

Catalyst Recruitment Systems Limited

ABN 17 050 243 251

Target's Statement

in response to the Bidder's Statement by Skilled Group
Limited ABN 66 005 585 811 dated 18 August 2006

This Target's Statement contains detailed reasons for the recommendation of your Directors. It is an IMPORTANT DOCUMENT and requires your immediate attention. If you are in doubt as to how to deal with this document, please consult your financial or other professional adviser.

**Your Directors unanimously Recommend
you ACCEPT Skilled's Offer in the
absence of a superior proposal**

Legal Adviser

MinterEllison

LAWYERS

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1. Important information

1.1 Important Dates

Record Date for Catalyst 2006 final dividend	28 August 2006
Date of Skilled's Offer	25 August 2006
Last date for Skilled to declare its Offer unconditional ¹	19 September 2006
Date of this Target's Statement	18 August 2006
Skilled's Offer expires (unless extended or withdrawn) ²	26 September 2006

1 Skilled must give notice of the status of the conditions to its Offer on 18 September 2006 unless the Offer has been extended or has already become unconditional.

2 As permitted by the Corporations Act.

1.2 ASIC lodgment

This Target's Statement was lodged with ASIC on 18 August 2006. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

1.3 Skilled information in this Target's Statement

The information on Skilled and the Bidder's Statement in this Target's Statement has been obtained by Catalyst from the Bidder's Statement and other publicly available information, except where disclosed otherwise. Catalyst and its Directors are unable to verify the accuracy, reliability or completeness of the information on Skilled or the Bidder's Statement.

1.4 Investment and financial advice

You should read this Target's Statement and the Bidder's Statement in their entirety before making a decision about what to do with your Catalyst Shares.

This Target's Statement does not take into account your investment objectives, financial situation or particular needs. You should obtain independent financial, investment, legal and taxation advice before deciding whether or not to accept Skilled's Offer.

1.5 Forward looking statements

This Target's Statement contains forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Catalyst as well as general economic conditions and conditions in the financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of Catalyst, any of its officers or any person named in this Target's Statement or involved in the preparation of this Target's Statement makes any representation or warranty (either express or

implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

2. Summary of your Directors' recommendation and their reasons

Your Directors **unanimously** recommend that you **ACCEPT** Skilled's Offer in the absence of a superior proposal because:

- **the Offer Price values Catalyst at a 27.5% premium***
- **Skilled's Offer is a cash only bid**
- **Skilled's Offer provides an opportunity to realise your investment in Catalyst at a premium to recent trading prices**
- **Skilled has agreed to acquire 19.9% of Catalyst Shares under Pre-Bid Agreements and there is no superior proposal to date**
- **Catalyst is likely to face challenges resulting from ongoing consolidation of the industry**

** premium calculated by reference to Catalyst's volume weighted average Share price for the 3 month period prior to the last day before the date the Offer was announced*

The more detailed reasons for the Directors' recommendation are as follows:

The Offer Price values Catalyst at a premium

Skilled is offering \$0.90 per Catalyst Share. Catalyst Shareholders will also be entitled to a fully franked dividend for the 2006 financial year of \$0.04 per Catalyst Share, provided they are Shareholders on the record date (28 August 2006).

Skilled's Offer of \$0.90 per Catalyst Share represents a premium over Catalyst's volume weighted average Share price for the 1, 3 and 6 month periods prior to the last day before the date the Offer was announced:

Period	Weighted Average Share Price*	Premium
17 July 2006 to 16 August 2006 (1 month prior)	\$0.7854	14.6%
17 May to 16 August 2006 (3 months prior)	\$0.7058	27.5%
17 February 2006 to 16 August 2006 (6 months prior)	\$0.7131	26.2%

** Weighted by volume traded on ASX for relevant period*

Previous 3 months trading

During the three months ended 16 August 2006 (being the last day before the date the Offer was announced):

- the highest daily closing price for Catalyst Shares on ASX was \$0.8200 on 16 August 2006 and 21 July 2006; and
- the lowest daily closing price for Catalyst Shares on ASX was \$0.5850 on 15 June 2006.

Latest recorded price

The latest recorded Share sale price for Catalyst Shares on ASX on 16 August 2006 (the last day before the date the Offer was announced) was \$0.8200.

Shareholders should note that Catalyst has announced a final fully franked dividend for the 2006 financial year of 4 cents per Catalyst Share. The record date for the dividend is 28 August 2006. Payment of the final dividend to Shareholders who are entitled to it is expected to occur by 11 September 2006.

Cash bid

Catalyst Shareholders who accept the Offer will receive cash for their Catalyst Shares.

Skilled states in section 8.13 of its Bidder's Statement that:

- it will pay stamp duty (if any) on the transfer of any Catalyst Shares to Skilled under the Offer; and
- so long as a Shareholders' Shares are registered in that Shareholder's name and the Shares are delivered directly to Skilled, the Shareholder will not incur any brokerage in connection with its acceptance of the Offer.

The Offer provides an opportunity to sell your Catalyst Shares for cash with no transaction costs.

Share liquidity

Catalyst's share register is highly concentrated – as at 31 July 2006, the largest 20 shareholders held approximately 61.91% of the Shares – and the Shares have tended historically to trade at low volumes. Therefore, Skilled's Offer provides an opportunity for all Catalyst Shareholders to realise their investment at a premium to recent trading prices before the Offer was announced. If the Offer does not proceed and no superior proposal emerges, there is no guarantee that Catalyst's Share price will remain at current levels.

Shareholders should also note that Skilled's Offer is subject to a 90% minimum acceptance condition. Skilled has stated in its Bidder's Statement that:

- it will proceed with compulsory acquisition if it becomes entitled to do so but reserves its rights to declare the Offer free from the 90% minimum acceptance condition; and
- if the Offer is declared free from the 90% minimum acceptance condition without Skilled becoming entitled to compulsorily acquire the outstanding Catalyst Shares but Catalyst becomes a controlled entity of Skilled, Skilled has stated it will review whether it is in the interests of Catalyst to maintain Catalyst's listing on ASX.

If:

- Skilled frees its Offer from the 90% minimum acceptance condition;
- you do not accept the Offer or otherwise dispose of your Shares;
- the Offer results in Skilled having relevant interests in less than 90% of Shares; and

- Catalyst were delisted,

you would be a minority shareholder in an unlisted company.

Pre bid agreements & no superior proposal to date

Each of the Pre-Bid Shareholders has entered into a Pre-Bid Agreement with Skilled under which the Pre-Bid Shareholder has agreed to sell a portion of its shareholding in Catalyst for 90 cents per Catalyst Share. Following settlement under the Pre-Bid Agreements, expected to occur on or about 29 August 2006, Skilled will acquire, in total, 10,010,000 Catalyst Shares, representing approximately 19.9% of Catalyst issued share capital as at the date of this Target's Statement. The Pre-Bid Shareholders include the following Directors or entities controlled by the following Directors: George Zammit, Philip Weinman, John Shergold and Hugh Robertson.

Other than Shares the subject of Pre-Bid Agreements, the Directors intend to accept Skilled's Offer in respect of all the Shares that they own or control, in the absence of a superior proposal.

As a consequence, this is expected to result in Skilled holding a significant shareholding in Catalyst and may decrease the likelihood that a rival bid will emerge.

As at the date of this Target's Statement, your Directors are unaware of any potential rival bids.

Strategic considerations

As you would be aware, Catalyst is a part of the human resources recruitment industry and your Directors have taken into consideration trends in that industry in recommending that Shareholders accept the Offer.

The Directors believe that the industry has been consolidating over the last few years and this will continue.

The difficulty being experienced by Catalyst, as an acquirer, is that in the Directors' view, there are few medium sized organisations, of between \$75M to \$200M annual revenue, that are either for sale or desirable as a target for acquisition. The Directors believe that the prospective targets for acquisition that are available have become unrealistic in their price expectation, which makes growth through acquisition challenging for a listed company.

Other alternatives available to Catalyst are to acquire several smaller recruitment companies and consolidate their revenues, but this is both time consuming and likely to be difficult to assimilate into the current business.

If the Offer were unsuccessful, in the absence of growth through acquisitions, the Directors believe that Catalyst may face challenges resulting from ongoing consolidation of the industry.

3. Summary of the Offer

3.1 Offer Price

Skilled's Offer

Skilled is making a takeover bid for ALL of your Catalyst Shares and is offering \$0.90 cash per Catalyst Share.

The Offer is subject to a number of conditions which are set out in the Bidder's Statement.

You should note that Catalyst has announced a final dividend of 4 cents per Catalyst Share. The record date for the dividend is 28 August 2006 and payment of the dividend is expected to occur by 11 September 2006. The final dividend is fully franked. Skilled has agreed that its Offer will not be affected by the payment of the dividend.

Improvement in Offer consideration

If Skilled improves the consideration under the Offer (which may or may not include an increase in the Offer Price), all Shareholders whether or not they have accepted the Offer before or after the improvement in the consideration, will be entitled to the benefit of the improved consideration.

3.2 Payment terms

Generally, the payment to which you are entitled on acceptance of Skilled's Offer (in accordance with the instructions contained in the Bidder's Statement and the acceptance form) will be provided to you on or before the later of:

- (a) one month after the date you validly accept the Offer; or
- (b) one month after the date the Offer becomes or is declared unconditional (whichever is the later),

and in any event, no later than 21 days after the end of the Offer Period.

Catalyst Shareholders should refer to section 8.6 of the Bidder's Statement for full details regarding payment terms.

3.3 Valid acceptance of the Offer

Shareholders who accept Skilled's Offer give up certain of their rights to sell or otherwise deal with their Catalyst Shares, even before the conditions to the Offer have been satisfied.

In particular, Shareholders who accept the Offer may lose the opportunity to benefit from any superior proposal for their Catalyst Shares made by another bidder. Your Directors are not currently aware of any superior proposal for your Catalyst Shares but will promptly notify ASX if any superior proposal is announced during the Offer Period.

3.4 Offer Period

Unless extended or withdrawn, Skilled's Offer is open for acceptance from 25 August 2006 to 7pm on 26 September 2006.

To validly accept Skilled's Offer, your acceptance must be received before the end of the Offer Period.

Extension of the Offer Period

Under the Corporations Act, if, within the last seven days of the Offer Period:

- (a) Skilled improves the consideration under the Offer; or
 - (b) Skilled's voting power in Catalyst increases to more than 50%,
- the Offer Period is automatically extended so that it ends 14 days after that event.

In addition, Skilled may extend the Offer Period at its discretion, subject to the following:

- (a) Skilled must on the date which is 18 September 2006, being eight days before the end of the Offer Period, give notice of the status of the conditions of the Offer;
- (b) Skilled may extend the Offer Period at any time before it gives the above notice; and
- (c) If the Offer remains subject to any conditions after Skilled gives the above notice, Skilled may only extend the Offer Period if:
 - (i) another person lodges with ASIC a bidder's statement for a takeover bid for Catalyst Shares;
 - (ii) another person announces a takeover bid for Catalyst Shares;
 - (iii) another person makes offers under a takeover bid for Catalyst Shares; or
 - (iv) the consideration for offers under another takeover bid for Catalyst are improved.

Notwithstanding the above, the Offer Period cannot exceed 12 months.

Withdrawal of the Offer

If you have already accepted Skilled's Offer, Skilled may not withdraw the Offer made to you.

If you have not yet accepted Skilled's Offer, Skilled may withdraw its Offer to you with the written consent of ASIC. ASIC may provide such consent subject to any conditions it sees fit.

Whether or not Skilled is entitled to withdraw its Offer, the Offer may lapse if the conditions to the Offer are not satisfied or waived (refer to section 3.5 below).

3.5 Conditions of the Offer

Skilled's Offer is subject to a number of conditions. Unless Skilled has declared the Offer free from conditions by at least seven days before the end of the Offer Period, or the conditions are satisfied as at the end of the Offer Period (other than the 'no prescribed occurrences' condition, where the latest date for satisfaction or waiver is three business days after the end of the Offer Period), the Offer will not proceed and all contracts resulting from the acceptance of the Offer will be automatically void.

A summary of the conditions is set out below:

Minimum acceptance

During, or at the end of, the Offer Period, Skilled has a relevant interest in at least 90% of all of the Catalyst Shares.

No action by Government Agency adversely affecting the Offer

Before the end of the Offer Period:

- there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- no action or investigation is instituted by any Government Agency; and
- no application is made to any Government Agency (other than by Skilled) or commenced by a Government Agency,

that impedes or restricts the Offer.

No material adverse change

None of the following occurs:

- an event, change, condition, matter or thing occurs;
- information is disclosed or announced by Skilled or any of its subsidiaries concerning any event, change, condition, matter or thing; or
- information concerning any event, change, condition, matter or thing becomes known to Skilled (whether or not becoming public),

which will have, could reasonably be expected to have or which evidences that there has been, a material adverse financial effect on Catalyst (where 'material adverse financial effect' means a reduction in Catalyst's net profit after tax by more than \$250,000).

No material acquisitions, disposals or changes in the conduct of business

Catalyst or any subsidiary does not, other than in the ordinary course of business, enter into certain transactions over specified monetary amounts.

S&P/ASX 200 Index

The S&P/ASX 200 Index does not fall below 4463 for 3 consecutive trading days.

No change of control rights

None of Catalyst's 5 largest customers (measured by revenue for the financial year ended 30 June 2006) has any rights or entitlement, as a result of a change of control in Catalyst, to:

- terminate or alter any contractual relations between any person and Catalyst or any of its subsidiaries;
- require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- accelerate or adversely modify the performance of any obligations of Catalyst or any of its subsidiaries.

Non-existence of certain rights

No person has or will have any right as a result of Skilled acquiring the Catalyst Shares to acquire, or require the disposal of, or require Catalyst or a subsidiary to offer to dispose of, any material asset of Catalyst or a subsidiary.

No untrue statements to ASX or ASIC

Skilled does not become aware that any document filed regarding Catalyst with ASX or ASIC contains a statement which is incorrect or misleading in a material particular or from which there is a material omission.

No dividends or distributions

Catalyst does not recommend, declare, pay or make any dividend, bonus or other distribution, other than the 4 cent fully franked dividend authorised for the financial year ending 30 June 2006.

No prescribed occurrences

No 'prescribed occurrences' happen before the date which is three business days after the end of the Offer Period. See section 8.7(j) of the Bidder's Statement for the list of prescribed occurrences.

3.6 Withdrawal of acceptance by Catalyst Shareholders

If you have accepted Skilled's Offer, your acceptance can only be withdrawn in the following circumstances:

- (a) If the conditions attaching to the Offer have not been satisfied or waived by Skilled before the end of the Offer Period (other than the 'no prescribed occurrences' condition, where the latest date for satisfaction or waiver is three business days after the end of the Offer Period), your acceptance will be void and cannot be enforced against you. In this situation, you are free to deal with your Catalyst Shares at your discretion.
- (b) If, while the Offer remains conditional, Skilled varies the Offer in a way that postpones the time when Skilled needs to meet its obligations under the Offer by more than one month, you may withdraw your acceptance by giving Skilled notice within one month beginning on the day after you receive notice of the variation of the Offer.

3.7 Compulsory acquisition

Under the Corporations Act, Skilled will be entitled to compulsorily acquire Catalyst Shares, if, before or at the end of the Offer Period:

- (a) Skilled and its associates have relevant interests in at least 90% (by number) of the total number of Catalyst Shares; and
- (b) Skilled and its associates have acquired at least 75% (by number) of the Catalyst Shares that Skilled offered to acquire under its Offer (whether the acquisitions happened under the Offer or otherwise).

If Skilled is entitled to proceed with compulsory acquisition, Skilled has from that time until one month from the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer.

Skilled will be required to pay the final offer price under the Offer for Catalyst Shares it compulsorily acquires.

Skilled has stated in the Bidder's Statement that it intends to compulsorily acquire your Catalyst Shares if it becomes so entitled.

Shareholders not wanting their Catalyst Shares compulsorily acquired may apply to the Court for an order that their Shares not be compulsorily acquired. However, the Court may only make such an order if the Court is satisfied that the final offer price is not fair value for the Shares.

If you do not accept the Offer and your Catalyst Shares are compulsorily acquired, you may face a delay in receiving the consideration for your Catalyst Shares compared with Shareholders who have accepted the Offer.

4. Key questions

Set out below is a list of questions commonly asked by shareholders in relation to takeovers generally and applicable answers in relation to Skilled's Offer.

4.1 What is Skilled offering for my Catalyst Shares?

Skilled is offering \$0.90 cash per Catalyst Share.

If Skilled improves the consideration under the Offer (which may or may not include an increase in the Offer Price), all Shareholders (who ultimately accept the Offer or whose Catalyst Shares are compulsorily acquired) whether or not they have accepted the Offer before the improvement in the consideration, will be entitled to the benefit of the improved consideration.

4.2 What do the Catalyst Directors recommend I do?

Your Directors **unanimously** recommend that you **ACCEPT** Skilled's Offer, in the absence of a superior proposal.

Your Directors intend to accept Skilled's Offer in respect of the shareholdings they own or control, in the absence of a superior proposal. See also sections 2 and 5.2(b) in relation to agreements made by certain Directors or entities controlled by Directors in relation to their Catalyst Shares.

You should carefully review this Target's Statement and also consider the Bidder's Statement in making your decision in relation to the Offer.

This Target's Statement does not take into account your investment objectives, financial situation or particular needs. Your Directors recommend that you consult your financial or legal adviser regarding the impact that acceptance or rejection of Skilled's Offer may have on your own circumstances.

4.3 When is Catalyst's final dividend payable?

Catalyst has announced a final dividend for the 2006 financial year of 4 cents per Catalyst Share. The record date for the dividend is 28 August 2006. If you are entitled to the final dividend, payment of the dividend is expected to occur by 11 September 2006. The final dividend is fully franked. Skilled has agreed that its Offer will not be affected by the payment of the dividend.

4.4 How do I accept Skilled's Offer?

To accept Skilled's Offer, you must follow the instructions set out in the Bidder's Statement and accompanying documents sent to you by Skilled. Please carefully read the instructions so that your acceptance form is accurately completed.

You must accept Skilled's Offer before the close of the Offer Period, being 26 September 2006 (unless extended).

4.5 Can I withdraw my acceptance of Skilled's Offer?

You only have limited rights to withdraw your acceptance of the Offer. You can only withdraw your acceptance if Skilled's Offer lapses while still conditional or, while the Offer remains conditional, Skilled decides to extend the Offer Period by more than one month. Refer to section 3.6 of this Target's Statement for further information.

4.6 What happens if I accept Skilled's Offer and the Offer conditions are not satisfied or waived?

If the conditions attached to Skilled's Offer are not satisfied or waived by the end of the Offer Period (other than the 'no prescribed occurrences' condition, where the latest date for satisfaction or waiver is three business days after the end of the Offer Period), your acceptance of Skilled's Offer will be void and cannot be enforced against you. You will then not receive the consideration for each of your Catalyst Shares and you will be free to deal with your Catalyst Shares at your discretion.

4.7 How do I reject Skilled's Offer?

If you wish to reject Skilled's Offer, you need not do anything further with respect to the documents sent to you by Skilled.

4.8 Are there any capital gains tax issues?

A general description of the taxation treatment for Shareholders accepting Skilled's Offer is set out in section 6 of the Bidder's Statement. However, the tax consequences of accepting the Offer depend on a number of factors. You should consult your taxation adviser or financial adviser for detailed taxation advice.

4.9 When do I have to make a decision?

If you wish to accept Skilled's Offer, you must do this before its scheduled closing date. Skilled has stated that the Offer remains open until 26 September 2006. It is possible that Skilled may choose to extend the Offer Period in accordance with the Corporations Act. However, Skilled cannot close the Offer earlier than this date, except in accordance with the Corporations Act.

If you do not wish to accept Skilled's Offer, you do not need to do anything.

4.10 When will I receive payment if I accept the Offer?

Catalyst Shareholders should refer to section 8.6 of the Bidder's Statement for full details regarding payment terms.

4.11 Will I be forced to sell my Catalyst Shares?

Skilled may (and has indicated that it intends to) compulsorily acquire any Catalyst Shares if Skilled becomes entitled to do so under the Corporations Act. An outline of the compulsory acquisition provisions of Skilled's Offer is provided in section 3.7.

4.12 Will Catalyst remain listed on ASX?

Provided Skilled holds 90% or more of the Catalyst Shares before or at the end of the Offer Period and proceeds to compulsory acquisition of the remaining Catalyst Shares under the Corporations Act, Catalyst Shares will be removed from quotation on ASX and Catalyst will cease to be listed on ASX.

Refer to section 5.3 of the Bidder's Statement for a description of Skilled's intentions if the Offer is declared free from 90% minimum acceptance condition (without Skilled becoming entitled to compulsorily acquire the outstanding Catalyst Shares) but, by virtue of acceptances of the Offer, Skilled nevertheless gains effective control of Catalyst.

4.13 What is a Bidder's Statement?

The documents sent to you by Skilled include a document called a Bidder's Statement. It contains information about Skilled's Offer.

4.14 What is a Target Statement?

This document is a Target Statement. It contains information prepared by your Directors to help you determine whether to accept or reject Skilled's Offer.

4.15 What if I have further questions?

For further information, please consult your financial or legal adviser.

5. Additional information

5.1 Interests of Directors, Related Bodies Corporate and Associates

As at the date of this Target's Statement, the Directors, or entities associated with them, are the registered holder of the following Catalyst Shares and Catalyst Options shown below:

Director	Number of Catalyst Shares	Number of Catalyst Options	Nature of holding
George Zammit	4,320,988 <i>Note: 2,200,000 of these Catalyst Shares are the subject of a Pre-Bid Agreement and are expected to be acquired by Skilled on or about 29 August 2006</i>	400,000	Legal title to the Catalyst Shares is held: - in respect of 2,315,000 Catalyst Shares, by Positive Impressions Pty Ltd ACN 050 275 011 (Positive Impressions) as trustee for George Zammit Family Trust. Mr Zammit is a director and shareholder of Positive Impressions; - in respect of 1,931,465 Catalyst Shares, by Positive Impressions as trustee for the Timmaz Superannuation Fund; and - in respect of 74,523 Catalyst Shares, by Mr Zammit. Legal title to the Catalyst Options is held by Mr Zammit.
Craig Ashworth	12,000	Nil	Legal title to the Catalyst Shares is held by Mr Ashworth.
Philip Weinman	8,112,000 (see details below regarding MindAtlas Pty Ltd acquisition) <i>Note: 4,300,000 of these Catalyst Shares are the subject of a Pre-Bid Agreement and are expected to</i>	Nil	Legal title to the Catalyst Shares is held: - in respect of 8,029,500 Catalyst Shares, by Intrapac Distributors Pty Ltd ACN 005 704 405 (Intrapac). Mr Weinman is a director and shareholder of Intrapac; and

	<i>be acquired by Skilled on or about 29 August 2006</i>		- in respect of 82,500 Catalyst Shares, by Mr Weinman.
John Shergold	265,000	Nil	Legal title to the Catalyst Shares is held:
	<i>Note: 130,000 of these Catalyst Shares are the subject of a Pre-Bid Agreement and are expected to be acquired by Skilled on or about 29 August 2006</i>		- in respect of 157,500 Catalyst Shares, by Mr Shergold; and
			- in respect of 107,500 Catalyst Shares, by Wiltondale Investments Pty Ltd ACN 004 742 269. Mr Shergold is a director and shareholder of Wiltondale Investments Pty Ltd.
Nigel Harse	98,068	Nil	Legal title to the Catalyst Shares is held by Mr Harse.
Hugh Robertson	66,135	Nil	Legal title to the Catalyst Shares is held by
	<i>Note: 30,000 of these Catalyst Shares are the subject of a Pre-Bid Agreement and are expected to be acquired by Skilled on or about 29 August 2006</i>		Bungeeltap Pty Ltd ACN 063 687 623 as trustee for H & B Robertson Super Fund A/C. Mr Robertson is a director and shareholder of Bungeeltap Pty Ltd.
Total	12,874,191 Catalyst Shares (25.6% of the total number of Catalyst Shares on issue as at the date of this Target's Statement, being 50,299,446)	400,000 Catalyst Options (42.55% of the total number of Catalyst Options on issue as at the date of this Target's Statement, being 940,000)	
	<i>Note: 6,660,000 of these Catalyst Shares are the subject of the Pre-Bid Agreements and are expected to be acquired by Skilled on or about 29 August 2006</i>		

No Director, related body corporate or associate of Catalyst has any interest in any securities of Skilled or any related body corporate or associate of Skilled.

Other than as set out in this section 5:

- (a) there is no agreement or arrangement made between any director, related body corporate, or associate of Skilled and any other person in connection with, or conditional on, the outcome of Skilled's Offer;
- (b) no Director, related body corporate or associate of Catalyst has any interest in any contract entered into by Skilled or any director, related body corporate or associate of Skilled; and
- (c) no Director, related body corporate, or associate of Catalyst has agreed, or is entitled, to receive any benefit whatsoever from Skilled or any director, related body corporate or associate of Skilled.

If Skilled acquires control of Catalyst, it may seek the resignation of the Directors and appoint other directors in their place.

Philip Weinman

In relation to Philip Weinman's interests, 2,850,000 Catalyst Shares were issued to Intrapac Pty Ltd (an entity associated with Mr Weinman) as part of the purchase price for the acquisition by Catalyst of MindAtlas Pty Ltd on 31 October 2005. In satisfaction of the balance of the purchase price, upon attainment of a defined EBIT level for the year ending 31 October 2006:

- (a) a further issue of up to 1,900,000 Catalyst Shares will be issued to Intrapac Pty Ltd (an entity associated with Mr Weinman) (and a further 100,000 Catalyst Shares will be issued to Sally Windsor, the other vendor of the MindAtlas business); and
- (b) a cash payment of up to \$1,160,000 to Intrapac Pty Ltd will be made.

In Section 3.1 of the Bidder's Statement, Skilled has stated that it has agreed that if the additional 2,000,000 Catalyst Shares (*that is 1,900,000 to Intrapac Pty Ltd (an entity associated with Mr Weinman) and 100,000 to Sally Windsor*) are to be allotted to the vendors of the MindAtlas business, but at such time Catalyst has been delisted from the ASX or subject to compulsory acquisition by Skilled, Skilled will pay to the vendors an amount in cash equal to the price offered to Catalyst Shareholders pursuant to the Offer for those 2,000,000 Catalyst Shares.

5.2 Material contracts in connection with the Offer

Below are identified the material contracts known to the Directors connected with Skilled's Offer:

(a) Takeover Bid Implementation Deed

As announced to ASX on 17 August 2006, Catalyst has entered into a Takeover Bid Implementation Deed with Skilled dated 17 August 2006 in respect of Skilled's Offer.

Shareholders should refer to section 7.3 of the Bidder's Statement for a summary of the terms of the Takeover Bid Implementation Deed.

(b) Pre-Bid Agreements

Each of the Pre-Bid Shareholders has entered into a Pre-Bid Agreement with Skilled under which the Pre-Bid Shareholder has agreed to sell a portion of its shareholding in Catalyst for 90 cents per Catalyst Share. Each Pre-Bid Shareholder is entitled to the 4 cents per Catalyst Share final dividend announced by Catalyst. Settlement of the sales is expected to occur on or about 29 August 2006. Following settlement under the Pre-Bid Agreements, Skilled will acquire, in total, 10,010,000 Catalyst Shares, representing approximately 19.9% of Catalyst issued share capital as at the date of this Target's Statement.

(c) Options – buy back offer

Catalyst has made an offer to optionholders to cancel the Options which are exercisable at \$1.20 each for a payment of 4 cents per Option. This offer is conditional on:

- (a) all such optionholders agreeing to the offer for all Options held by them;
- (b) Skilled and its associates acquiring a relevant interest in at least 90% (by number) of all of the issued Shares in Catalyst;
- (c) Skilled's Offer for the Catalyst Shares becomes free from any defeating conditions; and
- (d) Catalyst obtaining all necessary regulatory approvals or waivers to permit it to make this offer. See section 5.3 for further detail.

5.3 Catalyst Options

As at the date of this Target's Statement, Catalyst has on issue 940,000 Catalyst Options. All of the Options have been issued to the Directors or employees of Catalyst.

Set out below are details of the price at which Catalyst Options may be exercised and the date by which Catalyst Options must be exercised.

Number of Catalyst Options	Grant Date	Expiry Date	Exercise Price
25,000	30 November 2001	30 November 2006	\$0.30
60,000	1 November 2003	1 November 2008	\$0.55
855,000	13 December 2004	13 December 2007	\$1.20

The Options on issue include 85,000 Options which are exercisable for less than the Offer Price of 90 cents. To assist the holders of these Options to participate in Skilled's Offer, the Offer extends to Shares that are issued on the exercise of Options during the period from the Register Date to the end of the Offer Period.

In relation to the 855,000 Options which are exercisable for more than the Offer Price, Catalyst has, subject to obtaining any necessary regulatory approval, made an offer to those holders, offering to pay 4 cents per Option in exchange for the holder agreeing to the Options being cancelled. This offer is conditional on all Options being cancelled under this offer, Skilled satisfying its 90% minimum acceptance condition and the Offer becoming unconditional. Subject to any regulatory requirements, Catalyst may waive these conditions with Skilled's approval.

The Corporations Act also has compulsory acquisition provisions that are relevant to the position of holders of Options. If Skilled and its associates have a relevant interest in at least 90% of the Shares during, or at the end of the Offer Period, Skilled will be entitled to give, and intends to give, a notice of compulsory acquisition to all outstanding Shareholders, even if the Shares to which those notices relate are issued:

- (a) after the Offer closes but before the notices are given (pursuant to section 661A(4)(b) of the Corporations Act); or
- (b) on exercise of Options, up to six weeks after the notices are given (pursuant to section 661A(4)(c) of the Corporations Act).

Part 6A.1 of the Corporations Act also requires an offer to be made to the holders of any outstanding convertible securities (in this case, securities convertible into Shares) after the Offer

closes if Skilled and its associates have a relevant interest in at least 90% of Shares at the end of the Offer Period. If this is applicable, Skilled intends to offer a cash sum equal to the difference between the Offer Price and the exercise price for the relevant Options, but not less than 4 cents per Option. Given the cancellation offer to be made by Catalyst mentioned above, making a further offer may not be appropriate if the only Options outstanding are those which were subject to Catalyst's cancellation offer (in which case, Skilled may seek relief from ASIC from this requirement).

If, despite the cancellation offer made by Catalyst and any other offer that may be required by law, there are outstanding Options after the Offer closes, Skilled may be entitled to compulsorily acquire those Options under Part 6A.2 of the Corporations Act. In that event, it may exercise that right at the same price outlined above.

5.4 Directors' intentions

Each of the Directors who has an interest in Catalyst Shares (as set out in section 5.1) intends to accept Skilled's Offer in relation to their Catalyst Shares in the absence of a superior proposal. See also sections 2 and 5.2(b) in relation to agreements made by certain Directors or entities controlled by Directors in relation to their Catalyst Shares.

5.5 Dealings

Other than as disclosed in this Target's Statement, there have been no acquisitions or disposals of Catalyst Shares by any Director, related body corporate or associate of Catalyst in the four months prior to the date of this Target's Statement.

5.6 Skilled's proposed intentions regarding Catalyst employees

A description of Skilled's intentions in respect of Catalyst employees is set out in section 5.2(d) and 5.4 of the Bidder's Statement. You are urged to read those sections of the Bidder's Statement.

5.7 Taxation

The taxation effects of accepting Skilled's Offer will vary depending on the individual circumstances of each Shareholder. A general description of the taxation treatment for Shareholders accepting Skilled's Offer is set out in section 6 of the Bidder's Statement. Your Directors urge Shareholders who are uncertain as to the tax consequences to seek independent taxation advice.

5.8 Consents

This Target's Statement contains statements which are made, or based on statements which are made, in documents lodged by Skilled with ASIC or given to ASX. In accordance with ASIC Class Order 01/1543, the consent of Skilled is not required for the inclusion of such statements. Any Shareholder who would like a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by writing to Catalyst (Attention: Company Secretary), Level 1 566 Elizabeth Street, Melbourne, Victoria, Australia 3000.

Minter Ellison have given, and have not withdrawn before the date of this Target's Statement, their consent to being named as lawyers to the Company and legal advisers in this Target's Statement in the form and context in which they are named.

Bell Potter Securities Limited has given, and has not withdrawn before the date of this Target's Statement, their consent to being named as financial adviser to the Company in this Target's Statement in the form and context in which they are named.

5.9 Disclaimers

Each of the persons named in section 5.8 as having given its consent to the inclusion of a statement or being named in this Target's Statement:

- (a) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that party.

The information on Skilled and the Bidder's Statement in this Target's Statement has been obtained by Catalyst from the Bidder's Statement and other publicly available information, except where disclosed otherwise. Catalyst and its Directors are unable to verify the accuracy, reliability or completeness of the information on Skilled or the Bidder's Statement.

5.10 Early and joint despatch of takeover documents

The Directors have agreed that Skilled may send the Bidder's Statement to Catalyst Shareholders earlier than would otherwise be permitted under the Corporations Act. The Directors have also agreed to despatch this Target's Statement together with the Bidder's Statement.

5.11 Other sources of information

You may wish to review information contained in the following other documents in deciding whether or not to accept Skilled's Offer:

- (a) the Bidder's Statement; and
- (b) the announcements made by Catalyst to ASX on 17 August 2006, including its Preliminary Final Report for the financial year ended 30 June 2006 (Appendix 4E).

6. Definitions and Interpretation

6.1 Definitions

In this Target's Statement:

ASIC means the Australian Securities & Investments Commission.

ASX means Australian Stock Exchange Limited ACN 008 624 691.

Bidder's Statement means Skilled's Bidder's Statement dated 18 August 2006.

Catalyst or **Company** means Catalyst ABN 17 050 243 251.

Catalyst Group means Catalyst and its related bodies corporate.

Catalyst Option or **Option** means an option to acquire by way of issue Catalyst Shares.

Catalyst Shares or **Shares** means fully paid ordinary shares in Catalyst.

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

Directors means the directors of Catalyst and **Director** means any of them.

Government Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self regulatory organisation established under statute and any stock exchange.

Offer Period means from 25 August 2006 to 7pm on 26 September 2006, unless extended.

Offer Price means 90 cents per Catalyst Share.

Pre-Bid Agreements means each of the agreements dated 17 August 2006 entered into by each Pre-Bid Shareholder with Skilled in respect of the sale of a portion of their shareholding in Catalyst, a summary of which is set out in section 2.

Pre-Bid Shareholders means the following Catalyst Shareholders: Positive Impressions Pty Ltd ACN 050 275 011, Intrapac Distributors Pty Ltd ACN 005 704 405, John Shergold, Bungeeltap Pty Ltd ACN 063 687 623, Fadmoor Pty Ltd ACN 009 400 891, Giovanni Nominees Pty Ltd ACN 008 800 413, Thirty Fifth Celebration Pty Ltd ACN 006 033 352, Picton Cove Pty Ltd ACN 054 584 155 and Invia Custodian Pty Limited ACN 006 127 984.

Register Date means 18 August 2006.

Shareholder means a holder of Catalyst Shares.

Skilled means Skilled Group Limited ABN 66 005 585 811.

Skilled Group means Skilled and its related bodies corporate.

Skilled's Offer or **Offer** means the offer Skilled has made to you to purchase all of your Catalyst Shares for the Offer Price.

Takeover Bid Implementation Deed means the document of that name between Catalyst and Skilled dated 17 August 2006.

Target's Statement means this target's statement.

6.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa and words importing one gender include other genders;
- (b) terms defined in the Corporations Act as at the date of this statement have the meanings ascribed to them in the Corporations Act at that date;
- (c) a reference to any currency is a reference to Australian currency unless otherwise stated;
- (d) a reference to a statute of any parliament or any section, provision or schedule of a statute of any parliament includes a reference to any statutory amendment, variation or consolidation of the statute, section, provision or schedule and includes all statutory instruments issued under the statute, section, provision or schedule;
- (e) a reference to a paragraph, section, schedule, appendix or annexure is a reference to a part of this statement and a reference to this statement includes any schedules, appendices and annexures; and
- (f) headings are used for reference only.

Corporate Directory

Directors

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Craig Ashworth
Philip Weinman
John Shergold
Nigel Harse
Hugh Robertson

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Company Secretaries

Mark Bartolo
John Mirenda

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Financial adviser

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