A Proxy Form is located at the end of the Explanatory Memorandum in Appendix B.

2. Summary of the proposal

It is proposed that OCL acquire Madsen Finance, a debt advisory and arrangement business, by acquiring its only issued share. MF will then become a 100% subsidiary of OCL, and a member of the OCL Group. Mr. Matthew Madsen, who is a related party, will remain as managing director of MF.

Under a Share Purchase Agreement dated 14 July 2014, which has been signed by the Non-Associated Directors of OCL but which is conditional (among other things) on Shareholder approval, the Vendor will receive:

- (a) an issue of 691,751,161 new, fully paid ordinary OCL shares on Completion;
- (b) Deferred Consideration of \$450,000 within 30 days of Completion, adjusted downwards for certain intra-group loans (refer (d) below) if not settled prior;
- (c) a balancing adjustment payment made by OCL at Completion, equivalent to the net assets of MF as at 2 July 2014 (which is expected to be an immaterial amount);
- (d) a 'cashflow' payment of approximately \$146,000 at Completion equivalent to the 'accounting receivables' of MF as at 2 July 2014, which will be paid back within 10 days by the Vendor-associated entities which owe MF loan funds;
- (e) further Deferred Consideration over the following 3 years, that will *only* be payable if certain out-performance hurdles are met by MF:
 - (i) equivalent to 50% of profit before income tax of MF over a 'hurdle' of \$950,000 for the first full financial year, and \$500,000 for each of the second and third financial years;
 - (ii) adjusted so that the 'hurdle' for payment will increase for the following financial year, where the 'hurdle' for the prior financial year is not met, i.e. the hurdle is cumulative and increased for the following year by the unmet hurdle amount; and
 - (iii) to eliminate final year invoice timing, the profit before income tax for MF will include amounts for which work is already done in the third-year but which are paid in the first quarter of the fourth year.

Under the SPA, the amount payable by OCL for MF, and the minimum and maximum values of the financial benefit that the Vendor as a related party of OCL may receive, is:

Minimum amount payable by OCL	<ul style="list-style-type: none"> • Consideration Shares; • \$450,000 in cash; and • net value of assets of MF (as per signed accounts and currently estimated at \$336.33), with no further amounts payable by OCL if MF does not exceed a cumulative three-year earnings hurdle.
Maximum amount payable by OCL	<ul style="list-style-type: none"> • Consideration Shares; • \$450,000 in cash; • net value of assets of MF (as per signed accounts); and • 50% of any profits before tax, over \$950,000 in the first full financial year and \$500,000 in each of the following two financial years (including procurement fees paid by 30 September 2017) to reflect outperformance in the next three years.

The actual price that OCL will pay to acquire MF is likely to fall somewhere in between these minimum and maximum amounts.

Under the SPA, OCL will receive from the Transaction:

- (i) the sole entitlement to MF's profit before income tax of up to \$950,000 for the first year (from acquisition date) and \$500,000 for each of the two years following, and 50% of profits before tax above that figure;
- (ii) warranty and indemnity protection (particularly for tax) for prior years;
- (iii) a personal guarantee from Mr. Madsen, guaranteeing the performance of the Vendor's obligations under the Share Purchase Agreement; and
- (iv) a restraint from Mr. Madsen's associated entities for up to 12 months from the date that Mr. Madsen ceases to be employed by, or engaged (directly or indirectly) with, the Group.

Section B-4 describes the SPA and its associated documents in more detail.

All capitalised terms are defined in the glossary in section D of this Explanatory Memorandum.

To proceed, the following two ordinary Resolutions need to be passed by Non-Associated Shareholders of OCL:

1. **Related Party:** Mr. Madsen currently serves as managing director of OCL. He is also a director of the Vendor, and along with his wife, a beneficiary of the discretionary trust that the Vendor serves as trustee for. These relationships mean that the Transaction is a related party transaction for the purposes of Chapter 2E of the Act. **Resolution 1** set out in the Notice of Meeting seeks OCL Shareholder approval for the Transaction to proceed in accordance with section 208(1)(a)(i) of the Act; and
2. **Takeover:** The issue of Consideration Shares to the Vendor (described further in Section B-4 below) will result in the Vendor acquiring a relevant interest in the voting shares of OCL greater than 20%. As the Vendor does not intend to make a takeover offer for the entire issued share capital of OCL, the issue of the Consideration Shares would otherwise result in a breach of the prohibition in section 606 of the Act. **Resolution 2** set out in the Notice of Meeting seeks OCL Shareholder approval for the issue of the Consideration Shares, and the Vendor to acquire a relevant interest in greater than 20% of the voting shares of OCL, without breaching the section 606 prohibition.

For a summary of the increase in the voting power of the Vendor and its associates if the Transaction proceeds to Completion, refer to the table in section B-5.

3. Background and reasons for the proposal

3.1 Background to Madsen Finance

Madsen Finance was established in 2005 as a private specialist finance intermediary. Madsen Finance focuses in arranging customised debt finance facilities above \$1.0 million for property developers and investor clients, primarily in south-east Queensland. Facilities include senior and mezzanine debt, single lender or syndicated facilities, both limited and full recourse.

Madsen Finance holds several business intermediary agreements to undertake broking activities with key relationship banks, and has regular contact and dealings with a wide range of other lenders depending on the nature of each particular client transaction.

Madsen Finance collects revenue through two sources of fees:

- (a) Procurement fees, which are one-off payments typically paid on or prior to first drawdown, payable either by the lender or the borrower; and
- (b) Trail commissions or management fees, payable either by the lender or the borrower and calculated as a percentage of the facility limit or the outstanding balance of the facility. Trail commissions are typically payable monthly in arrears.

Historical and forecast financial information in relation to Madsen Finance can be found in paragraph 6.2 of the Independent Expert's Report.

3.2 Strategic fit for consolidated OCL Group

The acquisition of MF should provide a beneficial strategic fit for the OCL Group, as the Group's existing corporate strategy includes OCL participating in property-orientated debt activities. Combining the entities would achieve synergy, as the acquisition is consistent with the existing OCL business model as follows:

- (a) the current business strategy is focused on deriving revenues and profits from property based activities, whether in funds management (OCL) or debt advisory and arrangement (MF). In this regard, OCL and MF already operate in the same asset class;
- (b) MF's revenue includes recurring revenue from trail fees in addition to one-off procurement fees; and
- (c) capturing revenue for arranging financing associated with OCL debt, which currently leaves the Group.

The acquisition may also provide a platform for new business opportunities and growth, in that it should provide a platform to leverage into broader property debt opportunities.

3.3 Position of OCL

OCL wants to expand, but currently faces the challenge of how to fund that expansion. The Group is reliant on the continuing support of its major Shareholder M3SIT, who is also OCL's current financier.

OCL also faces the challenge of decreasing revenue streams. The winding-up of both Opus 8 and Magnum will not only reduce management fees for OCL as responsible entity, but also the property and facilities management fees of its subsidiary, Integra. The registered managed investment schemes which the Group manages (**Funds**) have disposed of numerous assets over the last three years, but the resultant sales commissions (from Integra as agent) have reduced significantly.

After allowing for the Funds already in wind up, OCL manages one continuing fee-generating scheme (Opus 21). The revenue generated from this scheme alone will not fund OCL's expansion.

While it remains the intention of OCL to gain additional revenues in the future through fundraising for its Funds – either in Opus 21, or through the establishment of new schemes - both strategies will take some time before OCL can get these fundraisings to market. OCL also recognises that it would have difficulty raising funds, whether debt or equity, from alternative sources.

The Transaction is expected to provide immediate additional and much-needed revenue to the Group. MF has a history of solid EBITDA performance, and will provide:

- (a) substitution for other, non-sustainable, historic OCL revenue flows;
- (b) diversification of existing revenue streams - mix of one-off 'procurement fee' and ongoing 'trail' revenue i.e. ongoing fees not dependent on property cycles or Fund activities;
- (c) cashflow to assist the funding of activities of OCL, minimising the need for further financial support from its Shareholders; and
- (d) the possibility of future dividends to Shareholders of OCL.

The Transaction is an opportunity which presented itself for consideration by the Non-Associated Directors. If the MF business is not acquired, the Non-Associated Directors are uncertain about the ability of OCL to raise additional equity or debt and, if so, at a reasonable cost to provide the working capital to grow its fund management business.

If the Transaction proceeds to Completion, the Non-Associated Directors are of the opinion that there is a lower likelihood of needing to raise further equity or debt in the near term.

3.4 Acquiring MF

MF is a long established (approximately ten years), proven debt advisory business that holds an Australian credit licence, and a respected position in the south-east Queensland market, where OCL is based.

While the consideration for the acquisition is largely for intangibles and goodwill, there is a substantial benefit in acquiring an established entity such as MF rather than a start-up. There is a good team in place, and OCL does not anticipate any changes to the fundamental MF business model or staffing going forward.

The purchase price for MF is structured with earn-out provisions to transfer value fairly for future out-performance, when compared to historic EBITDA.

The Non-Associated Directors list the key advantages of the Transaction in section B-6.

3.5 Alignment

A desirable outcome of the Transaction, equally as important as the value proposition and acquisition of a profitable business to support the Group's earnings and future plans, is that the acquisition achieves alignment, both of:

- its most senior executive to the OCL Group; and
- the interests between Shareholders.

Since September 2011, Mr. Madsen has been acting as Chairman of the OCL Group.

Following the departure of the previous CEO during 2013, Mr. Madsen has been serving in an executive capacity as managing director. Over this period, Mr. Madsen has managed his own business (MF) as well as the business of OCL. This has raised issues of alignment of

management time and effort between MF and OCL (refer to section B-6.3(a) for a discussion of these issues).

With the addition of MF to the OCL Group, Mr. Madsen should now:

- (a) be less conflicted with how he spends his management time, as work in MF for its clients is work for the OCL Group;
- (b) be incentivised to maximise the profits of both businesses, which will be to the benefit of all Shareholders;
- (c) be aligned in terms of remuneration and equity participation;
- (d) be incentivised to both out-perform historical performance of MF (through the deferred consideration structure) and thereby maximise revenues/dividends for OCL, but also grow the value of the OCL Group (through his own OCL holding); and
- (e) have a broader pool of executives to assist within both businesses, which will enable Mr. Madsen to focus on matters which are revenue-generating for either or both businesses.

In the opinion of the Non-Associated Directors, Mr. Madsen has clearly demonstrated an ability to achieve major milestones for the Group.

3.6 Risks if the transaction does not proceed

Below are some key risks identified by the Non-Associated Directors if the Transaction does not proceed. Further risks are outlined at section B-6.3 below.

Financial risks

OCL has substantial balance sheet debt that will only be repaid through profits or an equity injection from Shareholders. OCL believes that it is unlikely that shareholders will inject further equity given the current uncertain outlook for OCL.

Increased fees from increasing the scale of funds under management will only be possible with additional working capital to fund growth. It is uncertain how that growth would be funded without the proposed Transaction.

Further, if the Transaction does not proceed, how OCL would fund a new senior executive to lead the Company in the absence of Mr. Madsen remains uncertain.

The alternative of raising even more debt does not improve the position of OCL as any debt, if it is able to be raised, would be both expensive and further reduce the profitability of the Company. Debt also has priority over ordinary equity, to the possible detriment of all Shareholders.

Loss of key man

If the Transaction did not proceed, then the future leadership and control of OCL is uncertain – taking the Group forward without an aligned leader is clearly not feasible.

Mr. Madsen is currently acting as the managing director of OCL. Mr. Madsen has significant management knowledge of the positioning and history of OCL which is critical at this point in time. There would be a significant loss of corporate knowledge, and a significant time requirement and risk for a new senior executive to come up to speed with the intricacies of the OCL business.

The current medium to long-term strategy of OCL is to generate revenue, profitability and dividends for Shareholders. The path to this milestone would be significantly delayed if Mr. Madsen stepped down from operational control of OCL as a result of the Transaction not proceeding.

If Mr. Madsen did leave OCL (his current agreement contains a three month notice period), then OCL would have to recruit and retain a suitably qualified individual to replace him. It is likely that an incoming senior executive would require a package containing significant cash and equity remuneration, with no guarantee of outcome. The alignment of Mr. Madsen through the Transaction achieves this, without the additional cost, risk and time delay of an un-tested executive.

Potential loss of major Shareholder support

The major Shareholder M3SIT has, in the past, supported the Group through the provision of its regulatory capital and participation in capital raisings, and from time to time, in its cash financing needs. It is the Non-Associated Directors' view that M3SIT's preparedness to invest is largely due to their confidence and backing of Mr. Madsen to deliver results. If Mr. Madsen were to not be aligned or chose to withdraw from his management role because the Transaction did not proceed, there is a risk of the major shareholder withdrawing their support (although they have not indicated this to date).

Lack of Confidence in OCL as Responsible Entity

To grow and prosper, a fund manager and responsible entity such as OCL is required to be well capitalised, meet all its regulatory requirements, be well governed, and have a strong financial position. This provides appropriate confidence to investors in its Funds that it will be able to meet its obligations to the Funds well into the future.

If the Transaction does not proceed and notwithstanding OCL's ability to continuously meet its regulatory conditions of its AFSL, investors may lose confidence in the responsible entity should OCL not be able to raise further equity or debt.

4. The Transaction in detail

The details of the proposed Transaction are documented in the following agreements:

- (a) a Share Purchase Agreement between OCL (as **Purchaser**), Madsen Nominees Pty Ltd as trustee for the MB & PM Madsen Family Trust (as **Vendor**) and Matthew Madsen (as **Guarantor**) dated 14 July 2014 relating to the purchase by OCL of the entire issued share capital of Madsen Finance Pty Ltd; and
- (b) a Debt Acknowledgement Letter between MF and various entities associated with Mr. Madsen.

As Mr. Madsen is a director of the Vendor and the Purchaser, the Transaction is a related party transaction for the purposes of Chapter 2E of the Act, and needs to be approved by members in general meeting. The Vendor currently holds 19.9% of the issued shares of OCL, and will be excluded from voting on both Resolutions. All other Shareholders not associated with Mr. Madsen may vote.

4.1 Description of Share Purchase Agreement

Under the SPA, the Vendor has agreed to sell the entire issued share capital of MF, which comprises one ordinary fully paid share (**Share**) to OCL. In consideration for the transfer of the Share, OCL has agreed to pay the cash and non-cash consideration described in section B-4.2.

The Transaction is subject to a number of conditions precedent described in section B-4.3, and both the Vendor and the Purchaser have agreed to be bound by customary pre-completion restrictions and have provided certain warranties in relation to their status and matters which may affect the value of their issued share capital.

Upon completion of the Transaction MF will become a 100% subsidiary of OCL. All revenues attributable to MF following the date of acquisition are to the account of OCL.

Entities associated with Mr. Madsen are restrained from competing for 12 months if Mr. Madsen ceases to be employed by, or engaged (directly or indirectly) with, an entity in the Group.

4.2 Purchase price – issue of Consideration Shares and deferred cash payments

In consideration for the purchase of the Share, but subject to the conditions described below, OCL has agreed to pay the following cash and non-cash consideration to the Vendor:

- (a) OCL will issue and allot 691,751,161 fully paid ordinary shares on Completion to the Vendor (**Consideration Shares**). The Consideration Shares will be issued on the same terms as, and rank equally with, all other ordinary shares issued by OCL and will be held by the Vendor subject to the terms of OCL's constitution.

The number of ordinary OCL shares to be issued to the Vendor as Consideration Shares was initially proposed by the Vendor in the offer proposal received by OCL, so that the Vendor's shareholding would rank equal with the current majority shareholder of OCL if the Transaction proceeds to Completion. Although the non-associated directors were prepared to negotiate certain elements of the consideration payable for the acquisition of MF, such as the value of the deferred cash consideration elements under the SPA, the non-associated directors were not willing to concede a higher number of Consideration Shares to be issued to the Vendor so as to avoid the Vendor obtaining voting control of OCL.

The Consideration Shares will represent approximately 34.9% of OCL's issued share capital on Completion. Based on the asset-based value of the combined entity set out in table 10.1 of the IER, this table implies a value for the Consideration Shares of between \$471,082.54 and \$706,969.69 (on a minority interest basis) or \$612,891.52 and \$919,337.29 (on a controlling interest basis, although the Non-Associated Directors note that the Vendor is not obtaining a controlling interest in OCL as a result of the Transaction).

- (b) OCL will make a further cash payment (the **Deferred Consideration**) of \$450,000 within 30 days of Completion. To assist with cash flow management, OCL has the ability to request that the payment of the Deferred Consideration be made in two tranches, half being due 30 days from Completion with the other half due 90 days from Completion. The Vendor must not unreasonably refuse this request if made by OCL. OCL has the right to set-off the following amounts from any Deferred Consideration payment:
- (i) any claim for breach of Vendor warranty or indemnity arising prior to the date for payment of the Deferred Consideration;
 - (ii) if the balance sheet of MF as at 2 July 2014 shows a negative net asset position, that negative amount may be set off; and
 - (iii) any amount of related party debt from the Receivables Payment in (d) below which has not been repaid within 10 days after Completion.
- (c) OCL will make a cash payment to the Vendor on completion (the **Balancing Adjustment Payment**) equal to the final net asset value shown on the balance sheet of MF as at 2 July 2014. Even though OCL is also paying to acquire the issued share capital of MF, this payment is made as the terms of the Transaction agreed between the Vendor and the Purchaser was that MF would be sold as on a goodwill and intangible only basis. It is expected that this payment will total only approximately \$336.33, but it may change depending on final accounts;
- (d) As a cashflow matter only, OCL will make a cash payment to the Vendor on Completion (the **Receivables Payment**) equivalent to the related party loan cash receivables in the balance sheet as at 2 July 2014. This is an amount of approximately \$146,000. Under the Debt Acknowledgement Letter, the Vendor must ensure this amount is returned to MF by the appropriate (associated) debtor through bank transfers, to cancel the intra-group loans which exist in MF at present. To the extent there is a shortfall, OCL withholds those funds from the Deferred Consideration at (b) above; and
- (e) OCL may also be obligated to pay further deferred consideration (**Further Deferred Consideration**) in each of the financial years ending 30 June 2015, 30 June 2016 and 30

June 2017, relating to outperformance of historic EBITDA levels of MF. Certain conditions must be satisfied for OCL to be obligated to pay Further Deferred Consideration in any or all of these three years, including:

- (i) MF must achieve profit before income tax in excess of a hurdle of \$950,000 in the first financial year ending 30 June 2015, and \$500,000 in each of the following two financial years;
- (ii) if MF fails to achieve that hurdle in any financial year, that hurdle shortfall is added to the hurdle for the following financial year; and
- (iii) a third-year adjustment for amounts for which work is already done on new procurements in the third year, but which are both invoiced and paid in the first quarter of the fourth year – to eliminate issues associated with final year invoice timing.

In years where MF achieves profit before income tax in excess of the hurdle (or adjusted hurdle, if relevant), OCL will pay the Vendor 50% of the profit achieved in excess of the hurdle (or adjusted hurdle, if relevant). Any Further Deferred Consideration payments are able to be offset against any claim for breach of Vendor warranty or indemnity arising prior to the date for payment of Deferred Consideration or Further Deferred Consideration, and OCL will have no obligation to pay Further Deferred Considerations after the financial year ending 30 June 2017 (except for the additional first quarter reconciliation in 4.2e(iii) above).

OCL will be funding the cash payments described in (b) to (d) above out of its existing cash reserves, and will fund the payments in (e), if any, from the profits of MF.

4.3 Conditions precedent in Share Purchase Agreement

Completion under the Share Purchase Agreement is conditional on a number of specified events, including (materially):

- (a) the approval by OCL Shareholders of the Resolutions set out in this Notice of Meeting;
- (b) the Vendor providing a section 708(8)(c) certificate to OCL, which qualifies for an exception to OCL being required to provide a disclosure document for the Consideration Shares to be issued to the Vendor;
- (c) the Debt Acknowledgement Letter (described in further detail in section B-4.4 below) being signed by third parties and provided to OCL;
- (d) no party being insolvent or having material litigation proceedings served against them; and
- (e) other conditions which are customary for a transaction of this type.

These conditions are all independent and may be waived by the party with the benefit of the condition. If any condition is not fulfilled by no later than three months from the date of the Share Purchase Agreement (i.e. by 14 October 2014), the Share Purchase Agreement will be terminated and the Transaction will not occur, even if it has been approved by the Shareholders of OCL in the Extraordinary General Meeting.

4.4 Related party debts and debt acknowledgement letter

Prior to execution of the Share Purchase Agreement, a number of related party loans were outstanding between MF and entities associated with Mr. Madsen. As it was not appropriate for all of these entities to be party to the Share Purchase Agreement, and the entities may not want to repay the monies owed if the Transaction is not approved, a debt acknowledgement letter has been agreed and will be executed by MF, OCL, Mr. Madsen and the entities associated with Mr. Madsen setting out the terms on which the related party loans will be repaid following Completion.

All related party loans between MF and entities associated with Mr. Madsen are expected to be discharged within 10 days of Completion. This is a timing and cashflow issue only - if they are not

repaid (which is not expected), OCL is entitled to off-set and withhold that amount from the First Deferred Consideration.

4.5 Warranties and Tax indemnity

Both OCL and the Vendor have agreed to give standard and comprehensive warranties in relation to the Share, the subject of the Transaction, and their respective historic businesses (such as employment, tax, litigation, property and ownership of assets). Each Party has a capped liability for breaches of warranty up to a maximum aggregate liability of \$50,000, and has also provided a separate tax indemnity which is not subject to a financial limitation. OCL has undertaken due diligence on MF and provided the Vendor with a detailed disclosure letter before entering into the Share Purchase Agreement.

4.6 Other terms

The Share Purchase Agreement contains various other terms which are customary for a transaction of this nature, including pre-completion restrictions on each of the Vendor and Purchaser which are designed to ensure that each business is operated in the ordinary course of trading up to Completion, notice provisions and confidentiality provisions.

4.7 Executive Services Agreement

There is an executive services agreement in place with an associated entity of Mr. Madsen's, which commenced on 1 July 2014. It provides that two consultants are provided to MF, including Mr. Madsen as 'key man' and managing director, for a total payment of \$255,000 per annum. Mr. Madsen may give 3 months' notice to leave under this document. MF must give Mr. Madsen 12 months' notice if it wants to terminate his services, except in the event of fraud, gross misconduct or non-minor criminal charge. There is a further three month restraint against Mr. Madsen personally.

4.8 Completion

Following satisfaction or waiver of the conditions precedent outlined in 4.3, the acquisition of MF will complete within three Business Days. This is estimated to occur shortly after the date of the EGM, i.e. late-September. There is a 'sunset date' for when Completion must occur, which is 14 October 2014, being three months from the date of signing of the Share Purchase Agreement, as required by section 609(7) of the Corporations Act.

5. Effects of the Transaction

Following Completion, the issue of the Consideration Shares to the Vendor will have a dilutionary effect (voting) on the percentage of shares held by existing OCL Shareholders. The shareholder and voting power dilution of major OCL Shareholders can be summarised as follows:

	The Vendor (associated with Mr. Madsen)	M3SIT (current majority shareholder)	Minority Shareholders (all others, in total)
Before Transaction:	256,506,196 shares – 19.90%	948,257,357 shares – 73.57%	84,212,307 shares – 6.53%
After Transaction:	948,257,357 shares – 47.87%	948,257,357 shares – 47.87%	84,212,307 shares – 4.25%

Following Completion, the Vendor, Mr. Madsen or their associates will not hold an interest in shares in OCL other than as described in the table above.

Materially, the effect of the issue of the Consideration Shares on the shareholding of OCL is:

- (a) the majority Shareholder M3SIT loses 'control' of OCL, as it moves from 73.57%, to a position where it cannot pass an ordinary resolution on its own (at 47.87%);

- (b) the Non-Associated Shareholders as a whole, (being all shareholders other than the Vendor) move from a position of being able to pass a special resolution (>75%) without the Vendor, to a position where they cannot (voting together with 52.13%) pass a special resolution without the Vendor but can pass an ordinary resolution;
- (c) the Vendor, an associate of Mr Madsen, increases its total ownership of the company from 19.9% to 47.87%. The Vendor cannot, on its own, pass an ordinary resolution at Completion; and
- (d) the minority Shareholders decrease from 6.53% to 4.25% in total (the largest minority shareholder decreases from 1.66% to 1.08%).

As outlined in the "Rationale" in section B-3 above, the Transaction will add a revenue generating business to the OCL group. It will also align the interest of Mr. Madsen to the OCL group as a whole, and provide an incentive for him to outperform on the historic EBITDA of that business, going forward.

6. Advantages and disadvantages of the Transaction

6.1 Advantages of approving the Resolutions

Shareholders are referred to section 11.1 of the Independent Expert's Report (contained in Annexure A of this document) which outlines the Independent Expert's view of the advantages of the Transaction.

The Non-Associated Directors repeat and agree with all of the advantages listed in the Independent Expert's Report. In making their recommendation to Shareholders to approve the Resolutions, the Non-Associated Directors draw particular attention to what they believe are the main advantages for OCL:

Advantage	Explanation
Alignment of key man to Shareholder interests	<p>The Transaction will align Mr. Madsen's interests and allow him to optimise his efforts between MF and OCL to maximise Group profitability, which will be to the benefit of all Shareholders.</p> <p>As outlined in section B-3.4 and further discussed in section B-6.3(a), he will no longer be dividing management time between OCL while still running his own business, as any work performed for MF clients will be work done for the OCL Group.</p>
Incentive structure – key man retention	<p>Mr. Madsen has demonstrated his management ability to the satisfaction of the OCL directors, management and major Shareholder over several years. His knowledge and skills in the property funds sector (both debt and management) have, in the opinion of the Non-Associated Directors, contributed to Shareholder value.</p> <p>His associated entity Madsen Nominees currently owns 19.9% of OCL shares prior to the proposed Transaction, and if Shareholders approve, he and his associates move to just under 47.9%. The earn-outs contained in the terms of the Transaction have also been structured to incentivise outperformance of historical profits.</p> <p>Mr. Madsen's shareholding, together with earn-outs, will provide considerable incentive to focus his energies on the growth and profitability of the Group, and are expected to retain his involvement with the Group.</p>
Capital management / additional revenues / cash flow generation	<p>OCL has been highly dependent upon the ongoing support from its major Shareholder for the last several years. Without this support, OCL's capital position would be in an even more precarious position.</p> <p>While forecast profitability remains low for the Group and considerable risks remain, the expected additional revenues and cash flow generation the Transaction may provide will assist with the financial resources required to</p>

	grow and develop OCL's business.
Strategy - diversified revenue stream	<p>Whilst MF and OCL operate in the same industry sector (property), their revenue streams and profitability are subject to fundamentally different industry forces and risks.</p> <p>OCL is primarily focused on funds and property management, while MF is a debt advisory business with lumpy 'procurement fee' income and a more stable ongoing 'trail' revenue.</p> <p>The more diversified business may lower the risk profile of the Group, and it is expected to provide OCL with improved revenue streams to permit it to finance OCL's growth aims.</p>
Vertical integration	<p>The Transaction adds debt advisory skills to the OCL Group – OCL's flagship fund Opus 21 is highly leveraged, and the in-house capability will be of value to OCL as a responsible entity.</p> <p>After the Transaction occurs, fees for any debt advisory work done by MF, if approved by the responsible entity on a case by case basis, would be captured within the OCL Group for the benefit of all Shareholders (but subject to the Deferred Consideration in circumstances of outperformance).</p>

6.2 Disadvantages of approving the Resolutions

Shareholders are referred to Section 11.2 of the Independent Expert's Report (contained in Annexure A of this document) which outlines the Independent Expert's view of the disadvantages of the Transaction.

In making their recommendation to Shareholders to approve the Resolutions, the Non-Associated Directors acknowledge the following disadvantages. The Non-Associated Directors believe that these disadvantages are outweighed by the advantages in 6.1 above:

Disadvantage	Explanation
Not fair	<p>The Independent Expert has opined that the Transaction is not fair but reasonable, based on a comparison of the value per share of a controlling interest in OCL prior to the Transaction to the value per share of a minority interest in OCL assuming the Transaction is approved. This implies a premium would be paid for MF if the Transaction is approved by Shareholders.</p> <p>The Non-Associated Directors are of the opinion that OCL has few other options to reduce future operating risks, and whilst the premium (for control) being ascribed to the Transaction is material, a primary (but not the only) reason for this is as a consequence of the minority discount of 23.1% being applied in the Independent Expert's Report. Shareholders are directed to 'Comparison 2' on page 57 of the Independent Expert's Report.</p> <p>As stated at the outset of their Report, BDO are required to apply this 'control premium' to the Transaction, even where the Non-Associated Shareholders as a whole do not lose majority voting control. Importantly, without the premium, there is an overlap on share values.</p>
Loss of control	<p>As explained in section B-5, the majority Shareholder, M3SIT, loses 'control' of OCL, as it moves from 73.57%, to a position where it cannot pass an ordinary resolution on its own (at 47.87%).</p> <p>The Non-Associated Shareholders as a whole (being all Shareholders other than the Vendor), move from a position of being able to pass a special resolution (>75%) without the Vendor, to a position where although they</p>

	cannot (voting together as 52.13%) pass a special resolution without the Vendor, they can still pass an ordinary resolution.
Key man risk	The earnings generated by MF depend significantly on the business relationships of Mr. Madsen. In the event that, for whatever reason, he were unable to operate the business, OCL may find it difficult to continue optimising the value generated from the Madsen Finance business alone.
Dilution of Opus Shareholder's interests in the funds management business	<p>A retail funds management business such as OCL typically generates long term fee revenues and profit streams. A wholesale debt advisory business such as MF generates up-front procurement fees and typically shorter-term 'trail' fees from debt placement.</p> <p>The revenue streams and profitability levels are different across the businesses, but the existing funds management business may generate greater longer-term shareholder value than the MF business.</p> <p>While Shareholders will still retain an exposure to the current funds management business, the proposed inclusion of MF into the OCL Group will reduce their exposure to the existing funds management business by approximately one-third.</p>

6.3 Risk Factors

The following is a non-exhaustive list of risks which the Non-Associated Directors see as applicable. In no particular order, the risks if the Transaction does not proceed are:

- (a) **(Loss of Mr. Madsen)** Mr Madsen is currently serving as OCL's managing director. If the Transaction does not proceed, Mr Madsen may elect to continue serving on the board of OCL in a non-executive capacity and step away from being part of the OCL management team (after providing the required three months' notice) in favour of giving increased management attention to his current revenue generating business, MF. Mr. Madsen has not, at the date of this Explanatory Memorandum, indicated that he would do so. Mr. Madsen has significant knowledge of the positioning and history of OCL having joined the Group in 2011. If Mr. Madsen were to depart, there would be a significant loss of corporate knowledge, and significant time required for a new senior executive to come up to speed with the intricacies of the OCL business. The Vendor would still retain its current 19.9% holding in any case;
- (b) **(Difficult to find a replacement)** If Mr. Madsen did leave OCL, then OCL would have to recruit and retain a suitably qualified individual to replace him. It is likely that person would require a package containing significant cash, incentives and equity remuneration, with no guarantee of delivery of performance outcomes. The alignment of Mr. Madsen as currently proposed by the Transaction achieves this, without the additional risk of an untested executive;
- (c) **(OCL profits and dividends)** The current strategy of OCL is to increase revenue, profitability and dividends for all Shareholders. The path to this milestone would be significantly delayed if Mr. Madsen stepped down from operational control of OCL as a result of the Transaction not being approved; and
- (d) **(Loss of support of major shareholder)** If the Transaction does not proceed, and Mr. Madsen is not focused exclusively on management of, or if he leaves the OCL Group, then it is not clear what the intention of the majority Shareholder would be in terms of its ongoing support of OCL. If the majority Shareholder withdrew its support (which in relation to the subordinated debt is subject to ASIC's consent that they may do so), without substitution, OCL would not have enough regulatory capital to conduct its business as the responsible entity of the Funds.

In no particular order, if the required majority of Non-Associated Shareholders do vote in favour of the Resolutions:

- (e) (**Completion risk**) the Transaction itself is subject to the risk that it may not actually complete even if the Resolutions are passed, as Completion is subject to other conditions precedent. If all of the conditions precedent are not satisfied or waived by the Sunset Date, the Transaction will not proceed at all, and there will be no share issue or dilution of Shareholders;
- (f) (**Projections**) The Vendor is not warranting revenue and business projections, and MF has uncertain future revenues. Although it has historically generated annual profits on a consistent basis, there is no guarantee it will do so in the future, nor retain its current clients. The Consideration Shares and earn-out (Deferred Consideration) structure of the Transaction is designed to incentivise Mr. Madsen and mitigate these risks;
- (g) (**Loss of control**) Although all Shareholders will be diluted (voting) in equal proportions of approximately one-third as a result of the Transaction (see table under Resolution 2), the majority Shareholder will be diluted (as described in sections 5 and 6.2) so that it will no longer be able to carry a members' ordinary resolution on its own;
- (h) (**Warranties and indemnities**) Both parties are giving certain warranties and indemnities (including in relation to tax claims), under the SPA. This provides OCL with a level of protection, up to claims of \$50,000, in relation to the status of MF at the time the SPA was entered into, but it also means that OCL may be exposed to liability if, for example, there is a tax claim relating to historic accounting years of OCL, which diminishes the value of the Consideration Shares;
- (i) (**Restraint**) Mr. Madsen provides services to MF pursuant to the terms of the Executive Services Agreement. The Executive Services Agreement includes certain circumstances which give rise to its termination. If the Executive Services Agreement is terminated by OCL for cause, then termination is immediate. If OCL exercises its right to terminate the Executive Services Agreement for convenience, then there is a twelve month notice period. In either case, Mr. Madsen's appointment as managing director of MF would cease. It would be time-consuming and expensive to replace him. Both the Share Purchase Agreement and the Executive Services Agreement feature provisions which restrain Mr. Madsen and his associated entities from engaging in certain competitive conduct following termination of the Executive Services Agreement, with a geographical application limited to Queensland; and
- (j) (**Deadlock**). If the Transaction proceeds, both the Vendor and the (current) majority Shareholder would have equivalent shareholdings at 47.87% each. As OCL is a public company, those shareholders cannot easily enter into a shareholders agreement or other voting arrangement in respect of their voting rights. As a result, there is a potential that these two equal major shareholders could be deadlocked on a significant issue, and this may have an impact upon the ability of the Board and management to conduct the business of OCL and its Group companies.

The Non-Associated Directors note the following general risks, which apply to both OCL and MF regardless of the outcome of the Extraordinary General Meeting:

- (k) (**Property Sector risks**) OCL and MF both operate in the commercial and industrial property sector, particularly in south-east Queensland and across the eastern seaboard of Australia. The sector is cyclical, and may be subject to market and external conditions which render the businesses unprofitable over periods of time;
- (l) (**Financing**) The availability of third-party credit may decline due to economic and other conditions outside the control of OCL, and OCL may not be able to obtain (and MF may not be able to arrange) financing on beneficial terms or at all. OCL is reliant on its current major Shareholder to support it through arms-length financing (which is subject to an ASIC consent to remove); and

- (m) (**Licensing**) MF holds an Australian credit licence. OCL holds an Australian financial services licence. Both of these licences are subject to conditions imposed by ASIC as regulator, and can be revoked or suspended in certain circumstances. Withdrawal of the licences would have a significant effect on either company to conduct its business, and in the case of loss of the AFSL, would prevent OCL from being a responsible entity.
- (n) (**Fund support**) As a responsible entity, OCL has historically and may in the future be required by law to provide financial support to its Funds. It may be that money provided by OCL will not be repaid by the relevant Fund until the winding up of the Fund, if at all. OCL is currently providing support to Opus Development Fund 1, given its net liability position.

7. Independent investment decisions

This Explanatory Memorandum does not take into account the investment objectives, financial position and particular needs of any particular person, particularly any Shareholder of OCL. Before making any decision on the basis of this document you should consider, after consulting with your investment adviser, whether that decision is appropriate in light of the information contained in this document.

8. Legal and regulatory requirements

The Company is required by Part 2E.1 and item 7 of section 611 of the Act to seek member approval for the Transaction to proceed.

Further details in relation to the specific requirements for member approval under Part 2E.1 and item 7 of section 611 of the Act are provided with each of the Resolutions in the attached Notice of Meeting.

Your Non-Associated Directors have accordingly convened the Extraordinary General Meeting to comply with Part 2E.1 and section 611 (Item 7) of the Act.

9. Interdependency of Resolutions

Resolutions 1 and 2 are interdependent. That is, if Resolution 1 is passed but Resolution 2 fails, both Resolutions will be deemed to have failed. If Resolution 1 fails, Resolution 2 will not be put to shareholders to vote on.

10. Directors' interests in the outcome of the Transaction

10.1 Matthew Madsen

Mr. Matthew Madsen has a material personal interest in the outcome of the Resolutions. He is the managing director of OCL, the sole director and company secretary of MF and the sole director and company secretary of the Vendor. The Vendor currently holds 19.9% of OCL's shares (refer to OCL's public announcement dated 6 June 2014), and if the Transaction completes, will hold 47.87% of OCL's shares (following dilution), as described in section B-4.2(a) above. If the Transaction completes, the Vendor will also be entitled to certain cash consideration described in section B-4.2(b) to (e) above. The Vendor is the trustee of the MB & PM Madsen Family Trust, and Mr. Madsen and his wife are beneficiaries of that discretionary trust. Further, Mr. Madsen (as continuing managing director and 'key man') and his wife (as continuing office manager) will be contracted to provide services to MF through Madsen Advisory Pty Ltd, another entity for which Mr. Madsen is the sole director and secretary.

Mr. Madsen (through associated entities) earns, or is expected to earn, from OCL and its associates:

- (a) A director's fee for OCL of \$120,000 with additional payment for work outside scope. (Mr. Madsen was paid \$240,000 in FY14 as total remuneration, as he performed a 'managing director' role after the resignation of the prior CEO during financial year 2013, which are anticipated to be similar in FY15);

- (b) A Consultancy Fee, for the provision of his services as a 'key man' and managing director to MF, as well as the office manager services of his wife Mrs. Madsen, for a total of \$255,000 annually, payable to Madsen Advisory Pty Ltd under an existing contract (the Executive Services Agreement in section B-4.7 above);
- (c) an entitlement to accrue interest on a loan of \$350,000 provided to Opus 21, which is subordinated to the secured lender of that scheme, GE Capital. That loan has conversion terms, whereby the lender (at its option, on certain trigger events) can convert into units in Opus 21; and
- (d) Negotiated arms-length fees for refinancing of OCL's Opus 21 and Magnum Funds. Fees of \$362,344 in relation to these engagements were paid to MF during FY14.

Mr Madsen's remuneration as a director of OCL will not change as a result of the Transaction. Mr Madsen's remuneration entitlements in relation to MF are set out in section B-4.7, as well as his entitlements set out above as a director of OCL.

The Vendor, as an entity associated with Mr. Madsen, will be entitled to the benefit of all fees received in respect of one potential transaction for an historic client, if in fact any fees are received by MF. These fees will be expensed to the Vendor, which means the revenue will be included in MF's accounts with an equal and offsetting expense, therefore there will be no profit received by MF for this one historic transaction.

Mr. Madsen has been excluded from all deliberations by the Board of OCL on any matter relating to the SPA and the Transaction.

The Vendor, as an entity associated with Mr. Madsen, will not be entitled to vote on either Resolution, as it is a related party to which Part 2E.1 of the Corporations Act applies. Mr. Madsen does not have an interest in OCL shares other than by virtue of those OCL shares already held by the Vendor. Neither the Vendor nor Mr. Madsen will be entitled to vote these shares when the Resolutions are put to Shareholders.

10.2 Mark Hallett

Mr. Mark Hallett has an indirect interest in M3SIT, the trustee of the M3 Solutions Investment Trust (**Trust**), the majority Shareholder of OCL. M3SIT currently holds 73.57% of the share capital of OCL, but if the Transaction completes, will have its holding reduced to 47.87%. Until recently, Mr. Hallett was a Director of M3SIT. Mr. Hallett is not a unitholder of the Trust, but has disclosed that, together with his wife, is a joint non-beneficial shareholder of 50% of the issued share capital of M3SIT Pty Ltd, the corporate trustee of that trust. Mr. Hallett and his wife hold these shares non-beneficially in their capacity as trustees of a discretionary trust, of which Mr Hallett is a beneficiary. Further, OCL understands that M3SIT Pty Ltd (as trustee) is entitled to certain performance based remuneration based on increases in the underlying value of units in the M3 Solutions Investment Trust. As a result, because Mr. Hallett has a contingent future interest in any potential profits or dividends which M3SIT may achieve arising out of or in connection with this Transaction, and for good governance purposes, Mr. Hallett has declared a potential personal interest in the Transaction.

The Non-Associated Directors have accepted Mr. Hallett abstaining, and Mr. Hallett has not participated in the OCL board's deliberations in respect of the Transaction.

M3SIT is not associated with Mr Madsen or his entities, and will be voting on both Resolutions. Mr. Hallett is not a shareholder of OCL and will not be voting on either Resolution. Further, Mr. Hallett does not control the manner in which M3SIT votes on either Resolution.

10.3 Rowan Ward and Leylan Neep – Non-Associated Directors

For the Transaction, the OCL Board is comprised of the Non-Associated Directors Mr. Ward and Mr. Neep. Mr. Ward is a non-executive director of OCL, but has resigned from his position. Mr. Ward will serve out his three month notice period and will leave OCL shortly after the Sunset Date. Regardless of his resignation and for the reasons set out in this Explanatory Statement, Mr. Ward recommends the Transaction as being in OCL's best interests.

Mr. Neep is chief financial officer and company secretary of OCL, and has previously been appointed to act as an alternate director for Mr. Madsen and Mr. Hallett in circumstances where his appointee is absent or conflicted. During the period of negotiating the Transaction and signing the SPA, Mr. Neep acted as the alternate director to Mr. Hallett, and was not drawing a director's fee. He has since been appointed as a full Board member on 31 July 2014, following the resignation of Mr Ward.

Mr. Ward and Mr. Neep have no direct or indirect interest in the outcome of the Transaction outside of their position as directors and officers of OCL, so are 'independent' and non-associated.

10.4 Composition of MF Board after Transaction

All of the OCL subsidiaries currently have an equivalent Board, of Messrs. Madsen, Ward, Neep and Hallett, with Mr. Neep also serving as secretary. The SPA requires that the directors of OCL be appointed to the Board of MF from Completion so that this equivalency is maintained. Mr Neep, who was appointed as a director of OCL on 31 July 2014, will also become a director of MF on Completion. Apart from the alignment of Board composition, OCL does not expect to make material changes to the business of MF going forward.

If Completion does occur, then following Completion Mr. Ward's notice period will expire and he will step down as a director of OCL and its subsidiaries (which will then include MF).

OCL are currently considering the addition of at least one independent director, so that any future issues of potential conflict are minimised. No candidates for this role have yet been identified.

11. Voting rights

Mr. Madsen's trustee company Madsen Nominees Pty Ltd, the Vendor in the Transaction, is prevented from voting on the Resolutions set out in the accompanying Notice of Meeting. No other non-associated Shareholder is prevented from voting.

Both Resolutions are ordinary resolutions. With the exclusion of the Vendor, the Resolutions can only pass if the majority Shareholder, M3SIT, passes each one of them, regardless of how any other shareholder votes are cast on either Resolution. Assuming M3SIT does vote, no other Shareholder can, alone or in conjunction with others, pass the Resolutions without the support of the majority Shareholder. Despite this, the comments and recommendations made by the Non-Associated Directors in this document are addressed to all Shareholders.

Please refer to the voting exclusion statement in the Notice of Meeting.

12. Independent Expert Report

The Non-Associated Directors resolved to appoint BDO Corporate Finance (QLD) Ltd as an independent expert and commissioned BDO to prepare the Independent Expert's Report to provide an opinion as to whether or not the Transaction is 'fair and reasonable' to the existing Shareholders (other than the Vendor, who is receiving the Consideration Shares and Deferred Consideration described in this Explanatory Memorandum).

What is 'fair and reasonable' must be judged by the Independent Expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

BDO have noted in their summary (pages 2-4 of their report) that the proposed Transaction is **not fair but reasonable** to the non-associated shareholders. In reaching that conclusion, BDO:

- first valued OCL on a 'controlling basis', without the Transaction having occurred, and separately value MF;
- then valued the combined entity on a 'minority interest basis', and compare this figure with the number above;

- determined the range for each, and as the two valuation ranges do not overlap, BDO concluded the transaction is **not 'fair'** to Non-Associated Shareholders;
- however, in their view, as:
 - on a minority basis only, there is some overlap; and
 - the advantages outweigh the disadvantages,

BDO independently conclude that the Transaction **is still 'reasonable'** in the circumstances.

In forming their independent recommendation, BDO have covered all of the matters required to be provided to Shareholders under each of:

- (a) ASIC Regulatory Guide 74 – Acquisitions approved by members;
- (b) ASIC Regulatory Guide 76 – Related Party Transactions;
- (c) ASIC Regulatory Guide 111 – Content of Expert Reports; and
- (d) ASIC Regulatory Guide 112 – Independence of Experts.

and have consented to the inclusion of their report in this Notice of Meeting.

The Company strongly recommends that you read the Independent Expert's Report in full, **a copy of which is in Appendix A to this Explanatory Memorandum**, and if in doubt seek advice from your professional advisers prior to voting.

13. Recommendation of Non-Associated Directors

Your Non-Associated Directors Mr. Ward and Mr. Neep recommend the proposal, and recommend that eligible shareholders vote in favour of the Transaction and both of the Resolutions set out in the accompanying Notice of Meeting.

Rowan Ward and Leylan Neep (the **Non-Associated Directors**) are the two directors of OCL who are not in positions of actual or potential conflict in relation to the outcome of the Transaction.

Based on the information available, including:

- (a) the rationale for and the benefits of the Transaction as set out in section B-3;
- (b) the risks associated with the Transaction as set out in section B-6.3;
- (c) the advantages and disadvantages of the Transaction as set out in sections B-6.1 and B-6.2; and
- (d) the Independent Expert's Report in Appendix A,

the Non-Associated Directors consider that approving the Resolutions is in the best interests of the Company, and recommend that Shareholders vote in favour of both of the Resolutions because:

- (a) the alignment of Mr. Madsen is critical to the OCL business if it is to grow and prosper;
- (b) Mr. Madsen will be incentivised to develop and grow the Group which will be of advantage to all Shareholders, and to remain with the Group;
- (c) Mr. Madsen has the continued support of the Board and the majority Shareholder given his performance to date;

- (d) there will be anticipated additional and diversified revenues flowing to OCL, which will delay or avoid the need for additional equity capital raisings: and
- (e) capturing revenue for arranging financing associated with OCL debt, which currently leaves the Group, will benefit all Shareholders.

If Shareholders do not approve the Resolutions:

- (a) it is more probable that Mr. Madsen will increasingly focus his management time (that is, time over and above that necessary to perform his role as a director of OCL) on his cash-generating MF business;
- (b) if that were the case, OCL would need to search for and retain a senior executive of equivalent standing, which is likely to require significant cash and/or share or other incentives;
- (c) there would be significant loss of corporate capability and knowledge if Mr. Madsen left the OCL Group, at a critical time for the Company;
- (d) without additional streams of revenue, OCL may not be able to pursue its expansionary aims. It is not clear whether the majority Shareholder would continue to support the business of OCL financially, either through the existing loan (which is subordinated to ASIC under a deed of subordination), and/or capital or other support to OCL without Mr. Madsen's continued involvement; and
- (e) any plans to raise, acquire or participate in additional managed investment schemes would be significantly hampered or delayed without Mr. Madsen's continued and focused involvement in OCL.

Mr. Matthew Madsen declines to make a recommendation to Shareholders in relation to the Resolutions due to his material personal interest in the outcome of the Resolutions, which are described in section B-10.1.

Mr. Mark Hallett declines to make a recommendation to Shareholders in relation to the Resolutions due to his potential but contingent future interest in the outcome of the Resolutions, which are described in section B-10.2.

If shareholders cannot attend the meeting, they are urged to complete the Proxy Form and return it (see Proxy Form at Appendix B for details) as soon as possible, and in any event so it is received by OCL by no later than 48 hours prior to the date and time of the meeting (or by close of business on Friday, 19 September 2014 if the proxy is being returned by post).

14. Indicative timetable

If both Resolutions set out in the accompanying Notice of Meeting are approved, the proposal should proceed according to this timetable:

Event	Date
Meeting held and Transaction approved	Tuesday 23 September 2014
Satisfaction or waiver of conditions precedent to Transaction	Thursday, 25 September 2014 (i.e. shortly following the Extraordinary General Meeting)
Completion of transaction and issue of new shares in OCL to Vendor	Tuesday, 30 September 2014 (3 Business Days following satisfaction or waiver of conditions precedent)
Sunset Date	All steps must have occurred prior to 14 October 2014, in accordance with s.609(7) of the Corporations Law.

Dated: 22 August 2014.

Section C - Notice of Extraordinary General Meeting

Notice of Extraordinary General Meeting

Opus Capital Limited ACN 095 039 366

1. General

An Extraordinary General Meeting of the members Opus Capital Limited ACN 095 039 366 (**OCL**) will be held:

1. on Tuesday 23 September 2014
2. at 10:00 am
3. at Level 18, Trustee House, 444 Queen Street, Brisbane QLD 4000

The Explanatory Memorandum at section B which accompanies and forms part of this Notice describes the matters to be considered at the Extraordinary General Meeting.

Capitalised terms not otherwise defined in this Notice of Extraordinary General Meeting have the meanings given to them in the glossary at Section D accompanying this Notice.

2. Business

Resolution 1 - Approval of related party transaction

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

For the purposes of Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the Company's entry into the Share Purchase Agreement dated 14 July 2014 and the provision of a benefit to a related party of the Company, namely Madsen Nominees Pty Ltd as trustee for the MB & PM Madsen Family Trust, an associate of Mr. Matthew Madsen, on the terms set out in the Explanatory Memorandum.

Voting exclusion statement

In accordance with the notice requirements of section 224 for approval under section 208 of the Corporations Act, the Company will disregard any votes cast on Resolution 1 by Matthew Madsen or his associates.

Chapter 2E of the Corporations Act

The Corporations Act regulates the giving of a "financial benefit" to a "related party" of a public company. In general terms, a related party means a director of the public company and his or her relatives or associated companies.

Details of the relationship between the Vendor and the Company, and the reasons for seeking Shareholder approval under Chapter 2E of the Corporations Act, are set out in section B-4 and 10.1 of the Explanatory Memorandum which accompanies this Notice of Meeting.

Section 208 of the Corporations Act sets out the circumstances in which a financial benefit may be given to related parties. These include where the members of the company have, by ordinary resolution, given

their approval in accordance with the procedure set out in sections 217 to 227 of the Corporations Act. Accordingly, pursuant to Resolution 1, OCL seeks the approval of its Shareholders under section 208 of the Corporations Act and provides the information contained in this Explanatory Memorandum and the following specific information.

The related party to whom Resolution 1 would permit the financial benefit to be given is the Vendor.

The nature of the financial benefit is the issue of the cash and non-cash considerations (including the Consideration Shares) to the Vendor under the terms of the Share Purchase Agreement as discussed in section B-4.2 of the Explanatory Memorandum which accompanies this Notice of Meeting.

The details of the effect of the issue of the Consideration Shares and the voting power of the Vendor immediately following completion of the Transaction are set out in section B-5 above.

Resolution 2 – Approval of proposed issue of shares

If Resolution 1 is passed, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That subject to Resolution 1 being passed, and for the purposes of seeking approval for the acquisition of a relevant interest in shares in Opus Capital Limited under section 611 (Item 7) of the Corporations Act 2001 (Cth) and for all other purposes, the proposed issue and allotment of 691,751,161 fully paid ordinary shares in the Company to Madsen Nominees Pty Ltd as trustee for the MB & PM Madsen Family Trust, an entity associated with Mr. Matthew Madsen, as described in the Explanatory Memorandum, be approved.

Voting exclusion statement

In accordance with the notice requirements of section 224 for approval under section 208 of the Corporations Act, the Company will disregard any votes cast on Resolution 2 by Matthew Madsen or his associates.

Item 7 of section 611 of the Corporations Act

Resolution 2 seeks Shareholder approval of the Transaction particularly the issue of the Consideration Shares to the Vendor for the purposes of item 7 of section 611 of the Corporations Act.

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a company if:

1. the company is a public company;
2. the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and
3. because of the transaction, 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%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) if an acquisition is approved previously by a resolution passed by shareholders at a general meeting of the company.

The issue of the Consideration Shares under the Transaction will result in the Vendor increasing its voting power from 19.9% to 47.87%.

Accordingly, Shareholder approval of the Transaction and issue of the Consideration Shares is required under item 7 of section 611 of the Corporations Act.

The information required to be given to Shareholders for the purposes of approval of the Transaction and issue of Consideration Shares to the Vendor under item 7 of section 611 of the Corporations Act is set out below:

Identity of person acquiring an interest in OCL's Shares as a result of the Transaction:	The Vendor will be issued with 691,751,161 Consideration Shares in OCL.
The maximum extent of the increase in the voting power of the Vendor in OCL as a result of the Transaction:	The voting power of the Vendor will increase from 19.9% to 47.87% in total.
The voting power that the Vendor will have as a result of the Transaction:	Voting power of 47.87%. This will be equal to that of the Majority Shareholder, following dilution.
The maximum extent of the increase in the voting power of the Associates of the Vendor as a result of the Transaction:	The voting power of the Associates of the Vendor will increase from 19.9% to 47.87%.
The voting power that the Associates of the Vendor will have as a result of the Transaction:	Voting power of 47.87%.
Dilutionary impact on other Shareholders	Shareholders, other than the Vendor, will be diluted by a factor of 34.92%.

3. Voting

3.1 Eligibility to vote

For the purpose of determining a person's entitlement to vote at the Extraordinary General Meeting, a person will be recognised as a member of the Company and the holder of Shares if that person is registered as a holder of those Shares on no later than 4:00 pm on Friday 19 September 2014, being the second Business Day prior to the date of the Extraordinary General Meeting.

3.2 Voting on a show of hands

On a show of hands, each member present in person or by attorney or by proxy or by a representative at the Extraordinary General Meeting shall have one vote unless more than one attorney, proxy or representative is entitled to exercise votes of the member at the meeting in which case, on a show of hands, that members' attorneys, proxies or representatives will not be entitled to vote on behalf of that member.

3.3 Voting on a poll

On a poll, every member present in person or by attorney or by proxy or by representative shall have one vote for each share held by him, her or it provided that all shares are fully paid.

3.4 Voting restrictions

The Corporations Act requires that certain persons must not vote, and the Company must disregard any votes cast by certain persons, on certain resolutions to be considered at the Extraordinary General Meeting.

Voting exclusion statements are included in relation to each Resolution set out above.

4. Proxies

4.1 General

Please note that:

- (a) a member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint no more than two proxies (the member must hold at least two shares to appoint 2 proxies);
- (b) an instrument appointing a proxy should be in the form of the Proxy Form attached to this Notice at Appendix B;
- (c) where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member's voting rights. If a member appoints two proxies, and the appointment does not specify the proportion of the member's voting rights each proxy may exercise, each proxy may exercise one-half of the member's voting rights;
- (d) a proxy need not be a member of the Company;
- (e) a proxy form may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where a proxy form so provides, the proxy is not entitled to vote on the Resolution except as specified in the proxy form;
- (f) a proxy has the authority to vote on the member's behalf as he or she thinks fit, on any motion to adjourn the Extraordinary General Meeting, or any other procedural motion, unless the member gives a direction to the contrary;
- (g) a valid proxy form will be deemed to confer authority to demand or join in demanding a poll; and
- (h) to be valid, a proxy form (or certified copy of the original) must be signed by the member or the member's attorney or, if the member is a corporation, executed in accordance with the company's constitution and the Corporations Act (and may be signed on behalf of the company by its attorney).

4.2 Where do I send my Proxy Form?

A Proxy Form relating to this EGM is located at Appendix B, just after the Independent Expert's Report. If you cannot be at the meeting in person, please complete and return the Proxy Form to OCL, as indicated on that Proxy Form. Proxy Forms and authorities may be sent to the Company by post, personal delivery, fax or email:

Opus Capital Limited

Street address:

Level 21
12 Creek Street
Brisbane QLD 4000

Mailing address:

GPO Box 5270
Brisbane Qld 4001
Australia

Fax: +617 3002 5311

Email: Leylan.Neep@opusaustralia.com

4.3 What if a proxy is appointed under a power of attorney?

If the Proxy Form is signed under a power of attorney on behalf of a Shareholder, then the attorney must make sure that either the original power of attorney, or a certified copy, is sent with the Proxy Form unless the power of attorney has already been sighted by Company.

4.4 What is the due date for appointing a proxy?

To be valid, the Proxy Form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be received by OCL not later than 48 hours prior to the Meeting, i.e. no later than Friday, 19 September 2014 if the proxy is being returned by post.

Dated 22 August 2014

By order of the Board



Leylan Neep
as Company Secretary
Opus Capital Limited

Section D - Glossary

1. Definitions

The following definitions are used in the Notice of Meeting and the Explanatory Memorandum:

ACL means Australian Credit Licence.

AEDT means Australian Eastern Daylight Saving Time.

AFSL means Australian Financial Services Licence.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in the Corporations Act.

Board or **Board of Directors** means the board of directors of OCL.

Business Day means a day which is not a Saturday, Sunday or public holiday in Brisbane, Queensland.

Company or **OCL** means Opus Capital Limited ACN 095 039 366, and not in its capacity as Responsible Entity of any managed investment scheme unless otherwise expressly stated.

Completion means completion under the Share Purchase Agreement.

Consideration Shares means 691,751,161 ordinary shares in OCL.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act or **Act** means the *Corporations Act 2001 (Cth)*.

Director means a director of the Company.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Executive Services Agreement means the executive services agreement between MF, the Vendor and Madsen Advisory.

Explanatory Memorandum means the explanatory memorandum set out in Section B of this document.

Extraordinary General Meeting or EGM means the extraordinary general meeting of the Company to be held on Tuesday 23 September 2014 pursuant to the Notice of Meeting.

Funds means the registered managed investment schemes OCL acts as responsible entity for.

Group means the Company and its controlled entities.

Guarantor means Matthew Madsen, in his own personal capacity, in relation to certain matters covered by the Share Purchase Agreement.

Independent Expert or BDO means BDO Corporate Finance (Qld) Ltd ACN 010 185 725.

Independent Expert's Report means the report prepared by the Independent Expert for inclusion in this Notice of Meeting at Annexure A.

Madsen Advisory means Madsen Advisory Pty Ltd ACN 169 790 514, an associate of Mr. Madsen, the counterparty to the Executive Services Agreement.

Madsen Finance or MF means Madsen Finance Pty Ltd ACN 104 184 367, the entity which is proposed to be acquired by OCL under the Transaction.

Madsen Nominees means Madsen Nominees Pty Ltd ACN 153 176 302, an associate of Mr. Madsen.

Magnum means the open-ended unregistered managed investment scheme Opus Magnum Fund ARSN 109 224 419.

M3SIT means M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust, the current majority shareholder of OCL.

Non-Associated Directors means the directors of the Company, who are not excluded from involvement in relation to the Transaction on behalf of the Company, namely Mr. Rowan Ward and Mr. Leylan Neep.

Non-Associated Shareholders means the Shareholders of OCL other than the Vendor, who are not excluded from voting on the Resolutions.

Notice of Meeting or Notice means the notice of Extraordinary General Meeting set out in Section C of this document.

Opus 8 means the open-ended unregistered managed investment scheme Opus Property Trust No. 8 ARSN 100 341 071.

Opus 21 means the open-ended unregistered managed investment scheme Opus Income & Capital Fund No.21 ARSN 104 391 273.

Proxy Form means the proxy form attached as Appendix B to the Notice, for completion and submission to OCL by members who cannot attend the Extraordinary General Meeting.

Purchaser means the purchaser under the SPA, being OCL.

Related Entity has the meaning given to that term in the Corporations Act.

Resolutions means the resolutions set out in the Notice of Meeting to be considered by Shareholders at the Extraordinary General Meeting, being resolutions to be passed by the requisite majority of members of the Company on a show of hands or by the requisite majority of votes given on a poll (if demanded).

Share means the fully paid ordinary share in the capital of Madsen Finance, the subject of the SPA.

Shareholder means a holder of a share in OCL.

Share Purchase Agreement or SPA means the share purchase agreement dated on 14 July 2014 between OCL, the Vendor and the Guarantor relating to the Transaction (which is only effective subject to the Resolutions being passed).

Subsidiary has the meaning given to that term in the Corporations Act.

Sunset Date means the date which is 3 months from the date of signing of the Share Purchase Agreement, namely 14 October 2014.

Transaction means the acquisition of Madsen Finance from the Vendor by OCL, in return for OCL issuing the Consideration Shares to the Vendor and certain Deferred Consideration and ancillary contracts described in the Explanatory Memorandum (subject the Resolutions being approved).

Vendor means the vendor of the Share under the SPA, being Madsen Nominees, in its capacity as trustee of the MB & PM Madsen Family Trust.

2. Interpretation

For the purposes of interpreting the Explanatory Memorandum and the Notice of Meeting:

- (a) the singular includes the plural and vice versa;
- (b) words importing any gender include the other genders;
- (c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all considerations, amendments, re-enactments or replacements for the time being in force;
- (d) all headings, bold typing, underlining and italics (if any) have been inserted for convenience of reference only and do not define, limit or affect the meaning or interpretation of the Chairman's Letter, the Explanatory Memorandum and the Notice of Meeting;
- (e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors and substitutes (including without limitation persons taking by novation and assignment); and
- (f) reference to **\$, A\$, Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

Appendix A – Independent Expert’s Report



OPUS CAPITAL LIMITED
Independent Expert's Report

Proposed Acquisition of Madsen Finance Pty
Ltd by Opus Capital Limited

20 August 2014

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Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 ('the Corporations Act') and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

- a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

The following report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the non-associated shareholders of Opus Capital Limited ('Opus') in relation to the potential acquisition of Madsen Finance Pty Ltd ('Madsen Finance') for a combination of cash and scrip consideration ('the Proposed Transaction').

Further details relating to the Proposed Transaction are set out in Section 3.0 of this Report. The scope of this Report is set out in detail in Section 4.0 of this Report. Our Report provides an opinion as to whether or not the Proposed Transaction is fair and reasonable to the shareholders of Opus not associated with the Proposed Transaction ('Opus Shareholders').

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by the shareholder's particular circumstances, for example, the shareholder's taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.



Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate that our fees for the preparation of this Report will be approximately \$38,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of any of the matters to which this Report relates. Our fees do not include fees payable to other experts engaged to provide specialist services and reports which may have been considered in this Report.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO Audit Pty Ltd has previously provided audit services to Opus and is currently the engaged auditor of Opus. BDO (QLD) Pty Ltd has provided business advisory services to Opus in the past two years. BDO CFQ has previously prepared an Independent Expert's Report in relation to a proposal by M3SIT Pty Ltd to compulsorily acquire the shares in Opus that it did not already hold.

BDO CFQ is not an associate of either Opus or Madsen Finance. The signatory to this Report does not hold any shares in either Opus or Madsen Finance and no such shares have ever been held by the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Institute of Chartered Accountants, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investments Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.



Contact Details

BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000 Phone: (07) 3237 5999 Fax: (07) 3221 9227	GPO Box 457 BRISBANE QLD 4001 Email: cf.brisbane@bdo.com.au

Glossary

Reference	Definition
ABV	Asset Based Valuation
AFSL	Australian Financial Services Licence
ANZ	Australian and New Zealand Bank
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Balance Sheet Adjustment Payment	The net amount expected to be paid by Opus to Madsen Finance as part of the Proposed Transaction based on the net asset value of Madsen Finance as at 2 July 2014
BDO CFQ, we, us and our	BDO Corporate Finance (QLD) Ltd
BDO Persons	BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates
CBA	Commonwealth Bank of Australia
CME	Capitalisation of Maintainable Earnings
Corporations Act, the	The Corporations Act 2001
DCF	Discounted Cash Flows
First Deferred Consideration	The amount to be paid by Opus to Madsen Nominees on or before 30 days from completion of the Proposed Transaction
Fourth Deferred Consideration	The amount to be paid by Opus on or before 30 September 2017 if Madsen Finance's FY2017 profit before tax exceeds \$500,000 plus any residual hurdle amount from FY2016
FSG	Financial Services Guide
FUM	Funds under management
Fund No. 21	The Opus Income & Capital Fund No. 21
Further Deferred Consideration	The deferred consideration to be paid by Opus to Madsen Finance on or before 30 September in each of the subsequent three financial years following completion of the Proposed Transaction
GE	GE Capital Real Estate
GFC	Global Financial Crisis
Goldman Sachs	MTGRP L.L.C
IAM	Integra Asset Management
ING	ING Bank (Australia)
Initial Consideration	The issue of 691,751,161 new ordinary Opus shares to Madsen Nominees upon completion of the Proposed Transaction
M3SIT	M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust
M3SIT Share Transfer	The acquisition of 256,506,196 Opus shares by Madsen Nominees from M3SIT in return for a purchase price consideration of \$100
Madsen Associates, the	Mr. Matthew Madsen and his associates
Madsen Nominees	Madsen Nominees Pty Ltd
Magnum Fund	Opus Magnum Fund
Management Rights, the	Opus' management rights to manage various Opus Funds

Reference	Definition
MBV	Market Based Valuation
Notice of Meeting	The Explanatory Memorandum and Notice of Extraordinary General Meeting to be dated on or around 22 August 2014
Opus	Opus Capital Limited
Opus shareholders	The non-associated shareholders of Opus
Proposed Transaction, the	The proposed acquisition of all the issued shares of Madsen Finance by Opus for a consideration of cash and scrip
RE	Responsible Entity
REIT	Real Estate Investment Trust
Report, this	This report prepared by BDO CFQ dated 20 August 2014
RG 111	ASIC Regulatory Guide 111: Content of Expert Reports
RGs	Regulatory Guides published by ASIC
Second Deferred Consideration	The amount to be paid by Opus on or before 30 September 2015 if Madsen Finance's FY2015 profit before tax exceeds \$950,000
Share Sale Agreement	The share sale agreement in relation to the Proposed Transaction dated 14 July 2014
St George	St George Bank
Third Deferred Consideration	The amount to be paid by Opus on or before 30 September 2016 if Madsen Finance's FY2016 profit before tax exceeds \$500,000 plus any residual hurdle amount from FY2015
Trust No. 8	Opus Property Trust No. 8
WALE	Weighted Average Lease Expiry

The Non-Associated Shareholders
Opus Capital Limited
C/- The Non-Associated Directors
GPO Box 5270
Brisbane Qld 4001

20 August 2014

Dear Non-Associated Shareholders

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Limited ('BDO CFQ') has been engaged by the non-associated directors of Opus Capital Limited ('Opus' or 'the Company') to prepare an independent expert's report ('this Report') to the non-associated shareholders of Opus ('Opus shareholders') in relation to the potential acquisition of Madsen Finance Pty Ltd ('Madsen Finance') for a combination of cash and scrip consideration ('the Proposed Transaction').

In this Report, and in accordance with our instructions, BDO CFQ has expressed an opinion on whether or not the Proposed Transaction is 'fair and reasonable' to the non-associated Opus Shareholders. The Proposed Transaction can only proceed subject to the conditions precedent as set out in the Explanatory Memorandum and Notice of Extraordinary General Meeting to be dated on or around 22 August 2014 ('the Notice of Meeting').

A more detailed discussion of the Proposed Transaction is set out in Section 3.0 of this Report. The scope of this Report and the basis for assessing the Proposed Transaction is set out in detail in Section 4.0 of this Report.

This Report will be provided to the non-associated Opus Shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

Opus shareholders should read this Report in full, including the assumptions underpinning our work. Opus Shareholders should also read in full any other information provided to them in conjunction with this Report, including the Notice of Meeting.

This Report does not address circumstances specific to individual Opus Shareholders. An Opus Shareholder's decision to vote for or against the Proposed Transaction may be influenced by their own particular circumstances (for example, the shareholder's taxation considerations and risk profile). Opus Shareholders should obtain their own professional advice in relation to their own circumstances.

This Report does not provide accounting, taxation, legal or other advice.

2.0 Summary of Opinion

This section of this Report is a summary of our opinion and cannot substitute for a complete reading of this Report.

We strongly recommend that Opus Shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Meeting, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

2.1 Fairness of the Proposed Transaction

Our assessment of the fairness of the Proposed Transaction is set out in Section 10.0 of this Report. In summary, to assess whether the Proposed Transaction is fair, we have completed steps including the following:

- (a) Determined the value of a share in Opus on a controlling interest basis prior to the Proposed Transaction. This analysis is set out in Section 8.0 of this Report;
- (b) Determined the value of a share in the Combined Entity on a minority interest basis following the Proposed Transaction. This analysis is set out in Section 10.0 of this Report; and
- (c) Compared the value determined in (a) above with the value determined in (b) above to form a view on whether the value of a share in the Combined Entity is equal to or greater than the value we have calculated for a share in Opus prior to the Proposed Transaction.

Table 2.1 below sets out a summary of the values adopted for points (a) and (b) above.

Table 2.1: Comparison of Values Pre and Post Proposed Transaction

	Reference	Low (\$)	High (\$)
Value of an Opus Share (Controlling Interest)	Section 8.4	0.001095	0.001603
Value of a share in the Combined Entity (Minority Interest)	Section 10.2	0.000681	0.001022

Source: BDO CFQ analysis

The analysis set out in Table 2.1 above indicates that the value of a share in Opus on a controlling interest basis is greater than our value of a share in the Combined Entity on a minority interest basis.

As our valuation of Opus post the Proposed Transaction is less than the range of our valuation of an Opus share prior to the Proposed Transaction, it is our view that the Proposed Transaction is **Not Fair** to Opus Shareholders as at the date of this Report.

2.2 Reasonableness of the Proposed Transaction

Our assessment of the reasonableness of the Proposed Transaction is set out in detail in Section 11.0 of this Report.

To assess whether or not the advantages of the Proposed Transaction outweigh the disadvantages, we have considered a number of quantitative and qualitative factors. Having regard to those matters, we have formed a view as to whether the advantages of the Proposed Transaction outweigh the disadvantages and whether the Proposed Transaction is 'reasonable' to Opus Shareholders.

It is our view that the advantages, summarised below and described in more detail in Section 11.1, include the following (which are not necessarily stated in order of importance):

- Opus Shareholders will collectively retain control as the Madsen Associates interest will increase from 19.9% to approximately 47.9%, a level that remains below 50%;
- Opus Shareholders will retain exposure to the current funds management business;
- Opus Shareholders will have exposure to a more diversified revenue stream through the Madsen Finance business;
- Madsen Finance is a cash flow generating business;
- The key man of Madsen Finance is incentivised to out-perform historical performance;
- As Opus currently uses Madsen Finance to assist with refinancing activity required, the acquisition will assist to vertically integrate the business;
- Mr Madsen is well regarded by current Opus management and the major shareholder, M3SIT and has contributed significantly to Opus in recent years; and
- The Proposed Transaction will assist to align the interests of Mr Madsen, who is currently the owner of Madsen Finance and Opus' most senior executive.

It is our view that the disadvantages and risks, summarised below and described in more detail in Section 11.2, include the following (which again are not necessarily stated in order of importance):

- Opus Shareholders interest and exposure to the funds management business will be diluted;
- There is not a complete alignment of Mr Madsen's interests as Mr Madsen may favour Madsen Finance as a result of the earn-out clauses built into the Proposed Transaction; and
- There is material key man risk as the earnings generated by Madsen Finance depend significantly on the relationships of Mr Madsen.

After considering the information and methodology summarised above and set out in further detail in the balance of this Report, it is our view that in the absence of any other information, the Proposed Transaction is **Reasonable** as at the date of this Report.

2.3 Conclusion on the Proposed Transaction

In our opinion, the Proposed Transaction is **Not Fair but Reasonable** to Opus Shareholders.

2.4 Other Considerations

Before forming a view on the Proposed Transaction, we strongly recommend that Opus Shareholders:

- Consult their own professional advisers;
- Carefully read all relevant documentation provided to them including this Report, the Notice of Extraordinary General Meeting, and all other information provided; and
- Consider their own specific circumstances and assess the way in which those circumstances might impact their decision to vote in favour of or against the Proposed Transaction.

The analysis set out in this Report has relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

3.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 3.1 provides a description of the Proposed Transaction;
- Section 3.2 sets out the conditions of the Proposed Transaction; and
- Section 3.3 discusses the strategic rationale for the Proposed Transaction.

3.1 Description of the Proposed Transaction

On 14 July 2014, Madsen Nominees Pty Ltd ('Madsen Nominees') as trustee for the MB & PM Madsen Family Trust and Opus Capital Limited ('Opus') executed a share sale agreement ('Share Sale Agreement') in relation to the acquisition of all of the issued share capital of Madsen Finance Pty Ltd ('Madsen Finance') by Opus ('the Proposed Transaction'). Madsen Nominees is the sole shareholder of Madsen Finance.

The consideration payable by Opus for 100% of the issued share capital of Madsen Finance will have regard to the following:

- a) Initial consideration ('Initial Consideration') - Upon completion of the Proposed Transaction, Opus will issue 691,751,161 new ordinary Opus shares to Madsen Nominees;
- b) First deferred consideration ('First Deferred Consideration') - On or before 30 days from completion of the Proposed Transaction, Opus will pay A\$450,000 to Madsen Nominees (in some circumstances Opus may be able to delay the payment of 50% of the First Deferred Consideration for a further 60 days);
- c) Balance sheet adjustment payment ('Balance Sheet Adjustment Payment') - the net asset value (which may be a positive or negative number) of Madsen Finance as at 2 July 2014 as shown in the balance sheet of that date and signed as true and accurate by the director(s) of the Company. This is payable at Completion. It is our understanding that the net amount expected to be paid by Opus under this adjustment is \$336.33 (based on a 2 July 2014 balance sheet provided to the non-associated directors of Opus by Madsen Finance);
- d) Madsen Finance will also receive from related parties the repayment of two loans totalling \$145,710.40 within 5 business days of completion of the Proposed Transaction. In the event that Madsen Finance does not receive this receivable, Opus is entitled to subtract the amounts owing from the First Deferred Consideration amount. Madsen Finance will also be required to repay a related party loan with a value of \$124,300 within 10 business days of completion of the Proposed Transaction; and
- e) Further deferred consideration ('Further Deferred Consideration') - On or before 30 September in each of the subsequent three financial years following completion of the Proposed Transaction, Opus may pay to Madsen Nominees a deferred consideration amount as follows:
 - i. Second deferred consideration ('Second Deferred Consideration') - on or before 30 September 2015, 50% of the amount (if any) by which Madsen Finance's FY2015 profit before tax exceeds \$950,000;

- ii. Third deferred consideration ('Third Deferred Consideration') - on or before 30 September 2016, 50% of the amount (if any) by which Madsen Finance's FY2016 profit before tax exceeds \$500,000 plus any residual hurdle amount from FY2015; and
- iii. Fourth deferred consideration ('Fourth Deferred Consideration') - on or before 30 September 2017, 50% of the amount (if any) by which Madsen Finance's FY2017 profit before tax, plus the amount of 'work in progress' which relates to work done on engagements with Madsen Finance entered into on or before 30 June 2017 but which are not invoiced on or prior to 30 June 2017, but is subsequently invoiced by Madsen Finance and paid to and received by Madsen Finance on or before 30 September 2017, exceeds \$500,000 plus any residual hurdle amount from FY2016.

The terms of the Proposed Transaction also include a restraint clause. The intent of the restraint clause is to prohibit associates of Mr Madsen from undertaking business activities in Queensland similar to those offered by Madsen Finance for a period of twelve months from the date he ceases to be employed by the Company.

3.2 Conditions of the Proposed Transaction

The successful completion of the Proposed Transaction is subject to the satisfaction of a number of conditions precedent. The conditions precedent include:

- a) satisfactory completion by Opus and its advisors of legal and financial due diligence investigations in relation to Madsen Finance (which will have expired by the date of the Notice of Extraordinary General Meeting);
- b) the approval by the shareholders of Opus of the resolutions set out in the Notice of Meeting;
- c) a section 708(8)(c) certificate being provided to Opus, which provides a waiver of the requirement of Opus to provide a disclosure document for the consideration shares to be issued to the vendor;
- d) the Debt Acknowledgement Letter (described in further detail in paragraph 4.4 of the Notice of Meeting) being signed by third parties and provided to Opus;
- e) no party being insolvent or having material litigation proceedings served against them or Opus as RE;
- f) any 'financial assistance' provided by Madsen Finance to be approved; and
- g) other conditions which are customary for a transaction of this type.

The above conditions are all independent and may be waived by the party with the benefit of the condition. If any condition is not fulfilled by no later than three months from the date of the Share Purchase Agreement (14 October 2014), the Share Purchase Agreement will be terminated and the transaction will not occur, even if it has been approved by the shareholders of Opus in a general meeting.

3.3 Strategic Rationale of the Proposed Transaction

Opus is the responsible entity ('RE') for a number of property funds that have been under pressure from their lenders over the last four years. To satisfy lenders requests to meet debt covenants, the property funds have sold assets and a number of property funds managed by Opus have been wound up.

As a result of the property funds selling assets and being wound up, Opus' ability to generate recurring management fee income has deteriorated materially since the 2010 financial year. The non-associated Directors of Opus expect that further assets in the property funds it manages will need to be sold and that three (out of a total of four) more property funds will need to be wound up. This will further reduce Opus' ability to generate recurring management fee income.

It is the view of the non-associated Directors of Opus that the revenue Opus generates at its current FUM and property income levels is not sufficient for the Company to operate profitably in the medium to longer term. While the Directors' of Opus intend to expand the business, they are of the view that the Company is currently unable to fund the expansion and that shareholder appetite to provide further equity or debt funding is limited.

The Directors' also intend for Opus to gain additional revenues in the future through fundraising for Opus managed funds, either in the existing funds or through the establishment of new funds. However, either strategy in Opus managed entities will take time before Opus can bring opportunities to market and the market's appetite to invest further funds is uncertain.

In response to the difficult operating environment, Opus is currently seeking options available to diversify the business' revenue and cash flow streams.

The non-associated directors of Opus believe that the Proposed Transaction will:

- Provide Opus with a diversified revenue stream through a range of debt advisory roles in the same asset class that Opus already operates (i.e. property). The revenue streams will be a combination of a lumpy 'procurement fee' income and a more stable ongoing 'trail' revenue which may not be as dependant on property cycles or fund activities to be received;
- Provide additional revenue to Opus from acquisition date which will achieve:
 - Substitution for other, non-sustainable, historic revenue flows;
 - The possibility of future dividends to shareholders of Opus; and
 - Cash flow to fund the activities of Opus without anticipated further support from its shareholders; and
- Achieve alignment of interests between Mr Madsen, a senior Opus executive, and shareholders as a result of Mr Madsen:
 - being less conflicted with how he spends his time, as any work in Madsen Finance for its clients is work for Opus;
 - being incentivised to maximise the profits of both businesses, which will be to the benefit of all shareholders;

- being aligned in terms of remuneration and equity participation;
- being incentivised to both out-perform his historical performance within Madsen Finance (through the earn-out) and thereby maximise revenues for Opus, but also grow the value of the Opus (through his own Opus shareholding); and
- having a broader pool of executives to assist within both business streams, which will free Mr Madsen up to spend more time on matters which are revenue generating for either, or both, businesses.

4.0 Scope of Report & Methodology for Assessment

4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet requirements set out in the Corporations Act ('the Act'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 4.1.1 and 4.1.2 below.

The purpose of this Report is to express BDO CFQ's opinion as to whether the Proposed Transaction is 'fair' and 'reasonable' to Opus Shareholders. This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Notice of Meeting to be sent to Opus Shareholders by the Company.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual Opus Shareholders. Before deciding whether to vote for or against the Proposed Transaction, individual Opus Shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation and needs (including their own taxation consequences). Opus Shareholders should read in full the Notice of Meeting issued by Opus in relation to the Proposed Transaction.

Whether to vote for or against the Proposed Transaction is a matter for individual Opus Shareholders to consider. Opus Shareholders should consider their own expectations of value, their own view of future market conditions and their own particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position, when determining the appropriate action to take in relation to the Proposed Transaction. Opus shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

4.1.1 Requirements of the Act

This section of this Report considers the requirements of the following sections of the Act:

- Section 606, which relates to prohibitions on certain acquisitions of relevant interests in voting shares; and
- Part 2E, which relates to related party benefits.

Section 606

Section 606 of the Act states that a relevant interest in a listed company cannot be increased from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, unless one of the exceptions set out in section 611 of the Act is met. As Mr Madsen and his associates ('the Madsen Associates') currently have a relevant interest of 19.9% in Opus shares, they are prevented from acquiring any further shares in Opus unless they meet one of the exemptions set out in section 611 of the Act.

Item 7 of section 611 of the Act provides that one exemption from the requirements of section 606 of the Act is if approval for the acquisition of a relevant interest in shares is received from non-associated shareholders of the company in the form of an ordinary resolution passed at a general meeting. The Act requires that a company should provide the non-associated shareholders with all material information they require in order to decide how to vote on a transaction requiring approval under item 7 of section 611 of the Act and should commission an expert's report (or, if it has the expertise, a directors' report to the same standard) in order to discharge this obligation.

We have been requested to prepare this Report to provide additional information to Opus Shareholders to assist them to form a view on whether to vote in favour of or against the Proposed Transaction.

Part 2E

The Proposed Transaction involves the acquisition of shares in Opus by the Madsen Associates. As the Madsen Associates are controlled by Mr Matthew Madsen, Chairman of the Company, they are considered to be related parties of Opus under Part 2E of the Act.

Part 2E of the Act prohibits a company from giving a financial benefit (which includes the sale of a subsidiary) to related parties unless:

- the financial benefit falls within the exceptions set out in Part 2E of the Act; or
- prior shareholder approval is obtained for the giving of the financial benefit.

We note that the financial benefit being provided to the Madsen Associates (i.e. an additional interest in Opus shares) does not fall within the exceptions set out in Chapter 2E of the Act. Accordingly, Opus is required to obtain the approval of Opus Shareholders before the Proposed Transaction can be implemented.

Part 2E of the Act does not specifically require that an independent expert's report be provided to Opus Shareholders in relation to the Proposed Transaction. Notwithstanding this, companies often commission an independent expert's report for transactions involving a related party.

While this Report is not required to be provided for the purpose of complying with any specific provision of Part 2E of the Act, we have been requested by the non-associated directors of Opus to prepare this Report to accompany the Notice of Meeting to be provided to Opus Shareholders.

4.2 Assessment Methodology

We have referred to RG 111 when determining the appropriate assessment methodology to adopt in this Report. RG 111 provides guidance in relation to independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion on whether a transaction is 'fair' and 'reasonable' to shareholders.

RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation. The report should provide an opinion by the expert stating whether or not, in the opinion of the expert, the proposal is fair and reasonable. RG 111 also provides guidance on common valuation methodologies as well as other matters which should be considered by an expert when completing a valuation.

To meet the ASIC requirements, an expert seeking to determine whether the Proposed Transaction is fair and reasonable should complete the steps set out below.

4.2.1 Step 1

RG 111 states that an issue of shares by a company prohibited under section 606 of the Act but which may be approved under item 7 of section 611 has an effect on the company's shareholding that is comparable to a takeover bid. RG 111 states that such transactions should be analysed as if they were takeover bids under Chapter 6 of the Act.¹

RG 111 states that a takeover bid can be considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. In making this comparison, the expert should not consider the percentage holding of the allottee or its associates in the company. Rather, the expert should assume the allottee obtains control of 100% of the company. For this reason, it is inappropriate for an expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares. An issue of shares by a company prohibited under section 606 of the Act but which may be approved under item 7 of section 611 of the Act is required to be analysed as though it were a control transaction.

The Proposed Transaction involves allowing the Madsen Associates to further increase their relevant interest in Opus from a starting point that is below 20% via the issue of shares in Opus as part consideration for Madsen Finance. The Proposed Transaction therefore involves an issue of shares prohibited under section 606 of the Act but which may be approved under item 7 of section 611 of the Act. As a result, the Proposed Transaction is required to be analysed as though it were a control transaction in accordance with the requirements of RG 111.

Based on the above, in our view, the fairness of the Proposed Transaction to Opus Shareholders can be assessed by:

- Calculating a value per share for Opus on a controlling interest basis;
- Calculating a value per share for the Combined Entity on a minority interest basis; and
- Comparing our value per share for Opus on a controlling interest basis with the value per share for the Combined Entity on a minority interest basis.

Our work was completed using publicly available information and other information provided to us by the non-associated directors of Opus.

4.2.2 Step 2

RG 111 also requires that the expert consider other significant factors to which Opus Shareholders may give consideration prior to approving the Proposed Transaction. This includes comparing the likely advantages and disadvantages to Opus Shareholders of approving the Proposed Transaction with the position of Opus Shareholders if the Proposed Transaction is not approved. This analysis can be classified as an assessment of whether the Proposed Transaction is reasonable to Opus Shareholders.

¹ RG 111 states that references to the 'bidder' and the 'target' should be taken to mean the 'allottee' and the 'company' respectively when considering issues of shares prohibited by section 606 of the Act but which may be approved under item 7 section 611 of the Act.

4.2.3 Step 3

Upon completion of steps 1 and 2 above, it may be possible to conclude whether the Proposed Transaction is 'fair' and 'reasonable' to Opus Shareholders. We note that under RG 111, the Proposed Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Transaction is 'reasonable' if there are sufficiently valid reasons for the approval, notwithstanding that the Proposed Transaction may not be fair to Opus Shareholders.

This Report concludes by providing our opinion as to whether or not the Proposed Transaction is 'fair' and 'reasonable'. While all relevant issues need to be considered before forming an overall opinion, we will assess the fairness and reasonableness issues separately for clarity.

In this Report we have not provided any taxation, legal or other advice in relation to the Proposed Transaction. Other advisors have provided advice on those matters to Opus in relation to the Proposed Transaction.

In the process of assessing the Proposed Transaction, we have relied on certain economic, market and other conditions prevailing at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

This Report has also been prepared in accordance with professional standard APES 225 'Valuation Services' issued by the Accounting Professional and Ethical Standards Board.

5.0 Background of Opus

- Section 5.1 provides an overview of Opus' business operations
- Section 5.2 provides an overview of Opus' ownership structure;
- Section 5.3 summarises Opus' equity structure;
- Section 5.4 summarises the recent historical financial information of Opus.

The information set out in this section has been obtained from various sources including publicly available information and other reports, comments and instructions provided by the non-associated directors and management of Opus.

5.1 Overview of Opus' Business Operations

Opus is an integrated property funds management and real estate company currently managing approximately \$194 million of Australian commercial real estate in a number of Registered Managed Investment Schemes.

Opus currently manages four registered unlisted property trusts predominantly for retail investors. The majority of the property assets within Opus' trusts are of a commercial nature and are primarily located within Queensland and Victoria. Opus has not established a new active registered scheme for over five years.

Opus derives revenue through fees obtained from providing property related services on behalf of the property trusts it manages, including, but not limited to:

- A recurring management fee based predominantly on the total rental income on each trust's assets (where total rental income is based on the size and gross value of the assets); and
- Non-recurring fees associated with managing the trusts including fees associated with arranging leases for the property assets held and fees derived in certain circumstances when property assets are sold.

An overview of the Company's property trusts is set out in the following sections of this Report.

5.1.1 Opus Income & Capital Fund No. 21

The Opus Income & Capital Fund No. 21 ('Fund No. 21') was established in 2003 and is considered the Company's flagship investment scheme, with a total of \$151.5 million of properties under management. Assets held under Fund No. 21 include 7 commercial properties located in Brisbane, Gold Coast, Melbourne, and Cairns, and one industrial property.

Prior to June 2013, Fund No. 21 had been in breach of its debt covenants imposed by ex-lender Suncorp Bank and divested several assets held. On 30 June 2013, Fund No. 21 successfully refinanced its senior debt facility through GE Capital Real Estate ('GE'). The GE debt has a term of 4 years and is subject to the following covenants:

- Loan to value ratio to remain under 73% for the first 18 months, under 68% for the period of 18 months to 36 months, and under 63% from 36 months until termination;

- Minimum cash on cash return (a ratio of annualised net operating income to the secured money outstanding) of 10%; and
- Minimum debt service coverage ratio of 1.35 times the fund's interest expenses for the first 36 months, and 1.50 times from 36 months until termination.

Although the GE debt has no requirement for debt reduction until December 2014, at the end of September 2013 the property located at 8-10 Karp Court, Bundall was sold for a value for \$11.6 million. The net sale proceeds were used to pay down the GE debt facility from \$123 million to \$113 million.

As at May 2014, Fund No. 21 has approximately \$114.7 million of debt outstanding to GE and an LVR of 71%. We were advised that more recent valuation reports have been prepared and suggest that Fund No. 21 may now be in breach of its debt covenants. The valuations have been provided to and are being considered by the lenders. Opus has stated that the focus of its financial stability strategy of Fund No. 21 will be the reduction of the LVR to a level of below 60%.²

Opus have considered various capital raising alternatives for Fund No 21 including convertible notes and expect they will be able to raise the required capital to meet the GE debt reduction covenants, however there is no certainty surrounding this matter at this time. Once the debt covenants have been reduced Opus intends to refinance the GE debt to a lower interest rate.

5.1.2 Opus Magnum Fund

Opus Magnum Fund ('the Magnum Fund') is a \$33.7 million open ended scheme with an interest in one commercial property asset located in Brisbane. The Magnum Fund owns approximately two thirds of its commercial property asset with the remainder owned by the Queensland Government (The Public Trustee of QLD). The scheme originally obtained finance from Suncorp Bank which expired on 31 July 2013.

During 2013, Suncorp Bank sold its interest in the loan made to the Magnum Fund to MTGRP, L.L.C. ('Goldman Sachs'). Goldman Sachs has expressed a preference for Opus to realise assets held in the Magnum Fund in the near future. Goldman Sachs provided the Magnum Fund with a facility extension operating under a Deed of Forbearance which expired on April 2014. As at the date of this Report, we understand that Goldman Sachs has been amending and rolling over the Deed of Forbearance on a monthly basis, currently out to 30 July 2014. If Goldman Sachs elects at any point to cease rolling over the Deed of Forbearance, it will be in a position to appoint a receiver to recover the money it is owed.

Opus, as RE of the Opus Magnum Fund, has advised unitholders that it is proceeding to wind up the fund. The commercial property held by the Magnum Fund is in need of a capital works program prior to sale and Goldman Sachs has expressed a reluctance to fund such capital works program.

Opus management are uncertain as to how long it will take to wind-up the fund given the fund only owns two-thirds of the building, the building requires capital work and their view of the condition of the commercial property market generally.

² Refer Opus announcement titled "Opus Income & Capital Fund No. 21, ASIC Regulatory Guide 46: Improving Disclosure, Updated May 2014"

5.1.3 Opus Property Trust No. 8

Opus Property Trust No. 8 ('Trust No. 8') holds a single commercial asset valued at \$8.7 million in Varsity Lakes, Queensland. On 29 August 2013, Opus secured substantial leasing commitment within the asset held under Trust No. 8, which increased occupancy rates from 37 percent to 100 percent. The Weighted Average Lease Expiry ('WALE') for the property held under Trust No. 8 was 4.14 years as at 1 February 2014.

In November 2013, Opus refinanced the Trust No. 8's debt facility from the Commonwealth Bank of Australia ('CBA') to St. George Bank ('St George') for a term of three years expiring November 2016. Following the refinancing of the debt facility, monthly income distributions to unitholders were reinstated at a rate equal to 7.00 cents per unit per annum. As at May 2014, Trust No. 8 had \$3,100,000 of outstanding debt with St George.

Trust No. 8 is a fixed-term trust that does not offer a withdrawal facility to unitholders. Unitholders of Trust No. 8 have not approved the extension of the fund's term (which expired on 30 June 2014) and it is the intention of Opus, as RE, to proceed to wind up the fund. Opus is has undertaken a capital works program to prepare Trust No. 8's property for sale and management expect the wind-up to occur prior to 30 June 2015. The non-associated directors are uncertain as to when a sale may be able to be achieved.

5.1.4 Opus Development Fund 1

Opus Development Fund 1 holds a single non income producing mixed use development site located in Townsville, Queensland. This development site is valued at \$0.5 million, however, it is anticipated that there will be additional expenses required to prepare the site for sale.

Opus, as RE, intends to dispose of the Development Fund 1's only property and wind up the fund. Opus management are uncertain as to how long it will take to wind-up the fund given the type of asset (vacant land in Townsville) and their view of current market conditions.

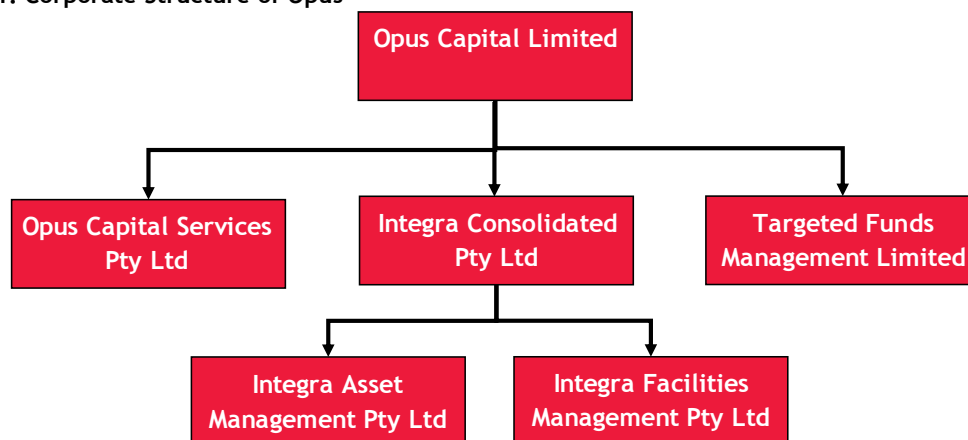
Opus does not currently receive any management fees from this fund and does not expect to receive any in the foreseeable future.

5.2 Overview of Opus' Ownership Structure

Opus is an unlisted public company that has five subsidiary companies. One of these subsidiaries is an unlisted public company that holds an Australian Financial Services Licence ('AFSL'). The other subsidiaries undertake a range of functions including the provision of real estate services and administrative support.

Figure 5.1 below shows a structural diagram of the corporate structure of Opus.

Figure 5.1: Corporate Structure of Opus



Source: Opus Management

5.3 Equity Structure of Opus

Opus currently has 1,288,975,860 ordinary shares on issue. The top 10 shareholders of Opus as at 13 June 2014 are set out in Table 5.1 below.

Table 5.1: Top 10 Opus Shareholders as at 13 June 2014

	Shareholder	Number of Shares	Percentage of Total Shares
1	M3SIT Pty Ltd	948,257,357	73.57%
2	Madsen Nominees Pty Ltd	256,506,196	19.90%
3	Queensland Technology Innovation Fund Pty Ltd	21,450,000	1.66%
4	Mr Simon Bruce Edwards	5,000,000	0.39%
5	Mr Dean Palmer & Mrs Laura Palmer	4,283,333	0.33%
6	Mr Neil Patrick Ferguson	3,050,000	0.24%
7	Ms Catherine Stanley	2,415,000	0.19%
8	Mr Dean Richard Palmer	2,100,000	0.16%
9	Mr James Jarvis	2,000,000	0.16%
10	Mondari Pty Ltd	1,719,167	0.13%
	Other Shareholders	42,194,807	3.27%
	Total	1,288,975,860	100%

Source: Opus Share Register as at 13 June 2014

There are no other securities on issue in Opus.

5.4 Summary of Financial Information

This section sets out the financial information of Opus. We have been provided with audited financial statements for the years ended 30 June 2011, 2012 and 2013. We have also been provided with reviewed financial statements for the 6 months ended 31 December 2013, management accounts for the year ended 30 June 2014, and forecasts for the year ended 30 June 2015.

Opus' financial statements for the 12 month period ended 30 June 2011 were audited by PKF Chartered Accountants & Business Advisers. The financial statements for the 12 month periods ended 30 June 2012 and 30 June 2013 were audited by BDO Audit Pty Ltd. BDO CFQ has not performed any audit or review of any type on the historical financial information of Opus. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is false or misleading. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Opus' financial reports when applicable.

Opus is responsible for historical and forecast financial information. We make no statement as to whether the forecasts will actually be achieved. Forecasts are inherently uncertain by nature and actual results may vary materially to forecast results.

5.4.1 Historical Profit and Loss Statements

Table 5.2 below sets out Opus' summarised profit and loss statements for the historical years ended 30 June 2011, 2012, and 2013.

Table 5.2: Summarised Opus Profit and Loss Statements

	Audited Year ended 30-Jun-11 (S)	Audited Year ended 30-Jun-12 (S)	Audited Year ended 30-Jun-13 (S)
Revenues			
Management fees - Opus Property Trusts	2,701,607	1,692,989	1,367,283
Management fees - Property Management	1,423,004	1,185,267	929,015
Management fees - Facilities Management	310,252	252,863	203,659
Real estate commission	882,758	826,615	1,027,800
Leasing fees	270,206	498,760	553,935
Other	3,405,207	919,975	1,001,101
Total Revenue	8,993,034	5,376,469	5,082,793
Expenses			
Employee benefits expense	(3,644,616)	(1,834,887)	(1,365,260)
Professional costs	(1,509,197)	(560,272)	(371,181)
Property supervision costs	(1,878,801)	(287,806)	(166,465)
Advertising and promotion costs	(3,200)	-	-
Insurance	(191,799)	(186,087)	(172,526)
Postage, printing, and stationary costs	(21,552)	(22,912)	(16,505)
Occupancy costs	(437,841)	(286,440)	(1,451)
Communications	(79,315)	(44,965)	(21,176)
Other expenses	(489,633)	(274,066)	(260,112)
Depreciation	(83,840)	(24,331)	(10,336)
Amortisation	(188,913)	(94,457)	-
Finance costs	(433,328)	(1,095,994)	(1,042,363)
Impairment of Receivables	(1,027,440)	(142,282)	(344,260)
Impairment loss on available for sale financial assets	(46,490)	-	-

	Audited Year ended 30-Jun-11 (S)	Audited Year ended 30-Jun-12 (S)	Audited Year ended 30-Jun-13 (S)
Impairment of intangible assets	-	(283,370)	-
Wind up costs	-	-	(160,485)
Loss on disposal of assets	(37,351)	(152,238)	(699)
Total expenses	(10,073,316)	(5,290,107)	(3,932,819)
Profit Before Tax	(1,080,282)	86,362	1,149,974
Income tax Benefit/(Expense)	(5,257,021)	6,111	(347,254)
NPAT	(6,337,303)	92,473	802,720

Source: Opus FY11, FY12, and FY13 audited financial statements

In relation to the financial performance of Opus set out in Table 5.2 above we note the following:

- Revenue decreased by 40.2% from FY2011 to FY2012 and decreased by a further 5.5% from FY2012 to FY2013 primarily due to the closure of schemes that have reached their maturity and the reduction in the value of the assets under management from \$414 million to \$216 million over the period;
- The Company had a tax expense of \$5.3 million in FY2011 due to the reversal of a previously recognised provision for deferred tax;
- In response to the difficult operating environment and declining revenues, Opus has undertaken a substantial expense reduction program over the period. Of this program, we note that:
 - Employee benefits have decreased by \$2,279,356 in FY2013, representing a 62.5% decrease from FY2011;
 - Professional costs have decreased by \$1,138,016 in FY2013, representing a 75.4% decrease from FY2011; and
 - Property supervision costs have decreased by \$1,712,336 in FY2013, representing a 91.1% decrease from FY2011.

Total expenses relative to revenue were 112%, 98% and 77% in FY11, FY12, and FY13 respectively;

- Finance costs increased by \$662,666 from FY2011 to FY2012 due to the Company sourcing an additional \$2.5 million of subordinated loans from M3SIT Pty Ltd ('M3SIT') in FY2012; and
- Windup costs in FY2013 primarily relate to provisions taken for schemes wound up during the period.

5.4.2 Unaudited FY2014 and Forecast FY2015 Profit and Loss Statements

Set out below are the unaudited FY14 and forecast FY15 profit and loss statements for Opus. We have displayed the profit and loss statements as provided by management before setting out normalised profit and loss statements which we have prepared for this Report.

Unadjusted Profit and Loss Statements

Table 5.3 below sets out Opus' summarised profit and loss statements for the year ended 30 June 2014 and the forecast for the year ending 30 June 2015.

Table 5.3: Summarised Opus Profit and Loss Statements

	Actual Year ended 30-Jun-14 (S)	Forecast Year ended 30-Jun-15 (S)
Fund Management	1,184,873	1,087,254
Property Management	750,980	710,443
Facilities Management	245,752	243,596
Project Management	334,102	350,000
Lease Management	455,335	237,394
Real Estate Commission	58,000	-
Other income	403,785	473,090
Total Revenue	3,432,826	3,101,776
Expenses		
Wages and salaries	(1,739,333)	(1,706,493)
Other Payroll & Staff Costs	(506,671)	(512,320)
Premises	(99,154)	(159,600)
Overheads	(403,956)	(436,332)
Fund Support	(26,792)	(130,000)
Interest Cost	(834,015)	(322,500)
Tax costs	(3,815)	-
Total expenses	(3,613,735)	(3,267,245)
Profit/(Loss) before tax	(180,909)	(165,469)

Source: Opus FY14 management accounts and forecast profit and loss statement for FY15

In relation to the financial performance of Opus as set out in Table 5.3 above we note the following:

- Real estate commissions were significantly lower in FY14 as the only asset sold during the year was 8-10 Karp Court, Bundall property held under Fund No. 21. This asset was sold for \$11.6 million and generated \$58,000 in commissions for Opus. Opus management do not expect material revenues from real estate commissions going forward as they are only intending to sell the three properties (i.e. one in each fund) held in the Magnum Fund, Trust No. 8, and the Development Fund 1. While Opus management do not believe the fee is sufficiently certain to forecast (and have not included in the forecast), they may receive a fee up to \$260,000 on the sale of the property held in Trust No. 8 if they are able to achieve a sale price close to the current valuation;

- FY15 revenues include fees of \$430,616 from funds that Opus management expect to be wound-up in the near future. See Section 5.1 of this Report for further details on Opus' fund status;
- Interest costs forecasted for FY15 reflects the new terms of the M3SIT debt facility, under which interest rates are 8% per annum (see Section 5.4.3 below for further information on M3SIT debt). Re-establishment costs associated with the debt facility are \$250,000 and this amount has been amortised over 4 years;
- Premises expenses are projected to increase from \$99,154 in FY14 to \$159,600 in FY15 as a result of office relocations;
- Wages and salaries in FY14 include a fair value adjustment relating to a share transfer which occurred between M3SIT and Madsen Nominees. Opus expects the addition of executive level personnel in FY15;
- Fund support costs are higher in FY15 due to the ongoing support for Development Fund 1, and no write-backs or recoveries are anticipated; and
- Opus generated a loss of \$180,909 in FY14. Opus is forecast to incur a loss of \$165,407 in FY15. We have been advised that Opus is struggling to procure additional sources of ongoing revenue required to cover its costs.

Normalised Profit and Loss Statements

Table 5.4 below sets out Opus' normalised profit and loss statements having regard to the Company's earnings before interest and taxes. The purpose of adjusting (or normalising) the earnings of Opus is to remove the effect of one off, non-recurring, or exceptional items from the financial performance to give a more accurate depiction of the ongoing performance of the Company. We have made enquiries of the non-associated directors of Opus to determine the appropriateness of the adjustments below.

Table 5.4: Summarised Forecast Opus Profit and Loss Statements

	Actual Year ended 30-Jun-14 (S)	Forecast Year ended 30-Jun-15 (S)
Profit/(Loss) before tax	(180,909)	(165,469)
Adjustments:		
Interest cost	834,015	322,500
Interest income	(28,229)	(57,090)
Tax costs	3,815	-
Fund support	26,792	130,000

	Actual Year ended 30-Jun-14 (S)	Forecast Year ended 30-Jun-15 (S)
Trust No. 8 fee revenue	(117,004)	(77,931)
Magnum Fund fee revenue	(346,725)	(352,685)
Real estate commissions	(58,000)	-
Bad debts recovered	(100,296)	-
Wages and salaries	227,934	-
Premises	-	-
Adjusted EBIT	261,393	(200,675)

Source: BDO CFQ analysis and discussions with management

In relation to the adjustments in Table 5.4 above we note the following:

- Interest and tax: To calculate an EBIT figure in our view it is appropriate to add back interest paid and tax expense and to subtract interest income;
- Fund support: Fund support costs are added back on the basis that they relate to Opus' funds that are expected to wind up in the near future;
- Fee revenue: Opus management have forecast fees to be paid on Magnum Fund and Trust No. 8. Given that Opus intends to wind these funds up, in our view it is appropriate to adjust for them (we have separately considered the appropriateness of including surplus cash for these amounts in Section 8.2.2 of this Report);
- Real estate commissions: Real estate commissions are, by their nature, non-recurring income that is derived from the sale of properties. Further, Opus management do not believe that there is a reasonable basis to assume that real estate commissions will be received on the sale of the two assets held within the Magnum Fund and Development Fund 1, and cannot predict the timing of sale for Trust No. 8;
- Bad debts recovered: Opus management do not expect bad debts recovered to be a recurring line item in the financial statements;
- Wages and salaries: The FY14 wage adjustment was added back as we have been advised that it was non-recurring and unrelated to operations. Wages and salaries in FY15 are higher due to the addition of executive level personnel. We have not adjusted for wages and salaries in FY15 due to their recurring nature; and
- Premises: Opus will pay higher rent in FY15 due to office relocation. We have not adjusted for premises expense in FY15 as Opus will be expected to incur paying this amount going forward.

In our view, the adjusted EBIT of Opus is positive \$261,393 in FY14 and a loss of \$200,265 in FY15.

5.4.3 Financial Position

The statements of financial position for Opus as at 30 June 2011, 2012, 2013, and as at 30 June 2014 are summarised in Table 5.5 below.

Table 5.5: Summarised Opus Statements of Financial Position

	Audited As at 30-Jun-11 (S)	Audited As at 30-Jun-12 (S)	Audited As at 30-Jun-13 (S)	Un-audited As at 30-Jun-14 (S)
Current Assets				
Cash and cash equivalents	465,775	3,342,894	2,151,031	3,942,707
Trade and other receivables	1,258,320	959,011	701,472	793,021
Total Current Assets	1,724,095	4,301,905	2,852,503	4,735,728
Non-Current Assets				
Deferred tax assets	436,305	441,890	115,989	90,822
Properties, plant and equipment	195,056	34,068	50,322	57,213
Financial Assets available for sale	-	13,300	13,300	13,300
Intangible assets	456,888	79,061	79,061	79,996
Total Non-Current Assets	1,088,249	568,319	258,672	241,332
Total Assets	2,812,344	4,870,224	3,111,175	4,977,060
Current Liabilities				
Trade and other payables	1,541,568	997,503	434,444	1,842,647
Interest bearing liabilities	2,571,203	5,176,215	2,176,071	
Provisions	296,960	244,566	207,827	38,574
Total Current Liabilities	4,409,731	6,418,284	2,818,342	1,881,221
Non-Current Liabilities				
Provisions	189,482	248,697	1,187	-
Interest bearing liabilities	102,361	-	239,914	3,000,000
Total Non-Current Liabilities	291,843	248,697	241,101	3,000,000
Total Liabilities	4,701,574	6,666,981	3,059,443	4,881,221
Net Assets	(1,889,230)	(1,796,757)	51,732	95,839
Equity				
Contributed Equity	341,785	341,785	1,387,555	1,614,654
Retained profits	(2,231,015)	(2,138,542)	(1,335,822)	(1,518,815)
Total Equity	(1,889,230)	(1,796,757)	51,733	95,839

Source: Opus FY11, FY12, and FY13 audited financial statements and FY14 management accounts

In relation to the financial position of Opus set out in Table 5.5 above, we note the following:

- The significant increase in cash and cash equivalents in FY12 is primarily due to the \$2.5 million loan provided by Opus' major shareholder, M3SIT. This loan was provided to satisfy the requirements of its AFSL. In FY13, cash decreased by approximately \$1.2 million, including the repayment of debt owed to CBA and Integra Asset Management ('IAM'). During FY14, Opus as RE was transferred cash of \$1,403,202 for wind up costs associated with certain managed investment schemes it manages which have been fully provisioned at balance date for the future payment of those wind-up expenses;
- As at 30 June 2014, interest bearing liabilities include subordinated debt owed to M3SIT. Under the terms of the debt, M3SIT:
 - ranks behind all claims, demands, rights and causes of action of all other debtors of the Company whether present, future, secured or unsecured, but ranking ahead of ordinary shareholders; and
 - cannot move to appoint a receiver, manager or liquidator in relation to the charges the lender has over Opus with respect to the M3SIT Debt without ASIC's consent.

The debt facility with M3SIT originally had an expiry date set to 19 September 2012 and carried an interest rate equal to 18% per annum, plus another 12% per annum payable for late fees. Opus has had difficulties in retiring the loan to M3SIT and has accrued late fees of \$239,914 as at 30 June 2013. We have been advised by the management of Opus that the M3SIT debt has been re-negotiated for another 4 years commencing 1 July 2014 with an interest rate equal to 8% per annum;

- Opus has previously reported a net asset deficiency of approximately \$1,889,230 and \$1,796,757 in FY2011 and FY2012 respectively. The net asset deficiency was rectified from FY13 onwards.
- In FY13 Opus paid down remaining debt owed to the CBA and IAM and some of the outstanding balance owed to M3SIT (although Opus' current liabilities would have exceeded its current assets in FY2013 if late payment fees of \$239,914 owed to M3SIT were not deferred and instead classified as a current liability);
- The decrease in property, plant and equipment from \$195,056 in FY11 to \$34,068 in FY12 primarily relates to the disposals in FY12; and
- Intangible assets as at 30 June 2014 relates to a clean entity (Targeted Funds Management Limited) with an AFSL that was purchased by Opus in FY11.

5.4.4 Cash Flows

The statements of cash flows of Opus for the 12 month periods ended 30 June 2011, 2012, 2013, and for the 6 month period ended 31 December 2013 are summarised in Table 5.6 below.

Table 5.6: Summarised Opus Statements of Cash Flows

	Audited Year ended 30-Jun-11 (S)	Audited Year ended 30-Jun-12 (S)	Audited Year ended 30-Jun-13 (S)	Reviewed 6 months ended 31-Dec-13 (S)
Cash flow from operating activities				
Receipts from customers	10,024,257	6,562,944	5,797,644	2,234,063
Payment to suppliers and employees	(9,667,701)	(4,867,278)	(4,000,248)	(1,649,724)
Interest received	33,142	118,846	85,704	28,229
Distributions received	1,099	6,149	1,499	70
Return on unit investments	11,600	-	-	-
Finance costs	(302,170)	(545,558)	(1,132,594)	-
GST received/(paid)	(395,452)	(214,167)	(293,123)	(69,294)
Net cash from/(used) in operating activities	(295,225)	1,060,936	458,882	543,344
Cash flow from investing activities				
Payments for property, plant, and equipment	(3,613)	(28,946)	(27,290)	(1,700)
Acquisition of subsidiary, net of cash acquired	(79,996)	-	-	-
Payments for other financial assets	-	(13,300)	-	-
Funds transferred for wind up expenses	-	-	-	1,403,202
Wind up expenses paid	-	-	-	(251,895)
Proceeds from the sale of property, plant, and equipment	14,214	13,365	775	-
Net cash from/(used) in investing activities	(69,395)	(28,881)	(26,515)	1,149,607
Cash flow from financing activities				
Proceeds from shareholder loan	100,272	2,500,000	-	-
Repayment of borrowings	-	(521,993)	(1,500,000)	-
Repayment of shareholder loan	(68,065)	-	(630,000)	-
Repayment of convertible notes	-	-	(540,000)	-
Proceeds from rights issued	-	-	1,045,770	-
Repayment of finance leases	(19,395)	(132,942)	-	-
Net cash from/(used) in financing activities	12,812	1,845,065	(1,624,230)	-
Net increase/(decrease) in cash and cash equivalents	(351,808)	2,877,120	(1,191,863)	1,692,951

Source: Opus FY11, FY12, and FY13 audited financial statements and 31 December 2013 reviewed financial statement

In relation to cash flows of Opus set out in Table 5.6 above, we note the following:

- Opus' cash inflows from customers decreased from \$10,024,257 in FY11 to \$5,797,644 in FY13. This decrease is primarily due to the closure of schemes that have reached their maturity and the sale of assets in continuing schemes to satisfy lender's requests;
- Opus acquired Targeted Funds Management Limited (an entity which holds an AFSL) in FY11 at a cost of \$79,996;
- Opus was granted a \$2.5 million loan by M3SIT in FY12 (reduced the principal to approximately \$1.97 million in FY13). The terms of this loan are set out in Section 5.4.3 above;
- There were no finance costs for the six months ended 31 December 2013 as the interest on the M3SIT loan was capitalised; and
- Opus made payments to the following debt balances in FY13:
 - Bank loan to the CBA paid off in its entirety (\$1,500,000 payment);
 - Convertible notes to IAM paid off in its entirety (\$540,000 payment); and
 - Shareholder loan to M3SIT paid off partially (\$630,000 payment).

6.0 Background of Madsen Finance

Section 6.0 of this Report is set out as follows:

- Section 6.1 provides an overview of Madsen Finance and its operations; and
- Section 6.2 summarises the historical and forecast financial information of Madsen Finance.

The information set out in this section has been obtained from various sources including publicly available information and other reports, comments and instructions provided by the non-associated directors and management of Madsen Finance.

6.1 Madsen Finance Company Overview

Madsen Finance was established in 2005 as a private specialist finance intermediary. Madsen Finance focuses in arranging customised debt finance facilities above \$1.0 million for property developers and investor clients, primarily in south east Queensland. Facilities include senior and mezzanine debt, single lender or syndicated facilities, both limited and full recourse.

Madsen Finance holds business intermediary agreements to undertake broking activities with the following banks:

- Australian and New Zealand Bank ('ANZ');
- Commonwealth Bank of Australia ('CBA');
- ING Bank (Australia) ('ING'); and
- St George Bank ('St George').

Madsen Finance is not restricted in dealing exclusively with the banks above and has regular contact and dealings with a wide range of other lenders depending on the nature of each particular client transaction.

As consideration for introducing the client to the bank and assisting those clients to undertake loan facilities with the bank, Madsen Finance collects revenue through a share of the fees received by the banks. Fees and commissions payable to Madsen Finance include:

- Procurement fees which are a one-off payment at initial drawdown, payable either by the lender or the borrower; and
- Trail commissions or management fees, payable either by the lender or the borrower and calculated as a percentage of the facility limit or the outstanding balance of the facility. Trail commissions are typically payable monthly in arrears.

6.2 Summary of Financial Information

This section sets out the financial information of Madsen Finance. We have been provided special purpose financial statements for the years ended 30 June 2012 and 2013 and management accounts for the 12 months ended 30 June 2014 for Madsen Finance. In addition, we have also been provided with forecasts for Madsen Finance for the year ended 30 June 2015.

The special purpose financial statements for the years ended 30 June 2012 and 2013 were prepared by Bowden Liberatore Accountants. BDO CFQ has not performed any audit or review of any type on the financial information of Madsen Finance. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is false or misleading.

Madsen Finance is responsible for historical and forecast financial information. We make no statement as to whether the forecasts will actually be achieved. Forecasts are inherently uncertain by nature and actual results may vary materially to forecast results.

6.2.1 Historical Profit and Loss Statements

Table 6.1 below sets out Madsen Finance's summarised profit and loss statements for the years ended 30 June 2012 and 2013.

Table 6.1: Historical Profit and Loss Statements

	Unaudited Actual Year ended 30-Jun-12 (S)	Unaudited Actual Year ended 30-Jun-13 (S)
Income		
Property finance procurement (upfront fee)	508,996	650,386
Property finance trail fees	147,329	110,582
Other income	9,100	8,963
Total income	665,425	769,931
Expenses		
Wages and Super	244,225	151,043
Motor Vehicle Expenses	22,294	9,425
Rent	16,000	11,000
Other Expenses	61,407	50,844
Total expenses	343,926	222,312
EBITDA	321,499	547,619
Depreciation and amortisation	(12,399)	(11,707)
EBIT	309,100	535,912
Net interest expense	(8,881)	(5,917)
Profit before tax	300,219	529,995
Tax expense	(90,324)	(157,822)
Profit/Loss for the period	209,895	372,173

Source: Madsen Finance FY12 and FY13 special purpose financial statements.

In relation to the financial performance of Madsen Finance set out in Table 6.1 above we note the following:

- Madsen Finance procured two clients in FY13 and continued to collect trail fees from previous clients. Trail fees are paid to Madsen Finance monthly for the duration of the client's debt facility;
- Total revenue increased from \$665,425 in FY12 to \$769,931 in FY13 due to an increase in procurement fees offset slightly by less revenue collected from trail fees;
- Wage and superannuation is the largest fixed cost for Madsen Finance and includes director's wages, which vary year to year;
- The majority of Madsen Finance's other expenses relate to fixed costs and total expenses has not moved in line with total income; and
- Madsen Finance has increased its profit margin from 31.5% in FY12 to 48.3% in FY13.

6.2.2 Current and Forecast Profit and Loss Statements

Table 6.2 below sets out Madsen Finance's summarised profit and loss statements for the year ended 30 June 2014 and the forecast for the year ending 30 June 2015.

Table 6.2: Historical Profit and Loss Statements

	Un-audited Actual Year ended 30-Jun-14 (S)	Forecast Year ended 30-Jun-15 (S)
Income		
Property finance procurement	386,135	990,000
Property finance trail fees	377,659	474,327
Other income	3,439	-
Total income	767,233	1,464,327
Expenses		
Wages and Super	151,384	382,615
Motor Vehicle Expenses	71,414	-
Rent	10,000	38,500
Other Expenses	41,019	28,533
Total expenses	273,817	449,648
EBITDA	493,416	1,014,679

Source: Madsen Finance FY14 Management accounts and forecast for FY15

In relation to the financial performance of Madsen Finance set out in Table 6.2 above we note the following:

- There is an additional potential transaction not included in the above that has been ‘carved-out’ of the Proposed Transaction relating to a transaction previously initiated by Madsen Finance. We have been instructed that while the terms of this transaction are confidential, if it were included it may materially increase the forecast FY15 revenues;
- The mix of procurement fees (50.3% of income) and trail fees (49.6%) in FY14 is significantly different from FY13, although in total FY14 revenue is broadly consistent with the revenue achieved in FY13;
- Madsen Finance recruited two additional staff members in FY14. One of the new staff members (commenced work in May 2014) holds a senior position and has the objective to generate new procurement business using their own client base. The other staff member (commenced work in October 2013) was recruited as support level assistance for the analysis and preparation of finance submissions and settlement processes;
- Madsen Finance is forecasting to secure \$990,000 procurement fees in FY15, including:
 - procurement fees from the refinancing of debt in Fund No. 21 and the Magnum Fund;
 - procurement fees from a number of large scale clients in excess of \$125,000 each; and
 - a procurement fee from a new client; and
- Madsen Finance sold motor vehicles during FY14. Motor vehicle expenses in FY14 YTD include a \$60,515 loss on sale.

6.2.3 Historical Balance Sheet

The balance sheets for Madsen Finance as at 30 June 2012, 2013, and 2014 are summarised in Table 6.3 below.

Table 6.3: Historical Balance Sheet

	Un-audited Actual As at 30-Jun-12 (S)	Un-audited Actual As at 30-Jun-13 (S)	Un-audited Actual As at 30-Jun-14 (S)
Current Assets			
Cash at bank	-	53,952	-
Petty cash	510	510	510
Trade debtors	37,225	173,871	132,558
Loan to Related Party	569,524	704,058	146,474
Prepaid insurance	-	-	3,651
Total Current Assets	607,259	932,391	283,193
Non-Current Assets			
Security Bond	-	-	30,815
Loan Receivable	-	250,000	-

	Un-audited Actual As at 30-Jun-12 (S)	Un-audited Actual As at 30-Jun-13 (S)	Un-audited Actual As at 30-Jun-14 (S)
Property, plant and equipment	135,871	125,177	9,355
Total Non-Current Assets	135,871	375,177	40,170
Total Assets	743,130	1,307,568	323,362
Current Liabilities			
Bank overdraft	3,029	-	8,027
Trade creditors	5,126	718	106,688
Visa	14,035	196	127
Withholding taxes payable	-	81,672	2,146
Superannuation payable	3,359	3,359	3,765
Provision for income tax	75,030	85,551	65,617
Goods and services tax	3,686	43,548	12,552
Total Current Liabilities	104,265	215,044	198,921
Non-Current Liabilities			
Related Party Loan	396,300	570,140	-
Commercial Loan	38,054	-	-
Total Non-Current Liabilities	434,354	570,140	-
Total Liabilities	538,619	785,184	198,921
Net Assets	204,511	522,384	124,441
Equity			
Contributed Equity	1	1	1
Retained profits	204,510	522,383	124,440
Total Equity	204,511	522,384	124,441

Source: Madsen Finance FY12, FY13 special purpose financial statements, and FY14 Management accounts

7.0 Overview of the Combined Entity

This section is set out as follows:

- Section 7.1 provides an overview of the Combined Entity; and
- Section 7.2 outlines the equity structure of the Combined Entity.

7.1 Overview of the Combined Entity

If the Proposed Transaction is approved it is the intention of the Opus' non-associated Directors to operate Madsen Finance as a separate business unit that is effectively 'ring-fenced' from the current Opus operations. The purpose of this is to prevent Madsen Finance impacting the business, regulatory and/or capital position of the Opus AFSL holder. This will also assist in managing any deferred consideration payments that are required to be made as a result of the Proposed Transaction.

7.2 Equity Structure

Table 7.1 below summarises how the share register of Opus would change if Madsen Nominees was issued with 691,751,161 shares.

Table 7.1: Top 10 Opus Shareholders (based on 13 June 2014 register) if Proposed Transaction Approved

	Shareholder	Number of Shares	Percentage of Total Shares
1	M3SIT Pty Ltd	948,257,357	47.87%
2	Madsen Nominees Pty Ltd	948,257,357	47.87%
3	Queensland Technology Innovation Fund Pty Ltd	21,450,000	1.08%
4	Mr Simon Bruce Edwards	5,000,000	0.25%
5	Mr Dean Palmer & Mrs Laura Palmer	4,283,333	0.22%
6	Mr Neil Patrick Ferguson	3,050,000	0.15%
7	Ms Catherine Stanley	2,415,000	0.12%
8	Mr Dean Richard Palmer	2,100,000	0.11%
9	Mr James Jarvis	2,000,000	0.10%
10	Mondari Pty Ltd	1,719,167	0.09%
	Other Shareholders	42,194,807	2.13%
	Total	1,980,727,021	100%

Source: Table 5.1 adjusted for the 691,751,161 to be issued to Madsen Nominees as part of the Proposed Transaction Consideration

8.0 Valuation of Opus

Section 8.0 of this Report sets out our valuation of Opus and is structured as follows:

- Section 8.1 sets out our view of the most appropriate valuation methodology to adopt;
- Section 8.2 sets out our view of the value of Opus having regard to an asset based valuation methodology;
- Section 8.3 sets out our view of the value of Opus having regard to recent market transactions; and
- Section 8.4 sets out our conclusion on the fair value of Opus for the purposes of this Report.

8.1 Appropriate Valuation Methodology

In our view, in order to consider an appropriate valuation methodology to apply to Opus, it is first necessary to understand how Opus' income generating capacity has changed over the last five years. We have set out this discussion in Section 8.1.1 below.

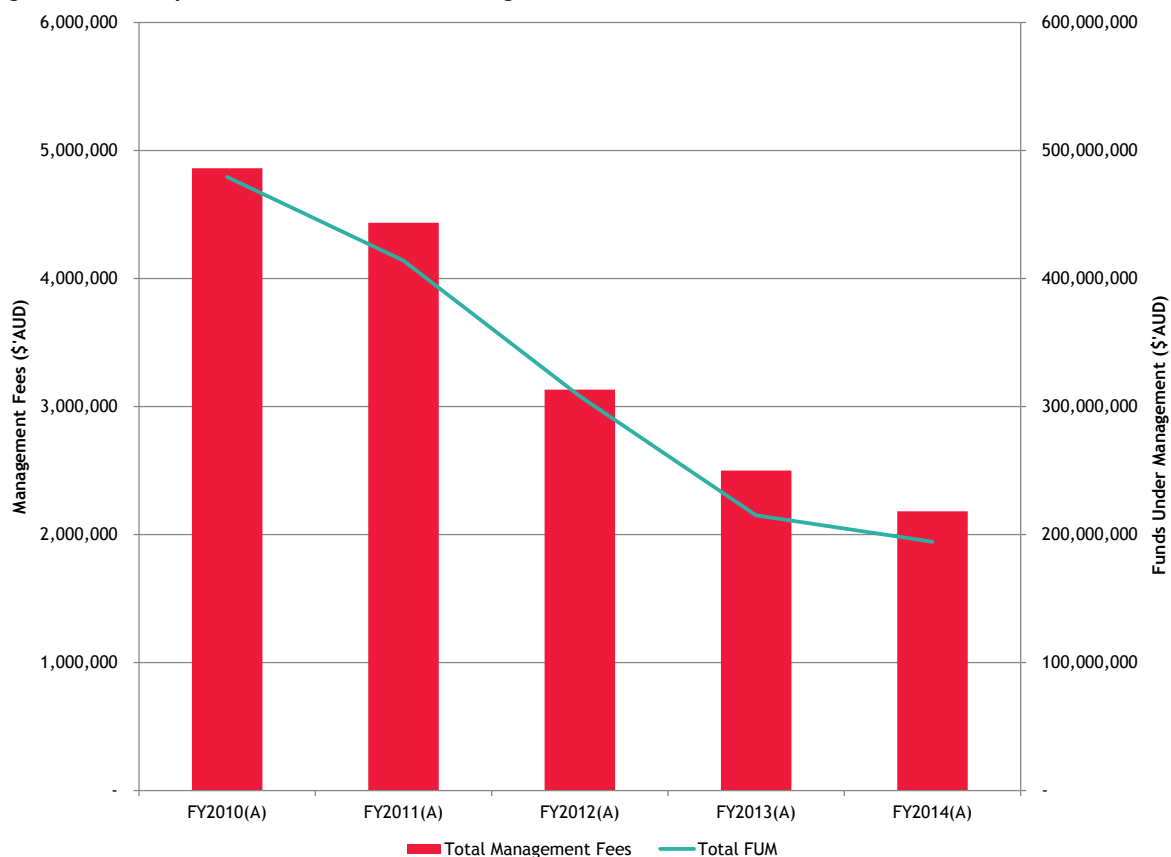
Section 8.1.2 below sets out our view on an appropriate valuation methodology to apply to Opus.

8.1.1 Income Generating Ability

Opus' primary business activity is funds management, meaning that it derives income from 'managing' certain assets which are held in separate registered managed investment schemes. Its recurring income earning ability is directly correlated to the level of funds which are under management ('FUM'), which is often expressed as a percentage per annum. When individual fund assets are sold, the assets disposed of are no longer managed by Opus and the ability for Opus to generate a recurring income on these assets is lost.

Figure 8.1 below sets out a comparison of FUM to total management fee revenue over the last five years.

Figure 8.1: Comparison of FUM to Total Management Fee Revenue



Source: Opus FY11, FY12, and FY13 annual reports, FY14 management accounts, and BDO CFQ Analysis

Figure 8.1 above illustrates that Opus’ ability to generate income has deteriorated materially since FY10. For example, management fees in FY10 financial were approximately \$4.9 million and have decreased to approximately \$2.5 million in FY13. This is a direct result of FUM decreasing from approximately \$480 million at 30 June 2010 to approximately \$215 million at 30 June 2013. Since 30 June 2013, the FUM has decreased further to \$194.5 million due to asset sales (i.e. 8-10 Karp Court property held under Fund No. 21) and revenue from management fees decreased further to approximately \$2.2 million in FY14.

Given the deterioration in the income drivers of the Opus business in recent years including the decline in recurring management fees arising from the reduction in FUM, Opus’ ability to generate income in FY15 and beyond is very different to its ability to generate income over FY11 to FY14 for reasons including:

- Opus has commenced the wind up of the Magnum Fund, and expressed intentions to wind up Trust No. 8, and the Development Fund 1. Post the wind up of these three funds, Opus’ only source of recurring management fee income will be from the Fund No. 21;
- Opus is not a diversified business. If it were to lose its right as RE of the Opus Income & Capital Fund No. 21, its remaining source of recurring income would be lost. Opus’ ability to continue to receive the management fee from the Fund No. 21 is not certain. For example, Opus’ role as RE of the Fund No. 21 is able to be terminated or retired if the appropriate extraordinary resolution is passed by unitholders of the fund;

- As a result of an amendment to the constitution previously approved by unitholders (essentially negotiated in an attempt to retain the Fund No. 21 as a customer of Opus), if Opus is removed as the RE of the fund, it is not entitled to any termination fees (Opus was previously entitled to a fee of up to 2% of the gross value of the trust’s assets in the event of termination or retirement) and would lose its last remaining income source. Opus can be removed as RE and manager of the fund by the unitholders for a range of reasons, including dissatisfaction in relation to service and/or the level of fees charged; and
- While the Directors’ of Opus want to expand, they are of the view that the Company is currently unable to fund the expansion and that shareholder appetite to provide further equity or debt funding is limited. The Directors also intend for Opus to gain additional revenues in the future through fundraising for its funds, either in the existing funds, or through the establishment of new funds. Both strategies will take time before Opus can get to market and the market appetite to invest further funds is uncertain. Given the above, it is the view of Opus’ non-associated Directors and management that increased fees from increasing the scale of funds under management will be difficult in the near term. We also note that Opus’ ability to successfully establish new funds is uncertain in light of the financial difficulty previous funds experienced.

In our view, estimating a reliable earnings stream of Opus is problematic due to the reasons stated above.

8.1.2 Selection of Valuation Methodology

Table 8.1 below summarises the methodologies which, in our view, are appropriate to determine the value of Opus. Table 8.1 also provides a brief explanation as to why, in our view, each methodology is or is not appropriate. Appendix B of this Report provides a summary of each of the valuation methodologies listed in Table 8.1.

Table 8.1: Appropriate Valuation Methodologies

Valuation Methodology	Appropriate?	Explanation
ABV	✓	<p>In our view, it is appropriate to have regard to an asset based valuation methodology for the purposes of valuing Opus in this Report.</p> <p>This valuation approach assumes that a potential acquirer of Opus would determine a purchase price by considering the value of the Company’s right to manage various Opus Funds plus the value of any other assets held less the value of liabilities owing.</p> <p>We have valued the management rights by applying a multiplier to Opus’ FUM. The multiplier was determined having regard to comparable transactions. We have cross-checked our valuation of the management rights having regard to implied EV/EBIT multiples.</p> <p>We have determined a value for the other assets and liabilities having regard to the statement of financial position provided to us at 30 June 2014 and our view of appropriate adjustments to make.</p>

Valuation Methodology	Appropriate?	Explanation
DCF Valuation	x	<p>The DCF methodology relies on projections of the future cash flows of a company using assumptions about the company's future performance. In relation to the application of a DCF valuation methodology we note the following:</p> <ul style="list-style-type: none"> Opus management's forecast is for FY15 only. Ordinarily we would expect cash flows to extend over a five year period or greater to apply a DCF methodology; and Opus' income generating ability has deteriorated significantly in recent years (refer Section 8.1.1 above) and has not yet stabilised. In our view this makes it difficult to forecast future cash flows with a sufficient degree of certainty. <p>In our view, it is more appropriate to adopt valuation methodologies other than the DCF methodology for the purpose of valuing Opus shares in this Report.</p>
CME Valuation Methodology	Incorporated in ABV analysis	<p>Opus' income generating ability has deteriorated significantly in recent years (refer Section 8.1.1 above) and has not yet stabilised. The uncertainties associated with the future earnings of Opus in its current form makes it difficult to determine a reliable estimate of maintainable earnings suitable for use in a CME valuation methodology. We have however cross-checked our valuation of the management rights having regard to implied EV/EBIT multiples.</p> <p>In our view, it is more appropriate to adopt valuation methodologies other than the CME valuation methodology for the purpose of valuing Opus shares in this Report.</p>
MBV	Cross-check	<p>Opus is not listed on a stock exchange where market prices for Opus shares can be readily observed. We are also informed by the non-associated directors of Opus that limited information relating to recent off-market trades in Opus shares between unrelated parties is available.</p> <p>We have however considered the information which is available, including the value of Opus implied by the non-renounceable rights offer that closed on 15 March 2013 and resulted in a ten-fold increase in the number of Opus shares on issue.</p>

For reasons outlined in Table 8.1 above, we are of the view that it is appropriate to adopt an ABV methodology for the purpose of valuing Opus shares in this Report. We have adopted the MBV methodology as a cross-check to the ABV approach.

8.2 Asset Based Valuation of Opus

The ABV approach determines the value of Opus by considering the value of the Company's right to manage various Opus Funds ('the Management Rights') plus the value of any other assets held less the value of liabilities owing. This section sets out our asset based valuation of Opus by considering the following:

- Section 8.2.1 considers the fair market value of the Management Rights of Opus;
- Section 8.2.2 considers the fair market value of the other assets and liabilities currently held by Opus; and
- Section 8.2.3 sets out our view of the fair market value of Opus determined using an asset based valuation methodology.

We note that the ABV methodology calculates the value of Opus as a whole and on a controlling interest basis assuming a hypothetical sale of the company between willing but not anxious parties acting at arms' length.

8.2.1 Value of the Management Rights of Opus

To determine the value of the Management Rights of Opus we have considered the prices at which comparable management right transactions have completed. The transaction metric specifically considered in this section is the value of management rights as a percentage of total FUM. We note that this valuation methodology is often used to value funds management businesses.

Value of Opus' Funds Under Management

In determining the market value of Opus' FUM, we have utilised directors' best estimate of FUM as at 30 June 2014 and considered any adjustments to reflect near term status of Opus' investment schemes. Table 8.2 below summarises the value of Opus' FUM that we have adopted for the purposes of this Report.

Table 8.2: Value of Opus' FUM

Investment Scheme	FUM Estimate 30 June 2014 (\$)	Adjustments (\$)	Adjusted Asset Value (\$)
Opus Income & Capital Fund No. 21	151,550,000	-	151,550,000
Opus Magnum Fund	33,700,000	(33,700,000)	-
Opus Property Trust No. 8	8,700,000	(8,700,000)	-
Opus Development Fund 1	500,000	(500,000)	-
Total	194,450,000	(42,900,000)	151,550,000

Source: Property valuations for fund assets as at 1 April 2014, other information provided by Opus' management and BDO CFQ Analysis

In relation to Table 8.2 above, we note the following:

- Opus, as RE for Fund No. 21, is responsible for reducing the LVR of Fund No. 21 (approximately 71%³) in line with the requisite GE covenants. The next LVR target required to be met by Opus is 68% in December 2014. Opus management are currently hopeful that they will be able to raise funding to repay part of the GE debt and to meet the revised December 2014 covenant. On this basis, we have not made any adjustment to the asset value of Fund No. 21. For completeness we note that if the mezzanine funding cannot be obtained, Opus may be required to sell assets in Fund No. 21 which will reduce the FUM;
- Opus, as RE of the Opus Magnum Fund, has advised unitholders that it is proceeding to wind up the fund. In relation to this process we note that:
 - Opus management are uncertain as to how long it will take to wind-up the fund given the fund only owns two-thirds of the building, the building requires capital works and their view of market conditions; and

³ Refer Opus announcement titled "Opus Income & Capital Fund No. 21, ASIC Regulatory Guide 46: Improving Disclosure, Updated May 2014"

- The Opus Magnum Fund is currently under a Deed of Forbearance by its senior lender, Goldman Sachs. As at the date of this Report, we understand that Goldman Sachs has been amending and rolling over the Deed of Forbearance on a monthly basis. If Goldman Sachs elects at any point to cease rolling over the Deed of Forbearance, it will be in a position to appoint a receiver to recover the money it is owed;
- Unitholders of Trust No. 8 have not approved the extension of the fund’s term and it is the intention of Opus, as RE, to proceed to wind up the Fund. Opus has undertaken a number of capital works to prepare Trust No. 8’s Varsity Parade property (its only property) for sale and expect the wind-up to occur in FY15; and
- Opus, as RE, intends to dispose of the Development Fund 1’s only property and wind up the fund. Opus management are uncertain as to how long it will take to wind-up the fund given the type of asset (vacant land in Townsville) and their view of current market conditions.

Having regard to the above, we have adjusted the maintainable asset value to eliminate the current values of the Magnum Fund, Trust No. 8, and the Development Fund 1.

Comparable Transactions

In order to determine an appropriate percent of FUM metric to adopt for the purpose of valuing the Management Rights of Opus in this Report, we have considered transactions involving the acquisition of real estate asset and property funds management rights. We note that while there has been a significant number of transactions in this space, it is often the case that deal metrics (value of management rights, FUM, and EBIT multiple) are not readily available.

Table 8.3 below sets out a list of transactions which may be considered to be broadly comparable to the Proposed Transaction where the value of the management rights, FUM, and EBIT multiple has been disclosed.

Table 8.3: Comparable Transactions Involving the Sale of Management Rights

Date	Management Rights Acquired	Consideration (\$'millions)	FUM (\$'millions)	% of FUM	EV/EBIT Multiple (Historical)
Dec-13	Commonwealth Property Office Fund	41.0	3,824	1.1%	16.0
Jul-12	Austock Property	11.0	555	2.0%	5.2
Jun-12	PFA Diversified Property Trust	5.2	445	1.2% ^(a)	n/a
Dec-11	Orchard FM	13.0	1,200	1.1%	n/a
Aug-11	Centro Services Business	251.0	6,975	3.6%	6.2
Jul-11	Trinity Wholesale Funds Management	9.3	650	1.4%	3.5
Jul-11	ING Healthcare	3.8	190	2.0%	6.9
Dec-10	ING Industrial	22.5	2,492	0.9%	n/a
Oct-10	Becton	6.0	900	0.7%	1.3

Date	Management Rights Acquired	Consideration (\$'millions)	FUM (\$'millions)	% of FUM	EV/EBIT Multiple (Historical)
May-10	Share in Trinity Wholesale Funds Management	10.0	700	1.4% ^(b)	4.6
Feb-10	Real estate management platform of Macquarie Group	108.0	7,186	1.5%	4.3
Jun-10	Westpac Office Trust	15.0	1,147	1.3%	n/a
	Max	251.0	7,186	3.6%	16.0
	Min	3.8	190	0.7%	1.3
	Median	12.0	1,024	1.4%	4.6
	Mean	41.3	2,189	1.5%	6.0

Source: Market Announcements, IERs, and BDO CFQ Analysis

Note: ^(a) Calculated before the value of deferred consideration. See Appendix D for further details.

^(b) Implied value of 100% acquisition. See Appendix D for further details.

In relation to the multiples set out in Table 8.3 above, we note the following:

- The FUM multiples range from 0.7% to 3.6%, with an average of 1.5% and median of 1.4%, across all twelve transactions;
- The FUM multiples for the three most recent transactions (completed within the two years prior to this Report) range from 1.1% to 2.0%;
- The FUM multiples for the nine transactions completed prior to June 2012 range from 0.7% to 3.6%. While the dispersion in these values is greater than the three transactions completed in the preceding two years, the values are not inconsistent with the three transactions completed in the preceding two years; and
- Five of the twelve transactions did not disclose an EV/EBIT multiple. The EV/EBIT multiple implied by the remaining seven transactions ranged from 1.3x to 16.0x, with a median of 4.6x.

For more detailed information in relation to the transactions set out in Table 8.3 above, please refer to **Appendix D** of this Report.

In order to form a view on the appropriate FUM multiple to adopt for the purpose of this Report, we have considered, amongst other issues, the following:

- Opus has significantly less funds under management relative to the transactions set out in Table 8.3. For example, only two of the twelve transactions involved FUM under \$500 million while Opus has maintainable FUM of approximately \$151.5 million as at the date of this Report. A higher value of FUM generally provides management with greater economies of scale and diversity;
- There exist differences in the type of assets managed in certain transactions listed in Table 8.3 relative to the assets held by Opus' funds, which primarily comprise of commercial property. The form of management activity, required returns, and the degree of tenure involved in the provision of asset management services may differ according to the nature of the underlying assets under management;

- As part of an amendment to the constitution, Opus (the RE of Fund No. 21) is no longer entitled to any fees in the event of a termination or retirement by unitholders. Opus can be removed as RE and manager of the fund by the unitholders for a range of reasons, including dissatisfaction in relation to service and/or the level of fees charged. If Opus was to be removed as RE, the management rights of the funds currently managed by Opus would be taken over by another fund manager; and
- Any acquirer of the Opus funds management rights would be responsible for reducing the LVR of Fund No. 21 (approximately 71%⁴) in line with the requisite GE covenants. There is a material risk that the money required will not be able to be sourced from unitholders through additional capital raisings and that asset sales will be required. Any asset sales required will further reduce FUM and therefore, the value of the Opus funds management rights. As at the date of this Report there is no guarantee that the Fund No. 21 can be stabilised beyond the near term as the gearing levels remain high. For completeness we note that Opus, as RE for Fund No. 21, have stated that the focus of its financial stability strategy will be the reduction of the LVR to a level of below 60%.

Having regard to the information above, in our opinion, the market value of the Opus Management Rights can be estimated within the range of 0.7% to 1.0% of FUM, representing the lower end of the range from Table 8.3 above.

Conclusion on the Value of the Funds Management Rights of Opus

Table 8.4 below sets out our valuation of the Opus Management Rights.

Table 8.4: Valuation of the Management Rights

	Low	High
Assets under management	\$151,550,000	\$151,550,000
Adopted Rate	0.7%	1.0%
Value of Funds Management Rights	\$1,060,850	\$1,515,500

Source: BDO CFQ Analysis

In our opinion, the value of the Management Rights of Opus is within the range of \$1,060,850 to \$1,515,500.

To cross-check our value of the Management Rights of Opus we have calculated the implied EV/EBIT multiple having regard to the normalised EBIT figures that we calculated for Opus in Table 5.3 of this Report.

Adopting the FY14 normalised EBIT of \$261,393, the valuation of the Management Rights set out in Table 8.4 above results in an implied EV/EBIT multiple of 4.1x to 5.8x. An implied EV/EBIT multiple in this range is consistent with the EV/EBIT multiple range set out in Table 8.3 above (we note the median is 4.6x).

⁴ Refer Opus announcement titled “Opus Income & Capital Fund No. 21, ASIC Regulatory Guide 46: Improving Disclosure, Updated May 2014”

8.2.2 Value of Opus' Other Assets and Liabilities

We have been provided with the unaudited statement of financial position of Opus as at 30 June 2014 which sets out information in relation to the Company's other assets and liabilities. We have made adjustments as follows:

- a) In determining an appropriate value to adopt for deferred tax assets we have considered matters including:
 - i. Opus has generated tax losses in recent years and the ability of the business to generate positive taxable income in the near term depends on a number of hypothetical assumptions and is uncertain. The benefits of deferred tax assets will only be realised if the conditions for deductibility set out in Note 1(b) of the financial statements occur;
 - ii. In circumstances where Opus is able to generate positive taxable income in the future, there is no guarantee that the tax benefits will continue to be available for recoupment in accordance with relevant taxation legislation; and
 - iii. The timing of any potential recoupment of tax benefits is not known as at the date of this Report and is unable to be projected with a reasonable degree of accuracy.

Having regard to the above, we have discounted the value of the deferred tax asset by 50% to reflect uncertainty in any potential recoupment of tax benefits, and the timing of that recoupment, as at the date of this Report;

- b) In determining an appropriate value for cash and cash equivalents we have considered matters including:
 - i. Opus is forecasting to generate a loss in FY2015 of \$165,469. This forecast loss assumes Opus and IAM receives the monthly fee on the Magnum Fund and Trust No. 8. Opus and IAM will continue to receive management and property fees from the Magnum Fund (approximately \$29,390 per month) and Trust No. 8 (approximately \$6,494 per month) until the properties in those funds are sold. While the unitholders of both funds have been advised of Opus' intention to wind-up the funds, for reasons set out previously in this Report, Opus management are uncertain how long it will take to wind up the funds;
 - ii. Opus may receive real estate commissions from the sale of the two properties held in the Magnum Fund and Trust No. 8 however Opus management are of the view this is uncertain and have not budgeted to receive any amounts.⁵ For completeness we note on the most recent sale transaction relating to Fund No. 21's Bundall property, Opus received real estate commissions of approximately \$58,000 (the sale price was \$11.6 million);

⁵ Opus management are uncertain as whether Opus will receive any real estate commissions from asset sales associated with the Magnum Fund given that Goldman Sachs has been amending and rolling over the Deed of Forbearance on a monthly basis. If Goldman Sachs elects at any point to cease rolling over the Deed of Forbearance, it will be in a position to appoint a receiver to recover the money it is owed.

- iii. Opus may receive an asset sale fee equal to 3% of sale price in relation to the sale of the Trust No.8 asset (e.g. Opus would receive \$261,000 if sale price is equal to 31 December 2013 valuation of \$8.7 million). The asset sale fee is only payable in circumstances where the net sale proceeds of the property, less the asset sale fee, do not cause Trust No. 8 to receive less than the purchase price of the property (which we understand to be \$7.25 million). For completeness we note that Trust No.8's unitholders have not approved the extension of the fund's term and Opus has limited flexibility to time the market to optimise the price obtained for this property;
- iv. Opus is forecasting to provide fund support in preparation and to facilitate the winding up of the relevant investment schemes. We are instructed that these funds are not able to be recouped;
- v. Transaction costs in relation to the Proposed Transaction that were not previously accrued in the 30 June 2014 balance sheet provided to us; and
- vi. Relevant margins, timing issues, and discounts which apply in relation to the points above.

Having regard to the above points, in our view, it is appropriate to make a positive adjustment in the range of \$300,000 (low scenario) to \$500,000 (high scenario).

With the exception of the adjustments referred to above, we have assumed that the fair market value of the other assets and liabilities are equal to the values set out in this statement of financial position. We have discussed this assumption with the management and non-associated directors of Opus and we are of the view that this assumption is reasonable in the circumstances.

The value we have adopted for the other assets and liabilities held by Opus is summarised in Table 8.5 below.

Table 8.5: Values Adopted for the Other Assets and Liabilities Held by Opus

	Actual As at 30-Jun-14 (\$)	Low Scenario As at 30-Jun-14 (\$)	High Scenario As at 30-Jun-14 (\$)
Total Assets	4,977,060	4,977,060	4,977,060
Deferred Tax Asset Adjustment	-	(45,411)	(45,411)
Cash Adjustment	-	300,000	500,000
Adjusted Total Assets	4,977,060	5,231,649	5,431,649
Total Liabilities	4,881,221	4,881,221	4,881,221
Adjusted Total Liabilities	4,881,221	4,881,221	4,881,221
Net Assets	95,839	350,428	550,428

Source: Opus unaudited statement of financial position as at 30 June 2014, Opus management, and BDO CFQ Analysis

As set out in Table 8.5 above, we have adopted a value of \$350,428 under the low scenario and \$550,428 under the high scenario for Opus' other assets and liabilities.

8.2.3 Asset Based Valuation of Opus

Table 8.6 below sets out our asset based valuation of Opus having regard to the information set out in Sections 8.8.2.1 and 8.8.2.2 above.

Table 8.6: Summary of Asset Based Valuation of Opus

	Reference	Low Valuation Scenario (\$)	High Valuation Scenario (\$)
Funds Management Rights	Table 8.4	1,060,850	1,515,500
Other assets and liabilities	Table 8.5	350,428	550,428
Asset based valuation of Opus		1,411,278	2,065,928

Source: BDO CFQ analysis

Based on an ABV approach, we have determined the value of Opus to be within the range of \$1,411,278 and \$2,065,928 as at the date of this Report.

8.3 Market Based Valuation of Opus

In addition to the asset based valuation methodology set out above, we have also had regard to a market based valuation methodology. While Opus is not listed on a stock exchange where market prices can be readily observed, we note the following major transaction in Opus's shares over the past two years:

- Madsen Nominees acquired 256,506,196 Opus shares (representing 19.9% of shares on issue) from major shareholder M3SIT in an off market transfer on 8 April 2014; and
- A non-renounceable rights offer closed on 15 March 2013 which resulted in approximately a ten-fold increase in the number of shares on issue.

The following sub sections sets out the implied value of Opus having regard to recent transactions detailed above.

8.3.1 Summary of Madsen Nominees Acquisition of Shares from M3SIT Pty Ltd

On 8 April 2014, Madsen Nominees acquired the 256,506,196 Opus shares it currently owns from the major shareholder, M3SIT, in return for a \$100 purchase price consideration ('M3SIT Share Transfer'). M3SIT owned 93.47% of Opus' shares on issue prior to the date of the M3SIT Share Transfer.

Based on 1,288,975,860 Opus shares on issue as at the date of this Report, the market based valuation of Opus implied by the consideration of the M3SIT Share Transfer is \$502.5 in total.

While we have disclosed this information in this Report for completeness, we have not relied on the information solely as evidence of market value.

8.3.2 Summary of Non-Renounceable Rights Issue

Opus made a non-renounceable entitlement issue of 20 Shares for every 1 Share held by Shareholders registered on 8 February 2013 at an issue price of \$0.0008889 per share. The purpose of the offer was for Opus to raise funds in order to retire a proportion of its debt in response to difficulty in managing debt levels.

At the time of the prospectus, the completion of the offer was conditional on a minimum subscription of 1,125,000,000 shares, representing a \$1,000,000 minimum amount to be raised before expenses. The maximum amount of shares to be issued under the terms of the offer was 2,250,000,000, representing a maximum amount of \$2,000,000 to be raised before expenses. Irrespective of the subscription amount, Opus announced that all net proceeds it received from the capital raising were to be utilised to reduce debt levels.

Table 8.7 below sets out a summary of the top 20 shareholder take-up of the non-renounceable rights issue in addition to the take-up of the other shareholders.

Table 8.7: Top 20 Opus Shareholders as at 8 February 2013 Compared to Shareholding on 24 July 2013

Shareholder	Number of Shares 8 Feb 2013	Percentage of Total Shares	Number of Shares 24 Jul 2013	Percentage of Total Shares	Movement
1 M3SIT Pty Ltd	57,369,693	51.00%	1,204,763,553	93.47%	1,147,393,860
2 Queensland Technology Innovation Fund Pty Ltd	21,450,000	19.07%	21,450,000	1.66%	0
3 Mr Simon Bruce Edwards	5,000,000	4.44%	5,000,000	0.39%	0
4 Mr Dean Palmer & Mrs Laura Palmer	4,283,333	3.81%	4,283,333	0.33%	0
5 Mr Neil Patrick Ferguson	3,050,000	2.71%	3,050,000	0.24%	0
6 Mr Dean Richard Palmer	2,100,000	1.87%	2,100,000	0.16%	0
7 Mr James Jarvis	2,000,000	1.78%	2,000,000	0.16%	0
8 Mondari Pty Ltd	1,719,167	1.53%	1,719,167	0.13%	0
9 Areao Pty Ltd	1,686,667	1.50%	1,686,667	0.13%	0
10 Mrs Alfia Patane	1,666,667	1.48%	1,666,667	0.13%	0
11 Mrs Lorraine Samut	833,333	0.74%	833,333	0.06%	0
12 Raftcastle Pty Ltd	300,000	0.27%	300,000	0.02%	0
13 DJS Holdings Pty Ltd	257,500	0.23%	257,500	0.02%	0
14 Mrs Madelaine Alberta Harris	200,000	0.18%	200,000	0.02%	0
15 Concraft Pty Ltd	150,000	0.13%	150,000	0.01%	0
16 Opportunity International Australia Ltd	150,000	0.13%	150,000	0.01%	0
17 Ms Catherine Stanley	115,000	0.10%	2,415,000	0.19%	2,300,000
18 Netwealth Investments Limited	111,000	0.10%	111,000	0.01%	0
19 Bonesanme Pty Ltd	100,000	0.09%	100,000	0.01%	0
20 Dasith and Company Pty Limited	100,000	0.09%	100,000	0.01%	0
Other Shareholders	9,857,640	8.76%	36,639,640	2.84%	26,782,000
Total	112,500,000	100.00%	1,288,975,860	100.00%	1,176,475,860

Source: Non-Renounceable Rights Offer Replacement Prospectus 2013 and Opus Share Register as at 24 July 2013

Table 8.7 above shows that only 2 of the top 20 shareholders elected to take-up their entitlement under the rights issue. Opus ultimately raised approximately \$1.05 million as a result of the rights issue largely because its controlling shareholder, M3SIT, subscribed to the full amount. We note that the amount raised is representative of an amount that is marginally above the minimum subscription.

Based on 1,288,975,860 Opus shares on issue as at the date of this Report, the market based valuation of Opus implied by the issue price of the recent rights issue is \$1,145,770. We consider this value to be more reflective of a control value rather than a minority value given that only one of the top 19 minority shareholders subscribed for the allocation of shares while the controlling shareholder, M3SIT, subscribed for the full amount of shares and materially increased their shareholding.

In our view, a share issue of this magnitude can assist to indicate fair market value although we note that it should be used with caution given that it relates to an event that occurred in February/March 2013.

8.4 Value of Opus Shares Used to Assess the Proposed Transaction

The results of our asset based valuation and market based valuation of Opus shares on a controlling interest basis are summarised in Table 8.8 below. We have referred to the valuation ranges set out in Table 8.8 for the purposes of determining our opinion on the fairness of the Proposed Transaction to Opus Shareholders in this Report.

Table 8.8: Opus Share Valuation Summary (Controlling Interest)

	Reference	Low (\$)	High (\$)
Asset based valuation	Section 8.2	1,411,278	2,065,928
Market based valuation	Section 8.3	1,145,770	1,145,770

Source: BDO CFQ Analysis

Having regard to Table 8.8 above, in our view, it is appropriate to adopt a value of Opus in the range of \$1,411,278 and \$2,065,928 on a controlling interest basis for the purpose of assessing the Proposed Transaction. This implies a value per share in the range of \$0.001095 to \$0.001603 based on 1,288,975,860 shares on issue.

We note that our ABV appears reasonable against the MBV as Opus has taken steps to stabilise its financial position and improve its cash flow since the March 2013 rights issue. For example, the interest rate on the M3SIT debt is now 8% whereas at the time of the rights issue it was 30%.

9.0 Valuation of Madsen Finance as Opus Business Unit

In preparing this Report we have assumed that Madsen Finance is operating as a separate Opus Business Unit. We have made this assumption as our valuation of Madsen Finance is required to assist us to value a share in Opus following the Proposed Transaction in Section 8.0 of this Report.

This section of this Report sets out our valuation of Madsen Finance and is structured as follows:

- Section 9.1 sets out our view of the most appropriate methodology to adopt; and
- Section 9.2 sets out our view of the value of Madsen Finance having regard to the CME valuation methodology.

9.1 Valuation Approach

Table 9.1 below summarises the methodologies which, in our view, are appropriate to determine the value of Madsen Finance. Table 9.1 also provides a brief explanation as to why, in our view, each methodology is or is not appropriate. Appendix B of this Report provides a summary of each of the valuation methodologies listed in Table 9.1.

Table 9.1: Appropriate Valuation Methodologies

Valuation Methodology	Appropriate	Explanation
DCF Valuation	✘	<p>The DCF methodology relies on projections of the future cash flows of a company using assumptions about the company's future performance. In relation to the application of a DCF valuation methodology we note the following:</p> <ul style="list-style-type: none"> • Madsen Finance management's forecast is for FY15 only. Ordinarily we would expect cash flows to extend over a five year period or greater to apply a DCF methodology; and • Madsen Finance's cash flows depend on procuring material client contracts and associated trail fees. While Madsen Finance has a track record of procuring material client contracts and associated trail fees, it is difficult to estimate with a sufficient degree of certainty the timing of these transactions in the future. <p>In our view, it is more appropriate to adopt valuation methodologies other than the DCF methodology for the purpose of valuing Madsen Finance in this Report.</p>
Capitalised Maintainable Earnings ('CME') Valuation	✓	<p>In our view, sufficient information exists to estimate a maintainable earnings figure for Madsen Finance. To estimate a maintainable earnings figure for Madsen Finance we have had regard to historic earnings, current earnings estimates, discussions with management and our own assessment of the future revenue drivers of the business.</p> <p>In our view, it is appropriate for the purposes of this Report to adopt the CME methodology to determine the value of Madsen Finance.</p>

Valuation Methodology	Appropriate	Explanation
Asset Based Valuation	✘	<p>The assets and liabilities of Madsen Finance to be acquired by Opus can be identified and their values determined.</p> <p>However, in our view the book value of Madsen Finance's intangible assets recorded in the balance sheet does not reflect the fair market value of these assets including the goodwill associated with the business and the fair market value of the right to ongoing trail income.</p> <p>In our view, it is more appropriate to adopt valuation methodologies other than the ABV approach for the purpose of valuing Madsen Finance in this Report.</p>
Market Based Valuation	✘	Madsen Finance is not listed on a stock exchange and its shares are not readily tradeable. We have therefore not considered the MBV methodology in our valuation of Madsen Finance.

Source: BDO CFQ analysis

For reasons outlined in Table 9.1 above, we are of the view that it is appropriate to adopt a CME valuation methodology for the purpose of valuing Madsen Finance in this Report.

9.2 CME Valuation of Madsen Finance

This section sets out our CME valuation of Madsen Finance including the information that we have relied on and the assumptions that we have adopted.

In completing our valuation work we have assumed that Madsen Finance is operating as a separate Opus Business Unit. We have made this assumption as our valuation of Madsen Finance is required to assist us to value a share in Opus following the Proposed Transaction in Section 8.0 of this Report.

This section is set as follows:

- Section 9.2.1 sets out our view of the most appropriate manner in which to incorporate the terms of the Further Deferred Consideration into our valuation of Madsen Finance;
- Section 9.2.2 sets out the maintainable earnings adopted for the valuation;
- Section 9.2.3 sets out the EBITDA multiple adopted for the valuation;
- Section 9.2.4 sets out our calculations of the enterprise value of Madsen Finance;
- Section 9.2.5 sets out the adjustments required to calculate the equity value of Madsen Finance; and
- Section 9.2.6 sets out our valuation of the equity value of Madsen Finance.

9.2.1 Impact of the Further Deferred Consideration

As set out in Section 3.2 of this Report, the terms of the Proposed Transaction include the payment of Further Deferred Consideration. The substance of the Further Deferred Consideration is such that it will restrict the earnings that Opus will receive from Madsen Finance in FY2015 to FY2017 as follows:

- Opus will only receive 50% of the amount (if any) by which Madsen Finance's FY2015 profit before tax exceeds \$950,000;
- Opus will only receive 50% of the amount (if any) by which Madsen Finance's FY2016 profit before tax exceeds \$500,000 plus any residual hurdle amount from FY2015;
- Opus will only receive 50% of the amount (if any) by which Madsen Finance's FY2017 profit before tax, plus the amount of 'work in progress' which relates to work done on engagements with Madsen Finance entered into on or before 30 June 2017 but which are not invoiced on or prior to 30 June 2017, but is subsequently invoiced by Madsen Finance and paid to and received by Madsen Finance on or before 30 September 2017, exceeds \$500,000 plus any residual hurdle amount from FY2016; and
- Opus will remain liable for any tax payable on the full amount of earnings generated by Madsen Finance, irrespective of it only receiving 50% of the benefit above the hurdles referred to above.

In our view the most appropriate way to allow for the impact of the Further Deferred Consideration in our valuation of Madsen Finance is to adjust the multiple. Specifically, we have applied a lower multiple than would otherwise be the case as a result of the reduced upside in the earnings potential of Madsen Finance in FY2015 to FY2017 as an Opus business unit.

In our view an adjustment to the multiple is more appropriate for reasons which include the following:

- The Further Deferred Consideration hurdles have been set at values above the earnings Madsen Finance has historically generated. The hurdles materially limit the upside opportunity of Madsen Finance, however they also heavily incentivise Mr Madsen to exceed historical profit levels; and
- The Further Deferred Consideration hurdles will only apply in FY2015 to FY2017 and have been set materially higher than historical earnings levels. Subsequent to FY17, full revenue benefits will be attributed to Opus shareholders.

9.2.2 Maintainable Earnings

We have selected EBITDA as an appropriate measure on which to calculate our CME valuation. We have adopted the EBITDA measure of earnings, as opposed to other earnings measures, as it is independent of capital structure and taxes. It also assists in removing irregularities that may arise from differences in depreciation and amortisation accounting policies of different companies including those that may arise from acquisition related amortisation.

To determine a value for Madsen Finance's maintainable earnings, we have made enquiries regarding one off or non-recurring items included in the FY2013 accounts, FY2014 management accounts and FY2015 forecast. We have eliminated the impact of these items to obtain a normalised earnings measure. Our normalisation adjustments at the EBITDA level comprise of the following:

- We have added back motor vehicle expenses of \$60,515 in FY14 as these were related to losses arising from the sale of motor vehicles during the year;

- We have adjusted wages and salaries and superannuation to reflect its market value for FY13, FY14 by:
 - Adjusting for the market value of directors' wages provided by management;
 - Adjusting the wages of additional staff costs incurred in proportion to when they commenced work, adopting a remuneration figure in line with employment contracts provided by management;
 - Adjusting superannuation rate by adopting 9.25% per annum in FY13 and FY14.
- We have deducted other income as we have been advised the amounts are non-recurring; and
- We have deducted the value of the more highly uncertain projects in the FY15 forecast. We have been advised that the timing of these projects and the likelihood of procurement remain highly uncertain as at the date of this report.

Having regard to the normalisation adjustments set out above, to determine a maintainable EBITDA for Madsen Finance, we have taken into consideration a number of factors in relation to its earnings, including:

- Madsen Finance's revenue base is driven by the business' ability to establish client relationships with banks and assisting those clients to undertake loan facilities with the bank to get initial procurement fees and ongoing trail fees. The size of debt finance can range from \$1 million to over \$100 million and this will materially affect Madsen Finance's income generating ability;
- The ability for Madsen Finance to procure new clients it expects in FY15 remain highly uncertain and the timing of when those procurement fees will contribute to revenue is not guaranteed to occur in FY15;
- Trail fees, which are driven by the size and term of the procured debt facility, are only paid to Madsen Finance upon initiation of debt finance until termination. Madsen Finance is not entitled to additional trail fees above those already being paid (on a per annum basis) when the client recapitalises its debt facility. Recapitalisation arrangements will only extend the duration of the trail fees;
- Opus has contributed significantly to Madsen Finance's revenue over the last two years and is expected to contribute significantly to revenue in FY15 (both procurement fees and trail fees). Subsequent to the wind up of Magnum Fund and the recapitalisation of Fund No. 21, there is no guarantee that Madsen Finance is able to replace the income that was generated by Opus with other large scale clients.

Having regard to the above uncertainties in maintaining revenue levels as per the FY15 forecast, in our opinion, it is appropriate to adopt a future maintainable earnings value based on a 40% weighting to Madsen Finance's FY13 and FY14 normalised EBITDA each, and a 20% weighting to Madsen Finance's FY15 normalised EBITDA.

The normalisation adjustments and calculation of maintainable earnings are set out in Table 9.2 below.

Table 9.2: Normalisation Adjustments and Maintainable Earnings of Madsen Finance

	Actual Year ended 30-Jun-13	Actual Year ended 30-Jun-14	Forecast 12 Months to 30-Jun-15
EBITDA	547,619	493,416	1,014,679
Normalisation Adjustments			
<i>Add backs</i>			
Loss on sale on motor vehicle	-	61,500	-
Wages and Salaries (excluding superannuation)	125,043	147,060	-
Superannuation	26,000	4,324	-
<i>Deductions</i>			
Directors wages	(230,000)	(230,000)	-
Other wages	(23,400)	(64,733)	-
Superannuation	(23,440)	(27,263)	-
Other income	(8,963)	(3,439)	-
Uncertain projects forecast in June 2015	-	-	(375,000)
Normalised EBITDA	412,860	380,865	639,679
Weight	40%	40%	20%
Maintainable EBITDA		445,426	

Source: Madsen Finance and BDO CFQ Analysis

As set out in Table 9.2 above, in our view, it is appropriate to adopt a maintainable EBITDA of \$445,426 for the valuation of Madsen Finance.

9.2.3 EBITDA Multiple Adopted

We have selected an appropriate capitalisation multiple to apply to Madsen Finance having regard to our research and experience in the industry, which includes research relating to companies operating in the mortgage broking industry. The research that we have considered includes:

- Multiples derived from the share market prices of listed companies; and
- Prices and multiples available from sales transactions in the industry.

In selecting an appropriate multiple, we have also had regard to our own assessment of Madsen Finance's financial performance, risk and growth prospects.

Listed Company Trading Multiples

We have conducted research into share market multiples of listed companies in Australia which operate in the mortgage broking industry. In our view, there are limited companies listed on the Australian Securities Exchange ('ASX') which are directly comparable to Madsen Finance and the business operations of the companies identified differ to the operations of Madsen Finance.

By way of example, the companies we identified are also engaged in mortgage securitization and provide direct lending services, insurance products, financial planning services, funds management activities, and specialised financial products specifically tailored to meet the needs of retail clients.

In our opinion, the trading multiples derived from listed companies only provide us with a broad reference point to determine an appropriate multiple to select for Madsen Finance. The research results, while providing useful information, are not directly comparable to Madsen Finance.

Sales Transactions

We reviewed a number of transactions relating to acquisitions of businesses in the financial services sector (with particular interest in targets engaged in commercial mortgage broking services) and it is our view that limited information is available regarding those transactions. We do not consider the transactions to be suitable for our analysis for the following reasons:

- Few businesses for which public sale information is available are directly comparable to Madsen Finance;
- Many transactions which are publicly announced for businesses that may be considered broadly comparable to Madsen Finance do not provide financial data (e.g. earnings multiples) in public announcements;
- Transactions involving private companies, such as Madsen Finance, are often not a matter for public record; and
- The dated profile of some of the transactions we have identified do not provide reasonable indication of transaction multiples in the current market.

Selected Multiple

Madsen Finance operates in a niche market of the commercial mortgage broking industry and there are limited directly comparable companies from which to determine an appropriate capitalisation multiple. In our view, it is appropriate to determine a capitalisation multiple based our own assessment of Madsen Finance's financial performance, risk and growth prospects.

In our view, there are a range of matters that may impact the profitability of Madsen Finance going forward and it's multiple as reflected in a change of control transaction. These matters include:

- The impact of the Further Deferred Consideration (as discussed in Section 9.2.1 above) potentially reducing Opus' profitability in FY2015, FY2016 and FY2017. In relation to this point we note that the FY2015 profit before tax hurdle is \$950,000 and the FY2016 and FY2017 profit before tax hurdles are \$500,000 plus any amount that previous profit before tax was less than the relevant hurdle. We have assumed a maintainable earnings figure of \$445,426. Madsen Finance would have to be generating well above these levels (i.e. \$950,000 in FY2015 and accumulative if not met) for Opus to be required to pay the Further Deferred Consideration;
- Madsen Finance's ability to maintain existing relationships and establishing new relationship with lending institutions to offer their clients a wider range of loan products;

- Madsen Finance’s ability to select experienced and knowledgeable staff to effectively communicate different loan products to clients and to negotiate the best deal with lenders going forward. In particular, we note that Madsen Finance recruited two additional staff members in FY14, one of which has the role of an originator;
- Madsen Finance’s ability to receive referrals from industry related organisations and word of mouth through existing clients based on the quality of services and level of support provided; and
- Madsen Finance’s ability to take advantage of the fixed cost nature of its business structure and utilise economies of scale to grow their originations and loan book without growing their cost base at the same rate; and
- Madsen Finance’s ability to overcome competitive forces in the industry.

Having regard to our assessment of Madsen Finance’s maintainable performance, risk, and growth prospects, in our view, it is appropriate to apply an EBITDA multiple within the range of 1.75 to 2.25 to the maintainable earnings of Madsen Finance.

9.2.4 Enterprise Value of Madsen Finance

Table 9.3 below summarises our calculations of the enterprise value of Madsen Finance having regard to a CME valuation methodology.

Table 9.3: Enterprise Value of Madsen Finance

	Section Reference	Low	Mid	High
Maintainable EBITDA (\$)	9.2.1	445,426	445,426	445,426
EBITDA Multiple (Controlling interest Basis)	9.2.2	1.75	2.00	2.25
Enterprise Value (\$)		779,495	890,851	1,002,207

Source: Madsen Finance and BDO CFQ analysis

Having regard to the table above, in our view, the enterprise value of Madsen Finance is in the range of \$779,495 and \$1,002,207.

9.2.5 Analysis of Enterprise Value to Work on Hand

Having regard to Table 9.3 above, we note that we have valued Madsen Finance on an Enterprise Value basis is in the range of \$779,495 and \$1,002,207. This value principally comprises intangible assets and the fees that are expected to be generated as a result of ‘work on hand’.

While the value of intangible assets are subjective and often calculated as a residual value, it is much easier to identify work on hand. In the case of Madsen Finance, work on hand can be divided into ongoing trail fees (i.e. fees that would be received if Madsen Finance effectively stopped operating) and procurement fees expected to be received.

Trail Fees

Table 9.4 below sets out a summary of the forecast trail fees within the next two years. The forecast trail considers the views of the non-associated directors’ of Opus in relation to Opus facilities. In relation to the forecast trail fees set out below, the following is noted:

- With the exception of the Opus Magnum Fund and Trust No. 8, Madsen Finance is currently entitled to receive all trail fees referred to below (to the extent the facility remains in existence);
- The Opus non-associated directors' do not expect that Madsen Finance will receive trail fees beyond 2015 for Trust No. 8 and the Opus Magnum Fund given Opus' intention to sell the properties held by these two funds before winding up each of the funds;
- It is difficult to forecast with certainty trail fees to be received as they will cease being paid when the debt facility is terminated or if the debt is repaid early; and
- Trail fees often extend past the original expiry date of a facility in circumstances where the facility has been rolled over. In some circumstances, the forecast set out below assumes that the debt facility will be rolled over beyond the original expiry date.

Table 9.4: Summary of Madsen Finance Trail Fees

Source of Trail	FY15	FY16	Total
Fund No. 21	230,400	231,031	461,431
Trust No. 8	7,750	-	7,750
Opus Magnum	40,658	-	40,658
Other	153,207	153,626	306,833
Total	432,015	384,657	816,672

Source: Madsen Finance Information Provided by Opus non-associated directors

Procurement Fees

As set out previously, Opus, as RE for Fund No. 21 and the Magnum Fund, is considering refinancing the debts within the funds. Opus has engaged Madsen Finance to assist with the refinancing transactions. As part of this engagement, Madsen Finance has forecast to receive \$280,000 as a result of work associated with Fund No. 21 and \$180,000 as a result of work associated with the Magnum Fund.

The Opus non-associated directors' are confident that upon completion of the refinancing work, Madsen Finance will receive the procurement fee under engagements for Fund No. 21 and the Magnum Fund.

Summary

Having regard to the above, the Opus non-associated directors' expect that Madsen Finance will receive approximately \$700,000 of revenue (being trail fees and procurement fees) from entities managed by Opus in FY2015, even in the unlikely circumstance that Madsen Finance effectively stopped all material operations at acquisition date (with the exception of work associated with refinancing Fund No. 21 and Magnum Fund debt).

Further, the information provided by Madsen Finance in relation to trail fees shows that Madsen Finance is forecasting to receive over \$700,000 in trail fees, even if trail fees relating to Trust No.8 and the Magnum Fund in the FY16 are excluded from the calculation.

These amounts separately represent a significant portion of our calculated enterprise value for Madsen Finance set out in Table 9.3 above.

9.2.6 Other Adjustments Required to Calculate Equity Value of Madsen Finance

To determine the fair market value of the equity of Madsen Finance, it is appropriate to add (subtract) any surplus assets (liabilities) and add (subtract) any other interest bearing assets (liabilities) of Madsen Finance from the enterprise value calculated above.

In determining the value of Madsen Finance's surplus assets and interest bearing liabilities, we have been provided with the balance sheet of Madsen Finance as at 2 July 2014.

Surplus Assets

Surplus assets are non-core assets of a company and typically include those assets that are surplus to the needs of the business and real property that is not used in the core business. These assets may yield a different return on investment than the operating assets of the business and their retention by a company represents a different risk profile. The surplus assets should be valued at their current market value and added to the enterprise value, which has been calculated separately.

We have analysed the balance sheet of Madsen Finance and made enquiries of management as to assets that could potentially be considered surplus. In our view, related party loan accounts could be considered surplus and comprise the following:

- Related party receivables account of \$145,710; and
- Related party payables account of \$124,300.

Net Interest Bearing Debt

A valuation of a company applying an EBITDA valuation approach excludes, amongst other issues, the impact of the company's cash and financial liabilities on the financial results. To calculate the value of a company using this methodology it is appropriate to subtract the value of the corresponding net cash and financial liabilities. Having regard to Madsen Finance's balance sheet as at 2 July 2014, we note:

- Madsen Finance has petty cash of \$510; and
- Madsen Finance has bank overdraft of \$8,027.

The book value of debt securities and cash deposits, unlike equity securities, often provides a fair indication of the market value of those securities. We have not been provided with any reason as to why the book values of those assets and liabilities do not reflect the market value of the cash on hand and interest bearing debt.

Total Surplus Assets and Net Interest Bearing Debt

The surplus assets and net interest bearing debt of Madsen Finance as at 2 July 2014 are summarised in Table 9.5 below.

Table 9.5: Madsen Finance Surplus Assets and Net Interest Bearing Debt as at 2 July 2014

	As at 2 July 2014 (\$)
Related party receivables	145,710
Related party payables	(124,300)
Cash on hand	510
Bank overdraft	(8,027)
Surplus Assets and Net Interest Bearing Debt	13,893

Source: Madsen Finance balance sheet as at 2 July 2014 and BDO CFQ analysis

9.2.7 Equity Value of Madsen Finance

Table 9.6 below summarises our calculated equity value of Madsen Finance having regard to the CME valuation methodology.

Table 9.6: Equity Value of Madsen Finance

	Low (\$)	Mid (\$)	High (\$)
Total Enterprise Value	779,495	890,851	1,002,207
<i>(Add) Surplus Assets</i>			
Cash	510	510	510
Related party receivables	145,710	145,710	145,710
<i>(Less) Interest Bearing Liabilities</i>			
Related party payables	(124,300)	(124,300)	(124,300)
Bank overdraft	(8,027)	(8,027)	(8,027)
Total Equity Value	793,387	904,744	1,016,100

Source: BDO CFQ Analysis

Having regard to the CME valuation methodology, in our view, the equity value of Madsen Finance is within the range of \$793,387 and \$1,016,100 on a controlling interest basis.

10.0 Assessment of the Fairness of the Proposed Transaction

This section sets out our assessment of the fairness of the Proposed Transaction.

10.1 Value of Opus Prior to the Proposed Transaction

Based on the analysis set out in Section 8.0 of this Report, in our view it is appropriate to adopt a value per Opus share on a control basis in the range of \$0.001095 to \$0.001603 prior to the Proposed Transaction.

10.2 Value of a Share in the Combined Entity

In our view, it is appropriate to value a share in the Combined Entity on a minority interest basis as follows:

- a) Adopt our control value of Opus from Section 8.0 above prior to the Proposed Transaction;
- b) Add the value of Madsen Finance assuming that it was operating as a separate Opus business unit following the Proposed Transaction (refer Section 9.0 for this analysis);
- c) Subtract \$450,000 representing the cash that Opus is paying for Madsen Finance (refer Section 3.0 for further discussion in relation to the Proposed Transaction);
- d) Subtract \$336.33 representing the expected balance sheet adjustment (refer Section 3.0 for further discussion in relation to the Proposed Transaction);
- e) Give no further consideration to a reduction in value that may arise from paying the Further Deferred Consideration. In our view we have already sufficiently allowed for a reduction in value when valuing Madsen Finance as a separate Opus business unit (refer to Section 9.2.1 of this Report for further discussion on this point);
- f) Divide the sum of the values above by 1,980,727,021 shares being the number of Opus shares on issue prior to the Proposed Transaction plus the 691,751,161 Opus shares proposed to be issued as part of the Proposed Transaction. This will provide a value per share on a controlling interest basis; and
- g) Reduce the value per share by a minority interest discount of 23.1% to value the shares in the Combined Entity on a minority interest basis. Our minority interest discount is effectively the inverse of a control premium of 30% which in our view is appropriate for assessing the Proposed Transaction (refer Appendix C for further discussion in relation to the control premium).

Our calculation of the value of a share in the Combined Entity is summarised in Table 10.1 below.

Table 10.1: Value of the Combined Entity

	Low Value (\$)	High Value (\$)
Value of Opus	1,411,278	2,065,928
Value of Madsen Finance as Opus Business Unit	793,387	1,016,100
Cash consideration	(450,000)	(450,000)
Balance sheet adjustment	(336)	(336)
Value of Combined Entity (Controlling Interest)	1,754,329	2,631,692
Number of Shares in Combined Entity	1,980,727,021	1,980,727,021
Per Share Value of Combined Entity (Controlling Interest)	0.000886	0.001329
Minority discount	(23.1%)	(23.1%)
Per Share Value of Combined Entity (Minority Interest)	0.000681	0.001022

Source: BDO CFQ analysis

The valuation set out in Table 10.1 above has been prepared for the purpose of assessing the Proposed Transaction. While it is our view that the values we have adopted are appropriate for assessing the Proposed Transaction, it is our view that the market value of the companies on a merged basis will depend on a wide range of matters, including the economic conditions and operational prospects that exist at the time and may differ materially to the values we have adopted for the Combined Entity.

10.3 Assessment of the Fairness of the Proposed Transaction

For reasons set in Section 4.0 of this Report, to assess the Proposed Transaction it is necessary to compare:

- The value per Opus share on a controlling interest basis prior to the Proposed Transaction; and
- The value of a Combined Entity share on a minority interest basis.

Table 10.2 below sets out this comparison.

Table 10.2: Comparison of the Value of an Opus Share Prior to the Proposed Transaction to the Value of a Combined Entity Share Assuming the Proposed Transaction is Approved

	Reference	Low (\$)	High (\$)
Value of an Opus Share (Controlling Interest)	Section 8.4	0.001095	0.001603
Value of a share in the Combined Entity (Minority Interest)	Section 10.2	0.000681	0.001022

Source: BDO CFQ analysis

The analysis set out in Table 10.2 above indicates that the value of a share in Opus prior to the Proposed Transaction on a controlling interest basis is greater than the value of a share in Opus on a minority interest basis assuming the Proposed Transaction is approved.

As our valuation of an Opus share under the Proposed Transaction is less than the range of our valuation of an Opus share prior to the transaction, it is our view that the Proposed Transaction is **Not Fair** to Opus Shareholders as at the date of this Report.



Opus Shareholders should also refer to Section 11.0 of this Report which sets out additional issues Opus Shareholders should consider when deciding whether to vote in favour of or against the Proposed Transaction.

11.0 Assessment of the Reasonableness of the Proposed Transaction

This section is set out as follows:

- Section 11.1 outlines the advantages of the Proposed Transaction to Opus Shareholders;
- Section 11.2 outlines the disadvantages of the Proposed Transaction to Opus Shareholders;
- Section 11.3 considers the position of Opus Shareholders in the event the Proposed Transaction is not approved; and
- Section 11.4 provides our assessment of the reasonableness of the Proposed Transaction.

11.1 Advantages of the Proposed Transaction

Table 11.1 below outlines the advantages to Opus Shareholders of the Proposed Transaction.

Table 11.1: Advantages to Opus Shareholders of Approving the Proposed Transaction

Advantage	Explanation
Opus shareholders retain control	<p>If the Proposed Transaction is approved, the Madsen Associates interest will increase from 19.9% to approximately 47.9%. At this level the Madsen Associates will not be in a position to control Opus as:</p> <ul style="list-style-type: none"> • their interest will remain less than 50%; and • their interest will equal the shareholding of Opus' existing largest shareholder, M3SIT.

Further, our view that the Proposed Transaction is not fair is based on a comparison of the value per share of a controlling interest in Opus prior to the Proposed Transaction to the value per share of a minority interest in Opus assuming the Proposed Transaction is approved (repeated as Comparison 1 below).

We note if a comparison was made of the value of an Opus share prior to the Proposed Transaction on a minority interest basis to the value of an Opus share following the Proposed Transaction on a minority basis (refer Comparison 2 below), there would have been significantly more overlap in the pre and post values.

	Comparison 1	Comparison 2
Value Prior to Proposed Transaction	\$0.001095 to \$0.001603 (Control)	\$0.000886 to \$0.001329 (Minority)
Value Assuming Proposed Transaction Approved	\$0.000681 to \$0.001022 (Minority)	\$0.000681 to \$0.001022 (Minority)

Source: Comparison 1 based on Section 10.3 above. Comparison 2 is consistent with Comparison 1 with the exception that the prior value has a minority discount of 23.1% applied (consistent with discount applied in Section 10.2).

Opus Shareholders will retain exposure to funds management business	If the Proposed Transaction is approved, Opus Shareholders will continue to be exposed to the Opus funds management business, albeit at diluted levels.
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Advantage	Explanation
Opus Shareholders will have exposure to a more diversified revenue stream	<p>Opus' business is primarily focussed on funds management while Madsen Finance is a debt advisory business.</p> <p>By acquiring Madsen Finance, Opus will be able to diversify its revenue stream through a range of debt advisory roles in the same asset class that Opus already operates (i.e. property). The revenue streams will be a combination of a lumpy 'procurement fee' income and a more stable ongoing 'trail' revenue. The trail fee revenue will also provide Opus with a more stable monthly income that is not as dependent on property cycles or fund activities to be received.</p> <p>This diversification may lower the risk of Opus Shareholders' investment and could result in greater shareholder value over the longer term.</p>
Cash flow generation	The Proposed Transaction will provide additional cash flow generation for Opus and reduce Opus' reliance on support from shareholders for any additional funding requirements. Madsen Finance's ability to generate its cash flow with low fixed costs will also assist Opus given it is forecasting to make a loss in FY2015.
Madsen Finance Incentivised to out-perform historical performance	The earn-outs (i.e. deferred consideration) contained as part of the Proposed Transaction have been structured to incentivise Madsen Finance to out-perform historical performance. Madsen Finance is also heavily incentivised to ensure that earnings benchmarks are met.
Vertical integration	Opus currently uses Madsen Finance to assist with refinancing activity required. By acquiring Madsen Finance, fees previously required to be paid to Madsen Finance will remain in the Opus group.
Mr Madsen is well regarded by current Opus management and the major shareholder	<p>Mr Madsen is well regarded by current Opus management and M3SIT (the major Opus shareholder) as a result of his demonstrated ability to achieve major milestones for Opus including:</p> <ul style="list-style-type: none"> • stabilisation of the Opus corporate entity and individual funds managed by Opus through a difficult period; • repayment of significant corporate debt to external lenders; • sale of non-performing assets held by the funds; and • refinancing Opus' flagship fund, Opus 21, and preserving unitholder equity in saving the scheme from predatory lenders such as Macquarie and Goldman Sachs. The Opus non-associated directors are of the view that there would be no current Opus business without this result alone. <p>Opus management's support for Mr Madsen is also apparent as a result of Madsen Finance being engaged to assist with refinancings contemplated for the Magnum Fund and Fund No. 21.</p> <p>M3SIT also recently sold the Madsen Associates a 19.9% stake in Opus for \$100 (refer Section 8.3.1 for further discussion), a value significantly less than our valuation of Opus set out in Section 8.4. This indicates to us a desire by M3SIT to incentivise Mr Madsen to increase the value of M3SIT's remaining interest in the Company and also indicates M3SIT's support for the management ability of Mr Madsen.</p>
Alignment of Mr Madsen's interest	<p>Mr Madsen is currently the acting Chairman of Opus while also running his own business, Madsen Finance. By acquiring Madsen Finance, the Proposed Transaction will assist to align the interests of Mr Madsen in his capacity as business owner and his role as Opus' most senior executive.</p> <p>Examples of the alignment that may be achieved include:</p> <ul style="list-style-type: none"> • Mr Madsen will be less conflicted with how he spends his time, as any work in Madsen Finance for its clients is work for Opus; and • Mr Madsen as a significant Opus shareholder will be incentivised to maximise the profits of both businesses, which will be to the benefit of all shareholders.

Source: BDO CFQ analysis

11.2 Disadvantages of the Proposed Transaction

Table 11.2 below outlines the potential disadvantages to Opus Shareholders of approving the Proposed Transaction.

11.2: Potential Disadvantages to Opus Shareholders of Approving the Proposed Transaction

Disadvantage	Explanation
Dilution of Opus shareholders' interests in the funds management business	Opus shareholders currently own 100% of Opus and its funds management business. If the Proposed Transaction is approved, existing Opus shareholders (inclusive of the Madsen Associates 19.9% interest) will hold approximately 65.1% of the Combined Entity. Shareholders of Opus may be of the view that it is preferable to hold shares in Opus (and retain a 100% interest in the funds management business) rather than shares in the Combined Entity which also has exposure to the Madsen Finance debt advisory business.
Not complete alignment of Mr Madsen's interests	<p>Despite a better alignment of Mr Madsen's interests (as discussed in advantages above), it is our view that there will not be complete alignment. Mr Madsen may favour Madsen Finance as a result of the earn-out clauses built into the Proposed Transaction.</p> <p>It is noted that a mitigating factor is that the earn-out clauses have been set at values above what Mr Madsen has historically generated so he will be heavily incentivised to ensure earnings benchmarks are met.</p>
Key man risk	<p>The earnings generated by Madsen Finance depend significantly on the relationships of Mr Madsen. In the event that, for whatever reason, he were unable to operate the business, Opus may find it difficult to continue optimising the value generated from the Madsen Finance business.</p> <p>We note that the terms of the Proposed Transaction have attempted to mitigate this risk by including a restraint clause and that the Madsen Associates are also significant Opus shareholders.</p>

Source: BDO CFQ analysis

11.3 Impact on Opus Shareholders if the Proposed Transaction is Not Approved

Table 11.3 below outlines the position of Opus Shareholders if the Proposed Transaction is not approved.

Table 11.3: Position of Opus Shareholders if the Proposed Transaction is Not Approved

Position	Explanation
Opus Shareholders will continue to hold Opus shares	Opus Shareholders will continue to own 100% of the Company and be entitled to any potential upside or downside risks associated with the future earnings and value of Opus. Opus Shareholders will receive any benefits or losses that may arise from Opus' operations and future endeavours.
Continued financial risk	Opus has substantial balance sheet debt and is forecasting to make a loss in FY2015. Until such time as Opus is able to generate consistent profits, it will be subject to financial risk, including the risk of being unable to repay its debt (unless it gets an equity injection from shareholders which Opus management are of the view is unlikely following the rights offer of 2013), and find it difficult to distribute cash to shareholders.

Position	Explanation
Potential loss of key man	<p>Mr Madsen is not currently locked in to Opus in any way other than through his 19.9% shareholding (which he acquired for \$100) and a three month notice period as a director. If the Proposed Transaction does not proceed, it is the view of the Opus non-associated directors that they will need to consider an alternative way of incentivising Mr Madsen or reconsider the future leadership of Opus given their view that taking Opus forward without an aligned leader is not tenable.</p> <p>There is also a risk that Mr Madsen may choose to focus on his current revenue-generating business, Madsen Finance, in preference to Opus. The non-associated directors' of Opus are of the view that Mr Madsen leaving would be detrimental to the ongoing management of Opus as he has significant corporate knowledge of the Opus business (which they consider critical) and they believe there would be a significant time requirement for a new CEO to come up to speed with the intricacies of the Opus business.</p> <p>Further, if Mr Madsen did leave Opus then a suitably qualified individual would have to be recruited to replace Mr Madsen. The non-associated directors' of Opus are of the view that It is likely that person would require a package containing significant cash and equity remuneration, with no guarantee of an outcome.</p>
Opus will not be able to recover the costs incurred in relation to the Proposed Transaction	If the Proposed Transaction is not approved, Opus will not be able to recover the costs incurred in relation to the Proposed Transaction.

Source: BDO CFQ analysis

11.4 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after consideration of all issues including those set out above in this section, it is our view that, in the absence of any other information, the Proposed Transaction is **Reasonable** to the Opus Shareholders as at the date of this Report.

12.0 Sources of Information

This Report is based on information from sources including the following:

- Opus company website -www.opusaustralia.com;
- Opus annual report for the 12 months ended 30 June 2011;
- Opus annual report for the 12 months ended 30 June 2012;
- Opus interim report for the 6 months ended 31 December 2013;
- Opus management accounts as at 30 June 2014;
- Opus draft forecast profit and loss statement for the 12 months ended 30 June 2015;
- Opus share register as at 13 June 2014;
- Madsen Finance company website -www.madsenfinance.com.au;
- Madsen Finance special purpose financial statement for the 12 months ended 30 June 2012;
- Madsen Finance special purpose financial statement for the 12 months ended 30 June 2013;
- Madsen Finance management accounts as at 30 June 2014;
- Madsen Finance balance sheet as at 2 July 2014;
- Madsen Finance profit and loss statement for the 12 months ended 30 June 2015;
- Draft Explanatory Memorandum and Notice of Extraordinary General Meeting dated 24 July 2014;
- The Share Purchase Agreement in relation to the Proposed Transaction dated 14 July 2014;
- The Constitution documents in relation to Opus' Various investment Schemes;
- CapIQ and Mergermarket;
- Various other research publications and publicly available data as sourced throughout this Report; and
- Various discussions and other correspondence with Opus management and non-associated directors, Madsen Finance Director, and their advisors.

13.0 Indemnities, Representations & Warranties

Opus has agreed to our usual terms of engagement in addition to the indemnities and representations set out below.

13.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, Opus agrees to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. Opus will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

Opus agrees to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by Opus (including but not limited to the non-associated directors and advisers of Opus) as part of this engagement.

Opus has acknowledged that the engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

13.2 Representations & Warranties

Opus recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Opus, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

14.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds a Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello has prepared this Report with the assistance of staff members. Mr Sorbello is a director of BDO CFQ and has extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

BDO CFQ has been engaged to provide an independent expert's report to Opus Shareholders to assist them to decide whether to vote in favour of or against the Proposed Transaction. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

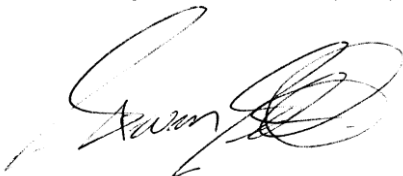
BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied is false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to any taxation implications of the Proposed Transaction, it is strongly recommended that Opus Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at the date of this Report.

BDO Corporate Finance (QLD) Ltd



Steven Sorbello
Director

Appendix A - Industry Background

This section provides a broad overview of the industries relevant to Opus and Madsen Finance and is set out as follows:

- Section A.1 provides an overview of the Real Estate Investment Trust ('REIT') industry in Australia; and
- Section A.2 provides an overview of the mortgage broking industry in Australia.

This section provides a summary only and is not intended to be a comprehensive analysis of these markets. The information presented in this section has been compiled from a range of sources. BDO CFQ has not independently verified any of the information and we recommend that Opus Shareholders refer to the original source of any information listed in this section. This section should be referred to as a broad guide only.

A.1 Real Estate Investment Trust Industry in Australia

Australian REITs manage a series of property investments across a range of geographic regions with varying lease lengths and tenant types. Revenue generated by companies in the industry is generally dependent upon the returns on individual assets held in the investment portfolios as well as the amount of capital allocated to each asset class in the portfolio. In turn, the portfolio performance is highly sensitive to the state of the economy, investor and business confidence, prevailing interest rates and the availability of funds.

There are 50 Australian companies listed on the ASX that comprise the REIT industry according to CapIQ. The larger companies within the industry include Scentre Group (18.0%), Westfield Retail Trust (10.3%), Stockland (9.6%), Goodman Group (9.4%), and GPT Group (7.0%). Together, these six /companies account for approximately 54.2% of the total industry based on market capitalisation. The median market capitalisation of a company within the REIT industry in Australia is \$315.9 million, which suggests that Opus is positioned as a small-cap company relative to its peers.

Figure A.1 below sets out the index value of REITs which comprise the S&P/ASX 200 index over the period 2008 to 2014.

Figure A.1: S&P/ASX 200 A-REIT (Sector) from 2008 to 2014



Source: Australian Securities Exchange website.

Figure A.1 above shows that the value of REITs comprising the S&P/ASX 200 index fell 64.8% from a high of 1,551.5 in September 2008 to a low of 546.9 in March 2009. This decline in value was largely due to the decrease in asset prices caused by the Global Financial Crisis ('GFC') in 2008. During this period, numerous companies within the sector suffered from a series of asset write downs, distribution suspensions, and an inability to re-finance debt.

The Federal Reserve attempted to stimulate an economic recovery in early 2009 by setting official interest rates at historic lows. Although this relieved pressure on businesses and households burdened by debt, it also meant that the returns on interest earning investments suffered, further affecting the industry's potential earnings capacity.

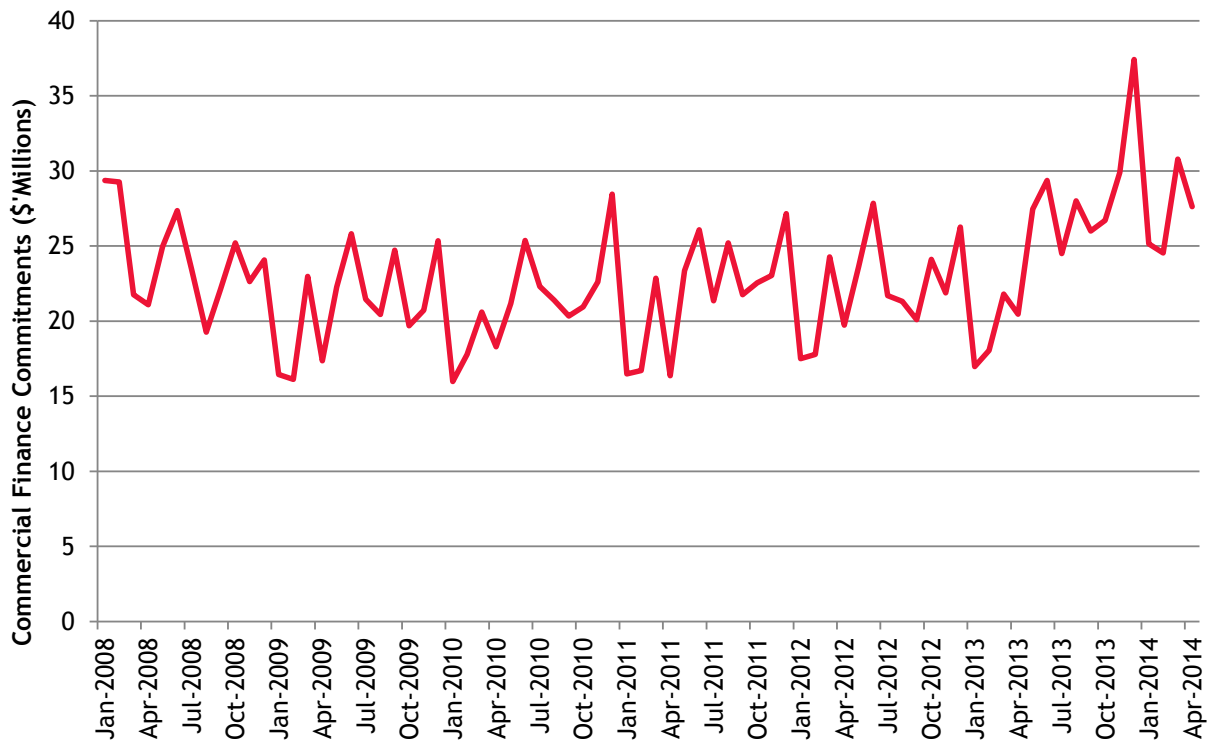
The index value of REIT's remained relatively flat from July 2009 through to July 2011 before eventually beginning to rebound as the real estate market started to show signs of recovery and business and consumer confidence increased.

A.2 Mortgage Broker Industry

Mortgage brokers act on behalf of clients in sourcing and applying for finance, offering clients a range of products from different lenders and tailoring debt facilities to specific needs. Mortgage brokers earn income from the lender (via the bank) and receive an upfront and trailing commission on settled loans. Although the mortgage broker industry is dominated by residential loans, a small proportion of brokers are involved in commercial loan broking and other products such as insurance, wealth management, and debt advisory roles.

Figure A.2 below sets out the monthly value of commercial finance commitments in Australia over the period 2009 to 2014. ABS defines commercial finance as finance provided to individuals and corporations for business or investment purposes, including for the construction or purchase of dwellings for rental or resale. Fixed loans, revolving credit and commercial hire purchase are included.

Figure A.2: Commercial Finance Commitments in Australia from 2008 to 2014



Source: Australian Bureau of Statistics

Having regard to Figure A.2 above, the value of commercial finance commitments has varied from January 2008 to April 2014. We also note that not all commercial finance commitments are initiated through third party originators such as Madsen Finance. Approximately 41.9% relates to property finance, while construction finance and the purchase of PP&E account for 10.9% and 6.1% respectively as at April 2014.

Appendix B - Common Valuation Methodologies

A fair market value is often defined as the price which reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report we have considered, among other metrics, the valuation methodologies recommended by ASIC in RG 111 regarding the content of expert reports. The methodologies include those mentioned directly below.

B.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

B.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

B.3 Asset Based Valuation ('ABV')

Asset based valuations are used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

B.4 Market Based Valuation ('MBV')

Market based valuations relate to the valuation of an entity having regard to the value which securities in the entity have recently been purchased at. This approach is particularly relevant to:

- Entities where the shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time; and/or
- Entities where it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

Appendix C - Control Premium Research

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with:

- control over the operating and financial decisions of the company;
- the right to set the strategic direction of the company;
- control over the buying, selling and use of the company's assets; and
- control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums set out below we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

To form our view of an appropriate range of control premiums applicable to Opus and Madsen Finance, we have considered control premiums (1 week prior to transaction) implied in merger and acquisition transactions in the financial services and REIT sectors from 2008 to 2014.

For the purposes of this Report, where applicable, we have categorised our research into two categories. The two categories are transactions with a deal value below \$100 million and transactions with a deal value above \$100 million. We have also defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

This section is set out as follows:

- Section C.1 sets out the financial services sector control premium research;
- Section C.2 sets out the REIT control premium research; and
- Section C.3 sets out a summary of the aggregate results.

C.1 Australian Financial Services Sector Control Premium Research

In Table C.1 below we have set out the observed control premiums based on an analysis of CapIQ data on announced transactions from January 2008 to June 2014 within the Australian financial services sector.

Table C.1: Australian Financial Services Sector Control Premium Research

	Deal Value \$0 - \$100m	Deal Value \$100m+	All Transactions
Max	65.0%	52.8%	65.0%
Min	(8.2%)	(5.0%)	(8.2%)
Median	26.8%	32.2%	29.7%
Mean	25.5%	25.9%	25.8%
No. of Transactions	6	12	18

Source: CapIQ

With reference to Table C.1 above we note that the median observed control premium within the Australian lending sector is approximately 25.5% for deals under \$100 million and 25.9% for deals over \$100 million.

C.2 REIT Control Premium Research

In Table C.2 below we have set out the observed control premiums based on an analysis of CapIQ data on announced transactions from January 2008 to June 2014 within the Australian REIT sector.

Table C.2: Australian REIT sector Control Premium Research

	Deal Value \$0 - \$100m	Deal Value \$100m+	All Transactions
Max	n/a	55.2%	55.2%
Min	n/a	(9.5%)	(9.5%)
Median	n/a	26.3%	26.3%
Mean	n/a	26.0%	26.0%
No. of Transactions	0	9	9

Source: CapIQ

With reference to Table C.2 above we note that the median observed control premium within the Australian REIT sector is approximately 26.0%. No transactions were identified with deal value under \$100.0 million.

C.3 Summary of Aggregate Results

In Table C.3 below we have presented the aggregate results for both financial services and REIT transactions from January 2008 to June 2014.

Table C.3: Australian Financial Services and REIT Sector Control Premium Research Summary

	Deal Value \$0 - \$100m	Deal Value \$100m+	All Transactions
Max	65.0%	55.2%	65.0%
Min	(8.2%)	(9.5%)	(9.5%)
Median	26.8%	30.7%	28.6%
Mean	25.5%	25.9%	25.9%
No. of Transactions	6	21	27

Source: CapIQ

With reference to Table C.3 above, the median observed control premium within the Australian financial services and REIT sector is approximately 25.5% for deals under \$100 million and 25.9% for deals over \$100 million.

For completeness, we note that our findings are consistent with empirical research which suggests that control premiums are typically within the range of 20% to 40%. We also note that recent independent expert's reports related to the financial industry in Australia concluded on control premiums in the range of 10% to 40%.

The range of control premiums observed may be impacted by a range of factors including:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Level of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- The presence of competing bids; and
- General market sentiment and economic factors.

Having regard to the above information, it is our view that it is appropriate to consider control premiums within the range of 20% to 40%. For the purposes of assessing the Proposed Transaction within the context of this Report we have adopted the mid-point of this range being 30%.

Appendix D - Summary of Transactions

Dexus' acquisition of Commonwealth Property Office Fund

On December 2013, Dexus Funds Management Limited, together with Canada Pension Plan Investment Board announced an off-market takeover bid to acquire all of the issued units in Commonwealth Property Office Fund. Under the deal, Dexus paid \$41 million for the management rights of CPA. Commonwealth Property Office Fund is a REIT launched by Commonwealth Managed Investments Limited managed by Colonial First State Property Limited. At the time of acquisition, Commonwealth Property Office Fund had approximately \$3.8 billion FUM invested in office buildings in central business district and major suburban markets across Australia. Commonwealth Property Office Fund generated an EBIT of \$238.8 million in FY13.

Charter Hall's appointment as RE to the PFA Diversified Property Trust

On 28 June 2012, Charter Hall announced that it had entered into a contract with various entities of the Australian Property Growth Fund to purchase the right to manage the PFA Diversified Property Trust. The management rights of the PFA Diversified Property Trust was sold to the Charter Hall Group for \$10.0 million in August 2012, comprising of \$5.2 million paid at settlement and the remaining balance of \$4.8 million to be paid over six years from a share of the PFA Diversified Property Trust's asset disposal and management fees. Assuming that the deferred consideration is received and applying a discount rate of 14% to 17% (consistent with that used by KPMG in the IER), implies an indicative value of the deferred consideration in the range of \$2.87 million to \$3.11 million. Incorporating the PV of the deferred consideration would have resulted in a FUM multiple of 1.81% to 1.87%.

At the time of acquisition, PFA was a diversified trust with approximately \$444.5 million FUM of predominately office assets located across Australia.

Folkestone's acquisition of Austock Property

On 9 July 2012, Folkestone Limited announced that it would purchase all of the shares in Austock Property. At the time of the acquisition, Austock Property was an investment management company with approximately \$555 million of assets under management across four listed and unlisted funds specialising in childcare, medical centres and police stations/courthouses.

Morgan Stanley Real Estate Fund VII's acquisition of Orchard Funds Management (Orchard FM)

Morgan Stanley Real Estate Fund VII purchased Orchard FM for \$13.0 million in December 2011. Orchard FM was a funds management company that managed seven unlisted property funds with approximately \$1.2 billion of (mostly commercial Australian property) FUM.

Centro Retail Group's acquisition of Centro Properties Group's Services Business

On 9 August 2011, Centro Group announced a restructure of the Group which consisted of Centro Retail Group, Centro Properties Group, Centro Direct Property Fund, Centro Australia Wholesale Fund and several other closed end property syndicates. Part of the restructure involved the internalisation of the management rights which were owned by Centro Properties Group within its Services Business. The Services Business consisted of a funds management business which managed internal funds of the Group as well as funds owned by external syndicates, and a property management business (services offered included day-to-day management of properties, leasing and property development management). At the time of the acquisition, the Services Business managed 31 funds and had approximately \$7.0 billion of FUM.

Jones Lang LaSalle's acquisition of Trinity Limited's wholesale funds management business

On 7 July 2011, Trinity announced that Jones Lang LaSalle had contracted to purchase 100% of Trinity's wholesale funds management business for \$9.25 million plus NTA (the business was owned 50% by Trinity and 50% by Clarence Property Corporation). At the time of acquisition, the wholesale funds management business had approximately \$650 million of (mostly commercial Australian property) FUM.

APN Property Group's acquisition of ING Healthcare Pty Ltd

On 7 July 2011, APN announced that it had entered into an agreement to purchase 67.5% of ING Healthcare Pty Ltd for \$3.3 million (implying \$4.9 million on a 100% basis). ING Healthcare had net assets of \$1.07 million, suggesting that the value of management rights would have been approximately \$3.8 million. At the time of the acquisition, the Healthcare Fund owned private hospitals and clinics.

Acquisition of management rights in ING Industrial Funds by Goodman

On 23 December 2010, Goodman announced that it would acquire all the ordinary units on issue in the ING Industrial Fund. ING Industrial Fund was a real estate investment trust with a property portfolio (61 properties) located in Australia (86% by value, being industrial estates, warehouse distribution facilities and business parks located primarily in Sydney) and in Western Europe (14% by value, predominately warehouse distribution facilities located in Germany). At the time of the acquisition, FUM were approximately \$2.5 billion. Goodman entered into an arrangement with ING with respect to the transfer of the management rights for the ING Industrial Fund for a facilitation fee of \$22.5 million.

Acquisition of Becton Investment Management by 360 Capital

On 6 October 2010, Becton announced that it had entered into an agreement to sell its funds management business to 360 Capital. Becton had been considering options to recapitalise its managed funds since December 2009. However, it failed to achieve the recapitalisation and instead had to resort to a refinancing and sale of its assets (including the sale of its funds management operations). At the time of the sale, Becton managed some 14 investment vehicles and had approximately \$900.0 million of FUM.

Clarence's purchase of 50% of Trinity's wholesale funds management business

On 6 May 2010, Trinity announced the sale of 50% of its wholesale funds management business to Clarence. At the time, the business managed in excess of \$700 million in assets for investors. The consideration paid for the 50% stake was \$4 million plus \$1 million in deferred consideration (implying \$10.0 million for 100% acquisition).

Charter Hall's acquisition of Macquarie's real estate management platform

On 12 February 2010, Charter Hall announced that it would acquire the Macquarie Group's real estate funds management business. The business had approximately \$7.2 billion FUM, represented by the Macquarie Office Trust (office assets 44% Australia, 46% US), Macquarie Countrywide Trust (retail assets 47% Australia, 33% US), Macquarie Direct Property Fund (diversified but predominately office assets in Australia), Macquarie Martin Place Trust (one office asset, being No. 1 Martin Place in Sydney) and Macquarie Property Income (diversified property securities fund). As part of the transaction Charter Hall also acquired \$189 million of Macquarie Group's co-investments in the first of the three abovementioned trusts.

Mirvac's acquisition of Westpac Office Trust

On 28 April 2010, Westpac Office Trust announced that it had entered into a scheme of implementation with Mirvac Group for the acquisition of all the units in the Westpac Office Trust. As part of the scheme, Westpac agreed to forgo future management rights for the trust in exchange for consideration of \$15.0 million. At the time of the acquisition, Westpac Office Trust owned and managed a portfolio of \$1.1 billion FUM (consisting of predominately commercial and retail properties based in NSW, Victoria and Queensland).

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Appendix B – Proxy Form

Opus Capital Limited ACN 095 039 366 (Company)

I/We (name of member) _____

of _____

being a member/members of Opus Capital Limited ACN 095 039 366 appoint:

(Name of the proxy, or name of the office held by the proxy)

(Address of the proxy)

or failing him or her, the Chairman of the meeting as my proxy vote on my behalf at the Extraordinary General Meeting of the Company to be held at 10:00 am on Tuesday 23 September 2014 (AEDT) and any adjournment of that meeting.

If two proxies are being appointed, the proportion of the voting rights that this proxy is authorised to exercise is %. (The Company will supply an additional form on request.)

Proxy Instructions:

a. If you do not wish to direct your proxy how to vote, please insert X in this box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

b. If you wish to instruct your proxy how to vote, insert X in the box in the appropriate column against each item of business set out below. **Otherwise** your proxy may vote as he/she thinks fit, or abstain from voting.

I/We instruct my/our proxy vote as follows:

	For	Against	Abstain
Resolution			
1. Approve the Company's entry into the Share Purchase Agreement and the provision of a benefit to a related party of the Company, namely Madsen Nominees Pty Ltd, an entity associated with Mr. Matthew Madsen.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approve the acquisition of a relevant interest in shares in Opus Capital Limited under section 611 (Item 7) of and Act and the issue and allotment of 691,751,161 fully paid ordinary shares in the Company to Madsen Nominees Pty Ltd, an entity associated with Mr. Matthew Madsen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Note – Resolution 2 will not be put to members at the meeting if Resolution 1 fails.

Where this Proxy Form is signed under power of attorney, the Attorney(s) declare(s) that he/she/they has/have not received any notice of the revocation of such power.

Dated: 2014

Signed

Signed

Name (printed):

Name (printed):

Capacity

Capacity

Signing instructions:

- (a) If joint holders, each must sign.
- (b) Companies must execute:
 - (i) under seal; or
 - (ii) by two directors signing this Proxy Form; or
 - (iii) by a director and a company secretary signing this Proxy Form; or
 - (iv) (where it is a proprietary company where the sole director is also the sole company secretary) by that director signing this Proxy Form;
 - (v) by authorised officer; or
 - (vi) by attorney (if signed by attorney, a copy of the authority under which the appointment was signed or a certified copy of the authority must be provided).

This Proxy Form must be returned to the Company by no later than 48 hours prior to the date and time of the Extraordinary General Meeting (i.e. no later than Friday, 19 September 2014 if the proxy is being returned by post).

Please forward your proxy to the Company Secretary (attention Leylan Neep) at:

Street address: Level 21, 12 Creek Street, Brisbane QLD 4000

OR

Mailing address: GPO Box 5270 Brisbane Qld 4001

OR

Fax: +617 3002 5311

OR

Email: Leylan.Neep@opusaustralia.com