

28 March 2018

Market Update regarding VET FEE HELP, DET, ASQA and ACCC

This update is regarding the outstanding reconciliation payment and to outline the company's view on our entitlement to receive this payment and keep shareholders abreast of the various Government notices and enquiries. Some of this information is repeated from previous releases as this process is in its third year.

Productivity Partners Pty Ltd, a wholly owned subsidiary of Site Group International Ltd ("Site", ASX:SIT) maintains it is entitled to the \$29m payment from the Commonwealth Department of Education and Training ("the Department", "DET") as prescribed by and in conformity with the then existing Legislation and published DET guidelines.

Previously outlined information

After 14 years of providing training services, Productivity Partners ("the College") received approval from the Department to offer VET FEE-HELP ("VFH") in March 2012. The VFH program utilised the same mechanism as the university "HECS scheme" which enabled students to borrow funds from the Commonwealth Government to pay for tuition fees.

After receiving approval to deliver VFH, the College invested significantly in developing campuses, learning platforms, student support teams and robust enrolment processes. The College was acquired by Site in July 2014. Site continued to invest heavily in governance, management, systems, platforms and campuses. By December 2015, the College had well over 100 employees and 11 campuses to accommodate delivering services with the enrolled students numbering 6,000 seeking to study online and on-campus.

On 3 December 2015, the Government passed legislative changes under the Higher Education Support Act ("HESA") with an effective date of 1 January 2016, which sought to immediately stop the growth of the VFH scheme. The College received notice on 18 December 2015 that the maximum number of VFH loans that could be accessed by its students in 2016 was \$16.8m. This meant that approximately 2,000 students would not be able to access the Commonwealth program, in which they had enrolled, to continue to fund their enrolment. This last minute change stripped \$13m of funding from students on two weeks' notice.

The College received a payment of \$4.9m in December 2017 and was then advised by the Department it would accept further submissions from Productivity Partners for the balance of \$29m. Following the provision of these submissions, we have been advised the Department has decided against making the payment, without providing any legislative justification. Productivity Partners will now pursue all remedies available to it through the court process to compel the Department to pay the outstanding amount.

ACCC

On 27 March 2018 Site and PP received a notice from the ACCC under Section 155 of the *Competition and Consumer Act 2010*. Site and Productivity Partners have received three Section 155 notices in March 2016, March 2017 and now March 2018, focussed around the 'veracity' of the College's enrolment process and the validity of student enrolments.

These latest notices require Site and the College to produce various documents and provide information to the ACCC. These types of notices are frequently issued by the ACCC as part of its regulatory and investigative role and Site and the College will of course continue to provide all necessary assistance to the ACCC. At this stage, both Site and the College believe that the information and documents that will be provided to the ACCC will address any concerns the ACCC may have.

After substantial investment, the College experienced very strong growth in its student numbers in 2015 with the enrolled students numbering approx. 6,000. The College, consistent with most industry providers including TAFE colleges and Universities, engaged third party brokers to identify potential students. The College had industry best systems in place to ensure students were protected through the enrolment process. This included a recorded enrolment phone call with the College and the requirement for every student to acknowledge that the course was not free and when they reached the census dates. If they did not elect to withdraw by the census date (and the onus to do so was on the students which is consistent with the VFH rules published by DET) they would incur a debt in accordance with the HESA legislation.

The College twice engaged independent qualified external auditors to undertake internal audits of the College's compliance against the Standards for RTOs. In October 2016, PP received from ASQA the highest possible compliance history rating of "Demonstrated Consistently Compliant", which ASQA describes as "a reflection at a specific point in time of a provider's recent record of compliance in meeting its core regulatory obligations".

Despite the significant operational efforts and expenses incurred, there was limited success in achieving outcomes, with enrolled students failing to engage after completing the enrolment process. In hindsight and as is now publicly acknowledged, the design and intent of the VET FEE-HELP system was flawed. Universities, TAFE's and Registered Training Organisations all struggled to achieve strong learning outcomes from online studies with students from disadvantaged backgrounds. Engaging these individuals to study was the precise rationale of the scheme when the Government announced the changes in 2012, and the well-documented results of the VFH program are easily explained by the percentage of online students enrolling from disadvantaged backgrounds. This is the continuing area of enquiry of the ACCC.

ASQA

As previously advised on 18 April 2017, the College received from ASQA a notice of intention to cancel the RTO registration of Productivity Partners. On 5 May 2017 the College volunteered to withdraw its registration as it is no longer operating or enrolling students. After receiving PP's submission to withdraw its registration, a decision was deferred by ASQA until 16 June 2017 when the College received a notice of intention to cancel rather than accepting the College's offer of withdrawal. The cancellation is currently being contested in the Administrative Appeals Tribunal.

Site is a reputable and high quality provider of competency solutions. Site has invested in excess of \$150m into developing programs, facilities and delivering training services to many sectors. Site is an Australian export success story which has taken Australian training standards across the world including Philippines, PNG, Singapore, Malaysia, Myanmar, Africa, China and Saudi Arabia. The VFH scheme has not been the core focus of the group and, as outlined in previous announcements, there are many delivery areas.

Site continues to undertake and pass audits with Industry and State Government partners. Site Skills Training (SST) is waiting for ASQA's finalisation of the re-registration audit. This audit was undertaken in May 2017 with rectification completed and communicated in June 2017. The continued delay of the finalisation of the audit and the resultant pending status of the registration is hindering the operations of SST with its ability to add new scope as it expands its operations.

Site remains very disappointed with the VFH program and the management of it. For further information on the shortcomings in the design and administration of the VFH program, shareholders can read the Auditor General report on this topic which can be found via the Australia National Audit Office website.

After more than 2 years of scrutiny and endless data submissions the Department have not provided evidence to the College that it is in breach of the HESA legislation. The same position exists with the ACCC.

We continue to provide full co-operation to the Department and the regulators to conclude this process.

Site will keep the market informed of any developments in this regard.

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About Site

Site Group International Limited (“Site”) operates several businesses specialising in the delivery of education, training and labour services. Services are delivered to government, corporate and individual clients, predominately operating in energy, mining, construction, oil and gas and industrial sectors.

Site Group International Limited is an emerging company with a strategic business model pursuing earnings-accretive growth based on previous acquisitions along with organic growth.

Wild Geese International

Site operate a Perth based specialist Oil and Gas Competency Development and Design consultancy business unit, out of Perth, and had been operating for ~15 years prior to joining Site.

An Australian Registered Training Organisation, Wild Geese have integrated in to Site’s broader national and international service capability.

Site Skills Training

An Australian Registered Training Organisation, Site Skills Training delivers Accredited and Non-Accredited High Risk Licence, Health and Safety and industry programs extensively throughout Australia and internationally. Site deliver ~25,000 short course programs in Australia each year including delivery of Apprenticeships and Traineeships, and VET in Schools programs.

Site Institute

Site Institute is an Australian Registered Training Organisation and International CRICOS education provider. Site Institute has students studying in Australia from countries including Argentina, Brazil, Chile, Colombia, Mexico, Peru and South Korea, with additional networks being established in other countries.

Site Online

Site established an online learning, learning software and platform development business. Site Online services and hosts Site’s learning, student and competency management systems across its businesses, develops online learning programs, and converts existing learning content in to online programs.

Site Online is also established to service requirements of clients including those of other business units.

Site Group International Pte Ltd

The Site Group International business division builds immersive training environments for the purposes of undertaking competency development, specifically the Engineering, Procurement, Construction and Commissioning of Safe Live Process Plant environments.

SGL is based in Singapore and Malaysia and services predominately oil and gas industry clients throughout the world, utilising industry best practice and international standards for the development of competency frameworks and implementation of training programs.

TESOL Asia

TESOL Asia is a training and industry focussed organisation for Teachers in the English as a Second Language (ESL) sector. It provides access to training, consulting, industry conferences and academic journals around the world.

Teaching English to Speakers of Other Languages (TESOL) focusses on bringing English language acquisition academics together with professional teachers to support and develop the industry globally.