18 January 2016

Company Update

On 14 January 2016 the Company received notification of a determination by the Australian Government Department of Education and Training (**DET**) that the advance VET FEE-HELP payments in the sum of $40 million that had previously been deferred to 15 January 2016 would not be paid (**latest determination**). Pursuant to the original determination made in July 2015, the $40 million was to be paid in 3 equal instalments in October, November and December 2015.

DET made the latest determination on the basis that it was not satisfied that Phoenix Institute of Australia Pty Ltd (**Phoenix**) was in compliance with the VET tuition assurance requirements under Schedule 1A of the *Higher Education Support Act* 2003 and the VET Guidelines. DET was also of the view that the amount of tuition assurance maintained by Phoenix was not sufficient for the number of students enrolled. DET further advised that it was not necessary to deal with Phoenix's request to increase the advance payment determination or to make a determination that payments were to be made in arrears on a quarterly basis, as Phoenix had requested previously.

DET made no other negative findings in respect of Phoenix’s compliance with any other VET quality and accountability requirements.

Despite the deferral of payments since October 2015, Phoenix has continued to train and assist around 21,000 enrolled students. Notwithstanding the latest determination, Phoenix will continue to meet its obligations to engage with and train all students eligible for VET FEE-HELP assistance and other enrolled students,

As previously announced, the proceeding bought by Phoenix against DET in the Federal Court of Australia seeking to compel DET to pay the unpaid instalments is listed for hearing in mid-February 2015.

In light of the continued non-receipt of payments, the Company is reassessing its operations and business strategies pending the outcome of the Federal Court proceedings. The Company also advises that it has renegotiated the terms of completion of its acquisition of SmallPrint and Catapult previously announced on terms acceptable to the Vendor and the Company.

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