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Record of interview:

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At the Clarius Group Limited AGM you flagged that the business is being impacted by the economic downturn. You stated that profits for the first half are anticipated to be 35 to 40 per cent lower than the prior corresponding period. Can you provide further detail on how the business is performing?

MD, Diana Eilert

Overall, we are trading profitably, but at lower levels than last year, and we would expect that trend to continue throughout FY09. External data – such as job ads and hiring intention surveys - indicate there has been a slowing in demand for recruitment services.

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How are you responding to the market challenges in each of your major business units?

MD, Diana Eilert

The Clarius business provides contracting and recruitment services through our suite of specialist brands. Across all brands, we are aiming to increase productivity, reduce costs and improve cash flow.

Taking each brand in turn:

In Candle ICT – which provides over 50 per cent of the Group’s profit contribution - we are focussed firstly on winning and engaging with new customers. Secondly, we are implementing clear job roles, as well as reward and training schemes to drive organic growth. In particular we are aiming to increase our contractor numbers.

In Lloyd Morgan Australia we are looking to continue building strong customer relationships to keep momentum, and continue building business across our target sectors.

Lloyd Morgan Asia is aiming to build consultant numbers to increase revenue in the current downturn, reducing reliance on financial services.

JAV IT is firstly, creating a robust replicable platform to ensure 100 percent reliable customer service, and secondly expanding our customer base.

Finally, Alliance is focused on continuing to build our successful business support staffing operation, and managing our financial services business through the downturn.

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The number of contractors is a key indicator for growth in the business. Can you provide us with an update on the number of contractors and temps in the business? What is your strategy to generate organic growth in these numbers?

MD, Diana Eilert

Since December 2007, we were able to stabilise contractor/temp numbers at around 2,500. However, we have just started to see a slowing in demand, with a higher than normal number of contractor non renewals occurring during September.

To achieve above market contractor growth we are working on further improving our “fill rates” for jobs, seeking new client opportunities and ensuring our consultants are rewarded for growth.

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What financial aspects of the business are being specifically addressed to accommodate the weakening macro economic environment?

MD, Diana Eilert

We have always been very focussed on strong financial management of the business, and we have not changed that focus. We have a strong balance sheet with low levels of gearing - our debt to equity ratio at 30 June 08 was 15 per cent.

At present, a primary effort is in respect of operational cashflow, and we anticipate we can bring forward the timing of cashflows through some automation around ‘on-line timesheets’ which will improve our billing processes. This will occur in the 2nd half.

We are also closely managing our net debt position, with a view to lowering it further in the short term. We intend to utilise our improved cash flow to lower net debt, and this will provide us with capacity for further growth opportunities as they present themselves. It important to note, however, that we have nearly \$5.5 million cash in earn-out payments due this financial year.

We are also maintaining tight cost controls, although there is a limited amount of discretionary spending that we can wind back.

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The primary focus of your strategy has been to return the business to an organic growth path. Can you detail the actions you are taking, and have you changed the focus with the change in economic outlook?

MD, Diana Eilert

We are retaining our focus on building the platform for organic growth. Many of the elements are being delivered under our “Project Futureforce”. Our overall strategy is based on three areas of effort:

- (1) Defend and improve our core business

This involves

- Lifting productivity - building and implementing a sales model that encourages organic growth
- Hiring and training a stream of additional consultants to deliver the growth
- Improving underlying processes and technology, including implementation of on-line timesheets

- (2) Extend our scope and geography

That is, creating for each brand, a robust operating model that we can roll out into new geographies. We will also look opportunistically for well priced acquisitions to grow into our target sectors.

- (3) Expand into services from “labour hire”

We intend moving more into provision of services, such as the JAV IT business offers. In this case, IT infrastructure support. We aim to bed down the JAV model, establish good growth, then look at other opportunities.

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Looking beyond the FY09 year, what do you see as the medium to longer term prospects for Clarius?

MD, Diana Eilert

We believe the medium to longer term prospects remain attractive. We are focussed on sectors where underlying demand are likely to be strong, and these sectors will return to growth.

Our balance sheet is strong and well positioned to pick up opportunistic acquisitions and other growth opportunities through the downturn. We have a low level of debt, our current assets exceed our current liabilities by around \$15 million, and we are focussed on strengthening our operational cash flow.

We have geographic diversity and spread across sectors and we are trading profitably. We will benefit strongly as the cycle begins to turn and business confidence begins to pick up. There are signs of the credit crisis easing which will be the first step in a pick up in business activity.

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Thank you Diana.

For further information about Clarius Group, visit www.clarius.com.au or call Diana Eilert on +61 2 9250 8100.

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