
DGI HOLDINGS LIMITED
(TO BE RENAMED "ICOLLEGE LIMITED")

ACN 105 012 066

NOTICE OF GENERAL MEETING

TIME: 10.00am

DATE: 14 March 2014

PLACE: Level 4, 16 Milligan Street, PERTH WA, 6000

The Directors believe the proposed change of activities is in the best interests of Shareholders and recommend that Shareholders vote in favour of all Resolutions set out in this Notice of Meeting.

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +618 9321 4000.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 10.00am on 14 March 2014 at:

Level 4, 16 Milligan Street, PERTH WA 6000

Your vote is important

The business of the Meeting affects your shareholding and your vote is important. The Board reserves the right not to implement any resolution although it may be passed by Shareholders.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00 pm (WST) on 12 March 2014.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment

does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

INDICATIVE TIMETABLE*

| Event | Date |
|---|------------------|
| Despatch Notice of Meeting seeking approval of Acquisition | 12 February 2014 |
| Lodgement of the Prospectus with ASIC | 17 February 2014 |
| General Meeting to approve Change in Nature and Scale of Activities | 14 March 2014 |
| Suspension of DGI's securities from trading on ASX at the opening of trading pre General Meeting | 14 March 2014 |
| Completion of Acquisition and issue of Shares under Post Consolidation Capital Raising | 25 March 2014 |
| Anticipated date the suspension of trading is lifted and DGI's securities commence trading again on ASX | 31 March 2014 |

*Note: this timetable is indicative only and is subject to change. The Directors of the Company reserve the right to amend the timetable. The timetable for the consolidation is set out in Section 4.6.

BUSINESS OF THE MEETING

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 50,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. 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.

2. RESOLUTION 2 – PLACEMENT – OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to grant 50,000,000 Options 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 person who may participate in the proposed issue and a 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 associates of those persons. 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.

3. RESOLUTION 3 – CHANGE IN NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as set out in the Explanatory Statement.”

Short Explanation: If successful, the Acquisition will result in the Company changing the nature and scale of its activities to include online education. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution 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 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.

4. RESOLUTION 4 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of Section 254H of the Corporations Act, ASX Listing Rule 7.20 and for all other purposes, approval is given for the issued capital of the Company to be consolidated on the basis that:

(a) every fifteen (15) Shares be consolidated into one (1) Share;
and

(b) every fifteen (15) Options be consolidated into one (1) Option,

where this Consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder, the Directors be authorised to round that fraction up to the nearest whole Share or Option.”

Short Explanation: The Company must consolidate its capital in order to satisfy Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company’s securities recommencing trading on the ASX following completion of the Acquisition.

5. RESOLUTION 5 – CREATION OF A NEW CLASS OF SECURITIES – PERFORMANCE SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That for the purposes of Section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: As part of the consideration for the Acquisition, the Company proposes to issue Performance Shares to the Vendors.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a 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 associates of those persons. 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.

6. RESOLUTION 6 – CAPITAL RAISING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue a minimum of 12,500,000 Shares and a maximum of 17,500,000 Shares (on a post-Consolidation basis), on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company must issue a Prospectus in order to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules and as a condition of the

Company's securities recommencing trading on the ASX following the Acquisition. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a 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 associates of those persons. 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.

7. RESOLUTION 7 – ISSUE OF CONSIDERATION SECURITIES TO THE VENDORS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue, on a pre Consolidation basis, up to:

- (a) 250,000,000 Shares;*
- (b) 125,000,000 Options;*
- (c) 150,000,000 Performance Shares and attaching 150,000,000 Options,*

pro-rata to the shareholders of iCollege Pty Limited (or their nominees), as consideration for the acquisition of 100% of the issued shares in iCollege Pty Limited, on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company has entered into a Heads of Agreement with iCollege Pty Limited (**iCollege**) and its shareholders under which the Company has agreed to make separate offers of Shares, Options and Performance Shares to the iCollege shareholders in order to acquire all of the issued share capital in iCollege. The Company seeks shareholder approval for the issue of the Shares and Options in accordance with ASX Listing Rule 7.1.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a 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 associates of those persons. 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.

8. RESOLUTION 8 – APPOINTMENT OF MR VICTOR HAWKINS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 3 to 7, for the purposes of clause 13.3 of the Constitution and for all other purposes, Mr Victor Hawkins is appointed as a Director of the Company.”

9. RESOLUTION 9 – APPOINTMENT OF PHILLIP RE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 3 to 7, for the purposes of clause 13.3 of the Constitution and for all other purposes, Mr Phillip Re is appointed as a Director of the Company.”

10. RESOLUTION 10 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, subject to and conditional upon the passing of Resolutions 3 to 7, for the purpose of Section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to iCollege Limited.”

Short Explanation: The Company proposes to change its name to more accurately reflect the proposed future activities of the Company, subject to the Acquisition proceeding.

Dated: 12 February 2014

By order of the Board

**ROGER STEINEPREIS
CHAIRMAN**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. OVERVIEW OF CHANGE OF ACTIVITIES

1.1 Background

DGI Holdings Limited (**DGI** or the **Company**) is a public company listed on the official list of ASX (ASX code: DGI) with its principal focus being the research, development and marketing of innovative miniature projection technologies and products. The Company was incorporated in June 2003 and was admitted to the official list of the ASX on 24 August 2009.

In addition to its principal business activities, the Company has been actively seeking to identify and evaluate new opportunities in related or non-related industries that may increase shareholder value.

1.2 Background to Change in Nature and Scale of Activities

On or about 28 November 2013, the Company entered into a heads of agreement (**Heads of Agreement**) where it was granted an exclusive option to acquire 100% of the issued share capital of iCollege Pty Ltd (ACN 160 943 386) (**iCollege**), an Australian proprietary company (**Acquisition**). As announced on 23 December 2013, the Company has exercised this option.

iCollege's key project is a cloud based software platform selling online education courses, which is the subject of a perpetual exclusive licence to iCollege (**Project**).

iCollege operates in the online education market, and additionally possesses a number of online domain names. As it is not in the same business as the existing business operations of DGI, Resolution 3 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to include online education.

Other information considered material to the Shareholders' decision on whether to pass Resolution 3 (and the other resolutions) is set out in this Explanatory Statement, and Shareholders are advised to read this information carefully.

1.3 About iCollege

iCollege is a spin out of a profitable existing online education business using a proven cloud based software platform to deliver self paced career and professional development courses worldwide.

The online education market is becoming one of the faster growing industries in the world. The ability to offer education online is scalable.

iCollege is a business developed by Victor Hawkins, a management consultant and business owner for the past 20 years, and who has spent the past 5 years successfully owning and operating a cloud based software platform selling other online education courses. It is this platform that is the subject of a perpetual exclusive licence to iCollege. The existing business is accredited as a registered training organisation with the Australian Government and is audited regularly. Based on Mr Hawkins's past operating experience in his existing business, where

he has consistently achieved EBITDA of approximately 50% per annum of sales revenue, he is confident he will develop the new business on a similar basis with access to capital.

iCollege has acquired a significant number of purpose driven online domain names, and the highly prized root domain name "icollege". These domains along with the cloud based online software platform and already developed courses are the key intellectual property assets that will develop a successful business. In addition, an experienced team of developers has been recruited to operate the business.

Upon completion of the Acquisition, Mr Hawkins will be appointed Managing Director of the Company to create the online education business initially marketing 21 courses over 12 months that have been hand selected by Mr Hawkins, rebranded and designed based on their popularity worldwide.

The courses that are intended to be marketed will include:

- Management;
- Coaching;
- Project Management;
- Counselling;
- Business;
- Marketing;
- Leadership;
- Entrepreneurship;
- Customer Service; and
- Sales.

The platform is an online cloud based technology that was created and designed by Mr Hawkins based on his research and development over 5 years. The platform is scalable and new courses and new countries can be added to the platform at minimal cost and very quickly. The platform also offers various growth opportunities including online apps and online education for companies that presently run off line courses.

The other advantages of the platform include:

- the dashboard provides details of all 4 stakeholders, being the student, administrator, trainer and management;
- the main key performance indicator's of each stakeholder is easily viewed on the dashboard;
- the platform can be executed by a small number of employees due to its functionality; and
- the system is fully automated.

There are four types of logins: Administrator, Management, Trainer and Student. Each login comes with its own menu system and access levels. The first view is for the Administrator.

The administrator has clarity over all aspects of a student's profile, including courses enrolled in and academic history. From this view you can manage all their payments and communicate directly with the students via email. The system also tracks all student enrolments and payments as a whole on a day by day basis, forming part of the KPIs monitored.

The student view has an eShop view. This is where you can purchase products as well as enrol in different courses and workshops. "My courses" and "Lessons" break down all the courses enrolled, the status to completion and the actual lessons themselves. There are also interactive communication opportunities with trainers including the provision of support in completing the work.

The trainers have a macro and micro view of the courses and the students workflow. The system generates notification emails automatically when students complete work and when marked by a trainer, which makes the system very efficient.

There is an automated function for emailing of questions from students and the trainers responses. Finally there is system generated reporting on markings completed in date ranges on courses which assists the Administrator of the business in managing the cash flow.

Growth in Online Education

The growth in online education is being driven by the following factors:

- Online education is one of the fastest growing industries.
- Demand from customers wanting the flexibility of online training.
- Increase in Gen X and Y heading back to school to up-skill, re-skill and pursue personal interests in a more structured and organised manner.
- People are more aware of adding value to what they can offer an employer in order to boost their promotion prospects and secure their job.
- Online education is still in its infancy, and the number of courses offered in fields beyond IT is certain to grow in the coming years, as more providers seek to adapt programs to fit the virtual format and existing providers expand their offering to increase the variety of online courses.
- iCollege's automated business model enables a significant increase in course offerings before additional overheads are required. This low overhead cost model enables iCollege to be price competitive and seek to achieve a high margin.
- Competition exists in the various courses, however, management believe their competitors do not have such a sophisticated automated system as iCollege.
- Industry Issues/Regulations – the online education industry in Australia does not require a registered training organisation ("RTO") certificate.

- Quality and reputation – as online education is relatively new, quality and provider reputation is vital. Mr Hawkins has this in place.
- Price – some providers market online education as the lower-cost alternative, however, the exception to this is the business school market, where price may be taken as a sign of quality.
- Economic conditions – in difficult times, companies may seek to reduce spending on items that are viewed as non-essential. However, demand from the individual is likely to increase as they seek to up-skill to become more employable.
- The pace of change – an increase in the pace of technological improvements or changes to business regulations can translate to increased demand for online professional development courses and IT courses which is why there has been significant growth in demand for short courses that update skills.
- Change in structure of workforce – demand for online education has been aided by the desire of working adults to retrain or up-skill for career change.
- International Trade - online education removes physical boundaries to service provision, which means that courses can be taken from anywhere in the world.
- Industry Globalisation - the online education industry has high potential for globalisation, as the online course delivery removes the national boundaries and allows competition at a global level.

The Education Tiers

The education market is broken in to the following Macro Market segments:

- University;
- Pathways to University;
- Vocational Accredited;
- Vocational Non-Accredited;
- High School;
- Primary School; and
- Pre-Primary.

iCollege has a primary focus on the vocational non accredited sector as it is the most globally scalable of the education sectors with 40 English speaking countries with a combined population of over 1.5 billion.

Australian Competitors

The three large players in this relatively young industry are: Open Universities Australia, SEEK Learning and Kaplan Professional.

Kaplan Professional – Kaplan Professional offers financial services education and is one of four businesses run by Kaplan (a subsidiary of the Washington Post) in

Australia. Kaplan Professional offers accredited educational modules in financial services, real estate, tax and accounting. They also offer customised training and public education courses which can be delivered in-house at the business premises (online Education in Australia, June 2011 IBISWORLD).

SEEK Ltd – Seek is a publicly listed company founded in 1997, which runs the well known job search website and an expanding education and training business. SEEK has established a position within the Online Education industry through its SEEK Learning operation and ownership of colleges under Think: Education Group Pty Ltd (Online Education in Australia, June 2011 IBISWORLD).

1.4 Key Terms of the Heads of Agreement

In accordance with the terms of the Heads of Agreement, the Company has been granted an option from each of the shareholders in iCollege (**Vendors**) to acquire 100% of their iCollege shares, conditional upon completion occurring in accordance with the Heads of Agreement. These options have now been exercised.

The key terms of the Heads of Agreement are as follows:

(a) **Conditions Precedent**

Completion of the Acquisition is subject to (amongst other things) the mutual satisfaction or waiver by the parties of the following conditions precedent on or before the date that is 3 months after exercise of the options:

- (i) DGI obtaining all regulatory and shareholder approvals as required including:
 - (A) to issue the Consideration Securities to the Shareholders to complete the acquisition of 100% of the iCollege Shares;
 - (B) to undertake a consolidation on a ratio to be determined by DGI but consistent with the ASX Listing Rules. This has been set as one (1) Share for every fifteen (15) Shares held and one (1) Option for every fifteen (15) Options held;
 - (C) the change of name of DGI to iCollege Limited; and
 - (D) to issue shares in DGI under a capital raising in an amount sufficient for DGI to re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- (ii) DGI completing a financial and legal due diligence on iCollege, and the results of the due diligence being to the satisfaction of DGI, including DGI being satisfied with the terms of the exclusive perpetual licence between iCollege and National Education Academy Pty Ltd;
- (iii) DGI preparing a prospectus for a capital raising sufficient to enable DGI to be reinstated to quotation on ASX, lodging the prospectus with the Australian Securities and Investments Commission (**ASIC**) and receiving sufficient applications to meet the minimum subscription under the prospectus; and

- (iv) DGI receiving a letter from ASX confirming that it will re-instate DGI to trading on ASX following compliance with Chapters 1 and 2 of the ASX Listing Rules, with the terms of the letter acceptable to DGI and iCollege.

(b) **Consideration**

In exchange for the Company acquiring 100% of the issued share capital in iCollege, the Company will issue by way of consideration on a pre-Consolidation basis, the following to the iCollege shareholders and (in proportion to their existing holdings in iCollege):

- (i) 250,000,000 Shares;
- (ii) 125,000,000 Options, issued on the same terms as the existing Options, set out in Schedule 1; and
- (iii) 150,000,000 performance shares on the terms set out in Schedule 2 (**Performance Shares**), together with 1 free attaching option for every one Performance Share issued on the terms set out in Schedule 1 (**Performance Options**),

(together, the **Consideration Securities**).

The Consideration Securities will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules.

Approval for the issue of the Consideration Securities to the Vendors is the subject of Resolution 7.

(c) **Consolidation of Capital**

As required by the ASX Listing Rules, the Company will undertake a consolidation of its issued capital on the basis of one (1) Share for every fifteen (15) Shares held and one (1) Option for every fifteen (15) Options held (**Consolidation**) so that the Company's Shares are valued at a minimum of \$0.20 each following the Consolidation.

Approval for the Consolidation is the subject of Resolution 4.

(d) **Capital Raising**

In order to fund the Acquisition and to re-comply with Chapters 1 and 2 of the ASX Listing Rules, the Company will conduct a capital raising (**Post Consolidation Capital Raising**) of a minimum of 12,500,000 Shares to raise up to \$2,500,000 (before costs) at an issue price of at least \$0.20 (following the Consolidation as defined above). The minimum amount that may be raised under the Prospectus is \$2,500,000 (before costs). The Capital Raising will be conducted under a full form prospectus to be prepared by DGI. The Company is seeking oversubscriptions for up to an additional \$1,000,000 by the issue of up to 5,000,000 Shares.

Approval for the issue of Shares pursuant to the Capital Raising is the subject of Resolution 6.

(e) **New Board of Directors**

In accordance with the terms of the Heads of Agreement, each of the existing directors of DGI will resign from their current positions with DGI

and the Company will appoint in their place the following iCollege directors to the Board of DGI:

Mr Victor Hawkins – CEO and Managing Director; and

Mr Phillip Re - Non-Executive Director.

An additional new appointment is intended but has not been confirmed at the date of this Notice.

(f) **Change of Name**

As a result of the Acquisition, the Company proposes to change its name to iCollege Limited.

Approval for the change of name is the subject of Resolution 10.

1.5 Pro forma balance sheet

An unaudited pro forma balance sheet of the Company following completion of the Acquisition contemplated by this Notice of Meeting is set out in Schedule 3.

1.6 Pro forma capital structure

The pre-Consolidation and post-Consolidation capital structure of the Company following completion of the Acquisition is set out below:

| Pre Consolidation | | | | |
|---|--|--|--------------------------------|--------------------------|
| Securities | | | Shares | Options |
| Existing issued securities pre Initial Capital Raising ¹ | | | 337,956,790 | 46,863,944 ² |
| Consideration Securities | | | 250,000,000 | 125,000,000 ³ |
| Initial Capital Raising | | | 50,000,000 | 50,000,000 ⁴ |
| TOTAL SECURITIES PRE CONSOLIDATION | | | 637,956,790⁵ | 221,863,944 |
| Post Consolidation | | | | |
| Securities On Issue Post Consolidation | | | 42,530,453 | 14,790,933 |
| Post Consolidation Capital Raising | | | 12,500,000 | Nil |
| TOTAL SECURITIES POST CONSOLIDATION | | | 55,030,453 | 14,790,933 |

| Performance Securities (post-consolidation) | Performance Shares | Performance Options |
|--|---------------------------|----------------------------|
| Tranche 1 issued on the terms set out in Schedule 2 | 3,333,334 | 3,333,334 |
| Tranche 2 issued on the terms set out in Schedule 2 | 3,333,334 | 3,333,334 |
| Tranche 3 issued on the terms set out in Schedule 2 | 3,333,334 | 3,333,334 |

Notes

¹ Assumes no further securities are issued prior to completion of the Acquisition, other than as set out in the table.

² This figure comprises 46,438,750 unlisted options each exercisable at \$0.01 on or before 31 December 2015, 89,318 unlisted options each exercisable at \$0.0927 on or before 8 July 2014, 57,693 unlisted options each exercisable at \$0.27018 on or before 18 March 2014, 53,183 unlisted options each exercisable at \$0.3537 on or before 11 March 2014, 50,000 unlisted options each exercisable at \$2.00 on or before 1 May 2017 and 175,000 unlisted options each exercisable at \$2.00 on or before 28 August 2014.

³ The Consideration Options will be unlisted and each exercisable at \$0.02 on or before 31 March 2019.

⁴ The Capital Raising Options will be unlisted and each exercisable at \$0.02 on or before 31 March 2019.

⁵ Assumes that no Options are exercised.

1.7 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in the Company's shares;
- (b) the Acquisition provides an opportunity for the Company to diversify its interests to include iCollege, an online education business using a proven online cloud based software platform;
- (c) the new Board of Directors will provide an experienced set of skills to guide the growth of the Company in the activities relevant to the new business;
- (d) the acquisition of iCollege provides the Company with the opportunity to increase the value of the Company; and
- (e) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Acquisition.

1.8 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Company will be changing the nature and scale of its activities to become a company focused on an online education business as referred to above, which may not be consistent with the objectives of all Shareholders;
- (b) the Acquisition and the Capital Raising will result in the issue of Shares and Options to the iCollege Shareholders and new investors, which will have a dilutionary effect on the holdings of Shareholders; and
- (c) there are inherent risks associated with the change in nature of the Company's activities. Some of these risks are summarised in Section 1.9 below.

1.9 Risk factors

Shareholders should be aware that if the proposed Acquisition is approved, the Company will be changing the nature and scale of its activities. Based on the information available, a non-exhaustive list of risk factors are as follows:

Risks relating to the Change in Nature and Scale of Activities

(a) **Re-Quotation of Shares on ASX**

The acquisition of iCollege constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) **Dilution Risk**

The Company currently has 387,956,790 shares on issue (on a pre-Consolidation basis and including the Initial Capital Raising Shares) and will issue a further 50,000,000 Options if Resolution 2 is approved. On completion of the Acquisition, the Company proposes to issue the relevant number of Shares, Options and Performance Shares/Options under the Acquisition and issue a minimum of a further 12,500,000 Shares (on a post-Consolidation basis) as part of the capital raising. On issue of the consideration under the Acquisition and the minimum subscription of the Shares under the Capital Raising (assuming no exercise of Options, or conversion of Performance Shares/Options), the existing Shareholders will retain approximately 47% of the issued capital of the Company, with the Vendors holding 30.29% and the investors under the Capital Raising holding 22.71% of the issued capital of the Company respectively.

On issue of the consideration under the Acquisition and the maximum subscription of the Shares under the Capital Raising, (assuming no exercise of Options, or conversion of Performance Shares/Options), the existing Shareholders will retain approximately 43.08% of the issued capital of the Company, with the Vendors holding 27.76% and the investors under the Capital Raising holding 29.15% of the issued capital of the Company respectively.

If subsequently the performance milestones are met and all the Performance Shares are converted and all the Performance Options/Options exercised (and provided no other Shares are issued or Options exercised), the interests of the existing Shareholders in the Company will reduce to 29.83% on a post-offer basis, assuming minimum subscription under the Capital Raising. The interests of the existing Shareholders in the Company will reduce to 28.21% on a post-offer basis, assuming maximum subscription under the Capital Raising.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the Project.

(c) **Liquidity Risk**

On completion of the Acquisition, the Company proposes to issue 250,000,000 Shares, 150,000,000 Performance Shares, 150,000,000 Performance Options, and 125,000,000 Options to the Vendors (on a pre-Consolidation basis). These securities will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules. Based on the post-offer capital structure (on a pre-Consolidation basis) (and assuming no further Shares are issued or Options exercised), these Shares will equate to approximately 30.29% of the post-Offer issued Share capital (assuming minimum subscription under the Capital Raising). This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) **Contractual Risk**

Pursuant to the Heads of Agreement (summarised above) the Company has agreed to acquire 100% of iCollege, subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the Vendors of their obligations under the Heads of Agreement. If the Vendors or any other counterparty defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

Risks relating to the Company's operations

(a) **Future capital requirements**

Future funding may be required by the Company to develop the Project or more likely, additional projects that the Company may identify. There can be no assurance that such funding will be available on satisfactory terms or at all. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations as the case may be, which may adversely affect the business and financial condition of the Company and its performance.

General Risks

(a) Management of growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Acquisition. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

(b) Competition risk

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(c) Market risk

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism and other hostilities.

(d) Potential acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or projects. Any such future transactions would be accompanied by the risks commonly encountered in making such acquisitions.

(e) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel, notably Victor Hawkins. There can be no assurance given that there will be no detrimental impact on the Company if Mr Hawkins or one or more of these employees cease their employment.

(f) **Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

1.10 Plans for the Company if the Resolutions are not passed

If the Resolutions are not passed and the acquisition of iCollege is not completed, the Company will continue to develop its existing activities and look for potential projects in order to continue to take the Company forward.

1.11 Directors' Recommendation

The Directors of the Company unanimously recommend the Acquisition (and change in nature and scale of the Company's activities) and that Shareholders vote in favour of the proposed Resolutions.

2. RESOLUTIONS 1 AND 2 – RATIFICATION OF PRIOR ISSUE AND APPROVAL OF NEW ISSUE – SHARES AND OPTIONS

2.1 General

The Company has announced the completion of a capital raising of \$250,000 through the issue of 50,000,000 Shares at an issue price of \$0.005 per Share. The grant of 1 free attaching Option for every 1 Share subscribed for and issued under the full capital raising of 50,000,000 Shares was agreed subject to the receipt of shareholder approval (**Initial Capital Raising**).

The Company issued 50,000,000 Shares the subject of the Initial Capital Raising without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

As there was not sufficient capacity to issue the Options, that issue was subject to shareholder approval.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

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

By ratifying the issue of 50,000,000 Shares and approving the grant of the Options, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.2 Technical information required by ASX Listing Rule 7.4 for Resolution 1

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification under Resolution 1:

- (a) 50,000,000 Shares were issued;
- (b) the issue price per Share was \$0.005;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to clients of Truestone Capital. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue will be used as re-imbusement of the payment of the option fee of \$75,000, for the preparation of this Notice of Meeting, for the preparation of the prospectus for the capital raising including the payment of all expert fees, and general working capital for administration fees and the existing business operations of the Company.

2.3 Technical information required by ASX Listing Rule 7.1 for Resolution 2

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue under Resolution 2:

- (a) 50,000,000 Options are to be issued;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the issue price of the Options is nil as they will be granted as free attaching with the Shares the subject of Resolution 1, on a one for one basis;
- (d) the Options will be issued on the terms and conditions set out in Schedule 1;
- (e) the Options will be issued to clients of Truestone Capital. None of these subscribers will be related parties of the Company; and
- (f) the funds to be raised from this issue will be used for the purposes set out in section 2.2(e).

3. RESOLUTION 3 – APPROVAL FOR CHANGE IN NATURE AND SCALE OF ACTIVITIES

3.1 General

Resolution 3 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the 100% acquisition of iCollege.

A detailed description of the proposed acquisition of iCollege is outlined in Section 1 above.

3.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has confirmed to the Company that given the significant change in the nature and scale of the activities of the Company upon completion of the acquisition of iCollege, it requires the Company to:

- (a) obtain the approval of its Shareholders for the proposed change of activities; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2 and pursuant to ASX Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are set out throughout this Explanatory Statement.

4. RESOLUTION 4 – CONSOLIDATION OF CAPITAL

4.1 Background

Resolution 4 seeks Shareholder approval to consolidate the number of Shares and Options on issue on a one (1) for fifteen (15) basis (**Consolidation**).

The Consolidation is a requirement in order for the Company to re-comply with ASX Listing Rules 1 and 2 (which, as set out in Section 3.2 above, is necessary in order for the Acquisition to proceed).

4.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares and options into a larger or smaller number.

4.3 Fractional entitlements and taxation

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly consolidated on a one (1) for fifteen (15) basis. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share and Option.

Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Directors (or the Company's advisors) accept any responsibility for the individual taxation implications arising from the Consolidation.

4.4 Holding statements

From the date of the Consolidation all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares and Options on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares and Options to be issued to holders of those Shares and Options.

It is the responsibility of each Shareholder and Optionholder to check the number of Shares and Options held prior to any disposal or exercise (as the case may be).

4.5 Effect on capital structure

The effect which the Consolidation will have on the capital structure of the Company is set out in the table in Section 1.6 of this Explanatory Statement.

The effect the Consolidation will have on the terms of the Options is as set out in the tables below:

Options – Pre Consolidation

| Terms | Number |
|---|--------------------|
| Options exercisable at \$0.01 by 31 December 2015 | 46,438,750 |
| Options exercisable at \$0.0927 on or before 8 July 2014 | 89,318 |
| Options exercisable at \$0.27018 on or before 18 March 2014 | 57,693 |
| Options exercisable at \$0.3537 on or before 11 March 2014 | 53,183 |
| Options exercisable at \$2.00 on or before 1 May 2017 | 50,000 |
| Options exercisable at \$2.00 on or before 28 August 2014 | 175,000 |
| Options exercisable at \$0.02 on or before 31 March 2019 | 125,000,000 |
| Options exercisable at \$0.02 on or before 31 March 2019 | 50,000,000 |
| Total | 221,863,944 |

Options – Post Consolidation

| Terms | Number |
|--|-----------|
| Options exercisable at \$0.15 by 31 December 2015 | 3,095,917 |
| Options exercisable at \$1.3905 on or before 8 July 2014 | 5,955 |
| Options exercisable at \$4.0527 on or before 18 March 2014 | 3,847 |
| Options exercisable at \$5.3055 on or before 11 March 2014 | 3,546 |
| Options exercisable at \$30.00 on or before 1 May 2017 | 3,334 |

| | |
|--|-------------------|
| Options exercisable at \$30.00 on or before 28 August 2014 | 11,667 |
| Options exercisable at \$0.30 on or before 31 March 2019 | 8,333,334 |
| Options exercisable at \$0.30 on or before 31 March 2019 | 3,333,334 |
| Total | 14,790,933 |

4.6 Timetable

The indicative timetable for the Consolidation is as follows:

| Event | Date |
|---|---------------|
| General Meeting to approve transaction | 14 March 2014 |
| Notification to ASX of results of General Meeting | 14 March 2014 |
| Last day for trading in pre-reorganised securities | 17 March 2014 |
| Trading in reorganised securities on a deferred settlement basis would ordinarily occur | 18 March 2014 |
| Last day to register transfers on a pre-reorganisation basis | 24 March 2014 |
| First day for Company to send notice to Shareholders and Optionholders of change of holdings as a result of reorganisation First day for Company to register securities on a post-reorganisation basis and for issue of holding statements | 25 March 2014 |
| Issue date Deferred settlement market ends Last day for securities to be entered into the holders' security holdings and for Company to send notice to each security holder | 31 March 2014 |

5. RESOLUTION 5 – CREATION OF A NEW CLASS OF SECURITIES – PERFORMANCE SHARES

Resolution 5 seeks Shareholder approval for the Company to be authorised to issue Performance Shares.

A company with a single class of shares on issue that proposes to issue new shares not having the same rights as its existing shares, is taken to vary the rights of existing shareholders unless the Constitution already provides for such an issue.

Section 246B of the Corporations Act provides that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the holders of the issued shares of the affected class; or
- (b) the written consent of the holders of 75% of the votes of the affected class.

The Company proposes issuing a total of 150,000,000 Performance Shares (**Performance Shares**). Each Performance Share will, if certain milestones are achieved, convert into one (1) fully paid ordinary share. The full terms and conditions of the Performance Shares are set out in Schedule 2 of this Notice.

The Company currently has only one class of shares on issue being the Shares (fully paid ordinary shares). The terms of the Performance Shares are not the same as the Shares. Accordingly, the Company seeks approval from Shareholders for creation of the class, and subsequent issue of, the Performance Shares.

The purpose of the issue of the Performance Shares is to provide equity based incentive and reward to the Participating Shareholders, being key personnel and key investors of the Company, and to link that incentive and reward to certain key performance criteria, being the achievement of the Milestones.

The terms of the Performance Shares are subject to ASX approval.

6. RESOLUTION 6 – CAPITAL RAISING

6.1 General

Resolution 6 seeks Shareholder approval for the issue of up to 17,500,000 Shares at an issue price of not less than \$0.20 per Share to raise up to a total of \$3,500,000 (on a post-Consolidation basis and before costs) (**Post Consolidation Capital Raising**) under a prospectus to be issued by the Company pursuant to ASX Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules (**Prospectus**). The minimum amount that may be raised under the Prospectus is \$2,500,000 (before costs).

The Company intends to issue the Prospectus on or about 21 February 2014.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 6 will be to allow the Directors to issue the Shares pursuant to the Post Consolidation Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the offer of Shares under the Prospectus:

- (a) the maximum number of securities to be issued is 17,500,000 Shares (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the same date;
- (c) the issue price will be not less than \$0.20 per Share (on a post-Consolidation basis);
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (e) the Directors will determine to whom the Shares will be issued and will ensure that these persons will not be related parties of the Company; and
- (f) the Company intends to use the funds raised (\$3,500,000, before costs) from the Post Consolidation Capital Raising to enable the Company to fund the following:
 - (i) development of the relevant courses and marketing of the courses (this is expected to be approximately \$2,000,000 over 2 years);
 - (ii) administration costs, including ASX fees, registry fees, director fees, and staff salaries; and
 - (iii) general working capital.

Further details on the use of funds will be set out in the Prospectus that will be issued in respect of the Post Consolidation Capital Raising.

7. RESOLUTION 7 – ISSUE OF CONSIDERATION SECURITIES TO THE VENDORS

7.1 General

As outlined in Section 1 of this Explanatory Statement, the Company has entered into the Heads of Agreement pursuant to which the Company has the right to acquire 100% of the issued share capital of iCollege.

In consideration for the acquisition of all the shares in iCollege, the Company is required, subject to Shareholder approval, to issue the following securities on completion of the Acquisition to the iCollege shareholders on a pro-rata pre-consolidation basis:

- (a) 250,000,000 Shares;
- (b) 125,000,000 Options, issued on the same terms as the existing Options, set out in Schedule 1; and
- (c) 150,000,000 performance shares (**Performance Shares**) on the terms set out in Schedule 2 and 150,000,000 Performance Options on the same terms set out in Schedule 1.

The Consideration Securities will be subject to escrow restrictions for either 12 or 24 months from their date of issue in accordance with the ASX Listing Rules. As at the date of this Notice of Meeting, ASX has not made a determination in this regard but expects to do so prior to any final approval for the reinstatement of the Company's securities on ASX.

The terms of the Heads of Agreement are summarised in Section 1.4 above.

A summary of ASX Listing Rule 7.1 is set out in Section 2.1.

The effect of Resolution 7 will be to allow the Directors to issue the Consideration Securities to the Vendors during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Securities in accordance with Resolution 7:

- (a) the maximum number of securities to be issued is 250,000,000 Shares (on a pre-Consolidation basis), 150,000,000 Performance Shares (on a pre-Consolidation basis) and 275,000,000 Options (on a pre-Consolidation basis);
- (b) the Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the same date;
- (c) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (and will rank equally with the Company's existing Shares);
- (d) the full terms and conditions of the Options are set out in Schedule 1;
- (e) the full terms and conditions of the Performance Shares are set out in Schedule 2;
- (f) the Consideration Securities will be issued to the Vendors (none of which are related parties of the Company other than by reason of the Acquisition) in accordance with their respective interests in iCollege as set out in Schedule 4; and
- (g) the Consideration Securities will be issued for nil cash consideration for the acquisition of iCollege, pursuant to the Heads of Agreement (a summary of which is set out in Section 1.4 of this Explanatory Statement). Accordingly, no funds will be raised from their issue.

8. RESOLUTION 8 – APPOINTMENT OF MR VICTOR HAWKINS

In accordance with clause 13.3 of the Company's constitution, the Company may elect a person as a Director by resolution passed at a general meeting. A Director elected at a general meeting is taken to have been elected with effect immediately after the end of the general meeting.

The Company is seeking Shareholder approval for appointment of Mr Victor Hawkins as a director of the Company. It is intended that Mr Hawkins will serve the Company as CEO and Managing Director.

9. RESOLUTION 9 – APPOINTMENT OF MR PHILLIP RE

In accordance with clause 13.3 of the Company's constitution, the Company may elect a person as a Director by resolution passed at a general meeting. A Director elected at a general meeting is taken to have been elected with effect immediately after the end of the general meeting.

The Company is seeking Shareholder approval for appointment of Mr Phillip Re as a director of the Company. It is intended that Mr Re will serve the Company as non-executive director.

10. RESOLUTION 10 - CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 10 seeks the approval of Shareholders for the Company to change its name to iCollege Limited.

If Resolution 10 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 10 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Acquisition in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

GLOSSARY

\$ means Australian dollars.

Acquisition has the meaning set out in section 1.2 of this Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company or **DGI** means DGI Holdings Limited (ACN 105 012 066).

Consideration Securities has the meaning set out in section 1.4 of this Notice.

Constitution means the Company's constitution.

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

DGI or the **Company** means DGI Holdings Limited (ACN 105 012 066).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Heads of Agreement has the meaning set out in section 1.2 of this Notice.

iCollege means iCollege Pty Ltd ACN 160 943 386.

iCollege Shares means 100% of the fully paid ordinary shares in the capital of iCollege.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Option Fee means the fee of \$75,000 paid to iCollege in consideration of the grant of the option to DGI.

Optionholder means a holder of an Option.

Performance Share means a share issued in the capital of DGI on the terms set out in Schedule 2.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a registered holder of a Share.

Vendors has the meaning set out in section 1.4 of this Notice.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with these terms and conditions.
- (b) The Options will expire at 5:00pm (WST) on 31 March 2019 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.02 (pre-consolidation) (**Exercise Price**).
- (d) If prior to the expiry date of the Options:
 - (i) the Company is required by the ASX to re-comply with Chapters 1 and 2 of the ASX Listing Rules;
 - (ii) the Company has received conditional approval for reinstatement to trading of its securities on ASX (at a time when the Company reasonably believes it can fulfil all of the requirements of Chapters 1 and 2 of the ASX Listing Rules) (**Conditional Approval**); and
 - (iii) at the time the Company receives the Conditional Approval, the Exercise Price is less than \$0.20 (having potentially been adjusted in accordance with ASX Listing Rule 7.22.1 following a consolidation of the Company's issued shares), then the Exercise Price will be increased to \$0.20.
- (e) The Options may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.
- (f) Optionholders may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).
- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (i) The Options are freely transferable.
- (j) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

- (k) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of the Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six (6) Business Days after the issue is announced. This will give the Optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.

SCHEDULE 2 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

The terms of the Performance Shares are set out as follows:

1. General

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of DGI.
- (b) **(General Meetings)** The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of DGI that are circulated to shareholders. The Holder has the right to attend general meetings of shareholders of DGI.
- (c) **(No Voting Rights)** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of DGI.
- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Performance Shares participate in the surplus profits or assets of DGI upon winding up of DGI only to the extent of \$0.000001 per Performance Share.
- (f) **(Not Transferable)** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of DGI is reconstructed, all rights of the Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares (**Ordinary Shares**) DGI must within seven (7) days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on ASX.
- (i) **(No Other Rights)** The Performance Shares give the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) **(Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Ordinary Shares such as bonus issues and entitlement issues.
- (k) **(Reconstruction)**
 - (i) If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of DGI, the basis for adjustment of the conversion of Performance Shares into Ordinary Shares will be reconstructed in the same proportion as the issued capital of DGI is reconstructed and in a manner which will not result in any additional benefits being conferred on the Holder which are not conferred on the Shareholders of DGI, (subject to the same provisions with respect to rounding of

entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Performance Shares will remain unchanged.

- (ii) The adjustments of this term will, subject to the ASX Listing Rules, be determined by DGI.

2. Conversion and Redemption of the Performance Shares

- (a) **(Performance Milestones)** If the following performance hurdles are satisfied, the Performance Shares will convert into Ordinary Shares as follows:

- (i) if iCollege achieves \$1,000,000 in gross revenue for any continuous period of 12 months within a period of 2 years from the date of issue of the Performance Shares (**Milestone 1**) then 50,000,000 Performance Shares will convert into 50,000,000 Ordinary Shares;
- (ii) if iCollege achieves \$500,000 in earnings before interest, tax, depreciation and amortisation for any continuous period of 12 months within a period of 2 years from the date of issue of the Performance Shares (**Milestone 2**) then 50,000,000 Performance Shares will convert into 50,000,000 Ordinary Shares; and
- (iii) if iCollege achieves \$2,500,000 in earnings before interest, tax, depreciation and amortisation for any continuous period of 12 months within a period of 3 years from the date of issue of the Performance Shares (**Milestone 3**) then 50,000,000 Performance Shares will convert into 50,000,000 Ordinary Shares.

- (b) **(Redemption if Milestones not achieved)** If:

- (i) Milestone 1 is not achieved within a 2 year period commencing on the date of issue of the Performance Shares (**Milestone 1 Determination Date**), then 50,000,000 Performance Shares held by the Holders will be automatically redeemed by DGI for the sum of \$0.000001 per Performance Share within 10 business days of the Milestone 1 Determination Date;
- (ii) Milestone 2 is not achieved within a 2 year period commencing on the date of issue of the Performance Shares (**Milestone 2 Determination Date**), then 50,000,000 Performance Shares held by the Holders will be automatically redeemed by DGI for the sum of \$0.000001 per Performance Share within 10 business days of the Milestone 2 Determination Date; or
- (iii) Milestone 3 is not achieved within a 3 year period commencing on the date of issue of the Performance Shares (**Milestone 3 Determination Date**), then 50,000,000 Performance Shares held by the Holders will be automatically redeemed by DGI for the sum of \$0.000001 per Performance Share within 10 business days of the Milestone 3 Determination Date.

- (c) **(Conversion Procedure)** DGI will issue the Holder with a new holding statement for the Ordinary Shares as soon as practicable following the

conversion of the Performance Shares into Ordinary Shares in accordance with condition 2(a).

- (d) **(Ranking of Shares)** The Ordinary Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Ordinary Shares.

SCHEDULE 3 – PRO FORMA BALANCE SHEET

| | Notes | (Unaudited) 30 November 2013 | (Unaudited) Pro-forma |
|----------------------------------|-------|------------------------------------|--------------------------|
| | | \$ | \$ |
| Current Assets | | | |
| Cash assets | 1 | 790,460 | 3,351,072 |
| Receivables | | 39,393 | 39,393 |
| Inventories | | 2,090 | 2,090 |
| Total current assets | | <u>831,943</u> | <u>3,392,555</u> |
| Net Current Assets | | | |
| Property, plant & equipment | | 20,640 | 20,640 |
| Intangible assets | 2 | 33,349 | 2,833,349 |
| Total non-current assets | | <u>53,989</u> | <u>2,853,989</u> |
| Total assets | | <u>885,932</u> | <u>6,246,544</u> |
| Current Liabilities | | | |
| Trade payables | | 18,025 | 18,025 |
| Contingent consideration payable | 3 | - | 1,050,000 |
| Total current liabilities | | <u>18,025</u> | <u>1,068,025</u> |
| Total liabilities | | <u>18,025</u> | <u>1,068,025</u> |
| Net assets | | <u>867,907</u> | <u>5,178,519</u> |
| Equity | | | |
| Issued capital | 4 | 26,131,311 | 30,766,923 |
| Share issue cost | 5 | (191,254) | (441,254) |
| Share based payments reserve | | 116,130 | 116,130 |
| Accumulated losses | 6 | (25,188,280) | (25,263,280) |
| Total equity | | <u>867,907</u> | <u>5,178,519</u> |

NOTE 1: CASH ASSETS

| | \$ |
|---|------------------|
| Balance at 30 November 2013 | 790,460 |
| Funds from exercised options on issue | 135,612 |
| Funds raised from placement | 250,000 |
| Payment of option fee to acquire iCollege | (75,000) |
| Funds raised from Prospectus | 2,500,000 |
| Expenses of the issue | (250,000) |
| Closing balance | <u>3,351,072</u> |

NOTE 2: INTANGIBLES ASSETS

| | \$ |
|---------------------------------------|------------------|
| Balance at 30 November 2013 | 33,349 |
| Acquisition of intellectual property* | <u>2,800,000</u> |
| | <u>2,833,349</u> |

*250,000,000 upfront shares plus 150,000,000 performance shares at \$0.007

NOTE 3: CONTINGENT CONSIDERATION PAYABLE

| | \$ |
|-----------------------------------|------------------|
| Balance at 30 November 2013 | - |
| Contingent for performance shares | <u>1,050,000</u> |
| Closing balance | <u>1,050,000</u> |

NOTE 4: ISSUED CAPITAL

| | \$ |
|--|-------------------|
| Balance at 30 November 2013 | 26,131,311 |
| Exercise of options on issue | 135,612 |
| Funds raised from placement | 250,000 |
| Exercise of option to acquire iCollege | 1,750,000 |
| Funds raised from Prospectus | <u>2,500,000</u> |
| Closing balance | <u>30,766,923</u> |

NOTE 5: SHARE ISSUE COST

| | \$ |
|---|----------------|
| Balance at 30 November 2013 | 191,254 |
| Share issue cost pursuant to the issue of securities under the Prospectus | 250,000 |
| Closing balance | <u>441,254</u> |

NOTE 6: ACCUMULATED LOSSES

| | \$ |
|---|-------------------|
| Balance at 30 November 2013 | 25,188,280 |
| Payment of option fee to acquire iCollege | 75,000 |
| Closing balance | <u>25,263,280</u> |

SCHEDULE 4 – SHAREHOLDERS OF ICOLLEGE

| Shareholders | iCollege Shares | Shareholder's Respective Proportion (%) | Shares | Options | Tranche 1 Performance Shares | Tranche 2 Performance Shares | Tranche 3 Performance Shares |
|---|-----------------|---|-------------|-------------|------------------------------|------------------------------|------------------------------|
| Performa Capital Pty Ltd ATF Performa Trust | 90 | 45.00 | 112,500,000 | 56,250,000 | 22,500,000 | 22,500,000 | 22,500,000 |
| Traditional Securities Group Pty Ltd | 35 | 17.50 | 43,750,000 | 21,875,000 | 8,750,000 | 8,750,000 | 8,750,000 |
| Rivergrade Pty Ltd ATF Rivergrade Trust | 25 | 12.50 | 31,250,000 | 15,625,000 | 6,250,000 | 6,250,000 | 6,250,000 |
| Frontier Capital Pte Ltd | 50 | 25.00 | 62,500,000 | 31,250,000 | 12,500,000 | 12,500,000 | 12,500,000 |
| | | | | | | | |
| TOTAL | 200 | 100.00 | 250,000,000 | 125,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |

APPOINTMENT OF PROXY FORM

DGI HOLDINGS LIMITED
ACN 105 012 066

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, 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 Meeting to be held at 10:00 am, on 14 March 2014 at Level 4, 16 Milligan Street, PERTH WA, 6000, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

| | FOR | AGAINST | ABSTAIN |
|---|--------------------------|--------------------------|--------------------------|
| Resolution 1 Ratification of prior issue - shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 Placement - options | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 Change in nature and scale of activities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 Consolidation of capital | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 Creation of a new class of securities - performance shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 Capital Raising | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 Issue of Consideration Shares to Vendors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 8 Appointment of Victor Hawkins | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 9 Appointment of Phillip Re | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 10 Change of Company name | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please 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 be counted in computing the required majority on a poll.

Important for Resolutions 1 - 3 and 5 - 7

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 1 - 3 and 5 - 7 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolutions 1 - 3 and 5 - 7 (except where I/we have indicated a different voting intention above) and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolutions 1 - 3 and 5 - 7 and that votes cast by the Chair for Resolutions 1 - 3 and 5 - 7, other than as proxy holder, will be disregarded because of that interest.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 1 - 3 and 5 - 7 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 - 3 and 5 - 7.

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

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail: YES NO

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder 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 provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to DGI Holdings Limited, GPO Box 2799, Perth WA 6001; or
 - (b) facsimile to the Company on facsimile number +61 8 9321 4333; or
 - (c) email to the Company at info@dgiholdings.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.
