

5 June 2017

Market Update

The Directors of Site Group International Limited ("Site", ASX:SIT) advises that after close of business on Friday the 2nd of June, Site received further correspondence from the Department of Education and Training ("DET") in relation to the reconciliation payment for 2015 due to its subsidiary, Productivity Partners Pty Ltd ("PP").

The DET correspondence is framed as a reconciliation settlement and invites PP to respond within 28 days with further information before a final reconciliation is made. Once again, DET has, after more than 500 days, failed to provide any legislative reasoning for its current position. In addition, pursuant to Clause 55 of Schedule 1A to the *Higher Education Support Act 2003* (Cth) ("HESA"), DET has extraordinarily claimed that PP "may, in fact, have been overpaid by the Department".

For the benefit of the market, Site has included this clause as follows:

55 Payments

If a student is entitled to an amount of * VET FEE-HELP assistance for a * VET unit of study with a * VET provider, the Commonwealth must:

(a) as a benefit to the student, lend to the student the amount of VET FEE-HELP assistance; and

(b) pay the amount lent to the provider in discharge of the student's liability to pay his or her * VET tuition fee for the unit.

Site would like to clarify at this point that the claim of overpayment is in reference to students DET had approved as VET FEE HELP students pursuant to Schedule 1A Section 55 (a), and DET has to date failed to meet obligations including that under Schedule 1A 55 (b).

The DET correspondence does not prescribe any roadmap to settlement. Whilst the correspondence refers to a claim that information has not been supplied by PP to the Auditors, this completely ignores PP's previous and numerous written requests to advise exactly what information the Department is seeking that it claims has not been supplied. PP has provided all information requested of it by the Auditors and the Auditors have never suggested otherwise. In fact, during the audit process, the DET appointment Auditors made positive comment acknowledging PP's full co-operation.

The correspondence infers that 44% of enrolments "may be valid", (as distinct from a much higher % as PP asserts), without giving particulars of supporting evidence and therefore legally justifying such assertion, nor referring to any legislation. On this basis, DET has now claimed that PP "may" be indebted to DET for \$3,476,115 as overpayments for the 2015 and 2016 reconciliation payment. This completely ignores the responses PP has provided to previous requests from DET which clearly contradict the position which is suggested by DET. PP maintains it is owed \$34m for the

reconciliation payment for the same period and has invested significantly in the delivery of VET FEE HELP programs.

After 17 months, DET has now further engaged Deloitte for additional analysis of a portion of previously supplied data that does not have any relevance to the payment of the outstanding amount under HESA.

Further DET has relied on correspondence from ASQA, without (on the face of the DET correspondence) considering the very detailed responses previously provided by PP to ASQA, which demonstrate the factual inaccuracies and therefore the conclusions reached. In any event, the ASQA matters again bear no relationship to the legislated criteria supporting the payments due to PP under HESA.

Recently Site announced PP no longer has any students enrolled in and has no intention of enrolling any students in, PP based courses. As a logical consequence, Site requested PP's registration be withdrawn by ASQA. In turn ASQA has responded they will consider this request, once they have completed their enquiries into PP, a nugatory exercise in the circumstances.

PP will respond again to the assertions and preliminary conclusions in the DET correspondence, which PP refutes. However, unless a reasonable approach is taken by DET in fairly analysing PP's submissions in response, and unless DET holds itself to timeframes and processes previously committed to, PP is facing the decision of proceeding with legal action to recover the outstanding payments which Directors and Management believe is due and payable under the relevant legislation then extant.

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About Site

Site Group International Limited (“Site”) is a growing provider of education, training and workforce development.

Site delivers competency development services to organisations seeking to optimise their workforce and individuals wishing to increase their skills and competency in their industry.

Site engineer and construct immersive training environments including safe live process plant facilities and underground mines. Immersive training environments such as these allow our clients to develop their workforce outside of an operational environment minimising operational risk, disruption and cost.

Through our competency based programs we provide organisations and individuals the knowledge, capabilities and confidence to achieve their strategic goals.