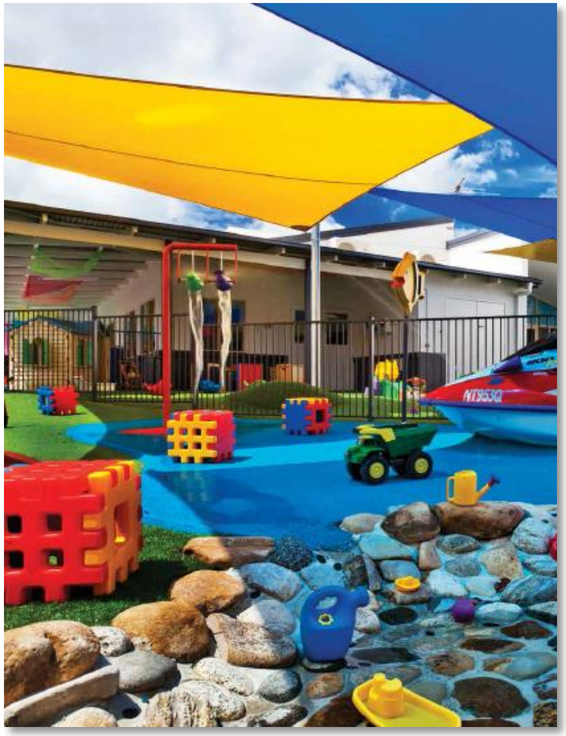


Affinity Education Group

Capital raising and acquisition presentation

12 March 2015

Important notices and disclaimer

Entitlement Offer

This investor presentation ("Presentation") has been prepared by Affinity Education Group Limited (ACN 163 864 195) ("Affinity" or "Company") in relation to a pro rata accelerated renounceable entitlement offer of new Affinity ordinary shares ("New Shares") to be made to:

- eligible institutional shareholders of Affinity ("Institutional Entitlement Offer"); and
- eligible retail shareholders of Affinity ("Retail Entitlement Offer"),

under section 708AA of the Corporations Act 2001 (Cth) as modified by ASIC Class Order 08/35 ("Corporations Act") (together, the "Entitlement Offer").

Summary information

This Presentation contains summary information about the current activities of Affinity as at the date of this Presentation and does not purport to contain all the information that an investor should consider when making an investment decision, nor does it contain all the information which would be required in a prospectus or other disclosure document prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Affinity's other periodic and continuous disclosure announcements lodged with ASX.

Not an offer

This Presentation is not a prospectus, product disclosure statement or any other offer document under Australian law (and will not be lodged with the Australian Securities and Investments Commission) or any other law. This Presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction. The distribution of this Presentation outside Australia may be restricted by law. Any recipient of this Presentation who is outside Australia must seek advice on and observe any such restrictions. This Presentation may not be reproduced or published, in whole or in part, for any purpose without the prior written permission of Affinity.

Disclaimer

To the maximum extent permitted by law:

- no representation or warranty, express or implied, is made by any person as to the accuracy, adequacy, completeness or reliability of any statements, estimates or opinions or other information in this Presentation; and
- Affinity, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this Presentation.

CBA Equities Limited and Canaccord Genuity (Australia) Limited ("Joint Lead Managers and Underwriters") and their respective related bodies corporate, directors, officers, employees, agents and advisers ("Affiliates") have not authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this Presentation. The Joint Lead Managers and Underwriters and their Affiliates do not make, or purport to make, any statement in this Presentation nor any recommendation as to whether a recipient or its related parties should participate in the Entitlement Offer, and there is no statement in this Presentation which is based on any statement by the Joint Lead Managers and Underwriters or their Affiliates.

To the maximum extent permitted by law, the Joint Lead Managers and Underwriters and their Affiliates expressly disclaim all liability (including, without limitation, for negligence) in respect of, make no representations regarding and take no responsibility for, any part of this Presentation.

Each recipient represents, warrants and agrees that it has not relied on any statements by the Joint Lead Managers and Underwriters or any of their Affiliates in respect of the Entitlement Offer, Affinity, or the New Shares generally and expressly disclaims that it is in a fiduciary relationship with the Joint Lead Managers and Underwriters or any of their Affiliates.

Important notices and disclaimer

Not financial product or investment advice

This Presentation does not constitute financial product or investment advice (nor tax, accounting or legal advice). It is not a recommendation to acquire entitlements or New Shares and does not and will not form any part of any contract for the acquisition of entitlements or New Shares. Any decision to purchase New Shares in the Retail Entitlement Offer should be made after reading the Retail Offer Booklet to be released to ASX on or about 17 March 2015.

This Presentation has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. Affinity is not licensed to provide financial product advice in respect of Affinity shares. Cooling off rights do not apply to the acquisition of New Shares.

Investment risk

An investment in Affinity shares is subject to known and unknown risks, some of which are beyond the control of Affinity, including, possible loss of income and principal invested. Recipients should have regard to the risk factors outlined in this Presentation when making their investment decision.

United States

This Presentation may not be released or distributed in the United States. This Presentation is neither an offer to sell nor a solicitation of an offer to buy securities except in reliance on a relevant exemption.

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States without registration under the US Securities Act or an exemption from such registration requirements.

Financial data

All dollar values are in Australian dollars ("A$") unless otherwise stated. Investors should note that this Presentation contains pro forma financial information.

The pro forma financial information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of Affinity's views on its future financial condition and/or performance.

The pro forma financial information has been prepared by Affinity in accordance with the measurement and recognition requirements, but not the disclosure requirements, of applicable accounting standards and other mandatory requirements in Australia.

A number of figures in this Presentation have been rounded and percentages have been calculated on actual whole figures.

Important notices and disclaimer

AFFINITY EDUCATION GROUP

Future performance

This Presentation contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” “outlook”, “guidance” and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of Affinity, the outcome and effects of the Entitlement Offer and the use of proceeds. The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Affinity, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct or may change without notice. In addition, please note that past performance is no guarantee or indication of future performance.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in the Appendices of this Presentation. Investors should consider the forward looking statements contained in this Presentation in light of those disclosures. The forward looking statements are based on information available to Affinity as at the date of this Presentation.
Except as required by law or regulation (including the ASX Listing Rules), Affinity undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

General

Statements made in this Presentation are made only as at the date of this Presentation. The information in this Presentation remains subject to change without notice. Affinity reserves the right, in conjunction with the Joint Lead Managers and Underwriters, subject to the Corporations Act and the ASX Listing Rules, to amend the timetable for the Entitlement Offer or withdraw the Entitlement Offer, without notice. This Presentation may not be reproduced or published, in whole or in part, for any purpose without the prior written permission of Affinity.

About Affinity

AFFINITY EDUCATION GROUP

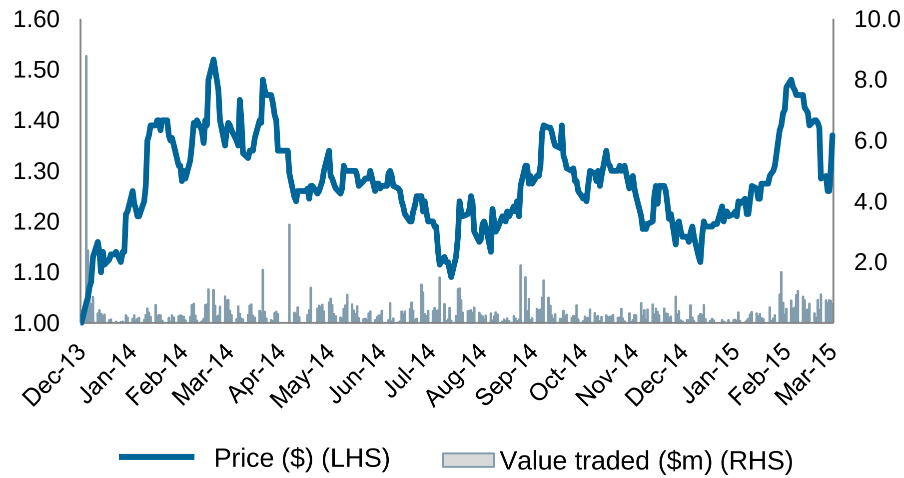
- A leading listed operator of child care to children aged six weeks to 12 years
- Geographically diversified portfolio of 125 centres across Australia as at 31 December 2014

Market metrics

Listing date	9 December 2013
ASX ticker	AFJ
Number of shares	c. 167.6m
Current share price	$1.34[1]
Current market capitalisation	c. $224.6m
Index	ASX 300 Index
Substantial shareholders	Perpetual – 15.29% Renaissance Small Companies – 5.61% Argo Investments – 5.25% Contango Asset Management – 5.07%

[1] As at 11 March 2015

Share price chart since listing



Board and management team

Chairman	Stuart James
Managing Director	Justin Laboo
Executive Director and COO	Gabriel Giufre
Non-Executive Director	Stephanie Daveson
Non-Executive Director	Jeff Forbes
CFO	Paul Cochrane

2014 highlights

AFFINITY EDUCATION GROUP

FY 2014 earnings growth

- ✓ Underlying EBITDA of $17.9m(1) and underlying NPAT of $11.4m(1)
- ✓ Underlying EPS of 8.1 cents(1)
- ✓ Statutory NPAT(2) $(4.1m)

Strengthening portfolio

- ✓ 125 centres settled as at 31 December 2014, with an additional 24 of the 27 previously announced expected to be settled by 31 March 2015
- ✓ Occupancy of 80% across the portfolio in FY2014

Successful operational platform

- ✓ Successful integration creating a strong corporate platform
- ✓ Continued focus on system investment
- ✓ High levels of employee engagement with program rollouts to improve staff costs and retention

Positive outlook

- ✓ Continued focus on acquisitions and integration
- ✓ Strong funding support
- ✓ Maiden dividend is expected to be announced during the course of 2015

(1) Normalised for one-off acquisition and integration costs
(2) Including one-off acquisition and integration costs

Entitlement Offer overview

Overview	• Equity offering to raise approximately $75m via an 8 for 21 accelerated renounceable entitlement offer (the "Entitlement Offer") • Approximately 63.8m new Affinity shares ("New Shares") will be issued • The Entitlement Offer is fully underwritten by CBA Equities and Canaccord Genuity (Australia)

Offer price	• Offer price of $1.18 per New Share represents an:
	  • 11.9% discount to the last traded price of $1.34 on Wednesday 11 March 2015;
	  • 8.9% discount to TERP of $1.30 on Wednesday 11 March 2015(1); and
	  • 11.0% discount to the 5 day volume weighted average price of $1.33.

Use of proceeds	• Proceeds from the Entitlement Offer will be applied to:
	  • the proposed acquisition of a group of nine premium child care centres ("New Acquisition");
	  • providing additional balance sheet capacity through repayment of debt on CBA facility; and
	  • paying the costs of the New Acquisition and Entitlement Offer.

Entitlement Offer structure	• The Entitlement Offer will comprise of an institutional component (the "Institutional Entitlement Offer") of approximately $51.8m to existing eligible institutional shareholders and a retail component (the "Retail Entitlement Offer") of approximately $23.5m to existing eligible retail shareholders • The Institutional Entitlement Offer will be conducted on **Thursday 12 March 2015**. The Retail Entitlement Offer will open at 9.00am (Sydney time) on **Friday 20 March 2015** and closes at 5.00 pm (Sydney time) on **Thursday 2 April 2015** • Entitlements not taken up under the Institutional Entitlement Offer will be placed in an institutional shortfall bookbuild to be conducted on **Friday 13 March 2015**. Entitlements not taken up under the Retail Entitlement Offer will be placed in a retail shortfall bookbuild to be conducted on **Thursday 9 April 2015**
Board and management commitment	• Affinity Directors and senior management intend to participate in the Entitlement Offer for some or all of their respective pro-rata entitlements to the extent that their financial circumstances permit
Record date	• The record date is 7.00 pm (Sydney time) on **Tuesday 17 March 2015**
Ranking and eligibility	• New Shares will rank equally with existing Affinity shares

Note: (1) The theoretical ex-rights price ("TERP") is the theoretical price at which Affinity shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Affinity shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP; (2) The timetable is indicative only and subject to change.

New Acquisition overview

After settlement of the New Acquisition and previously announced acquisitions, Affinity will have a portfolio of 161 centres (125 settled as at 31 December 2014) with 12,350 places

- The New Acquisition comprises a group of nine premium child care centres
  - eight of which are located in Sydney, Penrith and Central Coast; and
  - one located in Brisbane
- High quality, profitable centres with strong occupancy
- Provide greater diversification of Affinity's portfolio
- The New Acquisition is expected to be EPS accretive from settlement (1), (2)
- Transaction is expected to complete towards the end of H1 2015, subject to completion of due diligence, normal landlord consents and regulatory approvals

Notes:
(1) Acquisition centre financials based on unaudited and unreviewed information provided by vendors, which remains subject to completion of confirmatory due diligence; (2) EPS accretion is based on underlying NPAT of the Company (2015 management earnings forecasts) excluding expensing of transaction costs. Standalone EPS used in EPS accretion calculation incorporates an adjustment factor to account for the bonus element in the Entitlement Offer, in accordance with AASB 133 Earnings per Share.

Use of proceeds

AFFINITY EDUCATION GROUP

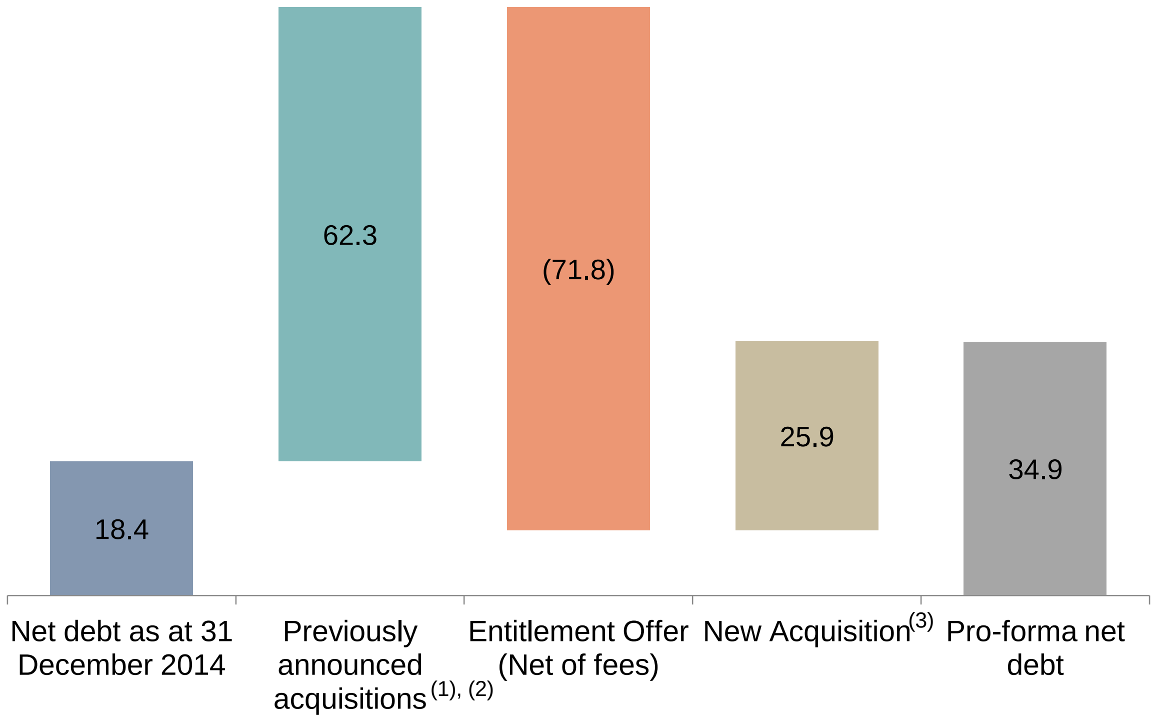
- The proceeds from the Entitlement Offer will be applied as follows:

Use of proceeds	
New Acquisition	$24.0m
Additional balance sheet capacity through repayment of debt (CBA Acquisition Facility)	$45.4m
Costs of New Acquisition and Entitlement Offer	$5.6m
Total	**$75.0m**

Funding capacity

Post the Entitlement Offer and New Acquisition, Affinity will have further funding capacity to continue its disciplined growth strategy

- The CBA Acquisition Facility is expected to be drawn to $34.9m post the settlement of the New Acquisition and the 24 previously announced acquisitions
- Affinity is currently in advanced discussions to further enhance its domestic bank funding
- Pro-forma net gearing will be 14% post the Entitlement Offer and settlement of acquisitions



Notes:
(1) A number of acquisitions announced in December 2014 and January 2015 had already settled as at 31 December 2014. As such, adjustments are made to incorporate the remaining centres to be settled in 2015; (2) Adjustments have also been made for acquisitions announced in September 2014 that have already settled in January and February 2015; (3) Includes transaction costs associated with the New Acquisition.

Pro-forma historical balance sheet

$'000	31 Dec 2014	Previously announced acquisitions[(1),(2)]	Entitlement Offer[(3)]	New Acquisition[(4)]	Pro-forma 31 Dec 2014
Cash and cash equivalents	3,286	-	25,905	(25,905)	3,286
Trade and other receivables	4,453	-	-	-	4,453
Property, plant and equipment	7,121	2,400	-	900	10,421
Intangibles	172,677	55,031	-	22,951	250,659
Deferred tax	5,097	397	975	149	6,618
Held for sale	250	-	-	-	250
Other	3,179	-	-	-	3,179
Total assets	**196,063**	**57,828**	**26,880**	**(1,905)**	**278,866**
Trade and other payables	9,807	-	-	-	9,807
Bank borrowings	21,703	62,291	(45,845)	-	38,149
Provisions	7,988	1,320	-	495	9,803
Income tax	2,896	-	-	-	2,896
Leases and other borrowings	1,016	-	-	-	1,016
Other	4,441	-	-	-	4,441
Total liabilities	**47,851**	**63,611**	**(45,845)**	**495**	**66,112**
Net Assets	**148,212**	**(5,783)**	**72,725**	**(2,400)**	**212,754**
Share capital	161,192	-	72,725	-	233,917
Accumulated losses	(12,980)	(5,783)	-	(2,400)	(21,163)
Total Equity	**148,212**	**(5,783)**	**72,725**	**(2,400)**	**212,754**
Net gearing	11%				14%

Notes:
(1) A number of acquisitions announced in December 2014 and January 2015 had already settled as at 31 December 2014. As such, adjustments are made to incorporate the remaining centres to be settled in 2015; (2) Adjustments have also been made for acquisitions announced in September 2014 that have already settled in January and February 2015; (3) Includes transaction costs associated with the Entitlement Offer; (4) Includes transaction costs associated with the New Acquisition.

Entitlement Offer timetable

Event	Date
Announcement of Entitlement Offer	Thursday 12 March 2015
Institutional Offer opens	Thursday 12 March 2015
Institutional Offer closes	Thursday 12 March 2015
Institutional Bookbuild	Friday 13 March 2015
Record date under the Entitlement Offer	7.00 pm (Sydney time) Tuesday 17 March 2015
Retail Entitlement Offer opens	9.00 am (Sydney time) Friday 20 March 2015
Despatch of Retail Offer Booklet and Entitlement and Acceptance Form	Friday 20 March 2015
Settlement of the Institutional Entitlement Offer and Institutional Shortfall Bookbuild	Monday 23 March 2015
Trading commences in shares issued under Institutional Entitlement Offer and Institutional Shortfall Bookbuild	Tuesday 24 March 2015
Despatch payment (if any) in respect of Entitlements not accepted under the Institutional Entitlement Offer	Friday 27 March 2015
Retail Entitlement Offer closes	5.00 pm (Sydney time) Thursday 2 April 2015
Retail Shortfall Bookbuild	Thursday 9 April 2015 (after market close)
Settlement of the Retail Entitlement Offer and Retail Shortfall Bookbuild	Tuesday 14 April 2015
New Shares allotted under the Retail Entitlement Offer and Retail Shortfall Bookbuild	Wednesday 15 April 2015
Trading commences in New Shares issued under Retail Entitlement Offer and Retail Shortfall Bookbuild	Wednesday 15 April 2015
Despatch Holding Statements	Thursday 16 April 2015
Despatch of payment (if any) in respect of Entitlements not accepted under the Retail Entitlement Offer	Friday 17 April 2015

Note: The above timetable is indicative only and subject to change. The Company reserves the right, in conjunction with the Joint Lead Managers and Underwriters, subject to the Corporations Act and the ASX Listing Rules, to amend the timetable or to withdraw the Entitlement Offer at any time without notice. All references to time are to Sydney time.

Growth strategy

AFFINITY EDUCATION GROUP

Focus in CY15 will be on integration of announced acquisitions, improving occupancy across the portfolio and leveraging the cost base through further acquisitions

- Based on announced acquisitions, AFJ will settle up to 36 centres in 1HCY15, comprising of the New Acquisition and the 27 centre acquisitions previously announced
- Following significant growth through acquisition, the groups focus in CY15 will be on improving occupancy and optimising the cost base at the centre level acquired
- This organic growth is expected to be augmented by selective additional acquisitions from the strong acquisition pipeline
- In the ordinary course of business, Affinity aims to increase the portfolio by approx 20-25% per annum
- Ongoing acquisitions are expected to leverage the Group’s scale and cost base and drive improved returns and EPS growth
- Acquisitions to be funded by the existing debt facility which will have refreshed capacity following the debt repayment post capital raising. Proforma net gearing of 14% post the equity raising will provide sufficient headroom to support the acquisition growth strategy

2015 outlook

2015 to focus on delivering continued growth and better margins with multiple initiatives underway to increase profitability

- Underlying market fundamentals strong with increasing workforce participation rates and growing population underpinning growing demand for places
- Positive start to FY2015 enrolments
- In advanced discussions to diversify domestic bank funding
- Strong acquisition pipeline
- Ongoing investment in people and systems
- Affinity continuing to work with Government on future industry opportunities
- Maiden dividend is expected to be announced during the course of 2015

Appendices

AFFINITY EDUCATION
GROUP

Key risks

AFFINITY EDUCATION GROUP

Changes in law and government policy

The child care industry in Australia is heavily regulated by each level of government. The state and territory governments are responsible for the issue of licenses to operate a child care business and determining the standards that operators must meet in order to obtain and retain a license. Any change or addition to the regulation imposed by any of the levels of government could negatively affect the operation of the centres and could negatively impact on the profitability of Affinity.

Changes to subsidies

Government subsidies through the Child Care Benefit and Child Care Rebate scheme represent a significant portion of Affinity's revenue. This subsidy is reviewed each year in the Federal Budget and any reduction may have a significantly adverse impact on the operations of Affinity. In addition, the Productivity Commission recently released its final report on future options for child care and early education which recommended changes to subsidies, including higher proportional support being redistributed towards lower and middle income earning families (incomes below $130,000). There is significant uncertainty about whether, when and in what form the Federal Government will implement any of these recommendations. While Affinity's child care centres are diversified across a wide range of socio economic areas, it is possible that any redistribution of subsidies implemented by the Federal Government could negatively impact Affinity's operations.

Regulatory risk and assessment and rating

The regulation and availability of the Child Care Benefit scheme is dependent upon individual child care centres being registered with the National Quality Framework. The assessment and rating process and receipt of government subsidies involves regular review by representatives of the Australian Children's Education and Care Quality Authority, including inspections of child care centres, the quality of services provided and facilities. Negative evaluations could result in loss of this registration, licence and the withdrawal of government subsidies. This would have a negative impact on Affinity's operations and financial position.

Integration risk

There is a risk that fully integrating existing centres (along with new centres to be acquired under the New Acquisition) may take longer or cost more than anticipated by Affinity. This could impact the profitability of Affinity and occupy large amounts of management's time. There is also no guarantee these centres will operate as profitably after integration as they did prior to their acquisition by Affinity. Past and future acquisitions may subject Affinity to unanticipated risks and liabilities, or disrupt its operations and divert resources from Affinity's day-to-day operations.

Technology and systems

Affinity is reliant on its information technology systems to efficiently manage its business and is in the process of implementing a number of changes to these systems to reduce costs and provide additional value to families. If these changes are not implemented in the way envisaged, this may result in cost overruns, diversion of management time and an inability to achieve the improvements sought.

Competition

Although there are barriers to entry in the child care industry, increased competition from existing and new industry participants may reduce Affinity's revenues and profits. In addition, Affinity faces competition from other companies involved in the consolidation of child care centres when seeking to acquire additional centres. This competition may increase the price that Affinity may be required to pay to acquire centres or limit the centres Affinity can acquire in the future.

Key risks (cont.)

AFFINITY EDUCATION GROUP

Completion of the acquisition agreements

If any of the acquisitions outlined in this presentation are not completed, or are not completed in the expected time frame, this may impact the profitability and financial forecasts of Affinity. In addition, agreements may be subject to third party consents (eg landlord) which may not be able to be obtained in a timely manner, or at all. If a significant number of these acquisitions cannot be completed, Affinity will be left with more excess funds than anticipated from the Entitlement Offer which it will seek to use for future acquisitions and to pay down its existing debt. However, no guarantee can be provided that Affinity will be able to use these funds (or additional debt capacity) to acquire other centres on similar terms or in a timely manner.

Due diligence risk

There is a risk that due diligence associated with the acquisition of centres has not identified issues that would have been material to the decision to acquire the centres. Further, there is a specific risk that information provided by the vendors on historical occupancy levels of the centres may not be reliable, and that this could affect Affinity's view on forecast occupancy levels, particularly in the early months after acquisition. The acquisition agreements for the acquisitions comprising the New Acquisition outlined in this Presentation remain subject to additional due diligence which may identify issues that prevent, or otherwise delay or increase the cost of, the acquisition completing.

Changes to key personnel

Affinity's business model depends on a management team with the talent and experience to integrate and manage new child care centres into Affinity's core business operations. There is a risk that operating and financial performance would be adversely affected by the loss of these key personnel.

Reputation risk

Having a good reputation is an important factor in ensuring that Affinity maintains the occupancy rates and earnings of the child care centres it will own. Being an owner of a large number of child care centres, there is a risk that an isolated incident occurring at one centre may impact on the reputation of Affinity and impact adversely on the profitability of all the other child care centres. The acquisition of additional child care centres further increases this risk.

Employee expense risk

Affinity's wage costs are the largest and most significant part of the group's total costs. Affinity has strategies in place to mitigate any wage increases and also assumes a commercial level of cost inflation per year. However, should circumstances arise through industry regulation or collective wide employee action that gives rise to costs outside of the inflation indexation assumption, then this event would reduce the profitability of Affinity.

Employee misconduct

Misconduct by employees could result in regulatory sanctions and serious reputational or financial harm to Affinity, the brands it maintains and the centres it operates.

Sourcing of high quality staff

Affinity requires high quality staff in order to deliver its services. Affinity may not be able to attract and retain high quality staff or the costs associated with doing so may be significantly higher which would adversely affect Affinity's financial performance.

No market sector diversification

As Affinity is entirely exposed to the child care sector, its business performance may be affected should this sector perform poorly.

Key risks (cont.)

Managing expansion

Management's ability to successfully manage Affinity's expansion and growth as a result of acquisitions is critical to its success. A failure or inability to properly manage expansion and growth, including failing to control costs, may negatively impact profitability and prospects.

Availability of funding

The Acquisition Facility provided by CBA is expected to expire in mid-2017 and, although Affinity has discussed potential facilities with CBA and other major banks, there is no guarantee that Affinity will be able to obtain funding on similar, or more favourable, terms in the future. A failure to obtain additional funding would restrict its ability to acquire additional child care centres in accordance with its business plan, which may negatively impact the company's profitability and prospects.

Insurance risks

Affinity will be exposed to the risk of liability. Affinity intends to maintain insurance policies, having regard to business risks and insurance costs. However, insurance may not always be available on acceptable terms or where available, provide cover to fully indemnify Affinity against occurrence of insured risks. The occurrence of an event that is not fully covered by insurance could have a material impact on the business, financial condition or results of Affinity. As with all insurance policies, there is also no guarantee that Affinity's insurance will respond in all situations where risks Affinity faces, materialise.

Inability to increase fees

Affinity assumes some indexation of fee income to offset the level of inflationary cost increases. If fee increases cannot be passed on due to regulation or market driven events, then the lower fee income will result in reduced profitability for Affinity which will have an adverse effect on Affinity's financial performance**.**

Operational risk and control

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which impact on Affinity's business. Affinity is exposed to operational risks present in the current business including risks arising from fraud, system failure, failure of security and physical protection systems. Operational risk has the potential to have an effect on Affinity's financial performance and position as well as reputation.

General

Economic

Changes in the general economic outlook both in Australia and globally may impact the performance of Affinity and its projects. Such changes may include: (a) contractions in the Australian economy or increases in the rate of inflation resulting from domestic or in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economy activity), (b) increases in expenses (including the cost of goods and services used by Affinity), (c) increase in unemployment rates, and (d) fluctuations in equity markets in Australia and internationally.

Changes in laws

Changes in laws (including tax and industrial relations laws) or their interpretation may affect the value of, and returns from, an investment in New Shares. For instance, changes in the taxation treatment of companies may adversely affect the market price of Affinity Shares.

Foreign selling restrictions

This document does not constitute an offer of entitlements ("Entitlements") or New Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Entitlements and New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). The Entitlements and the New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Entitlements and the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Entitlements and the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Entitlements and the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Entitlements and the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Entitlements or New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Foreign selling restrictions (cont.)

AFFINITY EDUCATION GROUP

Japan

The Entitlements and the New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Entitlements or New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Entitlements or New Shares is conditional upon the execution of an agreement to that effect.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The Entitlements and the New Shares in the entitlement offer are not being offered to the public within New Zealand other than to existing shareholders of Affinity with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the FMC Act and the Securities Act (Overseas Companies) Exemption Notice 2013.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the Entitlements and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Entitlements and New Shares, may not be issued, circulated or distributed, nor may the Entitlements and New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Affinity's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Foreign selling restrictions (cont.)

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Entitlements or the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and these securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Entitlements or the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to Affinity.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Corporate information

Affinity Education Group Limited
ABN 37 163 864 195

170 Scarborough Street
Southport QLD 4215
Australia

Justin Laboo
Chief Executive Officer and Managing Director

Paul Cochrane
Chief Financial Officer and Company Secretary

Website: www.affinityeducation.com.au