



# **ICOLLEGE LIMITED**

**ACN 105 012 066**

## **Notice of Annual General Meeting**

**General Meeting of Shareholders to be held at  
Bentleys, Level 3, London House, 216 St Georges Terrace  
Perth, Western Australia on  
12 January 2018, commencing at 1pm (WST)**

**Important**

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the annual general meeting of the shareholders of iCollege Limited ACN 105 012 066 (**Company**) will be held at Bentleys, Level 3, London House, 216 St Georges Terrace, Perth, Western Australia on 12 January 2018, commencing at 1pm (WST). The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes in more detail the Resolutions to be considered.

### Business

#### Annual Report

To receive and consider the Annual Report of the Company for the financial year ended 30 June 2017, which includes the Financial Report, Directors' Report, Remuneration Report and Auditor's Report.

#### Resolution 1: Approval of Remuneration Report

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To consider and, if thought fit, to pass the following Resolution as advisory Resolution only:

*"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2017 be adopted."*

**Note:** The votes on this Resolution are advisory in nature only and do not bind the Directors of the Company.

##### Voting exclusion statement

The Company will disregard any votes cast on this Resolution:

- by or on behalf of a number of Key Management Personnel as described in the Remuneration Report;
  - by or on behalf of a Closely Related Party of a member of Key Management Personnel; and
  - as a proxy by a member of Key Management Personnel or a Closely Related Party,
- unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chair pursuant to an express authorisation to exercise the proxy.

#### Resolution 2: Election of Simon Tolhurst as Director

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*"That, for the purposes of the Constitution, and for all other purposes, Mr Simon Tolhurst, a Director who was appointed on 10 October 2017, retires, and being eligible, is re-elected as a Director."*

#### Resolution 3: Election of Ashish Katta as Director

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*"That, for the purposes of the Constitution, and for all other purposes, Mr Ashish Katta, a Director who was appointed on 23 August 2017, retires, and being eligible, is re-elected as a Director."*

#### Resolution 4: Issue of Consideration Shares - Acquisition of Manthano

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*"That, for the purposes of item 7 of section 611 and Chapter 2E of the Corporations Act, and Listing Rules 10.1 and 10.11, and for all other purposes, approval be given for the issue of up to 250,000,000 Shares to the Manthano Vendors as consideration for the acquisition of all of the issued capital of Manthano, and for the acquisition by the Manthano Vendors of a Relevant Interest in issued voting shares in the Company and the increase in the Manthano Vendors collective, and Ashish Katta's and Prashant Patel's individual voting power in the Company from less than 20%, to more than 20%, on the terms and conditions set out in the Explanatory Statement."*

#### Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared by Nexia for the purposes of Shareholder approval under section 611 (item 7) of the Corporations Act and Listing Rule 10.1 in relation to Resolution 4. The Independent Expert's Report comments on the fairness and reasonableness of the issues under Resolution 4 to the non-associated Shareholders. The Independent Expert has determined that those issues are fair and reasonable to the non-associated Shareholders.

#### Voting exclusion statement

The Company will disregard any votes cast on Resolution 4 by:

- the Manthano Vendors and/or their nominees; or
- an associates of the Manthano Vendors and/or their nominees.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, the Company will disregard any votes cast on Resolution 4 by any party to the Manthano Acquisition.

Further, it is a condition of approval under item 7(a) of section 611 of the Corporations Act that no votes are cast in favour of Resolution 4 by the person proposing to make the acquisition and their associates or the persons (if any) from whom the acquisition is to be made and their associates.

#### Voting prohibition statement

A vote on this Resolution must not be cast (in any capacity) by or on behalf of:

- the Manthano Vendors and/or their nominees; or
- an associate of and/or their nominees.

However, a person (**voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution.

### Resolution 5: Ratification of prior issue of Termination Shares to Stuart Manifold

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.4, and for all other purposes, the issue of 1,200,000 Termination Shares to Stuart Manifold as set out in the Explanatory Statement is hereby approved and ratified."*

#### Voting exclusion statement

The Company will disregard any votes cast on this Resolution by Stuart Manifold and any of his associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### Resolution 6: Ratification of prior issue of Placement Shares

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.4, and for all other purposes, the 15% placement capacity of the Company be refreshed by the previous issue of 15,711,512 Shares to non-related sophisticated and professional investors at the issue price of \$0.04 each as set out in the Explanatory Statement is hereby approved and ratified."*

#### Voting exclusion statement

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 7: Approval of 10% Placement Facility

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To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

*“That, for the purposes of Listing Rule 7.1A, and for all other purposes, approval be given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A, on the terms and conditions set out in the Explanatory Statement.”*

### Voting exclusion statement

The Company will disregard any votes cast on this Resolution by any person who may participate in an issue under the 10% Placement Facility and a person who might obtain a benefit (except a benefit solely in the capacity of a Shareholder) if the Resolution is passed, and any associate of those persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 8: Issue of Options to Harry Hatch

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval be given for the issue of 10,000,000 unlisted Options to Harry Hatch and/or his nominees with an exercise price of \$0.04 and an expiry date of two years from the date of issue on the terms and conditions set out in the Explanatory Statement.”*

### Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Harry Hatch and/or his nominees; or
- an associates of Harry hatch and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 9: Issue of Options to 5G Capital

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval be given for the issue of 5,000,000 unlisted Options to 5G Capital and/or his nominees with an exercise price of \$0.08 and an expiry date of two years from the date of issue on the terms and conditions set out in the Explanatory Statement.”*

### Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- 5G Capital and/or his nominees; or
- an associates of 5G Capital and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 10: Issue of Options to PG Binet

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval be given for the issue of 5,000,000 unlisted Options to PG Binet and/or his nominees with an exercise price of \$0.04 and an expiry date of two years from the date of issue on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- PG Binet and/or his nominees; or
- an associates of PG Binet and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 11: Issue of Shares to Jim Caffieri

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval be given for the issue of 250,000 Shares to Jim Caffieri and/or his nominees on the terms and conditions set out in the Explanatory Statement.”*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- Jim Caffieri and/or his nominees; or
- an associates of Jim Caffieri and/or his nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 12: Issue of Director Shares in lieu of Director Fees to Simon Tolhurst

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That for the purposes of Section 208 of the Corporations Act 2001 and ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue up to the equivalent of \$36,000 in ordinary fully paid shares in lieu of Directors’ Fees to Director Mr. Simon Tolhurst, or his nominee(s) on terms and conditions which are set out in the Explanatory Statement accompanying this Notice of Meeting”*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by Mr. Simon Tolhurst and any of his associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 13: Approval of the issue of Shares to David Leigh-Ewers and Anne Leigh-Ewers

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1, Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval be given for the issue of 5,000,000 Shares to David Leigh-Ewers and Anne Leigh-Ewers on the terms and conditions set out in the Explanatory Statement.”*

**Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- David Leigh-Ewers and Anne Leigh-Ewers and/or their nominees; or
- an associate of David Leigh-Ewers and Anne Leigh-Ewers and/or their nominees; or
- any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting prohibition statements**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of:

- David Leigh-Ewers and Anne Leigh-Ewers and/or their nominees; or
- an associate of David Leigh-Ewers and Anne Leigh-Ewers and/or their nominees; or

However, a person (**voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution.

## Resolution 14: Issues of Shares to Stuart Usher (Senior Management Team)

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval be given for the grant and issue of 3,000,000 Shares to Stuart Usher (the Chief Financial Officer and Company Secretary of the Company) and/or his nominees on the terms and conditions set out in the Explanatory Statement.”*

**Voting exclusion statement**

The Company will disregard any votes cast on this Resolution:

- by Stuart Usher and/or his nominees; or
- an associate of Stuart Usher and/or his nominees; or
- by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting prohibition statements**

The Company will disregard any votes cast on this Resolution:

- by or on behalf of a member of Key Management Personnel;
- by or on behalf of a Closely Related Party of a member of Key Management Personnel; and
- as a proxy by a member of Key Management Personnel or a Closely Related Party,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chair pursuant to an express authorisation to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## Resolution 15: Adoption of Employee Performance Rights

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval be given for the Company to adopt an employee incentive scheme, being the “iCollege Limited Employee Performance Rights Plan”, and for the issue of securities under that employee incentive scheme, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## **Resolution 16: Re-election of Phil Re as Director**

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*"That, Mr Phil Re, being a director, retires by rotation in accordance with clause 13.2 of the Constitution, and being eligible, is hereby re-elected as a Director."*

**By order of the Board**



**Stuart Usher**

Company Secretary  
iCollege Limited  
12 December 2017



## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the shareholders of iCollege Limited ACN 105 012 066 (**Company**) in connection with the Resolutions to be considered at the General Meeting to be held at Bentleys, Level 3, London House, 216 St Georges Terrace, Perth, Western Australia on 12 January 2018, commencing at 1pm (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting.

This Notice should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

Capitalised terms used in this Notice have the meaning given to them in the Definitions section.

### 1 Voting

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#### 1.1 Proxies

Please note that:

- a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also speak at the Meeting;
- a proxy need not be a member of the Company;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

Members of the Key Management Personnel will not be able to vote as proxy on Resolution 14 unless the Shareholder directs them how to vote or, in the case of the Chair, unless the Shareholder expressly authorises him to do so. If a Shareholder intends to appoint a member of the Key Management Personnel (other than the Chair) as their proxy, the Shareholder should ensure that they direct the member of Key Management Personnel how to vote on Resolution 14.

If a Shareholder intends to appoint the Chair as their proxy for Resolution 14, Shareholders can direct the Chair how to vote by marking one of the boxes for Resolution 14 (for example, if the Shareholder wishes to vote 'for', 'against' or to 'abstain' from voting). If the Shareholder does not direct the Chair how to vote, then by submitting the Proxy Form, the Shareholder will be expressly authorising the Chair to exercise the proxy in respect of Resolution 14 even though it is connected to the remuneration of members of the Key Management Personnel.

To vote by proxy, please complete and sign the enclosed Proxy Form and send by:

- post to iCollege Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;

- facsimile to iCollege Limited, C/- Link Market Services Limited on +61 2 9287 0309; or
- by hand to iCollege Limited, C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138

so that it is received by no later than 48 hours before the commencement of the meeting. Proxy Forms received later than this time will be invalid.

## **1.2 Voting entitlements**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth), the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 7pm (AEDT) on 12 January 2018. Accordingly, transactions registered after this time will be disregarded in determining Shareholder's entitlement to attend and vote at the General Meeting.

## **2 Regulatory Information**

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### **2.1 Annual Report**

The Annual Report of the Company for the financial year ended 30 June 2017, which includes the Financial Report, the Director's Report, the Remuneration Report and the Auditor's Report, will be laid before the Annual General Meeting.

There is no requirement for Shareholders to approve the Annual Report. However, the Chair will allow a reasonable opportunity for Shareholders to ask questions or make comments about the Annual Report and the management of the Company.

A representative of the Company's auditor, Bentleys Audit and Corporate (WA) Pty Ltd, is anticipated to be in attendance to respond to any questions raised to the auditor or on the Auditor's Report in accordance with section 250T of the Corporations Act.

## **3 Resolution 1: Approval of Remuneration Report**

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The Remuneration Report of the Company for the financial year ended 30 June 2017 is included in the Directors' Report in the Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

Section 249L(2) of the Corporations Act requires a company to inform Shareholders that a Resolution on the Remuneration Report will be put to the shareholders at the Annual General Meeting. Section 250R(2) of the Corporations Act requires a Resolution that the Remuneration Report adopted to put to a vote. Resolution 1 seeks this approval.

In accordance with section 250R(3) of the Corporations Act, Shareholders should note that Resolution 1 is an "advisory only" Resolution which does not bind the Directors of the Company. However, the Directors take the discussion at the Meeting and the outcome of the vote into account when considering the Company's remuneration practices.

Following consideration of the Remuneration Report for the financial year ended 30 June 2017, the chair, in accordance with section 250SA of the Corporations Act, will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

If at least 25% of the votes cast on a Resolution for the adoption of a Remuneration Report are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, the Company will be required to put a Resolution to the Shareholders at the second annual general meeting proposing that another general meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) would go up for re-election.

### **Directors' recommendations**

The Directors encourage all Shareholders to vote on Resolution 1.

## **4 Resolution 2: Election of Simon Tolhurst as a Director**

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Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Clause 13.4 of the Constitution and Listing Rule 14.4 further determines that any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are eligible to retire by rotation (if any) at that meeting.

Mr. Simon Tolhurst has been appointed as an Independent Non-Executive Chairman of iCollege on 10 October 2017 after providing his consent to act as Director. His experience with litigation, commercial law, mergers and acquisitions, governance and compliance is a welcomed addition to the broad experience held by the incumbent board of directors.

Mr. Simon Tolhurst is a Partner in HWL Ebsworth's Litigation Team and has over 20 years' experience in commercial dispute Resolution matters. Simon has represented government as well as private organizations including mining companies, investment groups, International cruise liners and retail chains. He has been named in The Australian Financial Review's Best Lawyers as one of Australia's best lawyers in the Litigation category. He has also been recognized in Doyle's Guide as a Leading Commercial Litigation & Dispute Resolution Lawyer.

Mr. Simon Tolhurst sits on the boards of a number of resource companies and is currently a member of Queensland Petroleum Exploration Association. He holds a Master of Laws (Hons) degree and is a practicing solicitor in the Supreme Court of Queensland as well as the High Court of Australia.

Mr. Simon Tolhurst will retire and being eligible seeks election as Director from Shareholders.

### **Directors' recommendations**

The Directors recommend that Shareholders vote in favour of Resolution 2.

## **5 Resolution 3: Election of Ashish Katta as a Director**

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Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Clause 13.4 of the Constitution and Listing Rule 14.4 further determines that any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are eligible to retire by rotation (if any) at that meeting.

Mr. Ashish Katta was appointed to the board on 23 August 2017 after providing his consent to act as Director. On 15 August 2017, Mr. Ashish Katta through Sero Learning became a significant shareholder of iCollege. Mr. Ashish Katta's appointment significantly strengthens the Education experience within the Company.

Mr. Ashish Katta joins the board as a non-executive director to work with the existing team on expanding current business opportunities and operations. He has significant experience in the development of VET training and CRICOS businesses both domestically and internationally.

Mr. Ashish Katta is a member of Australian institute of Company Directors and serves as a director on private company Boards in Australia and overseas. He has an MBA from the University of Ballarat where he specialised in International Management.

Mr. Ashish Katta will retire and being eligible seeks election as Director from Shareholders.

## Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 3.

## 6 Resolution 4: Issue of Consideration Shares – Manthano Acquisition

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### 6.1 Background

The Company announced on 2 October 2017 that it has entered into a binding term sheet (**Binding Term Sheet**) to acquire all of the issued capital of Manthano.

#### (a) About Manthano

Manthano is a vocational education and training organisation that provides both accredited and non-accredited training solutions to existing workers, job seekers and school leavers throughout Australia and abroad. The training that is delivered by Manthano and its two registered training organisations is targeted at individuals seeking essential skills and knowledge required to gain employment across a range of industry sectors including health and fitness, community services and business. Manthano is working closely with a number of community based organisations to increase opportunities for graduates to secure meaningful employment.

#### (b) Acquisition Terms

The key terms of the Binding Term Sheet are as follows:

**Purchase Price:** The consideration for the acquisition will be satisfied by the issue of 250,000,000 shares in the Company to the Manthano Vendors. The Company will obtain an independent valuation in the form of an independent experts report for inclusion into the Notice of Meeting to assist shareholders.

Further, subject to ASX determination that any of the Consideration Shares should be restricted securities, 200,000,000 of the 250,000,000 total Consideration Shares will be subject to voluntary escrow for a period of 12 months from the date of issue, and the remaining 50,000,000 will be voluntary escrowed for a period of 6 months from the date of issue.

#### (c) Effect of the Manthano acquisition on the Capital Structure

The table below sets out the current share capital structure of the Company and the capital structure showing the effect of the issue of the Consideration Shares (assuming no other Shares are issued and based on the assumptions set out in the notes below).

	Number of Shares
Balance as at 1 July 2017	196,672,082
Subsequent movement	-
As at the date of this report <sup>(1)</sup>	<b>196,672,082</b>
Conversion of options into shares under Resolution 8	<b>10,000,000</b>
Conversion of options into shares under Resolution 10	<b>5,000,000</b>
Issue of shares under Resolution 11	<b>250,000</b>

Issue of shares under Resolution 12	900,000
Issue of shares under Resolution 13	5,000,000
Issue of shares under Resolution 14	3,000,000
Issue of shares under Resolution 4	250,000,000
Total if all resolutions passed	470,822,082

## 6.2 Section 611 (item 7) of the Corporations Act

Section 606(1) of the Corporations Act prohibits a person acquiring a Relevant Interest in issued voting shares in a listed company (such as the Company) if, as a result of the acquisition, that person's or someone else's voting power in the company increases:

- from 20% or below to more than 20%, or
- from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest. Under section 608(1) of the Corporations Act, a person has a Relevant Interest in securities if they:

- are the holder of the securities;
- have power to exercise, or control the exercise of, a right to vote attached to securities; or
- have power to dispose of, or control the exercise of power to dispose of, the securities.

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

### Associates

A person is an "associate" of another person if, amongst other things, they have entered into an agreement, arrangement or understanding for the purpose of controlling or influencing the composition of a company's board of directors or the conduct of the company's affairs.

In determining who is an associate for the purposes of calculating a person's Voting Power, section 12(2) of the Corporations Act provides that:

- the following entities are associates of a body corporate:
  - another body corporate which it controls;
  - another body corporate which controls it; and
  - another body corporate that is controlled by the same entity which controls it;
- a person will be an associate of another person if they have, or propose to enter into, a relevant agreement for the purpose of controlling or influencing:
  - the composition of a body's board; or
  - the conduct of the body's affairs; and

- a person will be an associate of another person if they are acting, or propose to act, in concert in relation to the affairs of a body.

The Manthano Vendors do not consider that they will be associates with respect to their interests in the Company following completion of the Share Purchase Agreement. However, under section 12(2)(b) and (c) of the Corporations Act, the Manthano Vendors may be considered associates due to the Share Purchase Agreement constituting a relevant agreement which will influence the conduct of the Company's affairs, and due to the Manthano Vendors acting in concert in relation to the Company's affairs through their common understanding and intentions with respect to the Manthano acquisition and by all agreeing to sell their shares in Manthano to the Company.

Because of this possible associate relationship, at the point in time when the Shares are issued, the Manthano Vendors will have a maximum Voting Power in the Company of 58.05% after the issue of all shares following the Resolution in this Notice of Meeting. Of the Manthano Vendors, Ashish Katta's and Prashant Patel's individual shareholding and voting power in the Company will move from below to above 20%. Therefore, the Company is seeking the approval of Shareholders under item 7 of section 611 of the Corporations Act for the Manthano Vendors collectively, and for Ashish Katta's and Prashant Patel's individually, to acquire a Voting Power in the Company in excess of 20% for the purposes of section 606 of the Corporations Act.

Completion of the Share Purchase Agreement will effectively discharge the rights and obligations of the parties which create the possible associate relationship. Accordingly, immediately following completion, the Manthano Vendors will cease to be associates of one another with respect to the Company, and their respective Voting Powers will cease to be aggregated. Instead, the Voting Power of each Manthano Vendor will be determined on an individual basis, as set out below. Ashish Katta and Prashant Patel are the only Manthano Vendors who is anticipated to have a Voting Power in the Company in excess of 20% following completion of the Share Purchase Agreement.

Section 611 (item 7) provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition at a meeting at which no votes are cast in favour of the Resolution by parties involved in the proposed acquisition, including their associates. Accordingly, Resolution 4 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act.

The following additional information is provided pursuant to the requirements of section 611 (item 7) of the Corporations Act and *ASIC Regulatory Guide 74: Acquisitions approved by members* for the purposes of obtaining approval under item 7 of section 611 of the Corporations Act:

**(a) The identity of the person proposing to make the acquisition and their associates**

Ashish Katta  
Prashant Patel  
Stuart Manifold  
George Addison  
John Gasson  
Other shareholders\*

\*This represents unallocated shares in Manthano as at the date of the Notice of Meeting. Manthano reserves the right to issue further shares in order to meet the condition precedent to completion in the Binding Term Sheet requiring Manthano to have a cash balance value of \$1million at completion of the acquisition. Further details of Manthano Vendors will be provided at the annual general meeting.

**(b) The maximum extent of the increase in that person's voting power in the company that would result from the acquisition**

Ashish Katta: 16.90%  
Prashant Patel: 16.90%  
Stuart Manifold: 1%  
George Addison: <1%  
John Gasson: 1%  
Other shareholders\*: 11%

(c) **The voting power that person would have as a result of the acquisition\*\***

Ashish Katta: 23.25%

Prashant Patel: 23.25%

Stuart Manifold: 2%

George Addison: <1%

John Gasson: 1%

Other shareholders\*: 11%

\*\*including due to indirect shareholdings

(d) **The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition**

Manthano Vendors: 60.79%\*\*\*

\*\*\*Ashish Katta and Prashant Patel notified the Company that they do not intend to act in concert in relation to the affairs of the Company after the Manthano acquisition

(e) **The voting power that each of that person's associates would have as a result of the acquisition**

As above.

The following additional information is provided pursuant to the requirements of ASIC Regulatory Guide 74 in respect of Resolution 4:

(a) **An explanation of the reasons for the proposed acquisition**

The Manthano acquisition is consistent with the Company's current business model and strategic objectives and the Company has the commercial and technical capabilities to fully integrate Manthano and its subsidiaries into its operating structure.

(b) **When the proposed acquisition is to occur**

It is anticipated that the acquisition occurs within 5 days of the shareholder meeting. It is a condition of the Binding Term Sheet that the Company, Manthano and the Manthano Vendors enter into a binding share Sale and purchase agreement (**Share Purchase Agreement**) on terms materially similar to the Binding Term Sheet.

(c) **The material terms of the proposed acquisition**

The material terms of the proposed acquisition are set out in this section of the Explanatory Statement.

*Conditions Precedent:*

As a minimum, the Company will require each of the following conditions to be satisfied prior to completing the Manthano acquisition:

- Satisfactory completion of due diligence investigations;
- Manthano having a minimum value of cash balance (cash at bank) equal to \$1,000,000 at completion date;
- The parties entering into a binding sale and purchase agreement on terms materially similar to those contained in the Binding Term Sheet;
- Receipt of any necessary approval by the Board of Directors of the Company;

- Approval of the proposed acquisition by the shareholders of the Company in a shareholder meeting to be convened as soon as practicable and as required by the ASX, ASIC and applicable legislation and regulations;
- Receipt of any necessary approval by the ASX and ASIC (the ASX may require escrow conditions);
- Receipt of fair and reasonable report completed by an Independent Expert as required by the Corporations Act, which is required for the Notice of Meeting; and
- Manthano agrees to underwrite all expenses in relation to the Share Purchase Agreement (to be allocated to parties selected by Manthano) and Independent Expert Report (prepared by Nexia) and preparation of notice of meeting:
- If:
  - The acquisition is not completed, all costs and expenses associated with clause - above, shall not be refundable;
  - The acquisition is completed, all costs and expenses associated with clause - above, shall be considered as included in item - above.

As a minimum, the Manthano will require each of the following conditions to be satisfied prior to completing the Manthano acquisition Manthano Conditions

- As a minimum, Manthano will require satisfactory completion of due diligence investigations into the Company to be satisfied prior to completing any Proposed Acquisition.

*Warranties:*

Manthano warranted that, at completion date:

- it will hold all regulatory approvals and licences necessary for the ongoing operations of the group's businesses; and
- it will hold an active CRICOS licence.

*Termination of Term Sheet:*

The Term Sheet will terminate the earlier of:

- 6 months from the date of signing the Binding Term Sheet or at such later date as may be agreed in writing between the parties;
- execution of a binding sale and purchase agreement; or
- a party failing to perform any of its obligations under this Term Sheet and failing to remedy that default after receiving 21 days written notice to do so.

- (d) **Details of the terms of any other relevant agreement between the acquirer and the target entity or Vendors (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition**

The material terms of the Binding Term Sheet are set out in this section of the Explanatory Statement.

- (e) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular:**

Other than as disclosed elsewhere in this Notice, the Manthano Vendors:



- (a) have no current intention of making any changes to the business of the Company;
- (b) does not propose to inject further capital into the Company;
- (c) does not intend to change the employment arrangements of the Company;
- (d) does not propose to transfer any assets between the Company and the Manthano Vendors, or its associates;
- (e) has no intention to otherwise redeploy the fixed assets of the Company; and
- (f) does not intend to change the financial or dividend distribution policies of the Company.

These intentions are based on information concerning the Company, its business and the business environment which is known to the Manthano Vendors at the date of this Notice. Final decisions regarding these matters will only be made by the Manthano Vendors in light of material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of current intention only, which may change as new information becomes available to them or as circumstances change.

- (f) **any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity**

No intention to change.

- (g) **the interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (d) above**

Ashish Katta: 37% Manthano interest.

- (h) **the following details about any person who is intended to become a director if members approve the acquisition:**

- **name**

Nil (Ashish Katta previously appointed director, nominated for election in Resolution 3).

- **qualifications and relevant professional or commercial experience**

Refer to Resolution 3.

- **any associations that the proposed director has with the acquirer, Vendors or any of their associates**

Refer (g) above.

- **any interest that the proposed director has in the acquisition or any relevant agreement disclosed under paragraph(d) above.**

Refer (g) above.

### **Independent Expert's Report**

The Independent Expert's Report assesses whether the acquisition of Shares by the Manthano Vendors under the Binding Term Sheet and subsequent Share Purchase Agreement is fair and reasonable to the Shareholders who are not associated with the Manthano Vendors. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition under the Agreement. This assessment is designed to assist Shareholders in reaching their voting decision.

Nexia has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in the Binding Term Sheet is, on balance, fair and reasonable to Shareholders not

associated with the Manthano Vendors. It is recommended that all Shareholders read the Independent Expert's Report in full which is enclosed as Annexure G of this Notice.

### 6.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits (including an issue of securities) to related parties of a public company. For a public company to give a financial benefit to a related party of the public company, the public company must:

- obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

Of the Manthano Vendors, Ashish Katta is a related party of the Company for the purposes of section 228 of the Corporations Act as he is a director of the Company.

The issue of the Consideration Shares to Ashish Katta requires the Company to obtain Shareholder approval because the Consideration Shares constitute giving a financial benefit.

The Company did not seek Shareholder approval under section 208 of the Corporations Act for the execution of the Binding Term Sheet on the basis that it has been negotiated at arm's length and the terms are reasonable in the circumstances, and therefore falls within the exception in section 210 of the Corporations Act.

As required by section 219 of the Corporations Act, the following information is provided in relation to Resolution 4:

(a) **Related parties to whom the financial benefit is given**

Ashish Katta (and/or his nominee).

(b) **Nature of the financial benefits**

Ashish Katta: 93,500,000 Shares.

(c) **Valuation of the financial benefits**

The Company is issuing the Shares based on a valuation of \$0.04 per Share. The value of the benefit of the Shares will depend on the price at which the Shares trade on the ASX from time to time.

(d) **Reason for the financial benefit**

The Shares are being issued in consideration of the share capital of Manthano held by Ashish Katta pursuant to the Binding Term Sheet and subsequent Share Purchase Agreement.

(e) **Current remuneration and security interests**

When appointed as director at completion of the proposed transaction, Ashish Katta will receive remuneration of \$164,385 per annum plus superannuation.

At completion of the acquisition, Ashish Katta will hold 106,000,000 Shares (including indirect holdings) with a maximum voting power of 23.25%.

(f) **Terms of the securities**

The Shares that may be issued to Ashish Katta pursuant to Resolution 4 will rank equally in all respects with existing Shares on issue.

(g) **Dilution**

If all Shares are issued pursuant to the Resolutions in this Notice and no other Shares are issued by the Company, then the Shares to be issued under Resolution 4, 11, 12, 13 and 14 (before the conversion of options pursuant to Resolutions 8 and 10) would dilute ICT Shareholders to 37.20%.

(h) **Opportunity costs to the Company**

The Company does not consider that there are any opportunity costs to the Company or benefits foregone by the Company in issuing the Shares to Ashish Katta under Resolution 4.

(i) **Intended use of funds**

No funds will be raised by the issue of Shares under Resolution 4 as they are being issued in consideration of the share capital of Manthano held by the Manthano Vendors pursuant to the anticipated Share Purchase Agreement.

(j) **Directors' interests**

Ashish Katta has a material personal interest in the outcome of Resolution 4.

(k) **Other information**

Other than as set out in this Explanatory Statement, there is no further information that is known to the Company or any of the Directors which Shareholders would reasonably require in order to decide whether or not it is in the Company's best interests to pass Resolution 4.

#### **6.4 Listing Rule 10.1**

Listing Rule 10.1 provides that, subject to certain exceptions prior approval of shareholders is required for an entity to acquire a substantive asset from or dispose of a substantial asset to a related party, substantial holder, associate or a person whose relationship with the entity is such that in ASX opinion, the transaction should be approved by security holders.

Listing Rule 10.10.2 requires that any notice of meetings under Listing Rule 10.1 must include a voting exclusion statement and a report on the transaction from an independent expert.

Manthano is a company associated with current company director Ashish Katta.

#### **6.5 Listing Rule 10.11**

Listing Rule 10.11 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company to a related part of the company. The Manthano Vendors is a related party of the Company as it is likely to control the Company given its 58.05% voting power upon completion of the Manthano Acquisition. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

Resolution 4 seeks approval for the issue of up to 250,000,000 Consideration Shares to the Manthano Vendors for the purpose of satisfying the requirements of Listing Rule 10.11. As approval is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1 for the issue of these Shares. By approving the issue of the Consideration Shares under Listing Rule 10.11, those Shares will not be included in the 15% calculation of the Company's placement capacity pursuant to Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 4:

(a) **Name of the persons**

Ashish Katta.

(b) **Maximum number of securities to be issued**

Ashish Katta: 93,500,000.

(c) **Date by which the entity will issue the securities**

Subject to the Corporations Act, it is anticipated that the Shares will be issued and allotted within 5 Business Days after completion of the acquisition. In any event, however, no Shares will be issued to the Ashish Katta (and Manthano Vendors) later than one month after the General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(d) **Relationship**

Ashish Katta is a related parties of the Company under section 228 of the Corporations Act as he is a director of the Company.

(e) **Issue price of the securities**

The issue price for the Shares is \$0.04 each.

(f) **Terms of the securities**

The Shares issued are fully paid ordinary shares and rank equally in all respects with other Shares on issue.

(g) **Intended use of the funds raised**

The Consideration Shares are being issued for nil cash consideration as consideration for the Manthano Acquisition. Accordingly, no funds will be raised from the issue of the Shares.

**6.6 Directors' recommendations**

In light of the above, and more specifically that the Directors consider the acquisition of Manthano to be consistent with the Company's current business model, that the Company has the abilities to integrate Manthano and its subsidiaries into its current operational structure and stimulate growth, the Independent Expert's report that the transaction is fair and reasonable to non-Manthano related shareholders, and that the acquisition is conditional upon Manthano having an available cash balance of \$1 million to the benefit of the Company, all the Directors, except for Ashish Katta (whom is not making a recommendation due to his shareholding in Manthano), recommend that Shareholders vote in favour of Resolution 4.

## **7 Resolution 5: Ratification of prior issue of Termination Shares to Stuart Manifold**

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**7.1 Background**

As announced on 1 February 2017, Mr. Stuart Manifold has ceased to be the Company's chief executive officer. The Company has agreed to issue 1,200,000 Shares to Mr. Stuart Manifold as part of the termination payment for his consultancy agreement.

**7.2 Listing Rule 7.4**

Resolution 5 seeks the approval of Shareholders of the prior issues of the Shares that occurred in the 12 months prior to the date of this Notice that have not already been approved by Shareholders for the purposes of Listing Rule 7.4.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any Equity Securities if the number of those securities exceeds 15% of the company's issued capital at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

Listing Rule 7.1A provides that, in addition to issues permitted without prior shareholder approval under Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under Listing Rule 7.1A may issue or agree to issue during the period the approval is valid a number of equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 months period as adjusted in accordance with the formula in Listing Rule 7.1. Prior issues of securities under Listing Rule 7.1A can be ratified under Listing Rule 7.4 to replenish a company's additional 10% placement capacity and enable it to issue further securities up to that limit.

Shareholders passed a special Resolution under Listing Rule 7.1A at the Company's annual general meeting on 30 November 2016 which provides the Company with additional Share placement capacity equal to 10% of its issued capital.

1,200,000 Shares that were issued to Mr. Manifold on 18 May 2017 were issued without shareholder approval under Listing Rule 7.1.

The Company is seeking Shareholder approval under Listing Rule 7.4 to approve the issues of the 1,200,000 Shares issued to Mr. Manifold:

- 1,200,000 Shares issued under the Company's 15% share issue capacity; and
- no Shares were issued under the Company's 10% share issue capacity.

The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity set out in Listing Rule 7.1 and Listing Rule 7.1A without the requirement to obtain prior Shareholder approval and that the 1,200,000 Shares will not be included in the Company's 15% and 10% calculation for the purposes of Listing Rule 7.1 and Listing Rule 7.1A respectively so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

As required by Listing Rule 7.5, the following information is provided:

(a) **Number of securities issued**

1,200,000 Shares.

(b) **Price at which the securities were issued**

\$0.04 per Share.

(c) **Terms of the securities**

The Shares issued are fully paid ordinary shares and rank equally in all respects with other Shares on issue.

(d) **Name of the persons to whom the entity will issue the securities or the basis on which those persons were determined**

Stuart Manifold.

(e) **Intended use of the funds raised**

The Shares are being issued for nil cash consideration. Accordingly, no funds will be raised from the issue of the Shares.

### 7.3 Director's Recommendations

The Directors recommend that Shareholders vote in favour of Resolution 5.

## 8 Resolution 6: Ratification of prior issue of Placement Shares

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### 8.1 Background

As announced on 8 February 2017, the Company received commitments from sophisticated and professional investors to raise \$1.25 million at \$0.04 per Share. The Company completed the placement via the issue and allotment of 18,750,000 Shares on 22 February 2017 and 12,500,000 Shares on 18 May 2017, a total of 31,250,000 Shares (**Placement Shares**). The Company is seeking approval from Shareholders in this Resolution 6 under Listing Rule 7.4 to approve the issue of 15,711,512 Shares out of the Placement Shares under the Company's 15% share issue capacity (Listing Rule 7.1).

### 8.2 Listing Rule 7.4

Resolution 6 seeks the approval of Shareholders of the prior issues of the Placement Shares that occurred in the 12 months prior to the date of this Notice that have not already been approved by Shareholders for the purposes of Listing Rule 7.4.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any Equity Securities if the number of those securities exceeds 15% of the company's issued capital at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The Company is seeking Shareholder approval under Listing Rule 7.4 to approve the issue of 15,711,512 Shares issued under the Company's 15% share issue capacity

The Company is seeking Shareholder approval to the issues of securities described below. The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

As required by Listing Rule 7.5, the following information is provided:

(a) **Number of securities issued**

15,711,512 Shares.

(b) **Price at which the securities were issued**

The Shares were issued at \$0.04 each.

(c) **Terms of the securities**

The Shares issued are fully paid ordinary shares and rank equally in all respects with other Shares on issue.

(d) **Name of the persons to whom the entity will issue the securities or the basis on which those persons were determined**

Exempted Investors.

(e) **Intended use of the funds raised**

The funds raised are to be used for working capital purposes.

**8.3 Director's Recommendations**

The Directors recommend that Shareholders vote in favour of Resolution 6.

## **9 Resolution 7: Approval of 10% Placement Facility**

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**9.1 Background**

Resolution 7 is a special resolution which seeks Shareholders' approval for the issue of Equity Securities totaling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A. As Resolution 7 is a special resolution, at least 75% of the votes cast on Resolution 7 must be cast in favour of the Resolution in order for it to be passed. The Company is seeking approval from Shareholders in this Resolution 7 under Listing Rule 7.1A to issue an additional 10% of the issued capital of the Company for the placement of 15,538,488 Shares out of the Placement Shares.

**9.2 Listing Rule 7.1A**

Listing Rule 7.1A enables eligible entities to issue Equity Securities totaling up to 10% of its issued share capital through placements over a 12 month period after the entity's annual general meeting (**10% Placement Facility**). An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1, which is the subject of Resolution 6. The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to formula below).

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting under Listing Rule 7.1A may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of fully paid shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 or 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (d) less the number of fully paid shares cancelled in the 12 months.

**Note:** 'A' has the same meaning as in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%.

- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice, the only quoted Equity Securities that the Company has on issue are its Shares and Options.

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 Trading Days of the date in the paragraph above, the date on which the Equity Securities are issued.

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

#### **Specific information required by Listing Rule 7.3A**

For the purposes of Listing Rule 7.3A, the following information is provided to Shareholders in relation to Resolution 7:

**(a) Minimum price at which the securities may be issued**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**(b) Risk of dilution**

If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.



The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2.

The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future general meeting; and
- (ii) two examples where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		50% decrease in Market Price \$ [0.039 ]	Current Market Price \$[0.078]	100% increase in Market Price \$[0.156]
<b>Current Variable 'A'</b> 157,377,038	<b>10% Voting Dilution</b>	15,737,704 Shares	15,737,704 Shares	15,737,704 Shares
	<b>Funds raised</b>	\$613,770	\$1,227,541	\$2,455,082
<b>50% increase in current Variable 'A'</b> 236,065,557	<b>10% Voting Dilution</b>	23,606,556 Shares	23,606,556 Shares	23,606,556 Shares
	<b>Funds raised</b>	\$920,6556	\$1,841,311	\$3,682,623
<b>100% increase in current Variable 'A'</b> 314,754,076	<b>10% Voting Dilution</b>	31,475,408 Shares	31,475,408 Shares	31,475,408 Shares
	<b>Funds raised</b>	\$1,227,541	\$2,455,082	\$4,910,164

**Notes:**

- Assumes the Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- The market price used is \$0.078, being the closing price of Shares on 11 December 2017.

**(c) Date by which the securities may be issued**

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 7 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature

or scale of activities of the Company) or Listing Rule 11.2 (disposal of the main undertaking of the Company).

**(d) Purposes for which the securities may be issued**

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities under rule 7.1A.

**(e) Allocation policy for issues of securities**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of recipients of Equity Securities will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

- (i) the purpose of the issue;
- (ii) the methods of raising funds that are available to the Company including, but not limited to, rights issues or other issues in which existing security holders can participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the financial situation and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

On 22 February 2017 the Company placed 11,763,488 Shares to sophisticated investors and on 18 May 2017 the Company placed a further 3,775,000 Shares to sophisticated investors under its 10% Placement Facility.

**(f) Details of previous issues of securities**

The Shareholders passed a Special Resolution under Listing Rule 7.1A at the Company's annual general meeting on 30 November 2016. In accordance with Listing Rule 7.3A.6, during the 12 months preceding the date of the Annual General Meeting, the Company has issued 31,250,000 Shares, representing approximately 19% of the total number of Equity Securities on issue at the commencement of that period.

Details of all issues of Equity Securities during that period are as follows:

Placement	
Date of issue	22 February 2017
Number issued	6,986,512 Shares.

<b>Class of security</b>	Fully paid ordinary shares.
<b>Summary of terms</b>	Each Share ranks equally in all respects with other Shares on issue.
<b>Persons who received securities</b>	Exempted investors
<b>Issue price</b>	\$0.04
<b>Discount to market price</b>	A discount of \$0.008 per Shares (the market price on the relevant date was \$0.048).
<b>Total cash consideration</b>	(\$279,460)
<b>Amount of cash spent</b>	Not applicable
<b>Use of cash</b>	Not applicable
<b>Intended use of remaining cash</b>	Not applicable

Placement	
<b>Date of issue</b>	18 May 2017
<b>Number issued</b>	11,763,488 Shares.
<b>Class of security</b>	Fully paid ordinary shares.
<b>Summary of terms</b>	Each Share ranks equally in all respects with other Shares on issue.
<b>Persons who received securities</b>	Exempted investors
<b>Issue price</b>	\$0.04
<b>Discount to market price</b>	A premium of \$0.014 per Shares (the market price on the relevant date was \$0.026).
<b>Total cash consideration</b>	(\$470,540)
<b>Amount of cash spent</b>	Not applicable
<b>Use of cash</b>	Not applicable
<b>Intended use of remaining cash</b>	Not applicable

Placement	
<b>Date of issue</b>	18 May 2017

<b>Number issued</b>	3,775,000 Shares.
<b>Class of security</b>	Fully paid ordinary shares.
<b>Summary of terms</b>	Each Share ranks equally in all respects with other Shares on issue.
<b>Persons who received securities</b>	Exempted investors
<b>Issue price</b>	\$0.04
<b>Discount to market price</b>	A premium of \$0.014 per Shares (the market price on the relevant date was \$0.026).
<b>Total cash consideration</b>	(\$151,000)
<b>Amount of cash spent</b>	Not applicable
<b>Use of cash</b>	Not applicable
<b>Intended use of remaining cash</b>	Not applicable

<b>Acquisition of Sero Learning Pty Ltd</b>	
<b>Date of issue</b>	18 May 2017
<b>Number issued</b>	8,725,000 Shares.
<b>Class of security</b>	Fully paid ordinary shares.
<b>Summary of terms</b>	Each Share ranks equally in all respects with other Shares on issue.
<b>Persons who received securities</b>	Exempted investors
<b>Issue price</b>	\$0.04
<b>Discount to market price</b>	A premium of \$0.014 per Shares (the market price on the relevant date was \$0.026).
<b>Total cash consideration</b>	\$349,000
<b>Amount of cash spent</b>	Not applicable
<b>Use of cash</b>	Not applicable
<b>Intended use of remaining cash</b>	Not applicable

### 9.3 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 7.

## 10 Resolution 8 Issue of Options to Harry Hatch

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### 10.1 Background

Harry Hatch has agreed to roll-over his convertible loan into the HH Convertible Loan. The material terms of the HH Convertible Loan is attached in Annexure A. In consideration for the agreement to roll-over his convertible loan into the HH Convertible Loan, the Company agreed to issue 10,000,000 unlisted options exercisable at \$0.04 and expiring two years after the date of issue. The terms and conditions of the unlisted options are attached and contained in Annexure E.

Resolution 8 seeks Shareholder approval for the issue of 10,000,000 unlisted Options to Harry Hatch (and/or his nominees) as consideration for the HH Convertible Loan.

#### Listing Rule 7.1

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exception during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

Resolution 8 seeks approval for the issue of 10,000,000 unlisted Options to Harry Hatch (and/or his nominees) for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 8 is approved, the Options and the Shares issued upon any exercise of the Options will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 8:

(a) **Maximum number of securities the entity is to issue**

10,000,000 unlisted Options.

(b) **Date by which the entity will issue the securities**

Subject to the Corporations Act, it is anticipated that the Options will be issued to Harry Hatch (and/or his nominees) within 7 days of the General Meeting. In any event, however, no Options will be issued to Harry Hatch (and/or his nominees) later than 3 months after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules). It is intended that issue will occur on the same date.

(c) **Issue price of the securities**

Nil.

(d) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

Harry Hatch (and/or his nominees).

(e) **Terms of the securities**

Each Option will have an exercise price of \$0.04 and an expiry date of two years from the date of issue, and will otherwise be issued on the terms set out in Annexure C. Shares issued upon any exercise of the Options will rank equally in all respects with existing Shares on issue at the time.

(a) **Intended use of the funds raised**

No funds will be raised by the issue of the Options. The Options are issued as consideration for the corporate advisory services provided by Harry Hatch to the Company and as a roll-over fee of the HH Convertible Loan.

The proceeds from any future exercise of the Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Options at the discretion of the Board.

**10.2 Directors' recommendations**

The Directors recommend that Shareholders vote in favour of Resolution 8.

## **11 Resolution 9: Issue of Options to 5G Capital**

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**11.1 Background**

On 12 October 2017, 5G Capital entered into a loan agreement with the Company. The material terms of the loan agreement is contained in Annexure B. In consideration for the agreement to lend, the Company agreed to issue 5,000,000 unlisted Options to 5G Capital exercisable at \$0.08 and expiring two years after the date of issue. The terms and conditions of the unlisted options are attached and contained in Annexure E.

Resolution 9 seeks Shareholder approval for the issue of 5,000,000 unlisted Options to 5G Capital as consideration for the 5G Capital loan.

**Listing Rule 7.1**

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exception during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

Resolution 9 seeks approval for the issue of 5,000,000 unlisted Options to 5G Capital for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 9 is approved, the Options and the Shares issued upon any exercise of the Options will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 9:

(a) **Maximum number of securities the entity is to issue**

5,000,000 unlisted Options.

(b) **Date by which the entity will issue the securities**

Subject to the Corporations Act, it is anticipated that the Options will be issued to 5G Capital (within 7 days of the General Meeting. In any event, however, no Options will be issued to 5G Capital later than 3 months after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules). It is intended that issue will occur on the same date.

(c) **Issue price of the securities**

Nil.

- (d) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

5G Capital.

- (e) **Terms of the securities**

Each Option will have an exercise price of \$0.08 and an expiry date of two years from the date of issue, and will otherwise be issued on the terms set out in Annexure E. Shares issued upon any exercise of the Options will rank equally in all respects with existing Shares on issue at the time.

- (f) **Intended use of the funds raised**

No funds will be raised by the issue of the Options. The Options are issued as consideration for the loan facilities provided by 5G Capital to the Company.

The proceeds from any future exercise of the Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Options at the discretion of the Board.

### 11.2 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 9.

## 12 Resolution 10: Issue of Options to PG Binet

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### 12.1 Background

On 28 July 2017, PG Binet entered into a loan agreement with the Company. The material terms of the loan agreement is contained in Annexure C. In consideration for the agreement to lend, the Company agreed to issue 5,000,000 unlisted Options to PG Binet exercisable at \$0.04 and expiring two years after the date of issue. The terms and conditions of the unlisted options are attached and contained in Annexure E.

Resolution 10 seeks Shareholder approval for the issue of 5,000,000 unlisted Options to PG Binet as consideration for the PG Binet loan.

#### Listing Rule 7.1

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exception during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

Resolution 10 seeks approval for the issue of 5,000,000 unlisted Options to PG Binet for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 10 is approved, the Options and the Shares issued upon any exercise of the Options will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 10:

- (a) **Maximum number of securities the entity is to issue**

5,000,000 unlisted Options.

(b) **Date by which the entity will issue the securities**

Subject to the Corporations Act, it is anticipated that the Options will be issued to PG Binet (within 7 days of the General Meeting. In any event, however, no Options will be issued to PG Binet later than 3 months after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules). It is intended that issue will occur on the same date.

(c) **Issue price of the securities**

Nil.

(d) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

PG Binet.

(e) **Terms of the securities**

Each Option will have an exercise price of \$0.04 and an expiry date of two years from the date of issue, and will otherwise be issued on the terms set out in Annexure E. Shares issued upon any exercise of the Options will rank equally in all respects with existing Shares on issue at the time.

(f) **Intended use of the funds raised**

No funds will be raised by the issue of the Options. The Options are issued as consideration for the loan facilities provided by PG Binet to the Company.

The proceeds from any future exercise of the Options are intended to be applied towards meeting working capital requirements of the Company relevant at, or about, the time of the exercise of the Options at the discretion of the Board.

## 12.2 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 10.

## 13 Resolution 11: Issue of Shares to Jim Caffieri

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### 13.1 Background

On or about 20 April 2016, the Company entered into a convertible loan agreement with Mr Jim Caffieri as trustee for the Caffieri Family Trust pursuant to which a convertible note was issued which was repayable on 24 April 2017 (terms contained in Annexure D). The repayment terms were agreed to be varied to extend the repayment date until 15 July 2017. The Company agreed to issue 250,000 Shares to Jim Caffieri (and/or his nominees) as consideration for extending the repayment date

Resolution 11 seeks Shareholder approval for the issue of 250,000 Shares to Jim Caffieri (and/or his nominees) as consideration for extending the repayment date of the Caffieri Convertible Loan.

### 13.2 Listing Rule 7.1

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exception during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

Resolution 11 seeks approval for the issue of 250,000 Shares to Jim Caffieri (and/or his nominees) for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 11 is approved, the Shares will not



affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 11:

(a) **Maximum number of securities the entity is to issue**

250,000 Shares.

(b) **Date by which the entity will issue the securities**

Subject to the Corporations Act, it is anticipated that the Shares will be issued to Jim Caffieri (and/or his nominees) within 7 days of the General Meeting. In any event, however, no Shares will be issued to Jim Caffieri (and/or his nominees) later than 3 months after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules). It is intended that issue will occur on the same date.

(c) **Issue price of the securities**

Deemed at \$0.04 per Share.

(d) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

Jim Caffieri (and/or his nominees).

(e) **Terms of the securities**

The Shares issued will rank equally in all respects with existing Shares on issue at the time.

(f) **Intended use of the funds raised**

No funds will be raised by the issue of the Shares. The Shares are issued as consideration for extending the convertible note repayment date.

### 13.3 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 11.

## 14 Resolution 12: Issue of Director Shares in lieu of Director Fees to Simon Tolhurst

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### 14.1 Background

The main purpose of the issue of the Shares to the Related Party is to provide cost effective consideration to the Related Party for his contribution to the Company as a Director while conserving its cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Shares upon the terms proposed.

### 14.2 Chapter 2E of the Corporations Act and Listing Rule 10.11

For a public company to give a financial benefit to a related party (such as a director) of the public company, the public company must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of Shares to the Director Simon Tolhurst requires the Company to obtain Shareholder approval because the grant of the Shares to the Director constitutes giving a financial benefit and as a Director, Simon Tolhurst is a Related Party of the Company. It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 may not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Shares to the Related Party.

In accordance with Section 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares to Simon Tolhurst.

(a) **The related party to whom the financial benefit will be given**

Simon Tolhurst.

(b) **The nature of the financial benefits**

\$36,000 worth of fully paid ordinary Shares to Simon Tolhurst (or his nominee).

(c) **Director's recommendation and reason**

Simon Tolhurst declines to make a recommendation to Shareholders in relation to this Resolution due to his material personal interest in the outcome of the Resolution. The remaining Directors recommend that Shareholders vote in favour of the Resolution to maintain Company cash reserves.

(d) **Director 's interest in the outcome of the Resolution**

Excepting for Simon Tolhurst, the remaining Directors do not have a material personal interest in the outcome of this Resolution.

(e) **Value attributed to the proposed issue of Shares**

900,000 Shares at \$0.04 per Share.

(f) **Disclosure of a relevant director's total remuneration package**

Simon Tolhurst's total remuneration package amounts to \$36,000 per annum.

(g) **Related Party's existing interest in the Company**

Simon Tolhurst is not currently a Shareholder of the Company.

(h) **Dilution effect of the issue on existing members' interests**

As at 14 November 2017, the date of preparation of this Notice of Meeting and Explanatory Statement, the Company's issued share capital stands at shares. If approval is given by Shareholders for the issue of shares to be granted in accordance with this Resolution then the following would apply.

Issue Price	Shares	Percentage of Issued Capital
\$0.04	900,000	0.46%

Neither the Company nor the Directors are aware of any undisclosed information that would be reasonably required by Shareholders to make a decision in relation to the potential financial benefits contemplated by the Resolution.

(i) **Date by which the entity will issue the securities**

Subject to the Corporations Act, it is anticipated that the Shares will be issued and allotted within 7 days of the General Meeting. In any event, however, no Shares will be issued to Simon Tolhurst (and/or their nominees) later than one month after the General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

(j) **Issue price of the securities**

The Shares will be issued for nil cash consideration.

(k) **Terms of the securities and voluntary escrow**

The Shares issued are fully paid ordinary shares and rank equally in all respects with other Shares on issue. The Shares issued following this Resolution will be held in voluntary escrow and released by the company to Simon Tolhurst quarterly in arrear subject to Simon Tolhurst fulfilling his duties as Director of the Company.

(l) **Intended use of the funds raised**

No funds will be raised from the issue of the Shares.

#### **14.3 Directors' recommendations**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 12.

### **15 Resolution 13: Approval of the issue of Shares to David Leigh-Ewers and Anne Leigh-Ewers**

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#### **15.1 Background**

The Company acquired 100% issued capital of Celtic Training and Consultancy Pty Ltd (**Celtic**) in 2016. Under the terms of the share sale agreement, the Vendors will be entitled to a payment of \$775,000 consisting of \$600,000 in cash and \$175,000 in Shares (**First Deferred Consideration**) upon Celtic achieving an EBITDA in excess of \$600,000 in financial year 2016 and a further payment up to \$725,000 (\$550,000 in cash and \$175,000 in Shares) upon Celtic achieving an EBITDA in excess of \$500,000 for the 2017 half financial year, pro-rated.

Celtic did not achieve the EBITDA for the First Deferred Consideration, however, the Board considered that despite the fact that the Vendors was not entitled to receive the First Deferred Consideration, the Board of the Company considered the potential growth of Celtic and has agreed to subject to shareholder approval to issue to the Vendors (or its nominees) 5,000,000 shares in the Company at \$0.04 per share. Accordingly, the Board proposes that, subject to obtaining Shareholder approval, to allot and issue a total of 5,000,000 Shares to David Leigh-Ewers and Anne Leigh-Ewers for no cash consideration.

Resolution 13 seeks Shareholder approval for the grant and issue of a total of 5,000,000 Shares to David Leigh-Ewers and Anne Leigh-Ewers (and/or their nominees).

#### **15.2 Chapter 2E of the Corporations Act**

For a public company to give a financial benefit to a related party (such as a director) of the public company, the public company must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of Shares to David Leigh-Ewers and Anne Leigh-Ewers requires the Company to obtain Shareholder approval because the issue of Shares constitutes giving a financial benefit and David Leigh-Ewers is a director of Celtic, and Anne Leigh-Ewers being Mr. Leigh-Ewers' spouse, are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances.

In accordance with Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares to David Leigh-Ewers and Anne Leigh-Ewers.

(a) **The related party to whom the financial benefit will be given**

David Leigh-Ewers and Anne Leigh-Ewers.

(b) **The nature of the financial benefits**

5,000,000 Shares.

(c) **Director's recommendation and reason**

The Directors recommend that Shareholders vote in favour of Resolution 13.

(d) **Director's interest in the outcome of the Resolution**

The Directors do not have a material personal interest in the outcome of Resolutions 13.

(e) **Value attributed to the proposed issue of Shares**

\$195,000 (being \$0.039 per Share for up to 5,000,000 Shares calculated at a VWAP of the Shares for the 21 days preceding issue 15 November 2017 – average value assumed). The value attributed to the issue of Shares under the agreement to acquire Celtic was \$200,000 (5,000,000 Shares at \$0.04 per Share)

(f) **Disclosure of a relevant director's total remuneration package**

Neither of David Leigh-Ewers and Anne Leigh-Ewers is a Director.

(g) **Related Party's existing interest in the Company**

David Leigh-Ewers and Anne Leigh-Ewers jointly held 3,786,226 Shares and 16,250 Listed Options (ICTO).

(h) **Dilution effect if the transaction on existing members' interests**

The share capital of the Company consists of fully paid ordinary shares, listed and unlisted Options and convertible notes. If the 5,000,000 Shares are issued to David Leigh-Ewers and Anne Leigh-Ewers as proposed in Resolution 13, the existing members' interests will be diluted by 2.48% based on the number of securities on issue as at the date of this Notice.

The Company's shares have a 12 month price range of a high of \$0.055 and a low of \$0.008 with the last sale price being \$0.039 on 19 October 2017.

Except as stated in this Explanatory Statement the Directors do not consider that, from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits foregone by issuing the 5,000,000 Shares pursuant to Resolution 9, to David Leigh-Ewers and Anne Leigh-Ewers or their nominee upon the terms proposed, except as otherwise disclosed in this Explanatory Statement.

Neither the Company nor the Directors are aware of any undisclosed information that would be reasonably required by Shareholders to make a decision in relation to the potential financial benefits contemplated by the Resolution.

### **15.3 Listing Rule 10.11**

Listing Rule 10.11 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company to a related party of the company. David Leigh-Ewers is a director of Celtic, and Anne Leigh-Ewers is Mr Leigh-Ewers' spouse, and therefore each of them is a related party of the Company

Resolution 13 seeks approval for the issue of 5,000,000 Shares to David Leigh-Ewers and Anne Leigh-Ewers (and/or their nominees) for the purpose of satisfying the requirements of Listing Rule 10.11. As approval is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1. By approving the grant of the Shares under Listing Rule 10.11, the 5,000,000 Shares will not be included in the 15% calculation of the Company's placement capacity pursuant to Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders.

**(a) Name of the persons**

David Leigh-Ewers and Anne Leigh-Ewers and/or their nominees.

**(b) Maximum number of securities to be issued**

5,000,000 Shares.

**(c) Date by which the entity will issue the securities**

Subject to the Corporations Act, it is anticipated that the Shares will be issued and allotted within 7 days of the General Meeting. In any event, however, no Shares will be issued to David Leigh-Ewers and Anne Leigh-Ewers (and/or their nominees) later than one month after the General Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

**(d) Relationship**

David Leigh-Ewers is a director of Celtic and Anne Leigh-Ewers is Mr Leigh-Ewers' spouse.

**(e) Issue price of the securities**

The Shares will be issued for nil cash consideration.

**(f) Terms of the securities**

The Shares issued are fully paid ordinary shares and rank equally in all respects with other Shares on issue.

**(g) Intended use of the funds raised**

No funds will be raised from the issue of the Shares.

### **15.4 Directors' recommendations**

The Directors recommend that Shareholders vote in favour of Resolution 13.

## **16 Resolution 14: Issue of Shares to Stuart Usher (Senior Management Team Member)**

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### **16.1 Background**

The Board proposed, subject to obtaining Shareholder approval, to allot and issue a total of 3,000,000 Shares to the senior management team member (and/or his nominee) Stuart Usher (Chief Financial Officer and Company Secretary of the Company) for no cash consideration.

Resolution 14 seeks Shareholder approval for the grant and issue of a total of 3,000,000 Shares to Stuart Usher (and/or his nominee).

### **16.2 Listing Rule 7.1**

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for an issue of securities by a company if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exception during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

Resolution 14 seeks approval for the issue of 3,000,000 Shares for the purpose of satisfying the requirements of Listing Rule 7.1. If Resolution 14 is approved, the Shares issued will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1 as those securities, once issued, will be excluded from the calculations under Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders:

**(a) Maximum number of securities the entity is to issue**

3,000,000 Shares to Stuart Usher

**(b) Date by which the entity will issue the securities**

It is anticipated that the Shares will be issued to Stuart Usher (and/or his nominee) within 7 days of the General Meeting. In any event, however, no Shares will be issued to Stuart Usher later than 3 months after the Meeting (other than to the extent permitted by any waiver or modification of the Listing Rules).

**(c) Issue price of the securities**

Nil.

**(d) Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

Stuart Usher (and/or his nominees).

**(e) Terms of the securities**

The Shares issued are fully paid ordinary shares and rank equally in all respects with other Shares on issue.

**(f) Intended use of the funds raised**

No funds will be raised from the issue of the Shares, which are being issued as an incentive to the senior management team for their ongoing commitment and dedication to the Company.

### 12.3 Directors' recommendations

The Directors recommend that Shareholders vote in favour of Resolution 14.

## 17 Resolution 15: Adoption of Employee Performance Rights Plan

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Resolution 15 seeks Shareholder approval to adopt an employee performance rights plan (**Performance Rights Plan**).

A summary of ASX Listing Rule 7.1 is set out in Section 15.2. ASX Listing Rule 7.2 (exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 15 is passed, the Company will be able to issue Performance Rights under the Performance Rights Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

No Performance Rights have previously been issued under any performance rights plan.

The objective of the Performance Rights Plan is to attract, motivate and retain key employees. The Board considers that the adoption of the Performance Rights Plan and the future issue of Performance Rights under the plan will provide selected employees with the opportunity to participate in the future growth of the Company and gives the directors flexibility in utilising the Performance Rights Plan for this purpose.

A summary of the terms and conditions of the Performance Rights Plans is set out in Annexure F. In addition, copies of the Performance Rights Plans are available for review by Shareholders at the registered office of the Company until the date of the Meeting. Shareholders are invited to contact the Company if they have any queries or concerns.

Any future issues of Performance Rights under the Performance Rights Plan to a related party, or a person whose relation with the Company or a related party is, in ASX's opinion, such that approval should be obtained, will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

## 18 Resolution 16: Re-election of Phil Re as a Director

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Clause 13.2 of the Constitution provides that one-third of the Directors, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office at each annual general meeting, provided always that no Director (except a Managing Director which under the current board structure is equivalent to an Executive Chairman's position) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is longer, without submitting himself for re-election. A retiring Director is eligible for re-election.

Mr. Re will retire in accordance with clause 13.2 of the Constitution and ASX Listing Rule 14.4 and being eligible, seeks re-election from Shareholders. Details regarding Mr. Re are set out in the company's 2015 Annual Report.

### Directors' recommendations

The Board (other than Mr. Re, who declines to make a recommendation due to his material personal interest in the outcome of Resolution 16) recommend that Shareholders vote in favour of Resolution 16.

## DEFINITIONS

In this Notice and Explanatory Statement, the following terms have the following meanings:

**5G Capital** means 5G Capital Investments Pty Ltd (ACN 002 738 785).

**5G Capital Agreement** means the binding term sheet executed between 5G Capital and the Company which sets the terms by which 5G Capital agrees to make available a \$150,000 loan facility to the Company.

**Annexure** an annexure to this Explanatory Statement.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

**Binding Term Sheet** the binding term sheet set out in section 4.1 of the Explanatory Statement.

**Board** means the board of Directors.

**Business Day** means any day other than a Saturday, a Sunday or a public holiday in Perth, Western Australia.

**Caffieri Convertible Loan** means a convertible loan facility entered into between the Caffieri Family Trust and the Company on the terms summarised in Annexure B.

**Capital College** means Capital College Student Services Pty Ltd (ACN 606 797 611).

**Celtic** means Celtic Training and Consultancy Pty Ltd (ACN 107 991 962).

**Chair** means the chairperson of the Meeting.

**Closely Related Party** means a closely related party of a member of Key Management Personnel as defined in Section 9 of the Corporations Act, being:

- a spouse or child of the member;
- a child of that member's spouse;
- a dependent of that member or of that member's spouse;
- anyone else who is one of that member's family and may be expected to influence that member, or be influenced by that member, in that member's dealings with the Company;
- a company that is controlled by that member; or
- any other person prescribed by the regulations.

**Company** means iCollege Limited ACN 105 012 066.

**Consideration Shares** means 250,000,000 Shares issued pursuant to the Binding Term Sheet.

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

**Director** means a director of the Company.

**Director Fees** means the annual fees charged by a Director in terms of an appointment.

**Director Share** means the Shares issued to the Director in lieu of Director Fees.

**EBITDA** means earnings before interest, income tax, depreciation and amortisation.



**Equity Securities** has the meaning given in the Listing Rules.

**Explanatory Statement** means the explanatory statement incorporated in the Notice.

**Exempt Investor** means a professional or sophisticated investor under section 708 of the Corporations Act.

**First Deferred Consideration** means the part consideration of the acquisition of Celtic set out in section 11 of the Explanatory Statement.

**General Meeting** or **Meeting** means the general meeting of Shareholders to be held on 12 January 2018, at 1pm (WST).

**HH Convertible Loan** means a convertible loan facility entered into between Harry Hatch and the Company on the terms summarised in Annexure A.

**Key Management Personnel** means the key management personnel of the Company as defined in Section 9 of the Corporations Act and Australian Accounting Standards Board accounting standard 124, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

**Listing Rules** means the official Listing Rules of ASX.

**Manthano** means Manthano Ltd (ACN 619 360 468) and reference to subsidiaries of Manthano includes reference to its wholly owned subsidiaries Brisbane Career College Pty Ltd trading as SERO Institute (ACN 143 846 093), Sero Marketing Pty Ltd (ACN 169 913 071), and Capital Training Institute Pty Ltd (ACN 121 288 088).

**Manthano Vendors** mean Ashish Katta, Prashant Patel, Stuart Manifold, George Addison, John Gasson and other shareholders.

**Nexia** and **Independent Expert** means Nexia Perth Corporate Finance Pty Ltd (ABN 84 009 342 661).

**Notice of General Meeting** or **Notice** means the notice of general meeting incorporating the Explanatory Statement.

**Option** means an option to acquire a Share.

**PG Binet** means PG Binet Pty Ltd (ACN 000 507 719).

**PG Binet Agreement** means the binding term sheet executed between PG Binet and the Company which sets the terms by which PG Binet agrees to make available a \$150,000 loan facility to the Company.

**Placement Shares** means a Share issued pursuant to the placement set out in section 7 of the Explanatory Statement.

**Proxy Form** means the proxy form attached to this Notice.

**Relevant Interest** has the meaning given to the term “relevant interest” in sections 608 and 609 of the Corporations Act.

**Resolution** means a Resolution contained in the Notice.

**Second Deferred Consideration** means the part consideration of the acquisition of Celtic set out in section 11 of the Explanatory Statement.

**Section** means a section contained in the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of one or more Shares.

**VWAP** means volume weighted average market price.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## ANNEXURE A – MATERIAL TERMS OF THE HH CONVERTIBLE LOAN

Term		Provision
1.	Lender	Harry Hatch
2.	Borrower	iCollege Limited
3.	Principal amount	\$500,000
4.	Purpose	Short term working capital
5.	Interest	<p>Interest Rate = 12% per annum.</p> <p>Interest is payable quarterly in arrears on the principal amount, with the first interest payment due on 31 March 2017 and each subsequent interest payment due on the first day of each 3 month period thereafter.</p> <p>Early repayment of any amounts outstanding will not affect the interest amounts set out above.</p>
7.	Repayment Date	20 June 2017 (unless terminated earlier or extended by agreement).
8.	Conversion Notice	The Lender has the option to request repayment in full (including any interest accrued) on the Repayment Date either in cash or in Shares, subject to agreement by the Company and Shareholder approval and in full compliance with ASX Listing Rules.
10.	Conversion Price	\$0.04 per Share
11.	Assignment	None of the parties may assign any of the rights or obligations without the prior written consent of the other party.
12.	Standard provisions	Standard representations and warranties, covenants, events of default and indemnity in favour of the Lender for an agreement of this type were agreed.

## ANNEXURE B – MATERIAL TERMS OF THE 5G CAPITAL LOAN AGREEMENT

Term		Provision
1.	Lender	5G Capital
2.	Borrower	iCollege Limited
3.	Principal amount	\$150,000
4.	Purpose	Short term working capital to fund costs of Manthano acquisition
5.	Interest	Interest Rate = 12% per annum.  Interest and capital is due 90 days from drawdown, with early settlement not affecting interest due
7.	Repayment Date	90 days from date of drawdown of loan (unless extended by agreement).
8.	Issue of unlisted options	The Borrower (Company) must issue to the Lender (5G Capital) 5,000,000 unlisted options in the Company convertible at \$0.08 and expiring 2 years from the date of issue by the Company. The Company will seek Shareholder approval in full compliance with ASX Listing Rules for issue of the unlisted options
10.	Conversion Price	\$0.08 per Share
11.	Assignment	None of the parties may assign any of the rights or obligations without the prior written consent of the other party.
12.	Standard provisions	Standard representations and warranties, covenants, events of default and indemnity in favour of the Lender for an agreement of this type were agreed.

## ANNEXURE C – MATERIAL TERMS OF THE PG BINET LOAN AGREEMENT

Term		Provision
1.	Lender	PG Binet
2.	Borrower	iCollege Limited
3.	Principal amount	\$150,000
4.	Purpose	To pay-out an existing convertible loan agreement of \$150,000
5.	Interest	Interest Rate = 12% on capital
7.	Repayment Date	90 days from date of drawdown of loan (unless extended by agreement), subject to the Lender's (PG Binet) option to request repayment in full from Borrower (Company) by conversion of debt into ordinary fully paid Shares calculated at a VWAP based on the 90 day loan term period and subject to Board and Shareholder approval in accordance with the ASX listing Rules
8.	Issue of unlisted options	The Borrower (Company) must issue to the Lender (5G Capital) 5,000,000 unlisted options in the Company convertible at \$0.04 and expiring 2 years from the date of issue by the Company. The Company will seek Shareholder approval in full compliance with ASX Listing Rules for issue of the unlisted options
10.	Conversion Price	\$0.04 per Share
11.	Assignment	None of the parties may assign any of the rights or obligations without the prior written consent of the other party.
12.	Standard provisions	Standard representations and warranties, covenants, events of default and indemnity in favour of the Lender for an agreement of this type were agreed.

## ANNEXURE D – MATERIAL TERMS OF THE CAFFIERI CONVERTIBLE LOAN

Term		Provision
1.	Lender	Jim Caffieri as trustee for the Caffieri Family Trust
2.	Borrower	iCollege Limited
3.	Principal amount	\$150,000
4.	Purpose	Short term working capital
5.	Interest	\$18,000 payable on the Repayment Date.
7.	Repayment Date	90 days from the date the loan is advanced to the borrower (unless extended by agreement).
8.	Conversion Notice	The Lender has the option to request repayment in full (including any interest accrued) on the Repayment Date either in cash or in Shares, subject to agreement by the Company and Shareholder approval and in full compliance with ASX Listing Rules.
10.	Conversion Price	VWAP for Shares which is calculated over the last 90 trading days before the conversion date.
11.	Assignment	None of the parties may assign any of the rights or obligations without the prior written consent of the other party.
12.	Standard provisions	Standard representations and warranties, covenants, events of default and indemnity in favour of the Lender for an agreement of this type were agreed.

## ANNEXURE E – TERMS AND CONDITIONS OF THE UNLISTED OPTIONS

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Terms of the unlisted Options the subject of Resolutions 8 to 10 (inclusive) are set out below.

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.04 under HH Convertible Loan and PG Binet Agreement, and \$0.08 under the 5G Capital Agreement respectively (collectively the **Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is two years after the issue of the Option (Expiry Date). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (Exercise Period).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (Notice of Exercise) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (Exercise Date).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to

ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Quotation**

The Company will apply for quotation of the Options on ASX.

(n) **Transferability**

The Options are not transferable within the first 12 months after the date of issue.



## **ANNEXURE F – SUMMARY OF PERFORMANCE RIGHTS PLAN**

The following is a summary of the key terms and conditions of the Performance Rights Plan to be adopted by Shareholders under Resolution 14:

- (a) **Eligible Participants:** Participants eligible to participate in the Performance Rights Plan include executive Directors, and full-time or part-time senior employees of the Company, or any of its subsidiaries, who are declared by the Board as eligible to receive grants of Performance Rights under the Performance Rights Plan (**Eligible Participants**).
- (b) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for up to a specified number of Performance Rights, upon the terms set out in the Performance Rights Plan and upon such additional terms and conditions as the Board determines (**Offer**).
- (c) **No Consideration:** Performance Rights granted under the Performance Rights Plan will be issued for nil cash consideration.
- (d) **Rights:** each Performance Right issued under the Performance Rights Plan is a right to be issued with or transferred a Share, free of encumbrances.
- (e) **Expiry Date:** means the date on which a Performance Right lapses (if it has not already lapsed in accordance with the Performance Rights Plan) as specified in the offer made to the participant.
- (f) **Vesting Conditions:** the Board will determine the vesting conditions that must be satisfied by a participant before the Performance Right vests in the holder.
- (g) **Vesting:** a Performance Right will vest where the vesting conditions are satisfied or waived by the Board.
- (h) **Exercise of Performance Right:** A participant may exercise a Performance Right that is entitled to be exercised by lodging with the Company a notice of exercise of the Performance Right and the certificate for the Performance Right.
- (i) **Waiver of Vesting Conditions:** The Board may resolve to waive any of the vesting conditions applying to Performance Rights where:
  - (i) a participant dies or has total and permanent disability;
  - (ii) a participant ceases to be employed by the Company or act as a Director;
  - (iii) a participant suffers severe financial hardship;
  - (iv) the terminal illness of the participant or of an immediate family member of the participant; or
  - (v) a change of control occurring or the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
  - (vi) a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
  - (vii) the Company passes a resolution for voluntary winding up or an order is made for the compulsory winding up of the Company.
- (j) **Lapse of Performance Rights:** A Performance Right will lapse upon the earlier to occur of:
  - (i) an unauthorised dealing in, or hedging of, the Performance Rights occurring;
  - (ii) a failure to meet the Vesting Conditions;

- (iii) the Expiry Date;
  - (iv) the participant ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right;
  - (v) the participant ceasing to be an Eligible Participant;
  - (vi) the Company undergoes a change in control or a winding up resolution or order is made, and the Board does not exercise its discretion to vest the Performance Right;
  - (vii) a determination of the Board that the Performance Right is to lapse due to fraud or dishonesty; or
  - (viii) the day before the end of the 7 year anniversary of the date of grant of the Performance Rights.
- (k) **Restrictions on Dealings and Hedging:** A Performance Right granted under the Performance Rights Plan is only transferable, assignable or able to be otherwise disposed or encumbered with the consent of the Board, or by force of law upon death or bankruptcy of the Eligible Participant (or their nominee). An Eligible Participant must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure, to their Performance Rights. The Performance Rights will immediately lapse if the Eligible Participant breaches this rule.
- (l) **Share Restriction Period:** Any Share acquired by a Eligible Participant (or their nominee) on the exercise of a Performance Right must not be disposed of, or dealt with in any way until the earlier of:
- (i) the Eligible Participant ceasing to be an Eligible Participant;
  - (ii) the Board approving the release of the restriction in relation to those Shares due to the Participant suffering severe financial hardship;
  - (iii) there is a change in control of the Company, or the Company passes a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company; or
  - (iv) the seven year anniversary of the date of grant of the Performance Right (**Restriction Period**).
- (m) **Quotation:** The Company will not apply for quotation of the Performance Rights. If Shares of the same class as those issued under the Performance Rights Plan are listed on the ASX the Company will apply to the ASX within a reasonable time after they are issued for those Shares to be listed.
- (n) **Participation Rights:** Other than adjustments for bonus issues and reorganisation of the issued capital of the Company, participants are not entitled to participate in any new issue of securities of the Company as a result of their holding Performance Rights during the currency of any Performance Rights and prior to vesting. In addition, participants are not entitled to vote nor receive dividends as a result of their holding Performance Rights.



**iCollege Limited**  
**ACN 105 012 066**

**PROXY FORM**

I/We

of

being a member of iCollege Limited ACN 105 012 066 entitled to attend and vote at the General Meeting, hereby

Appoint

**Name of Proxy**

OR

☐

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 1pm (WST) on 12 January 2018, at Bentleys, Level 3, London House, 216 St Georges Terrace, Perth, Western Australia, and at any adjournment thereof.

**The Chair intends to vote all undirected proxies in favour of all Resolutions.** If you have appointed the Chair as your proxy (or the Chair becomes your proxy by default), and you wish to give the Chair specific voting directions on a Resolution, you should mark the appropriate box(es) opposite those Resolutions in the panel below (i.e. directing the Chair to vote for, against or to abstain from voting).

OR

**Voting on business of the General Meeting**

		For	Against	Abstain
Resolution 1	Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Simon Tolhurst as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Ashish Katta as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Acquisition of Manthano	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of prior issue of Termination Shares to Stuart Manifold	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of prior issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Options to Harry Hatch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Options to 5G Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Issue of Options to PG Binet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Issue of Options to Jim Caffieri	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Issue of Director Shares in lieu of Director Fees to Simon Tolhurst	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Issue of Shares to David Leigh-Ewers and Anne Leigh-Ewers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Issue of Shares to Stuart Usher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Adoption of Employee Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16	Re-election of Philip Re as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_ %

Signature of Member(s):      Date:

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: \_\_\_\_\_ Contact Ph (daytime): \_\_\_\_\_

## Instructions for Proxy Form

### 1. Your name and address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note you cannot change ownership of your securities using this form.

### 2. Appointment of a proxy

You are entitled to appoint no more than two proxies to attend and vote on a poll on your behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of your voting rights. If you appoint two proxies and the appointment does not specify this proportion, each proxy may exercise half of your votes.

If you wish to appoint the Chair of the General Meeting as your proxy, please mark the box. If you leave this section blank or your named proxy does not attend the General Meeting, the Chair will be your proxy. A proxy need not be a Shareholder.

### 3. Voting on Resolutions

You may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item your vote will be invalid on that item.

### 4. Signing instructions

You must sign this form as follows in the spaces provided:

- **(Individual)** Where the holding is in one name, the holder must sign.
- **(Joint holding)** Where the holding is in more than one name, all of the shareholders should sign.
- **(Power of attorney)** If you have not already lodged the power of attorney with the Company's share registry, please attach a certified photocopy of the power of attorney to this form when you return it.
- **(Companies)** Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, as sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

### 5. Return of a Proxy Form

To vote by proxy, please complete and sign the enclosed Proxy Form (and any power of attorney and/or second Proxy Form) and return by:

- post to iCollege Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- facsimile to iCollege Limited, C/- Link Market Services Limited on +61 2 9287 0309; or
- by hand to iCollege Limited, C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138

so that it is received by no later than 48 hours before commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

9 November 2017

The Directors  
iCollege Limited  
Suite 1 GF  
437 Roberts Road  
SUBIACO WA 6008

Dear Sirs

**INDEPENDENT EXPERT'S REPORT  
PURSUANT TO SECTION 611 OF THE CORPORATIONS ACT  
ISSUE OF SHARES TO ACQUIRE MANTHANO**

**1. INTRODUCTION**

Nexia Perth Corporate Finance Pty Ltd ("NPCF") has been requested by iCollege Limited ("iCollege" or "the Company" or "ICT") to prepare an Independent Expert Report in relation to the proposed acquisition of 100% of the issued capital of Manthano Limited, a public unlisted company incorporated in Queensland ("Manthano") ("the proposed transaction").

The transaction consideration comprises 250,000,000 fully paid ordinary shares in the Company with no cash consideration. Shareholder approval is required in accordance with ASX Listing Rules and Chapter 2E and item 7 of Section 611 of the Corporations Act. The Proposed Transaction will be the subject of a Resolution of the Notice of Meeting to be considered at the Company's forthcoming Extraordinary General Meeting ("EGM"), provisionally set down to be held on or about 12 January 2018.

NPCF has concluded that **the Proposed Transaction is fair and reasonable** having regard to the interests of the non-associated shareholders of ICT.

Resolution 4 of the attached Notice of Meeting seeks shareholder approval of the Proposed Transaction and comprises the issue of 250,000,000 shares in the Company to the Manthano Vendor.

The Explanatory Statement states that 200,000,000 of the 250,000,000 total Consideration Shares will be subject to voluntary escrow for a period of 12 months from the date of issue, and the remaining 50,000,000 will be voluntarily escrowed for a period of 6 months from the date of issue.

Resolution 4 seeks shareholders to consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of item 7 of section 611 and Chapter 2E of the Corporations Act, and Listing Rules 10.1 and 10.11, and for all other purposes, approval be given for the issue of up to 250,000,000 Shares to the Manthano Vendors as consideration for the acquisition of all of the issued capital of Manthano, and for the acquisition by the Manthano Vendors of a Relevant Interest in issued voting shares in the Company and the increase in the Manthano Vendors voting power in the Company from less than 20%, to more than 20%, on the terms and conditions set out in the Explanatory Statement."*

To assist shareholders in making a decision on the Resolutions, the directors have requested that NPCF prepare an independent expert's report, which must state whether, in the opinion of the independent expert, the Proposed Transaction is fair and reasonable having regard to the interests of ICT shareholders other than those involved in the Proposed Transaction or associated with such persons and whose approval the Resolutions giving effect to these transactions are required at the General Meeting ("non-associated shareholders of ICT").

The Summary of our opinion is set out in Section 2 of this Report.

A brief summary of the Proposed Transaction is set out in Section 3 of this Report and a detailed outline is set out fully in the Explanatory Statement accompanying the Notice of Meeting of ICT to be held on or about 12 January 2018.

We understand that this Report will accompany the Notice of Meeting and Explanatory Statement. NPCF consents to the issue of this report in its form and context and consents to its inclusion in the Explanatory Statement.

## 2. SUMMARY OF OPINION

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this Report.

The principal factors that we have considered in forming our opinion are summarised below.

### 2.1 Assessment of fairness

In considering whether or not the transaction is fair to ICT's non-associated shareholders, we have considered the fair value in ICT on a control basis prior to the Proposed Transaction to the fair value of a minority interest in ICT after the Proposed Transaction on a fully diluted basis.

The comparative positions are summarised below:

	LOW	MID	HIGH
<b>NPCF valuation of ICT shares prior to the Proposed Transaction on a control basis (section 6.3)</b>	\$Nil *	\$Nil *	\$Nil *
<b>NPCF valuation of ICT shares post Proposed Transaction on a minority basis (refer section 7.3.1)</b>	\$Nil *	\$Nil *	\$Nil *

\* The amounts are negative amounts and hence have been included above at \$Nil.

Based upon the information set out in this report, we are of the opinion that the **Proposed Transaction is fair and reasonable** having regard to the interests of the non-associated shareholders of ICT.

NPCF has formed the opinion that the Proposed Transaction is fair because the value of ICT's shares *post* the Proposed Transaction is no less than the value of the Company's shares prior to the Proposed Transaction.

NPCF has also had regard to other relevant considerations in assessing the reasonableness of the Proposed Transaction. Further details are set out in Section 8 of this Report.

Our opinion is based solely on the information available at the date of the report as detailed in Section 10.

## **2.2 Assessment of Reasonableness**

As referred to in more detail in Section 5 of this report, in accordance with RG 111:

- an offer is considered 'fair' if the value of the offer price or consideration is equal to, or greater than, the value of the securities that are the subject of the offer.
- an offer is considered 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In forming our opinion we have considered the following relevant factors (see section 10).

### *Advantages*

- The activities of Manthano are entirely complementary to the Company's current training activities and the merger of both parties' course offerings allows the combined entity to have a significantly expanded and more complete service offering;
- The integration of the two organisations will enable access to significant synergies and cost savings;
- The proposed reconstructed board and leadership team will include significant vocational training experience;
- iCollege's national footprint will be extended to comprise Adelaide, Canberra, Sydney, Brisbane, Gold Coast and Cairns;
- The number of CRICOS student places could rise to over 1,000 if current applications are successful;
- Roll-out of new offerings via Manthano's contracted sixty-six agents;
- The Proposed Transaction provides access to significant additional revenue streams in the short to medium term. This also gives ICT an appropriate platform on which to proceed with re-capitalising the Company - ICT currently has minimal net assets and acceptance of the Proposal will result in an increase in cash reserves;
- The Proposal is the only offer capable of acceptance at present and there is an absence of alternative offers;
- It may provide opportunity for enhanced liquidity in ICT shares; and
- It may give rise to a market repricing of ICT shares, having regard to the foregoing.

### *Disadvantages of proceeding*

- Reduces the interest of ICT Shareholders to 37.20% on the issue of the Shares the subject of Resolutions 4, 10, 11, 12 and 13 (and before the conversion of options the subject of Resolutions 7 and 9 of the attached Notice of Meeting);
- Immediately after the Proposed Transaction the Manthano Vendors could effectively control ICT and will not have paid a control premium for the issue of the Proposal Shares;
- The Company will need to undertake further capital raising(s) to fund the development and expansion of the combined business which will further dilute the interest of ICT Shareholders; and
- Whilst Manthano is expanding rapidly, it has yet to return a maiden trading profit.

The principal factors that we have taken into account in forming our opinion are set out in the supporting detail to this report.



## **2.3 Opinion**

The decision of each shareholder as to whether to approve the Proposed Transaction is a matter for individual shareholders. These decisions should be based on each shareholder's views as to matters including value and future market conditions, risk profile, liquidity preferences, investment strategy, portfolio structure and tax positions. In particular, taxation consequences may vary from shareholder to shareholder. If shareholders are in any doubt, they should consult an independent professional adviser.

The opinion should be read in conjunction with the full text of this report which follows after our Financial Services Guide, which sets out our scope and findings.

The supporting detail of our Report (set out in the sections that follow after our Financial Services Guide and Qualifications Declarations and Consents), comprises the following sections:

3. Summary of the Proposed Transaction
4. Purpose of the Report
5. Basis of the Assessment
6. Valuation of ICT shares Pre Proposed Transaction
7. Valuation of ICT shares Post Proposed Transaction
8. Assessment as to Fairness and Reasonableness of the Proposed Transaction
9. Limitations and Reliance on Information
10. Sources of Information

Appendix 1 – Overview of valuation methodologies

This assignment is a valuation engagement as defined by APES 225 Valuation Services as issued by the Accounting Professional & Ethical Standards Board Limited. Valuation engagement means an engagement or assignment to perform a valuation and provide a valuation report where the independent expert is free to employ the valuation approaches, valuation methods, and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement or assignment available to the independent expert at that time.

Yours faithfully

**NEXIA PERTH CORPORATE FINANCE PTY LTD**



**TJ SPOONER** FCA FCA(UK) AGIA ACIS AMIIA CTA  
DIRECTOR

**Nexia Perth Corporate Finance Pty Ltd ("NPCF")**  
**FINANCIAL SERVICES GUIDE**

1. NPCF (ABN 84 009 342 661) provides valuation advice, valuation reports, Independent Expert's Reports and Investigating Accountant's Reports in relation to takeovers and mergers, prospectuses and disclosure documents, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes. NPCF holds Australian Financial Services Licence No. 289358.
2. NPCF has been engaged to provide general financial product advice in the form of the attached report to be provided to you.

**Financial Services Guide**

3. The Corporations Act 2001 authorises NPCF to provide this Financial Services Guide (FSG) in connection with its provision of an Independent Expert's Report (IER) to accompany the Notice of Meeting to be sent to ICT shareholders.
4. This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about NPCF generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

**Financial services we are licensed to provide**

5. Our Australian financial services licence allows us to carry on a financial services business to provide financial product advice for securities and deal in a financial product by arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of securities to retail and wholesale clients.

**General Financial Product advice**

6. The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. It is not intended to take the place of professional advice and you should not make specific investment decisions in reliance upon the information contained in this report.
7. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. You may wish to obtain personal financial product advice from the holder of an Australian Financial Service Licence to assist you in this assessment.

**Fees, commissions and other benefits we may receive**

8. NPCF charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity which engages NPCF to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us.
9. Neither NPCF nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
10. All of our employees receive a salary and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
11. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

**Complaints**

12. If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
13. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Services (FICS), an external complaints resolution service. You will not be charged for using the FICS service.

**Contact details**

14. NPCF contact details are contained on the first page of our Independent Expert's Report.

**QUALIFICATIONS, DECLARATIONS AND CONSENTS**

**Qualifications**

1. NPCF is licensed under the Corporations Act to carry on a financial services business to provide the financial services referred to in section 5 of our Financial Services Guide (refer above). NPCF's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have undertaken a significant number of valuations, IER's, IAR's and similar assignments.
2. This report was prepared by Mr TJ Spooner, who is an authorised representative of NPCF. Mr Spooner has substantial experience in the provision of valuation and similar advice and has been a qualified Chartered Accountant (UK and Australia) for over 25 years.

**Declarations**

3. This report has been prepared at the request of the Directors of ICT to accompany the Notice of Meeting to be sent to ICT shareholders. It is not intended that this report should serve any purpose other than as stated therein.

**Interest**

4. NPCF is not the auditor of ICT. At the date of the attached report, neither NPCF, nor Mr TJ Spooner or any other director, executive or employee of NPCF or NPCF has any material interest in ICT either directly or indirectly, or in the outcome of the offer, other than in the preparation of this Report for which normal professional fees of approximately \$22,000 (excluding GST) will be received. Such fee will be payable regardless of whether or not shareholders approve the Proposed Transaction.

**Indemnification**

5. As a condition of NPCF's agreement to prepare this report, ICT agrees to indemnify NPCF in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of ICT which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

**Consents**

6. NPCF was not involved in the preparation of any other part of the Explanatory Statement to accompany the Notice of Meeting (Explanatory Statement), and accordingly makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Explanatory Statement. NPCF consents to the inclusion of this report in the Explanatory Statement in the form and context in which it is included. At the date of this report, this consent has not been withdrawn.

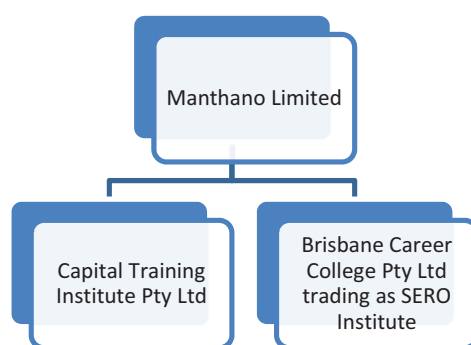
### **3. SUMMARY OF THE PROPOSED TRANSACTION**

#### **3.1 Background**

On 2 October 2017, ICT announced that it had entered into a binding term sheet (Binding Term Sheet) to acquire all of the issued capital of Manthano (The Proposed Transaction).

Manthano is a vocational education and training organisation that provides both accredited and non-accredited training solutions to existing workers, job seekers and school leavers throughout Australia and abroad. The training that is delivered by Manthano and its two registered training organisations is targeted at individuals seeking essential skills and knowledge required to gain employment across a range of industry sectors including health and fitness, community services and business. Manthano is working closely with a number of community based organisations to increase opportunities for graduates to secure meaningful employment.

Manthano has two primary trading subsidiaries comprising Brisbane Career College Pty Ltd trading as Sero Institute and Capital Training Institute Pty Ltd ("Sero").



The Proposed Transaction consideration for Manthano comprises the issue of 250,000,000 fully paid ordinary shares in the capital of the Company. 200,000,000 of the 250,000,000 total Consideration Shares will be subject to voluntary escrow for a period of 12 months from the date of issue, and the remaining 50,000,000 will be voluntary escrowed for a period of 6 months from the date of issue.

For the purposes of ASX Listing Rule 10.1, a related party of an entity includes, amongst other persons, directors of a public company and an entity controlled by directors of a public company (unless that entity is also controlled by the public company). Manthano is a company associated with a current company director, Ashish Katta, who holds 6.36% of the voting shares in the Company.

Based on the above information, including that Manthano is an entity associated with current ICT director Ashish Katta, the ASX issued a letter on 27 September 2017 stating that that ICT is required to obtain shareholder approval for the:

- Acquisition pursuant to Listing Rule 10.1; and
- issue of the Consideration Shares pursuant to ASX Listing Rule 10.11

The ASX letter also confirmed that, based on the information provided, that Listing Rules 11.1.2 and 11.1.3 do not apply to the Acquisition.

### 3.2 Terms of the proposal

As noted above, on 2 October 2017, iCollege has announced that it has entered into a binding term sheet to acquire all of the fully paid ordinary shares of Manthano on the terms and conditions set out below ('Acquisition'). The consideration to be paid to the Manthano Vendors for the Manthano Shares will be satisfied through the issue by ICT of 250,000,000 fully paid ordinary shares in the capital of ICT (ICT Shares) ('Consideration Shares') on the Settlement Date (as defined in the term sheet).

Completion of the acquisition is conditional upon the satisfaction (or waiver) of the following conditions:

#### ICT Conditions

As a minimum, ICT will require each of the following conditions (Conditions) to be satisfied prior to completing any Proposed Acquisition:

- (a) Satisfactory completion of due diligence investigations;
- (b) Manthano having a minimum value of cash balance (cash at bank) equal to \$1,000,000 at completion date;
- (c) The parties entering into a binding sale and purchase agreement on terms materially similar to those contained in this Term Sheet;
- (d) Receipt of any necessary approval by the Board of Directors of ICT;
- (e) Approval of the Proposed Acquisition by the shareholders of ICT in a shareholder meeting to be convened as soon as practicable and as required by the Australian Securities Exchange, ASIC and applicable legislation and regulations;
- (f) Receipt of any necessary approval by the Australian Securities Exchange and ASIC (the ASX may require escrow conditions to be agreed);
- (g) Receipt of fair and reasonable report completed by an Independent Expert as required by the Corporations Act, which is required for the Notice of Meeting; and
- (h) Manthano agrees to underwrite all expenses in relation to the Share Purchase Agreement (to be allocated to parties selected by Manthano) and Independent Expert Report (Nexia Perth) and preparation of notice of meeting:
- (i) If:
  - I. The acquisition is not completed, all costs and expenses associated with clause (h) above, shall not be refundable;
  - II. The acquisition is completed, all costs and expenses associated with clause (h) above, shall be considered as included in item (b) above.

#### Manthano Conditions

As a minimum, Manthano will require the satisfactory completion of due diligence investigations to be satisfied prior to completing any Proposed Acquisition:

Manthano warranted that, at completion date it will hold all regulatory approvals and licences necessary for the ongoing operations of the group's businesses and it will hold an active CRICOS licence.

The Term Sheet will terminate the earlier of:

- (a) 6 months from the date of signing this Term Sheet or at such later date as may be agreed in writing between the parties;
- (b) execution of a binding sale and purchase agreement; or
- (c) a party failing to perform any of its obligations under this Term Sheet and failing to remedy that default after receiving 21 days written notice to do so.

Pursuant to the Proposed Transaction (but prior to the conversion of any of the Company's Convertible Notes), Mr Ashish Katta and Mr Prashant Patel (or their nominees) will each hold 23.25% of the shares in the Company (including direct and indirect holdings). Whilst the Manthano Vendors (as defined in the Notice of Meeting) the subject of Resolution 4 do not consider that they will be associates with respect to their interests in the Company following completion of the Share Purchase Agreement, under section 12(2)(b) and (c) of the Corporations Act the Manthano Vendors may be considered associates due to the Share Purchase Agreement constituting a relevant agreement which will influence the conduct of the Company's affairs, and due to the Manthano Vendors acting in concert in relation to the Company's affairs through their common understanding and intentions with respect to the Manthano acquisition and by all agreeing to sell their shares in Manthano to the Company.

Because of this possible associate relationship, at the point in time when the Shares are issued, the Manthano Vendors will have a maximum voting power in the Company of 60.79% after the issue of all shares following the resolutions in the attached Notice of Meeting.

Please refer to the table below which summarises the pre- and post- proposed transaction shareholdings.

Shareholder	Pre Proposed Transaction		Issued under Resolution 4	Issued under Resolutions 10-13	Post Proposed Transaction*	
	Number	%			Number	%
Non-associated shareholders	169,672,082	86.22%			169,672,082	37.20%
Ashish Katta	12,500,000	6.36%	93,500,000		106,000,000	23.25%
Prashant Patel	12,500,000	6.36%	93,500,000		106,000,000	23.25%
Stuart Manifold	2,100,000	1.07%	8,000,000		10,100,000	2.22%
George Addison	0	0.00%	2,000,000		2,000,000	0.44%
John Gasson	0	0.00%	3,000,000		3,000,000	0.66%
Other shareholders	0	0.00%	50,000,000		50,000,000	10.97%
						60.79%
Issued to related parties under resolutions 10-13				9,150,000	9,150,000	2.01%
	<b>196,672,082</b>	<b>100.00%</b>	<b>250,000,000</b>	<b>9,150,000</b>	<b>455,822,082</b>	<b>100.00%</b>

\* This reflects the approval of all share issue resolutions comprising resolutions 4, 10, 11, 12 and 13 but before the conversion of any unlisted options or convertible notes.

iCollege Limited ("ICT" or "the Company") has commissioned this Independent Expert's Report ("the Report") in respect of the issue of the Proposal Shares for the purposes of compliance with ASX Listing Rule 10.1 and Chapter 2E and item 7 of Section 611 of the Corporations Act 2001 ("the Act") which is the subject of Resolution 4, so that shareholders may assess the merits of the issue of the Proposal Shares when voting on the Resolutions at an Extraordinary Shareholders Meeting to be held on or about 12 January 2018.

Unless otherwise specified, the terms and references in this Report have the same meaning as those used in the Explanatory Statement ("ES") accompanying the Notice of Meeting, to which this Report is attached as Annexure A.

#### **4. PURPOSE OF THE REPORT**

Section 606(1) of the *Corporations Act 2001* prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- a) from 20% or below to more than 20%; or
- b) from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the *Corporations Act 2001*. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates (as defined therein) have a relevant interest. Section 611 of the *Corporations Act 2001* provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in Section 606(1) above, including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Section 611, Item 7).

Accordingly, as the value of the consideration being issued by the Company to each of Mr Ashish Katta and Mr Prashant Patel (or their nominees) will result in their each holding 23.25% of the shares in the Company, and, as referred to in section 3.2 above, under section 12(2)(b) and (c) of the *Corporations Act* the Manthano Vendors (as defined in the attached Notice of Meeting) may be considered associates who in total will have a maximum voting power in the Company of 60.79% after the issue of all shares following the resolutions in the attached Notice of Meeting, this will result in their holding in excess of 20% of the voting power of the company for the purposes of Section 606 of the *Corporations Act* and hence shareholder approval is being sought.

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity, a substantial holder or one of its associates, without the prior approval of holders of the entity's ordinary shareholders. For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

As the value of the consideration being issued by the Company to each of Mr Ashish Katta and Mr Prashant Patel (or their nominees) and to the Manthano Vendors who are a related party of the Company (as they are likely to control the Company given their 60.79% voting power upon completion of the acquisition of Manthano) will result in their receiving more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules, the acquisition of Manthano will result in the acquisition of a substantial asset.



To assist shareholders in making a decision on the Proposed Transaction, the Directors have requested that NPCF prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Proposed Transaction is fair and reasonable to the non-associated shareholders of ICT.

## **5. BASIS OF THE ASSESSMENT**

Set out in the Notice of Meeting and Explanatory Statement accompanying this Report are the ASX Listing Rules and Corporations Act provisions relevant to the Proposed Transaction and information in relation thereto. In preparing our Report, we have had regard to ASIC Regulatory Guide 111 and 112 relating to Independent Experts' Reports.

The term 'fair and reasonable' has no legal definition although over time a commonly accepted interpretation has evolved. However, fair and reasonable has different meanings for different regulatory purposes.

ASIC Regulatory Guide 111 provides that the assessment of whether a proposal is fair and reasonable should involve a comparison of the likely advantages and disadvantages for non-associated shareholders if the Proposed Transaction is implemented and if it is not.

In essence, the proposal will be "fair and reasonable" if the non-associated shareholders are better off if the proposal is implemented. They will be better off if the expected benefits outweigh the disadvantages to the non-associated shareholders.

ASIC regulatory Guide 111, states, inter alia:

- an offer is considered 'fair' if the value of the offer price or consideration is equal to, or greater than, the value of the securities that are the subject of the offer.
- an offer is considered 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

ASIC Regulatory Guide 111 requires the assessment of 'fair' to be made assuming 100% ownership of the company. It considers it to be inappropriate to apply a discount to the value of the securities under the offer that would normally be considered in the valuation of a minority interest to reflect such factors as a lack of control.

ASIC Regulatory Guide 111 also provides examples of factors that are relevant in an assessment of reasonableness. The form of analysis the expert uses to evaluate a transaction should address the issues faced by security holders.

In our opinion, for the purposes of this report 'fairness' is taken to mean a reference to quantification of respective values of consideration being paid compared to the value of assets being transferred. This has been calculated in the context of the impact on ICT shares prior to and subsequent to the Proposed Transaction. 'Reasonableness' is taken to include consideration of other qualitative factors which can be assessed on objective grounds.

The assessment as to the fairness and reasonableness of the Proposed Transaction is set out in Section 8 of this Report.

## **6. VALUATION OF iCOLLEGE LIMITED SHARES PRE PROPOSED TRANSACTION**

### **6.1. VALUATION OVERVIEW**

The usual approach to the valuation of an asset is to seek to determine what a willing but not anxious buyer, acting at arm's length, with adequate information, would be prepared to pay and a willing, but not anxious seller would be prepared to accept in an open market.

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, acquisitions requiring approval by security holders, takeovers and prospectuses. These include:

- Discounted cash flow (DCF) approach;
- Capitalisation of future maintainable earnings (earnings based) approach;
- Orderly realisation of assets (asset based) approach;
- Quoted price of listed securities (market value) approach; and
- Comparable Market Transactions.

We have outlined these methodologies in Appendix 1 to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information. This is addressed further in Section 6.2 below.

### **6.2 VALUATION APPROACH**

The traditional valuation method used to value companies is the capitalisation of future maintainable earnings, with such earnings being estimated using historical results. However, in order to adopt such a basis of valuation, a business must have a track record of profitability. As can be seen from the summary of historical statements of Profit or Loss and Other Comprehensive Income summarised in the table on the following page, ICT does not have a track record of profitability, we consider a valuation on this basis to be inappropriate.

NPCF believes that the most appropriate method for valuing the issued shares in ICT is the asset-based approach. The most common form of asset based approach is the Net Realisable Value method. The resultant net realisable assets of the Company can then be expressed in terms of a value per share.

As a crosscheck to the valuation on the above basis, NPCF has used the market value approach with reference to the market price of ICT shares. This valuation crosscheck calculation is set out in Section 6.4.5 of this Report.



### 6.2.1 iCollege Limited Historical Statements of Profit or Loss or Other Comprehensive Income

	<b>Audited 12m to 30-Jun-17 \$</b>	<b>Audited 12m to 30-Jun-16 \$</b>
<b>Revenues</b>		
Revenue from customers	2,041,838	2,794,692
Cost of sales	(817,756)	(973,214)
Gross Profit	<u>1,224,082</u>	<u>1,821,478</u>
Interest Revenue	792	1,720
Research & Development Tax Incentive	-	398,165
<b>Expenses</b>		
Audit and tax expenses	(118,203)	(92,551)
Commissions paid	-	(110,786)
Compliance	(130,469)	(127,044)
Consultant fees	(727,156)	(1,151,836)
Employee expenses	(33,357)	(33,123)
Directors fees	(120,166)	(247,834)
Doubtful debts	(73,810)	(335,131)
Employee expenses	(1,003,951)	(684,341)
Finance costs	(146,733)	(312,645)
Intangible asset impairment	(1,157,257)	(9,253,274)
Legal expenses	(198,901)	(276,611)
Marketing/Sponsorships expenses	(147,294)	(210,027)
Occupancy expenses	(153,025)	(184,504)
Share based payments	(133,000)	-
Travel and accommodation	(294,198)	(259,204)
Other expenses	(304,396)	(205,619)
Total expenses	<u>(4,741,916)</u>	<u>(13,484,530)</u>
Profit/(loss) before Income Tax	(3,517,042)	(11,263,167)
Income tax benefit	248,284	1,698,350
<b>Profit/(loss) after income tax attributable to members of iCollege Limited</b>	<b>(3,268,758)</b>	<b>(9,564,817)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive profit/(loss) attributable to members of iCollege Limited</b>	<b>\$ (3,268,758)</b>	<b>\$ (9,564,817)</b>
<b>Earnings/(loss) per share</b>	<b>Cents per Share</b>	<b>Cents per Share</b>
Basic Earnings/(loss) per share	\$ (2.11)	\$ (13.28)

*Source:* ICT's audited financial statements for the years ended 30 June 2017 and 2016

#### 6.2.1.1 Commentary on the above results

Over the past 2 years, the company had generated a total of \$4.8 million (rounded) of income from providing services, together with other income of \$400k (rounded) which principally comprises a Research and Development tax refund of \$398,000 in the 30 June 2016 financial year.

However, the Company has been in a loss making position for over three years with an Accumulated loss as at 30 June 2017 of \$14.9 million, of which \$10.4 million was attributable to non-cash goodwill impairment.

The losses have been underpinned principally by capital raisings, convertible notes and the continued support of the Company's creditors. At the date of issuing the 30 June 2017 Annual report, apart from the Key Audit Matter (KAM) referred to below, there were no other outstanding statutory demands made against the company.

As at 30 June 2017, the market capitalisation of the Company exceeded its Net assets at the same date:

	<b>30-Jun-17</b>
	<b>\$</b>
Market Capitalisation	1,966,721
Net assets	(2,767,091)

The \$18.2 million (rounded) of expenditure over the past 2 years comprises:

	<b>\$</b>
Intangible Impairment	(10,410,531)
Consultant fees	(1,878,992)
Employee expenses	(1,688,292)
Legal expenses	(475,512)
Audit, tax and compliance	(468,267)
Finance cost	(459,378)
Other expenses	(2,845,474)

As at 30 June 2017, the Company's financial position shows a net asset deficiency of the Consolidated Entity of \$2,767,091 (2016: \$3,482,400 deficiency). The Consolidated Entity's working capital deficiency, being current assets less current liabilities was \$2,800,936 in 2017 (2016: \$4,384,356 deficiency). Included in this working capital deficiency is deferred consideration payable of \$1,500,000 to the vendor of MIA. The board has taken the view that additional payments to the vendor are not justifiable given the inconsistencies discovered and the matter is now before the New South Wales Supreme Court.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern. If the Consolidated Entity is unsuccessful in achieving its plans to manage its cash resources then the Consolidated Entity would be required to raise funds of approximately \$1.7m in the immediate future.

As a result of the above, we note that the independent auditor's report in the Company's Annual 30 June 2017 contains an emphasis of matter paragraph which refers to a material uncertainty relating to going concern.

The audit report also included the following KAMs:

1. Revenue Recognition – The Group focuses on revenue as a key performance measure and it is also a key driver by which the performance of the Group is measured. This area is a KAM due to the volume of transactions and the total revenue from operations.
2. Contingent Liability – The Group is involved in legal proceedings against them in relation to the acquisition of the Management Institute of Australia Group of Companies (MIA) in the Supreme Court of NSW. The Plaintiff is alleging a breach by iCollege and MIA of the Share Sale Agreement and alleging entitlement to payment of up to \$9m plus interest to be paid to them pursuant to the Share Sale Agreement. This was a KAM as the accounting and disclosure of contingent liabilities from claims is complex and judgemental and the amounts involved are, or can be, material to the financial statements as a whole.

### **6.3 VALUE OF ICT'S SHARES *PRE* PROPOSED TRANSACTION**

In establishing the value of ICT prior to the Proposed Transaction, the net asset backing per share has been determined based upon the audited position as at 30 June 2017, adjusted for certain significant subsequent events as referred to in the Notes to section 6.3.1 below.

**This has resulted in a net asset backing per share of (\$0.014070) (prior to any adjustments) *pre* Proposed Transaction or a net asset backing per share of (\$0.013687) (including adjustments), as calculated in the table below:**

**ICOLLEGE LIMITED – NET ASSET BACKING PER SHARE**

	<b>Pre-Proposed</b>	<b>Adjust for</b>	<b>Adjust for</b>		<b>Pro Forma</b>
	<b>Transaction</b>	<b>subsequent</b>	<b>MIA</b>	<b>Notes</b>	<b>Pre-</b>
	<b>30-Jun-17</b>	<b>events</b>	<b>liquidation</b>		<b>Proposed</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>Transaction</b>
					<b>7-Nov-17</b>
					<b>\$</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	12,000	(5,000)	227	1,2,3	7,227
Trade and other receivables	314,128		400	3	314,528
IC loans (with MIA, MIA2)	0		0	3	0
Other assets	23,013		(5,249)	3	17,764
<b>Total Current Assets</b>	<b>349,141</b>				<b>339,519</b>
<b>Non-Current Assets</b>					
Property, plant & equipment	33,845				33,845
Intangible assets	-				-
<b>Total Non-Current Assets</b>	<b>33,845</b>				<b>33,845</b>
<b>Total Assets</b>	<b>382,986</b>				<b>373,364</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	2,472,745		(84,855)	3	2,387,890
Convertible notes	650,000	-	-	2	650,000
Short-term provisions	27,332		-		27,332
IC loans	0				-
<b>Total Current Liabilities</b>	<b>3,150,077</b>				<b>3,065,222</b>
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	-				-
<b>Total Non-Current Liabilities</b>	<b>-</b>				<b>-</b>
<b>Total Liabilities</b>	<b>3,150,077</b>				<b>3,065,222</b>
<b>Net Assets/(Deficiency)</b>	<b>(2,767,091)</b>				<b>(2,691,858)</b>
<b>Equity</b>					
Issued capital	11,066,741				11,066,741
Reserves	1,040,330				1,040,330
Accumulated losses	(14,874,162)	(5,000)	80,233	1,2,3	(14,798,929)
<b>Total Equity</b>	<b>(2,767,091)</b>				<b>(2,691,858)</b>
no. of shares	196,672,082				196,672,082
net asset backing per share	(0.014070)				(0.013687)

6.3.1 Notes

1. Expenditure for the quarter ended 30 September 2017 was significantly down through targeted and efficient credit management leading to a positive net cash from operating activities for the quarter ended 30 September 2017. Accordingly there was a net cash inflow of \$20,000 from operating activities for the quarter.
2. During the quarter ended 30 September 2017, there was also a net cash outflow of \$25,000 for Borrowings. This comprised a cash outflow of \$175,000 for the repayment of a \$150,000 convertible note together with \$25,000 of accrued interest. Furthermore, to cover short term working capital requirements, the issue of a convertible note of \$150,000 for a term of 90 days has been agreed by directors and received by the Company. Further details are included in section 6.4.3 of this report.
3. As announced on 18 August 2017, MIA1 and MIA2 was placed in liquidation. The pro-forma Balance Sheet has therefore been adjusted by deconsolidating these entities from the group. The remaining interest in the MIA entities comprising \$341,085 (through the intergroup loans) has been written off as not recoverable.
4. As the Net Asset backing per share considers the assessment of 100% of the company's net assets, this methodology effectively includes a control premium and hence does not require any adjustment in determining the value of an ICT share prior to the Proposed Transaction on a control basis.

## 6.4 ISSUED CAPITAL AND SHARE TRANSACTIONS

### 6.4.1 ISSUED CAPITAL (PER ANNUAL REPORT + SUBSEQUENT APPENDIX 3B's)

As at 30 June 2017 the total issued share capital of ICT comprised 196,672,082 fully paid ordinary shares. The movements in ICT's issued capital since 30 June 2017, the balance date of its last audited financial report, are provided in the table below. The values below are net of share issue costs.

	Number of Shares	Note	\$
Balance as at 1 July 2017	196,672,082	Per 30 June 2017 Annual Report	11,066,741
Subsequent movement	-		-
As at the date of this report <sup>(1)</sup>	<b>196,672,082</b>	As at the date of this report <sup>(1)</sup>	<b>11,066,741</b>
Conversion of options into shares under Resolution 7	<b>10,000,000</b>	Unlisted options in-the-money assumed to be exercised at the exercise price of \$0.04	400,000
Conversion of options into shares under Resolution 9	<b>5,000,000</b>	Unlisted options in-the-money assumed to be exercised at the exercise price of \$0.04	200,000
Issue of shares under Resolution 10	<b>250,000</b>	Included at prevailing rate at \$0.04 in relation to these resolutions	10,000
Issue of shares under Resolution 11	<b>900,000</b>	Included at prevailing rate at \$0.04 in relation to these resolutions	36,000
Issue of shares under Resolution 12	<b>5,000,000</b>	Included at prevailing rate at \$0.04 in relation to these resolutions	200,000
Issue of shares under Resolution 13	<b>3,000,000</b>	Included at prevailing rate at \$0.04 in relation to these resolutions	120,000
Issue of shares under Resolution 4	<b>250,000,000</b>	Included at prevailing rate at \$0.04 in relation to these resolutions	10,000,000
Total if all resolutions passed <sup>(2) (3)</sup>	<b>470,822,082</b>		<b>22,032,741</b>

(1) The amounts credited to equity have been calculated based on the prevailing share price of the company's ordinary shares (rounded). This will be recomputed after they have been issued.

(2) Convertible notes

The above summary does not include the potential dilutory impact of the Convertible Notes on issue which can be settled in shares. In the event that all convertible notes and associated interest is settled by way of conversion into ordinary shares, based on the prevailing shares price, this would increase the number of ordinary shares on issue by a further 16,989,183. Please refer to section 6.4.3 for further information.

(3) Options

The above summary includes the conversion of 10,000,000 and 5,000,000 unlisted options under resolution 7 and 9 respectively, which were 'in-the-money' (ie the underlying shares are trading at above the exercise price of the options), but does not include the potential dilutory impact of the 14,266,674 unlisted Options and 63,509,687 Listed options. In the event that all these are exercised and converted into ordinary shares, this would increase the number of ordinary shares on issue by a further 77,776,361 shares.

(4) Performance Shares

As announced to ASX on 16 May 2017, the milestone events attaching to all the Performance Shares have not been achieved. We have therefore not included these in our summary of the Capital Structure.

6.4.1.1 Top 20 shareholders – ungrouped (as at 27 September 2017 – per the 30 June 2017 Annual Report)

Name			Number of Shares	Percentage of Issued Capital
1	GASMERE PTY LIMITED		16,931,044	8.61
2	SERO LEARNING PTY LTD	SERO ASSETS UNIT	12,500,000	6.36
3	MR HARRY HATCH		11,501,000	5.85
4	SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED	<THE SACCO FAMILY A/C>	9,125,449	4.64
5	WALKER INVESTMENTS (AUSTRALIA) PTY LTD	WALKER UNIT	6,666,667	3.39
6	LARRAKEYAH PTY LTD	<THE MOORE FAMILY A/C>	6,094,774	3.10
7	GLENEAGLE SECURITIES NOMINEES PTY LIMITED		5,416,666	2.75
8	HUNT & GATHER CORPORATION PTY LTD		5,000,000	2.54
9	5G CAPITAL INVESTMENTS PTY LTD	<5G CAPITAL A/C>	5,000,000	2.54
10	PERFORMA CAPITAL PTY LTD	<PERFORMA A/C>	4,037,593	2.05
11	MR DAVID LEIGH-EWERS & MRS ELIZABETH ANN LEIGH-EWERS		3,786,226	1.93
12	SAYERS INVESTMENTS (ACT) PTY LTD	<SAYERS SUPER FUND A/C>	3,700,000	1.88
13	SEEFELD INVESTMENTS PTY LTD	<THE SEEFELD A/C>	3,562,866	1.81
14	NBT PTY LTD	<ACCOUNT ASTOR>	3,125,000	1.59
15	TRADITIONAL SECURITIES GROUP PTY LTD	<LPR FAMILY A/C>	2,875,001	1.46
16	SANGREAL INVESTMENTS PTY LTD		2,750,000	1.40
17	MR JASON JON BOYER		2,500,000	1.27
18	OCCASIO HOLDINGS PTY LTD	OCCASIO UNIT	2,000,000	1.02
19	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	<44883 KIRZNER FAM A/C>	1,934,224	0.98
20	CARROLL SUPERANNUATION FUND PTY LIMITED	<CARROLL SUPER FUND A/C>	1,900,000	0.97
			<b>110,406,510</b>	<b>56.14</b>

6.4.1.2 Range of shareholders (as at 27 September 2017)

Size of Holding	Fully Paid Ordinary Shares No. Holders	Listed Options ICTO No. Holders	Listed Options ICTOB No. Holders
1 - 1,000	38	38	6
1,001 - 5,000	56	58	9
5,001 - 10,000	64	24	4
10,001 - 100,000	175	57	11
100,000 and over	167	38	57
Total holders	500	211	87
Number of holders holding less than a marketable parcel	278	200	40

#### 6.4.2 OPTIONS

As at the date of this report, the Company had the following Options on issue:

The movements in ICT's options since 30 June 2017 are provided in the table below.

	Listed Options		Unlisted Options	TOTAL	Note	Value
	Number (ASX: ICTO)	Number (ASX: ICTOB)	Number	Number		\$
Balance as at 1 July 2017	30,082,001	63,509,687	14,266,674	107,858,362	1,2,3	<b>1,040,330</b>
Expiry of Listed Options subsequent to year-end	(30,082,001)	-	-	(30,082,001)	3	-
<b>As at the date of this report before resolution is passed</b>	<b>-</b>	<b>63,509,687</b>	<b>14,266,674</b>	<b>77,776,361</b>		<b>1,040,330</b>
Options issued in accordance with Resolution 7*			10,000,000	10,000,000	4	<b>482,347</b>
Options issued in accordance with Resolution 8			5,000,000	10,000,000	5	<b>237,706</b>
Options issued in accordance with Resolution 9*			5,000,000	5,000,000	6	<b>241,174</b>
<b>After AGM date</b>	<b>-</b>	<b>63,509,687</b>	<b>24,266,674</b>	<b>87,776,361</b>		<b>2,001,557</b>

\*Please note that we have assumed that the 10,000,000 and the 5,000,000 unlisted options issued pursuant to Resolutions 7 and 9, which are the only unlisted options that are currently in-the-money (as defined), will be exercised for the purposes of determining the number of shares on issue at the date of this report.

#### Notes

(1) Unlisted Options as at 1 July 2017 with expiry dates ranging from 31 March 2018 to 1 April 2019 with exercise prices from \$0.10 to \$0.30. These are out of the money as at the date of this report.

(2) ICTOB Listed options are exercisable at \$0.08 and expire on 15 July 2019.

(3) ICTO Listed options were exercisable at \$0.20 and expired on 24 July 2017.

(4) Resolution 7 seeks Shareholder approval for the issue of 10,000,000 unlisted Options (exercisable at \$0.04 and expiring two years after the date of issue) to Harry Hatch (and/or his nominees) as consideration for the HH Convertible Loan.

(5) Resolution 8 seeks Shareholder approval for the issue of 5,000,000 unlisted Options (exercisable at \$0.08 and expiring two years after the date of issue) to 5G Capital Investments Pty Ltd (and/or nominee) as consideration for the 5G Capital loan.

(6) Resolution 9 seeks Shareholder approval for the issue of 5,000,000 unlisted Options (exercisable at \$0.04 and expiring two years after the date of issue) to PG Binet Pty Ltd (and/or nominee) as consideration for the PG Binet loan.



### **6.4.3 CONVERTIBLE NOTES**

As at 30 June 2017, the Company had 2 convertible notes on issue with a total face value of \$650,000. Subsequent to year-end, the \$150,000 note was repaid and an additional \$150,000 convertible note was issued. The terms of the three respective notes are as follows:

1. Maturity: at the discretion of the holder
  - Face Value: \$500,000
  - Coupon: 12% pa, payable quarterly in arrears
  - Conversion: the loan-holder shall have the option of requesting repayment in full from the Borrower either in cash or in the issue of Ordinary Fully Paid Shares, subject to agreement by the Company and Shareholder approval and in full compliance with ASX Listing Rules
  - Conversion period: The period commencing 10 days after the Issue Date and ending 10 business days prior to the maturity date. The Issuer to advise the Loan-holder within 30 days of maturity
  - Conversion Reference Price: 4 cents
2. Maturity: daily roll-over - Subsequent to end of the financial period, the convertible note was repaid in full on 28 July 2017.
  - Face Value: \$150,000
  - Interest of \$18,000, payable quarterly in arrears
  - Conversion: the loan-holder shall have the option of requesting repayment in full from the Borrower either in cash or in the issue of Ordinary Fully Paid Shares, subject to agreement by the Company and Shareholder approval and in full compliance with ASX Listing Rules
  - Conversion period: The period commencing 10 days after the Issue Date and ending 10 business days prior to the maturity date. The Issuer to advise the Loan-holder within 30 days of maturity
  - Conversion Reference Price: 4 cents
3. Issued subsequent to 30 June 2017, to cover short term working capital requirements in the amount of \$150,000 for a term of 90 days and was used to repay the \$150,000 convertible note referred to in (2) above.
  - Maturity: 31-October 2017 (this is expected to be rolled over for a further 90 days)
  - Face Value: \$150,000
  - Coupon: 12% pa, payable quarterly in arrears
  - Conversion: the loan-holder shall have the option of requesting repayment in full from the Borrower either in cash or in the issue of Ordinary Fully Paid Shares, subject to agreement by the Company and Shareholder approval and in full compliance with ASX Listing Rules
  - Conversion period: The period commencing 10 days after the Issue Date and ending 10 business days prior to the maturity date.
  - Conversion Reference Price: 4 cents

Based on the most recent closing share price of 4 cents and assuming a year's accrued interest is converted into shares, the Convertible Notes have the potential to increase the company's issued share capital by 16,989,183 shares (the exact amount of shares will depend on the prevailing 10 day VWAP at the time of conversion and the associated accrued interest, if fully converted into ordinary shares in ICT).

#### 6.4.4 SHARE TRADING

The following summary provides details of the monthly values and average daily volumes of ICT shares being transacted on ASX from 1 July 2017 to 2 November 2017:

	Open	High	Low	Close	Total Volume	Volume weighted average price
November 2017 <sup>1</sup>	0.04	0.04	0.03	0.04	4,636,982	0.04
October 2017	0.01	0.04	0.01	0.03	32,796,644	0.03
September 2017	0.01	0.01	0.01	0.01	2,140,000	0.01
August 2017	0.01	0.01	0.01	0.01	9,035,536	0.01
July 2017	0.01	0.02	0.01	0.01	7,894,299	0.01

Source: Yahoo Finance

(1) Based on trading history for the period 1 November 2017 to 2 November 2017.

Based on the above table ICT's share price has fluctuated over the period since 1 July 2017 from a low of 1 cent in July 2017 to a high of 4 cents in October and November 2017. Trading volumes have been fairly low throughout the period prior to the announcement on 2 October 2017 of the proposed acquisition of Manthano ('Manthano announcement') and have been significantly higher thereafter. The highest single day trading volume was recorded on 19 October 2017 when 5,919,046 shares were traded. The average daily volume of shares traded over the period 1 July 2017 to 2 November 2017 was 634,870 shares, with 36 (out of 89 day period) where no trades were recorded. Of the 36 days with no trades, these all occurred in the 66 days prior to the Manthano announcement, two days of which were non-trading days due to a trading halt in the company's securities. During that period a very small percentage (less than 0.2%) of the company's prevailing free float was traded per day.

ICT Recent Share Price History:

The chart below represents the movement in the share price of ICT listed shares in the past 6 months (to 2 November 2017):



Source: asx.com.au

#### **6.4.5 SCHEDULE OF RECENT ASX ANNOUNCEMENTS**

Company announcements released on the ASX platform since its 30 June 2017 financial year-end to the date of this report are summarised below:

31/10/2017	Appendix 4C Quarterly
31/10/2017	Manthano acquisition snapshot
26/10/2017	Extension of time to hold the 2017 AGM
20/10/2017	Final Director's Interest Notice
19/10/2017	Resignation of Ross Cotton as Director
17/10/2017	Manthano Presentation
13/10/2017	Initial Director's Interest Notice
10/10/2017	Appointment of leading Litigation lawyer as Chairman
2/10/2017	iCollege to acquire Manthano Ltd
2/10/2017	Corporate Governance Statement
2/10/2017	Appendix 4G
2/10/2017	Annual Report
31/08/2017	Appendix 4E & Preliminary Final Financial Report
29/08/2017	Initial Director's Interest Notice
23/08/2017	ICT appoints new director to drive VET focussed growth
18/08/2017	MIA in liquidation and Lara Plc acquisition terminated
16/08/2017	Trading Halt
15/08/2017	Becoming a substantial holder
11/08/2017	Legal proceedings against the company and MIA by Walker
2/08/2017	Response to ASX Appendix 4C Query
31/07/2017	Appendix 4C - quarterly
31/07/2017	Company Update
3/07/2017	Update on acquisitions

*Source: asx.com.au*

#### **6.4.6 MARKET VALUE**

ICT's share price has fluctuated over the period 1 July 2017 to 2 November 2017 from a low of 1 cent in July 2017 to a high of 4 cents in October and November 2017. This includes the announcement of the Proposed Transaction announced on 2 October 2017.

As can be seen from the very low trading volumes prior to the announcement of the Proposed Transaction reflected in Section 6.4.4 above, together with only a very small percentage of the company's free float being traded prior to the Manthano announcement - with volumes only materially increasing subsequent to the announcement of the Proposed Transaction - we consider that the share price methodology does not provide sufficient information to be the most appropriate methodology to use in this instance.

We therefore consider the Net Realisable Value method to be the most appropriate method to adopt in this instance.

## **7. VALUATION OF ICOLLEGE LIMITED SHARES *Post* PROPOSED TRANSACTION**

### **7.1 COMPONENTS OF THE PROPOSED TRANSACTION**

- the acquisition of a 100% interest in Manthano, on the terms set out in the Explanatory Statement.

### **7.2 OVERVIEW OF MANTHANO**

Manthano Ltd is a public unlisted company headquartered in Brisbane, Queensland. The company was incorporated on 26 May 2017. Its directors comprise Ashish Katta, Prashant Patel and Craig Wallace.

#### **7.2.1 Business Activities**

##### **7.2.1.1 Manthano Ltd**

Manthano is the parent entity vehicle with an Acquisition Philosophy of investing in entities that are profitable, debt-free, stands out as leaders in their field, are vocation or upskill training providers and that have strong growth pipeline. The Company has an appetite for investments and is specifically targeting entities within the Education Industry.

It has aggressive marketing campaigns in place and in order to grow, it is tapping it on:

- Existing Physical Presence;
- International Agent Network;
- Strong Online Presence;
- Google advertising; and
- Social Media Marketing.

As part of its growth plan, Manthano has direct and/or indirect interests in the following entities at the date of this report:

- Capital Training Institute Pty Ltd ("CTI") – 80% of the shares held by Manthano. Prahsant Patel and Ashish Katta being joint Directors
- Brisbane Career College Pty Ltd – 100% of the shares held by Sero Learning Pty Ltd
- Sero Learning Pty Ltd – 66.67% of the shares jointly held by Prashant Patel and Craig Wallace
- Sero Marketing Pty Ltd - 66.67% of the shares jointly held by Prashant Patel and Craig Wallace

However, it is noted that Manthano has undertaken to acquire all the relevant shares, hence at the date of the transaction we have assumed that Manthano will hold 100% in each of the above entities.

##### **7.2.1.2 Capital Training Institute Pty Ltd ("CTI")**

CTI was registered on 17 August 2006 originally established in Canberra in June 2007 as Safety Training and Compliance. It re-branded in 2012 as CTI in accordance with a strategic vision to delivery educational programs across Australia. It now delivers courses in the following areas:

- Building and Construction;
- Business Administration and Management;
- Work Health and Safety; and
- Hospitality.

CTI has campuses in Australian Capital Territory, New South Wales and Queensland with satellite offices on the Australian East Coast. CTI is a Registered Training Organisation (RTO) who is endorsed by the Australian Skills Quality Authority (ASQA).

CTIs currently has approximately 147 students enrolled with an average Student Fee of \$6,100.

#### 7.2.1.3 Brisbane Career College Pty Ltd trading as Sero Institute ("Sero")

Sero was registered on 24 May 2010 with its main campuses in Brisbane, North Quay, Gold Coast and Mount Gravatt, all in Queensland. Sero Institute's Directors are Don Sampaklis, Prashant Patel and Asish Katta and its head office operations in Southport, QLD and it also has a regional office in Cairns. It focusses on delivering domestic and international courses in the following areas:

- Short Courses (Barista, Construction, First Aid, Food Safety Supervisor, Responsible Service of Alcohol and Gambling, etc.);
- Business;
- Hospitality;
- Commercial Cookery;
- Community Services; and
- Foundation Skills.

Sero currently has approximately 500 students enrolled with an average Student Fee of \$9,000\*.

Seros has 450 CRICOS Positions Allocated with 100 of those already subscribed. The average revenue that can be attributed to a CRICOS enrolment is \$9,000. The Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) is an Australian government register that lists all Australian education providers offering courses to people studying in Australia on student visas and the courses offered. CRICOS accreditation is required by any RTO wishing to offer training courses to International students in Australia under student visa conditions.

\* The above fee is calculated as an average for different fee schedules (both domestic and International) and the number of students is based on Students enrolled in the 2017 Academic Year. The numbers above will vary from time to time. The above representation is only made to give the shareholders an overall view of SERO's student Acquisition and revenue streams.

#### 7.2.2. Manthano Financial Information

Set out below are Manthano's trading results for the period 1 July 2017 to 30 September 2017. These have not been subject to audit or review.

7.2.2. Manthano Financial Information (continued)

Draft Aggregated (unaudited) Statement of Profit or Loss and Other Comprehensive Income for the three months ended 30 September 2017:

<b>Manthano Limited and subsidiaries</b>	<b>3 months ended 30 Sep 2017</b>
	<b>\$</b>
Income	833,733
Cost of Sales	371,311
Gross Profit	462,421
Other Income	113,786
Less Expenses:	
Advertisement & Campaign	6,927
Bank Charges & Interest	2,804
Computer, IT & Office Expenses	21,805
Finance and Consultation Fee	95,332
Insurance Policies & Workcover	11,943
Legal & Professional Consultation Fee	-
Marketing & Travelling	9,874
Motor Vehicle Expenses	2,746
Office Rental, Electricity & Related Outgoing Charges	251,723
Professional Membership & Education Register	19,798
Staff Training, Amenities & Recruitment	2,643
Wages, Salaries & Payroll Related Expenses	713,584
Admin and other expenses	24,165
<b>Net Loss for the period</b>	<b>(587,137)</b>

NB Manthano was incorporated on 26 May 2017 and did not trade in the period to 30 June 2017, other than to acquire investments. It has not prepared any audited financials for this short period and the directors have determined that its first audited financials will be prepared for the period ending 30 June 2018 pursuant to section 323D(1) of the Corporations Act.

### 7.2.3 VALUATION APPROACH

As referred to earlier in this report, we have outlined the valuation methodologies included within RG111 and these are covered in more detail in Appendix 1 to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information. This is addressed further below.

To determine a fair value of Manthano we consider that the discounted cash flow methodology ("DCF") or capitalisation of forecast earnings to be the most appropriate approaches. These are the most appropriate approaches as Manthano has yet to trade profitably, nor have there been any other offers for Manthano to provide an indication of fair value. Also, Manthano is an unlisted entity thus its shares are not traded in the market.

In order to apply either a DCF or capitalisation of forecast earnings approach to determine the fair value of Manthano, prospective financial information must be used. We have therefore considered the requirements of RG170: Prospective financial information. RG170 requires that to use prospective financial information there must be reasonable grounds for the inclusion of the information.

To demonstrate reasonable grounds, there must be some facts or circumstances that exist at the time of publication; are objectively reasonable; and support the information. Examples of what may constitute reasonable grounds are information that:

- Relates to forward-sales contracts or leases;
- Is underpinned by independent industry experts' reports; and
- Includes short-term estimates.

However, what constitutes reasonable grounds must be judged according to the facts and circumstances of each case. We have reviewed this financial model and the assumptions in respect of their compliance with RG170 in consideration of the fair value of Manthano.

Many of the assumptions underpinning the prospective information reflect estimates of future market penetration which have no historical basis or trend of generating consistent and reliable levels of income to support the projected operating performance; in addition, the significant projected increase in CRICOS students is predicated on the successful granting of applications that have been lodged for further CRICOS student places. Therefore any assumption around expected market penetration alone is misleading and any resulting prospective financial information is likely to be misleading.

Because of the foregoing, we have been unable to determine a fair value for Manthano under the preferred methodologies of a DCF or capitalisation of forecast earnings. NPCF has considered the other valuation methodologies referred to in Appendix 1 and is not aware of any directly comparable market transactions to utilise this approach; nor has Manthano received any other offers to utilise as a comparison.

In the absence of being able to apply other methodologies, NPCF believes that the most appropriate method for valuing the issued shares in Manthano is an asset-based approach. The resultant net assets of the Company can then be expressed in terms of a value per share.

7.2.4 Unaudited Adjusted Pro-Forma Balance Sheet of the Manthano Group as at 30 September 2017  
*Post the Proposed Transaction*

<b><u>30-Sep-17</u></b>	<b>Pro-forma Consolidated (Unaudited)</b>	<b>Note</b>
	\$	
Cash and Cash equivalents	1,225,888	2
Trade and other Receivables	125,520	
Other loans	17,000	
Prepayments	30,447	
Bonds and guarantees	89,662	
<b>Total current assets</b>	<b>1,488,517</b>	
Property Plant and Equipment	226,191	
<b>Total Non-current assets</b>	<b>226,191</b>	
<b>TOTAL ASSETS</b>	<b>1,714,708</b>	
<b>Current liabilities</b>		
Trade and other payables	167,571	
Unearned Revenue	146,475	
	<b>314,046</b>	
Loans from directors	323,613	
Provisions	27,468	
<b>Non-current liabilities</b>	<b>351,081</b>	
<b>TOTAL LIABILITIES</b>	<b>665,127</b>	
<b>NET ASSETS</b>	<b>\$1,049,581</b>	
<b>EQUITY</b>		
Share Capital	1,000,000	2
Current year income	(177,430)	
Retained Earnings	227,011	
	<b>\$1,049,581</b>	

Notes to the unaudited adjusted Pro-forma Balance Sheet

1. The net assets of the company have been based on their carrying values in the unaudited Statement of Financial Position as at 30 September 2017.
2. One of the Conditions Precedent to the transaction is that Manthano has at least \$1,000,000 cash at hand. We have adjusted the Balance Sheet for the \$1,000,000 capital raising which is in the process of being completed.



#### 7.2.5 Economic overview

##### Industry Performance

The Technical and Vocational Education and Training industry is subject to continuous changes in regulation. Student numbers and industry revenue surged with the implementation of the VET FEE-HELP scheme in 2009 and the National Partnership Agreement in 2012. The increase in government funding available eased the financial barrier for many students and led to a rise in the number of private vocational education providers entering the market. However, course quality concerns and budgetary constraints resulted in changes to funding for the industry, including the implementation of the VET Student Loans scheme as of 1 January 2017.

Industry revenue is anticipated to rise at an annualised 2.1% over the five years through 2017-18, to reach \$10.0 billion. This includes a fall of 0.5% in the current year, primarily due to constrained student enrolment growth and the introduction of the VET Student Loans Scheme in place of VET FEE-HELP.

The influx of private registered training organisations led to increased industry competition over the past five years. However, the National Partnership Agreement on Skills Reform delivered \$1.8 billion in funding to support the industry during the five-year period. International student enrolments rose over the past five years with the depreciation of the Australian dollar, which made Australian vocational education more affordable overseas. The number of Aboriginal and Torres Strait Islander students also increased over the five-year period, supported by lower financial barriers to enrolment and higher course completion. A fluctuating unemployment rate also encouraged enrolment and revenue growth, as many students sought to improve their career development opportunities by undertaking vocational studies.

Over the five years through 2022-23, industry revenue is forecast to grow at an annualised 1.5% to reach \$10.8 billion.

The VET Student Loans scheme imposes tighter course eligibility requirements, reduces the cap available on student loans and has reduced or removed subsidies for many courses. Some industry operators are expected to exit the industry over the period. However, this is not expected to deter student enrolments, which are forecast to rise over the next five years, supporting industry revenue. The importance of placements and apprenticeships for employment is anticipated to intensify, encouraging student enrolments in vocational education.

*Source: Technical and Vocational Education and Training in Australia IBISWorld October 2017*

Conditions in the global economy are continuing to improve. Labour markets have tightened and further above-trend growth is expected in a number of advanced economies, although uncertainties remain. Growth in the Chinese economy is being supported by increased spending on infrastructure and property construction, with the high level of debt continuing to present a medium-term risk. Australia's terms of trade are expected to decline in the period ahead but remain at relatively high levels.

Wage growth remains low in most countries, as does core inflation. Headline inflation rates are generally lower than at the start of the year, largely reflecting the earlier decline in oil prices. In the United States, the Federal Reserve has started the process of balance sheet normalisation and expects to increase interest rates further. In a number of other major advanced economies, monetary policy has become a bit less accommodative. Equity markets have been strong, credit spreads have narrowed and volatility in financial markets remains low.

The Bank's forecasts for growth in the Australian economy are largely unchanged. The central forecast is for GDP growth to pick up and to average around 3 per cent over the next few years. Business conditions are positive and capacity utilisation has increased. The outlook for non-mining business investment has improved, with the forward-looking indicators being more positive than they have been for some time. Increased public infrastructure investment is also supporting the economy. One continuing source of uncertainty is the outlook for household consumption. Household incomes are growing slowly and debt levels are high.

The labour market has continued to strengthen. Employment has been rising in all states and has been accompanied by a rise in labour force participation. The various forward-looking indicators continue to point to solid growth in employment over the period ahead. The unemployment rate is expected to decline gradually from its current level of 5½ per cent. Wage growth remains low. This is likely to continue for a while yet, although the stronger conditions in the labour market should see some lift in wage growth over time.

Inflation remains low, with both CPI and underlying inflation running a little below 2 per cent. In underlying terms, inflation is likely to remain low for some time, reflecting the slow growth in labour costs and increased competitive pressures, especially in retailing. CPI inflation is being boosted by higher prices for tobacco and electricity. The Bank's central forecast remains for inflation to pick up gradually as the economy strengthens.

The Australian dollar has appreciated since mid year, partly reflecting a lower US dollar. The higher exchange rate is expected to contribute to continued subdued price pressures in the economy. It is also weighing on the outlook for output and employment. An appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation than currently forecast.

Growth in housing debt has been outpacing the slow growth in household income for some time. To address the medium-term risks associated with high and rising household indebtedness, APRA has introduced a number of supervisory measures. Credit standards have been tightened in a way that has reduced the risk profile of borrowers. Housing market conditions have eased further in Sydney. In most cities, housing prices have shown little change over recent months, although they are still increasing in Melbourne. In the eastern capital cities, a considerable additional supply of apartments is scheduled to come on stream over the next couple of years. Rent increases remain low in most cities.

The low level of interest rates is continuing to support the Australian economy. Taking account of the available information, the Board judged that holding the stance of monetary policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time.

*Source: Reserve Bank of Australia Media Release 7 November 2017*



### 7.3 NET ASSET VALUATION *POST* PROPOSED TRANSACTION

#### 7.3.1 Valuation assessment

As noted in section 2.1, in determining whether or not the transaction is fair, NPCF has determined the value of the combined entity immediately after the Proposed Transaction on a minority basis.

In establishing the value of ICT following completion of the Proposed Transaction, the net asset backing per share has been determined based upon the reviewed position in accordance with Section 6.3 of this Report including the adjustments to ICT referred to in Section 6.3.1, together with the additional shares raised in accordance with the resolutions shortly after the Proposed Transaction.

No adjustment has been made in respect of any potential taxation consequences in respect of the Proposed Transaction.

The fair value of ICT post Proposed Transaction is as follows:

	Section reference	Note	Low \$	Medium \$	High \$
Fair value of ICT on a control basis		2	(2,691,858)	(2,691,858)	(2,691,858)
Fair Value of Manthano		1	1,049,581	1,049,581	1,049,581
			(1,642,277)	(1,642,277)	(1,642,277)
Discount for control premium		2	-	-	-
			(1,642,777)	(1,642,277)	(1,642,277)
New shares issued post transaction (for other resolutions)			966,000	966,000	966,000
Fair value post Proposed transaction on a minority basis			(676,277)	(676,277)	(676,277)
Number of shares					
Shares on issue pre proposed transaction			196,672,082	196,672,082	196,672,082
Acquisition of Manthano (resolution 4)		3	250,000,000	250,000,000	250,000,000
Shares issued under resolutions 10-13			9,150,000	9,150,000	9,150,000
Options assumed to be converted (refer section 6.4.3 above)			15,000,000	15,000,000	15,000,000
Number of shares on issue post Proposed Transaction			470,822,082	470,822,082	470,822,082
Fair Value of a share Post Proposed Transaction			(0.0014364)	(0.0014364)	(0.0014364)

As the above amounts are negative amounts, these have been included above at \$Nil in our assessment of fairness (refer Section 8.1 below).

Notes

1. As noted in section 7.2, in the absence of other appropriate methodologies we have determined the fair value of Manthano to be its net asset position. Its net asset position represents the replacement cost of the company's assets.
2. The fair value of ICT and Manthano represents a controlling interest in each entity. Immediately following the transaction current ICT shareholders will hold a minority interest in the combined entity. Typically an adjustment is made to determine the fair value on a minority basis by eliminating a premium for control. However, in this instance, as the fair value per share is a negative amount, we have not made an adjustment for discount for control premium.
3. As noted in section 1, 250,000,000 ICT shares will be issued to the Manthano Vendors.

## **8. ASSESSMENT AS TO FAIRNESS AND REASONABLENESS OF THE PROPOSED TRANSACTION**

### **8.1 Assessment as to Fairness**

As noted in Section 5 of this Report, an offer is considered "fair" if the value of the consideration being offered is equal to, or greater than, the value of the securities that are the subject of the offer in the context of the impact on ICT shares prior to and subsequent to the Proposed Transaction. NPCF's assessment as to the fairness of the Proposed Transaction is set out below:

	<b>LOW</b>	<b>MID</b>	<b>HIGH</b>
<b>NPCF valuation of ICT shares prior to the Proposed Transaction on a control basis (section 6.3)</b>	\$Nil *	\$Nil *	\$Nil *
<b>NPCF valuation of ICT shares post Proposed Transaction on a minority basis (section 7.3.1)</b>	\$Nil *	\$Nil *	\$Nil *

\* The amounts are negative amounts and hence have been included above at \$Nil.

After consideration of the above, the Proposed Transaction is considered to be **fair** to the non-associated shareholders of ICT as the preferred value of a share after completion of the Proposed Transaction (being the Mid value in the above table) is no less than the value of an ICT share prior to the Proposed Transaction.

## **8.2 Assessment as to Reasonableness**

ASIC Regulatory Guide 111 states that an offer is reasonable if it is fair. Under this criterion as the value of ICT shares after the completion of the proposed transaction is no less than the value prior thereto, the offer is reasonable. There are a number of other relevant factors to be considered in assessing the reasonableness of the Proposed Transaction. These factors are set out below as advantages and disadvantages (refer Sections 8.2.1 and 8.2.2 below).

### **8.2.1 Advantages and Disadvantages of the Proposed Transaction proceeding:**

#### *Advantages of proceeding*

- The activities of Manthano are entirely complementary to the Company's current training activities and the merger of both parties' course offerings allows the combined entity to have a significantly expanded and more complete service offering;
- The integration of the two organisations will enable access to significant synergies and cost savings;
- The proposed reconstructed board and leadership team will include significant vocational training experience;
- iCollege's national footprint will be extended to comprise Adelaide, Canberra, Sydney, Brisbane, Gold Coast and Cairns;
- The number of CRICOS student places could rise to over 1,000 if current applications are successful;
- Roll-out of new offerings via Manthano's contracted sixty-six agents;
- The Proposed Transaction provides access to significant additional revenue streams in the short to medium term. This also gives ICT an appropriate platform on which to proceed with re-capitalising the Company - ICT currently has minimal net assets and acceptance of the Proposed Transaction will result in an increase in cash reserves;
- The Proposal is the only offer capable of acceptance at present and there is an absence of alternative offers;
- It may provide opportunity for enhanced liquidity in ICT shares; and
- It may give rise to a market repricing of ICT shares, having regard to the foregoing.

#### *Disadvantages of proceeding*

- Reduces the interest of the non-associated ICT Shareholders to 37.20% on the issue of the Shares the subject of Resolutions 4, 10, 11, 12 and 13 and before the conversion of options the subject of Resolutions 7 and 9 of the attached Notice of Meeting;
- Immediately after the Proposed Transaction the Manthano Vendors could effectively control ICT and will not have paid a control premium for the issue of the Proposal Shares;
- The Company will need to undertake further capital raising(s) to fund the development and expansion of the combined business which will further dilute the interest of ICT Shareholders; and
- Whilst Manthano is expanding rapidly, it has yet to return a maiden trading profit.

### **8.2.2 Advantages and Disadvantages of the Proposed Transaction not Proceeding:**

#### *Advantages of not proceeding*

- ICT will avoid the disadvantages referred to above.

*Disadvantages of not proceeding*

- The directors of ICT have indicated that they will seek other opportunities to raise capital and to identify other opportunities. It is uncertain, in light of current equity markets (a) when this may be achieved; and (b) if alternative proposals will add greater value or be more dilutive to ICT's Shareholders than the Proposed Transaction.

In our opinion, on balance, the advantages of approving the Proposed Transaction are greater than the disadvantages. These advantages arise both as a result of implementing the Proposed Transaction and of avoiding the disadvantages that may arise as a result of not implementing the Proposed Transaction. Accordingly, in our opinion, the Proposed Transaction is **reasonable** to the non-associated shareholders of ICT.

### **8.3 Conclusion**

**Based on the valuation of a ICT share and on the above assessment, NPCF is of the opinion that the Proposed Transaction is fair and reasonable to the non-associated shareholders of ICT.**

## **9. LIMITATIONS AND RELIANCE ON INFORMATION**

Our opinion is based on the economic, stock market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our report is also based upon financial and other information provided by ICT and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of ICT security holders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst NPCF has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER. Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed Transaction, rather than a comprehensive audit or investigation of detailed matters.

The opinions and judgement of management of the relevant companies comprise an important part of the information base used in forming an opinion of the kind expressed in this report. This information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

In forming our opinion, we have also assumed that:

- (a) the information set out in the Notice of Meeting is complete, accurate and fairly presented in all material respects
- (b) if the proposed transaction is approved it will be implemented in accordance with the terms set out in the Notice of Meeting.

## **10. SOURCES OF INFORMATION**

In making our assessment as to whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of ICT, we have reviewed relevant published available information and other unpublished information of the Company which is relevant in the circumstances. In addition, we have held discussions with representatives of the Company's Board. Information we have received includes, but is not limited to the following:

- ICT's audited annual report to 30 June 2017 and 30 June 2016;
- Recent ASX announcements lodged by ICT;
- Unaudited Financial Statements at 30 September 2017 for Manthano and related companies;
- Share Price data for ICT;
- Draft Notice of Meeting and Explanatory Statement this Report will accompany.

## **APPENDICES**

### **APPENDIX 1 Overview of valuation methodologies**

## **APPENDIX 1 OVERVIEW OF VALUATION METHODOLOGIES**

### Discounted cash flow ("DCF") approach

- DCF involve projected cash flows being discounted by a discount rate which reflects the time value of money and the risk inherent in the cash flows. DCF valuations are arguably the most technically accurate method of valuing an asset or business, however, they suffer from the practical impediment that few companies have prepared cash flow forecasts of sufficient reliability over the necessary long time frame.
- The DCF methodology is typically the most appropriate valuation methodology where there is adequate information about likely future cash flows and usually over a finite term.

### Capitalisation of future maintainable earnings (earnings based) approach

- The capitalisation of earnings methodology involves capitalising the earnings of the business at a multiple which reflects the risks of the business and the stream of income it generates. This methodology requires the estimation of future maintainable earnings having regard to historical and forecast operating results, including sensitivity to key industry risk factors, future growth prospects and the general economic outlook. The estimated realisable value of any surplus assets is then added to the capitalised earnings.
- The determination of an appropriate capitalisation rate will typically reflect a potential purchaser's required rate of return, risks inherent in the business, future growth prospects and alternative investment opportunities. This methodology is the most commonly used method for the valuation of industrial companies, which have a proven operating history and a consistent earnings trend.

### Asset based approach

- Asset based valuation methods estimate the value of a company based on the realisable value of its net assets less liabilities. There are a number of asset-based methods including orderly realisation; liquidation value; net assets on a going concern basis; replacement cost; and reproduction cost. Since wind-up or liquidation of the company may not be contemplated, these methods in their strictest forms may not necessarily be appropriate. The net assets on a going concern basis estimates the market values of the net assets without taking into account realisation costs. Asset-based valuation methods are considered most appropriate where a business or company is not making an adequate return on its assets, where there are surplus non-operating assets or where investments are the primary asset.

### Quoted price for listed securities (market value) approach

- This approach reflects the quoted price for the listed securities of the company being valued and is most suited when there is a liquid and active market in those securities (and allowing for the fact that the quoted price may not reflect their value where 100% of the securities are available for sale).

### Comparable market transactions approach

- This methodology entails obtaining information on any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired, then the assets, revenue or earnings multiples, or other relevant measures employed in the actual transaction, can be utilised in the valuation.
- This methodology suffers from the difficulty in sourcing detailed information on the transaction to determine the basis of the consideration and the comparability of the two businesses or entities.