# DGI HOLDINGS LIMITED
# (TO BE RENAMED iCOLLEGE LIMITED)
# ACN 105 012 066

## PROSPECTUS

For an offer of 12,500,000 Shares at an issue price of $0.20 per Share to raise $2,500,000 (**Offer**).

Oversubscriptions of up to a further 5,000,000 Shares at an issue price of $0.20 per Share to raise up to a further $1,000,000 may be accepted.

The Offer is conditional (amongst other things) upon Shareholders approving, at the General Meeting to be held on or about 14 March 2014, the issue of the Shares offered by this Prospectus. Please refer to Sections 3.5 and 5.2 of this Prospectus for further details.

**This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-listing following a change to the nature and scale of the Company's activities.**

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

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## 1. CORPORATE DIRECTORY

**Directors**

Mr Roger Steinepreis (Chairman)
Mr George Ventouras (Non-Executive Director)
Mr Nicholas Castleden (Non-Executive Director)

**Proposed Directors**

Mr Johannes de Back (Proposed Non-Executive Chairman)
Mr Victor Hawkins (Proposed CEO and Managing Director)
Mr Phillip Re (Proposed Non-Executive Director)

**Registered Office**

Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Telephone: + 61 8 9321 4000
Facsimile: +61 8 9321 4333

Website:
http://www.dgiholdings.com.au

**Company Secretary**

Susan Hunter

**Current ASX Code**: DGI

**Proposed new ASX Code**: ICT

**Share Registry***

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Telephone: +61 (08) 9323 2000
Facsimile: +61 (08) 9323 2033

**Solicitors**

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

**Auditor***

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

**Investigating Accountant**

Bentleys Audit & Corporate (WA) Pty Ltd
Level 1
12 Kings Park Road
West Perth WA 6005

*These entities are included for information purposes only. These entities have not been involved in the preparation of this Prospectus.

## 2. TIMETABLE*

| | Date |
|---|---|
| Lodge Prospectus with ASIC and the ASX | 24 February 2014 |
| Opening Date | 24 February 2014 |
| Closing Date | 21 March 2014 |
| Shares issued under Prospectus | 1 April 2014 |
| Settlement Date (Securities issued to Vendors) | 1 April 2014 |
| Quotation Date | 4 April 2014 |

* These dates are indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

## 3. IMPORTANT NOTICE

This Prospectus is dated 24 February 2014 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares which are the subject of this Prospectus should be considered highly speculative.

### 3.1 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from DGI's website athttp://www.dgiholdings.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

### 3.2 Website

Other than as otherwise stated in this Prospectus, no document or information included on our website is incorporated by reference into this Prospectus.

### 3.3 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

### 3.4 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

### 3.5 Conditional Offer

The Offers are conditional on the passing of Resolutions 3 to 7 that are being put to Shareholders at the General Meeting scheduled to be held on or about 14 March 2014. A copy of the Notice of Meeting is available on request.

In the event that Shareholders do not approve Resolutions 3 to 7 at the General Meeting, the Offers will not proceed and no Shares will be issued pursuant to this Prospectus. If this occurs, Applicants will be reimbursed their application monies (without interest).

## 4. INVESTMENT OVERVIEW

This Section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### 4.1 The Company

DGI Holdings Limited (**DGI** or the **Company**) is a public company listed on the official list of the ASX (ASX code: DGI) with a principal focus on 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.

On or about 28 November 2013, the Company entered into a heads of agreement (**Heads of Agreement**) for 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. iCollege operates in the online education market, and additionally owns a number of online domain names.

Accordingly, the General Meeting will seek approval from Shareholders for a change in the nature and scale of the activities of the Company to include online education.

### 4.2 iCollege – Key Investment Highlights

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 (**Project**).

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 Mr 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.

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 know-how to develop 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.

### 4.3 iCollege – Key Risks

Please note, the business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The key risks associated with an investment in the Company are summarised in Section 4.7. Further risks concerning an investment in the Company are set out in Section 7. Investors are advised to consider these risks carefully before deciding whether to apply for Shares pursuant to this Prospectus.

### 4.4 The Acquisition

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):

(a) 250,000,000 Shares (**Consideration Shares**);

(b) 125,000,000 Options, issued on the same terms as the existing Options; and

(c) 150,000,000 performance shares on the terms set out in section 11.3 (**Performance Shares**), together with 1 free attaching option for every one Share issued (**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.

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:

(a) DGI obtaining all regulatory and shareholder approvals as required including:

  (i) to issue the Consideration Securities to the Shareholders to complete the acquisition of 100% of the iCollege Shares;

  (ii) to undertake a consolidation on a ratio to be determined by DGI but consistent with the ASX Listing Rules;

  (iii) the change of name of DGI to iCollege Limited; and

  (iv) 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;

(b) DGI completing a financial and legal due diligence on iCollege, and the results of the due diligence being to the satisfaction of DGI. This review has been completed to the satisfaction of the Company; and

(c) the Company receiving applications to meet the minimum subscription under the Prospectus of not less than $2,500,000 (this condition will be satisfied upon completion of the Offer).

For further details, refer to the material contract summary of the Heads of Agreement in section 10.1 of this Prospectus.

More detail in respect of iCollege's assets and business plan is set out in Section 6 of this Prospectus.

### 4.5 Effect of the Acquisition

The effect of the Acquisition is that the nature and scale of the activities of the Company will change as the Company proposes to focus on development of the cloud based software platform upon completion of the Acquisition. The acquisition of iCollege is an event which requires the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules, including seeking Shareholder approval for the acquisition of iCollege, issuing a prospectus and obtaining a sufficient number of Shareholders with the requisite number of Shares in accordance with those rules.

Shareholder approval with respect to all resolutions relating to the Acquisition will be sought at the General Meeting to be held on 14 March 2014.

The effect of the Acquisition is set out in the capital structure table in Section 4.12.

### 4.6 Business Model, New Business Development and Company Objectives

The Company's main focus for the period immediately following re-listing will be the development of the current businesses and operations of iCollege.

The Company's main objectives on completion of the Offer are:

- reinstating its Shares to trading on the ASX;
- providing a public listing platform to access capital markets and a broader shareholder base; and
- completion of all work necessary to progress iCollege's cloud based software platform.

### 4.7 Key Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively be managed or mitigated may be limited.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

***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) **Competition Risk**

iCollege will be participating in a highly competitive market, however there are few if any specific competitors who have a dominant market share and dictate the structure or practices in the market.

These competitors include existing online education providers using the name "iCollege" or variations to market online courses, registered training organisations providing accredited and non-accredited courses, education content resellers like SEEK Education, Universities, both public and private, online universities like Open University and professional development providers.

The fact that there are no dominant competitors makes market entry and penetration easier but not without the need to ensure that iCollege can position and differentiate itself to gain market share.

There is no certainty that iCollege will be successful in this market.

Mr Hawkins presently controls an existing company which operates in the on-line education sector, National Education Academy Pty Ltd (**NEA**). NEA offers courses for marriage celebrancy and counselling and has agreed with iCollege that it will not compete with iCollege or provide any other online courses, except for marriage celebrancy and counselling.

(c) **Technology Risk**

The iCollege technology platform has been developed as a proprietary system and all intellectual property rights are licensed by iCollege. Under the license agreement and after performance under that agreement and after 2 years, iCollege can require that all intellectual property be transferred to iCollege at no additional cost.

The platform is suitable for its application and based on the core programming languages and tools used to develop it, should be able to be scaled initially to meet growth in consumer demands.

However, with any technology there are security risks and upgrade risks, both of which have been mitigated due to the use of common web based technologies.

However, future demand levels may require improvements and updating of the technology or software architecture to meet scale out demand. The future demand loads for the technology are not as yet quantified.

(d) **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.

(e) **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. 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.

(f) **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.

(g) **Future Capital Requirements**

Future funding will be required by the Company to develop the Project. 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, which may adversely affect the business and financial condition of the Company and its performance.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors in Section 7 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

## 4.8 The Offer

The Company invites applications for 12,500,000 Shares at an issue price of $0.20 per Share to raise a minimum of $2,500,000. Oversubscriptions of up to a further 5,000,000 Shares at an issue price of $0.20 per Share to raise up to a further $1,000,000 may be accepted.

Completion of the Offer under this Prospectus is subject to a number of conditions, including:

(a) the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules;

(b) the Company raising the minimum subscription; and

(c) the Company receiving conditional approval for re-quotation of the Company's Shares on the ASX.

Further details of the outstanding conditions precedent to completion of the Acquisition are set in Section 4.4 and in Section 10.1. If these conditions are not met, the Company will not proceed with the Offer and will repay all application monies received, without interest and in accordance with the Corporations Act.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

The key information relating to the Offer and references to further details are set out below.

### 4.9 Purpose of the Offer

The purpose of the Offer is to provide additional funds to enable the Company to:

(a) complete the Acquisition of iCollege;

(b) meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules; and

(c) complete all work necessary to progress the development of iCollege's cloud based software platform.

### 4.10 Estimated Development Budget

The table below is a statement of current intentions of the Board as of the date of this Prospectus. As with any budget, intervening events (including delays in contract negotiations and permitting) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

| Item | Year 1 | Year 2 |
|---|---|---|
| | A$'000 | A$'000 |
| Course writing | 750,000 | 750,000 |
| Graphic design | 125,000 | 125,000 |
| Hardware and software | 250,000 | - |
| **Total** | 1,125,000 | 875,000 |

### 4.11 Use of Funds

The table below sets out the intended application of funds raised under the Prospectus over a two year period (from the date of reinstatement to trading on the ASX) on the basis of the Company raising the maximum subscription ($3,500,000).

| Funds available | Minimum Subscription ($) (2,500,000) | Percentage of Funds (%) | Maximum Subscription ($) ($3,500,000) | Percentage of Funds (%) |
|---|---|---|---|---|
| Existing cash reserves | 800,000 | 24.24% | 800,000 | 18.60% |
| Funds raised from the offer | 2,500,000 | 75.76% | 3,500,000 | 81.40% |
| **Total** | 3,300,000 | **100%** | 4,300,000 | **100%** |

| Allocation of funds | Minimum Subscription ($) | Percentage of Funds | Maximum Subscription ($) | Percentage of Funds |
|---|---|---|---|---|
| Expenses of the offer[1] | 223,500 | 6.77% | 287,500 | 6.69% |
| Advertising | 595,000 | 18.03% | 850,000 | 19.77% |
| Course development | 1,400,000 | 42.42% | 2,000,000 | 46.51% |
| Digital marketing | 350,000 | 10.61% | 350,000 | 8.14% |
| Miscellaneous | 39,500 | 1.20% | 120,500 | 2.80% |
| Working capital[2] | 692,000 | 20.97% | 692,000 | 16.09% |
| **Total** | 3,300,000 | **100%** | 4,300,000 | **100%** |

**Notes:**

1. Refer to Section 11.7 of this Prospectus for further details.
2. The Company intends to use funds allocated for working capital towards the development of the Project and other administrative expenses.

The table above is a statement of current intentions of the Board as of the date of this Prospectus. As with any budget, intervening events (including delays in contract negotiations and permitting) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

In the event the Company raises more than the minimum subscription of $2,500,000 but less that the maximum subscription, the additional funds will be applied towards the expenses of the Offer first and then advertising and course development in proportion to the amount raised. On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

## 4.12 Capital Structure

The capital structure of the Company following completion of the Offer (assuming full oversubscriptions) is summarised below[1]:

| Capital Structure | Shares | Options |
|---|---|---|
| Existing capital on issue | 337,956,790 | 46,863,944[3] |
| Initial Capital Raising[1] | 50,000,000 | 50,000,000 |
| Consideration Securities | 250,000,000 | 125,000,000 |
| *Sub-total* | 637,956,790 | 221,863,944 |
| Post 1 for 15 Consolidation | 42,530,453 | 14,790,930 |
| Issue under this Prospectus[2] | 12,500,000 | Nil |
| **TOTAL** | 55,030,453 | 14,790,930 |

**Notes:**

1. This assumes that the grant of the Options under the Initial Capital Raising is approved by Shareholders. This figure does not include the Performance Shares and options attaching to Performance Shares issued on a milestone being achieved.

2. This assumes that the Offer is fully subscribed.

3. 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.

The Company intends to undertake a non-renounceable entitlement offer of loyalty options within approximately 3 months of its re-instatement to trading on ASX. Holders of Shares at the record date will be entitled to one loyalty option (**Loyalty Option**) for every three Shares held. The Loyalty Options will be offered at a price to be determined by the Board. The Loyalty Options will allow the holder to exercise the Loyalty Option to buy one new Share in the Company for $0.20 on or before 31 March 2017. The record date will be set and announced by the Directors at the time the Loyalty Option entitlement issue is announced.

## 4.13 Change in Nature and Scale of Activities

The purchase of iCollege is an event which requires the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules, including seeking Shareholder approval for a change in the nature and scale of activities (which will be sought at the General Meeting held on 14 March 2014). This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company's Shares will remain suspended from Official Quotation and will not be reinstated until the ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

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. In the event the Company does not receive conditional approval for re-quotation on the ASX then the Company will not proceed with the Offer and will repay all application monies received.

## 4.14 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below.

***As at the date of the Prospectus (on a post-Consolidation basis):***

| Shareholder | Shares | % |
|---|---|---|
| K. R. Don Pty Ltd | 1,584,254 | 6.13% |
| Ironside Pty Ltd <Ironside Super Fund> | 1,584,254 | 6.13% |
| D. A. Paganin & related parties | 1,500,000 | 5.80% |
| R. Steinepreis & related parties | 1,461,334 | 5.65% |

***On completion of the Acquisition the following Securities will be issued by the Company to the following Parties (on a post-Consolidation basis):***

| iCollege Shareholders | Shares | Substantial shareholding % | Options | Tranche 1 Performance Shares | Tranche 2 Performance Shares | Tranche 3 Performance Shares |
|---|---|---|---|---|---|---|
| Performa Capital Pty Ltd ATF Performa Trust (entity associated with Mr V Hawkins) | 7,500,000 | 17.63% | 3,750,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Traditional Securities Group Pty Ltd (entity associated with Mr P Re) | 2,916,667 | 6.86% | 1,458,333 | 583,334 | 583,334 | 583,334 |
| Rivergrade Pty Ltd ATF Rivergrade Trust | 2,083,334 | 4.90% | 1,041,667 | 416,667 | 416,667 | 416,667 |
| Frontier Capital Pte Ltd | 4,166,666 | 9.80% | 2,083,333 | 833,333 | 833,333 | 833,333 |
| **TOTAL** | 16,666,667 | | 8,333,333 | 3,333,334 | 3,333,334 | 3,333,334 |

**Note:** If the milestones are achieved, the Performance Shares will be issued with 1 Option for every 1 Share converted.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on the ASX.

## 4.15 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, certain securities on issue prior to the Offer and certain securities issued as part of the Acquisition will be classified by the ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement to Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of Shares in a timely manner.

The securities likely to be subject to escrow will be Shares issued under the Initial Capital Raising, the Consideration Shares and the Performance Shares.

The Shares issued under the Initial Capital Raising will be given 'cash formula' relief and for unrelated parties are expected to be escrowed for 12 months from the date of issue. For related parties and promoters, these Shares will be escrowed for 24 months from the date of quotation.

The Company will announce to the ASX full details (quantity and duration) of the securities required to be held in escrow prior to the Shares commencing trading on the ASX.

## 4.16 Financial Information

Following the change in the nature of its activities, the Company will be focused on developing the Project. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to future activities.

As a result, the Company is not in a position to disclose any key financial ratios other than its statement of financial position which is included in Section 9 of this Prospectus.

The initial funding for the Company's future activities will be generated from the offer of Shares pursuant to this Prospectus and existing cash reserves. The Company anticipates raising further funding from equity raisings in the future to develop the Project. The Company may also consider alternative forms of debt or quasi-debt funding if required.

## 4.17 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

## 4.18 Dividend Policy

It is anticipated that significant expenditure will be incurred in the development of the Project. These activities, together with the possible acquisition of interests in other projects, are expected to dominate at least the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

## 4.19 Directors and Key Personnel

(a) **Johannes de Back (Proposed Non-Executive Chairman)**

Johannes de Back is the CEO and co-founder of the Triscreen Media Group, managing a number of companies providing interactive media solutions. Mr de Back previously worked as a lawyer for several international firms, specialising in mergers and acquisitions with a focus on telecom, media & entertainment. In 1999 he co-founded Telitas Benelux, one of the first and most successful mobile content providers in Europe. In 2002 Telitas was sold to Index for €50 million, and Mr de Back went on to develop the Triscreen Media Group, which has grown to 6 offices worldwide with activity in over 35 countries and revenues of more than €100 million. Mr De Back is a non executive director and substantial shareholder of Moko Social Media Limited.

(b) **Victor Hawkins (Proposed Managing Director)**

Victor Hawkins was a management consultant for 10 years working with close to 500 companies with 25 different industries. In 2009, Mr Hawkins acquired the education business, National Education Academy. He restructured the company from a manual management business model to a cloud based digital management business model. He is an expert in the online education business.

(c) **Phillip Re (Proposed Non-Executive Director)**

Philip Re is a chartered accountant and has over 18 years experience. He is a director of Regency Corporate Pty Ltd where he has provided corporate advisory services and held several board positions on various ASX listed companies over the years.

(d) **Roger Steinepreis (Non-Executive Chairman) (to resign upon completion of the Acquisition)**

Roger Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer in excess of 20 years.

(e) **George Ventouras (Non-Executive Director) (to resign upon completion of the Acquisition)**

George Ventouras is a marketing consultant with over 20 years' experience in marketing, business development and general management roles. He has consulted with companies both nationally and internationally, in relation to the development and capitalisation of projects, the supply of infrastructure and equipment and provision of administrative and logistical support.

(f) **Nicholas Castleden (Non-Executive Director) (to resign upon completion of the Acquisition)**

Nick Castleden is a geological consultant with in excess of 19 years' experience in the Australian and overseas mineral exploration and development industry. He has worked with active Australian mining companies including Mt Isa Mines (MIM), Perilya Mines, MPI Mines, LionOre and Breakaway Resources in various exploration, geological and management capacities.

## 4.20 Corporate Governance

To the extent applicable, commensurate with the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 8.2 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 8.3 of this Prospectus.

In addition, the Company's full Corporate Governance Plan may be requested from the Company Secretary on +61 8 9321 4000.

## 4.21 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. Details of the Directors' and Proposed Directors' remuneration and relevant interests in the securities of the Company as at the date of this Prospectus and upon completion of the Offer are set out in the table below:

***Interests at the date of this Prospectus (Post-Consolidation)***

| Director | Remuneration for year ended 30 June 2013 | Remuneration for current year to 31 January 2014 | Shares | Options |
|---|---|---|---|---|
| **Existing Directors** | | | | |
| Roger Steinepreis | Nil | Nil | 1,461,334[1] | 230,667[2] |
| George Ventouras | $17,000 | $24,000 | 434,667[3] | 217,334[3] |
| Nicholas Castleden | Nil | $24,000 | 266,667[4] | 66,667[4] |
| **Proposed Directors** | | | | |
| Victor Hawkins | Nil | Nil | Nil | Nil |
| Phillip Re | Nil | Nil | Nil | Nil |
| Johannes de Back | Nil | Nil | Nil | Nil |

**Notes:**

1. 3,334 Shares are held by directly by Mr Steinepreis, 3,334 Shares are held by Ms Jacqueline Steinepreis (spouse), and 1,451,334 and 3,334 Shares are held by Ranchland Holdings Pty Ltd and Workpower Pty Ltd, being entities in which Mr Steinepreis has a relevant interest.
2. 230,667 Options are held by Ranchland Holdings Pty Ltd, being an entity in which Mr Steinepreis has a relevant interest.
3. 434,667 Shares and 217,334 Options are held indirectly by George Ventouras Family No1 A/C.
4. 100,000 Shares are held indirectly by Mr Castleden through Bullet Reef Super Fund A/C, 100,000 Shares and 50,000 Options are held indirectly by Cratonix Pty Ltd and 66,667 Shares and 16,667 Options are held indirectly by Ms Anna Murphy (spouse).

***Interests upon completion of the Acquisition for Proposed Directors (post-Consolidation)***

| Director | Remuneration for year ended 30 June 2013 | Proposed remuneration for current year | Shares | Options |
|---|---|---|---|---|
| **Proposed Directors** | | | | |
| Victor Hawkins[1] | Nil | $250,000 per annum plus the licence fee as set out in section 10 | As per table in section 4.14 | As per table in section 4.14 |
| Phillip Re[2] | Nil | $60,000 per annum | As per table in section 4.14 | As per table in section 4.14 |
| Johannes de Back[3] | Nil | $60,000 per annum | Nil | 3,000,000 |

**Notes:**

1. Mr Hawkins will hold Shares indirectly through a controlled entity, Performa Capital Pty Ltd (as trustee for the Performa Trust).
2. Mr Re will hold Shares indirectly through a controlled entity, Traditional Securities Group Pty Ltd.
3. 600,000 Options will be exercisable at 25 cents, expiring 31 March 2018, upon appointment as a non-executive Director. 600,000 of the Options will be exercisable at 30 cents, expiring 31 March 2019, and will vest upon Mr de Back completing 12 months of service. 600,000 of the Options will be exercisable at 35 cents, expiring 31 March 2020, and will vest upon Mr de Back completing 24 months of service. 600,000 of the Options will be exercisable at 42 cents, expiring 31 March 2020, and will vest upon Mr de Back completing 36 months of service. 600,000 of the Options will be exercisable at 45 cents, expiring 31 March 2020, and will vest upon Mr de Back completing 48 months of service. 600,000 of the Options will be exercisable at 45 cents, expiring 31 March 2020, and will vest in the event that Mr de Back resigns as board member or his appointment is terminated. All of the Options will be subject to shareholder approval being obtained at a general meeting of the Company.

## 4.22 Agreements with Directors or Related Parties

The Company's policy in respect of related party arrangements is:

(a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

(b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Other than the agreement with the iCollege shareholders (refer to Section 4.4, 4.14 and 4.21), the Company discloses that as a result of the transaction there are related party agreements with an entity associated with Mr Victor Hawkins, being a licence agreement and a consultancy agreement. These agreements were negotiated on arms length commercial terms as part of the Acquisition and the terms are summarised in Section 10.

*Deeds of indemnity, insurance and access*

The Company has entered into a deed of indemnity, insurance and access with the current Directors, and Mr de Back, Mr Hawkins and Mr Re. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

## 5. DETAILS OF THE OFFER

### 5.1 The Offer

Pursuant to this Prospectus, the Company invites applications for 12,500,000 Shares at an issue price of $0.20 per Share. The Company may accept oversubscriptions of up to a further $1,000,000 through the issue of up to a further 5,000,000 Shares at an issue price of $0.20.

The maximum amount which may be raised under this Prospectus is therefore $3,500,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue, the terms and conditions of which are set out in Section 11.2.

### 5.2 Conditional Offers

Completion of the Offer under this Prospectus is subject to Shareholders approving Resolutions 3 to 7 at the General Meeting, being:

(a) Resolution 3 – the change in nature and scale of activities;

(b) Resolution 4 – the consolidation of the capital the Company;

(c) Resolution 5 – the creation of a new class of securities, being the Performance Shares;

(d) Resolution 6 – issue of Shares offered under this Prospectus; and

(e) Resolution 7 - the issue of the Consideration Securities to the Vendors.

If these conditions are not met, the Company will not proceed with the Offer and will repay all application monies received, without interest and in accordance with the Corporations Act.

### 5.3 Minimum subscription

If the minimum subscription to the Offer of $2,500,000 has not been raised within four (4) months after the date of this Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

### 5.4 Oversubscriptions

The Company may accept oversubscriptions of up to a further $1,000,000 through the issue of up to a further 5,000,000 Shares at an issue price of $0.20 each under the Offer. The maximum amount that may be raised under the Offer is therefore $3,500,000.

### 5.5 Applications

Applications for Shares under the Offer must be made using the Application Form.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares and payment for the Shares must be made in full at the issue price of $0.20 per Share.

Completed Application Forms and accompanying cheques, made payable to "**DGI Holdings Limited"** and crossed "Not Negotiable", must be mailed to the address set out on the Application Form so that it is received by no later than the Closing Date.

The Company reserves the right to close the Offers early.

### 5.6 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company's Shares will be suspended from trading on the date of the General Meeting, being 14 March 2014, and will not be reinstated to Official Quotation until the ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules, which will not occur until completion of the Acquisition.

In the event that the Company does not receive conditional approval for re-quotation on the ASX, it will not proceed with the Offer and will repay all application monies received, without interest.

### 5.7 ASX listing

Application for Official Quotation by the ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by the ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that the ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

### 5.8 Issue

Subject to the minimum subscription to the Offer being reached and the ASX granting conditional approval for the Company to be admitted to the Official List, the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the Shares in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

### 5.9 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

## 5.10 Not underwritten

The Offer is not underwritten.

## 5.11 Lead Manager

The Company has executed a corporate advisory and lead manager mandate with Otsana Capital Pty Ltd (**Otsana**). A fee of 2% on all monies raised under this Prospectus will be paid to Otsana as a management fee and a fee of 4% will be paid on monies raised and introduced directly by Otsana. The same fee will apply during the term on all capital raised by the Company. The mandate may be terminated by either party on 30 days notice.

## 6. COMPANY OVERVIEW UPON COMPLETION OF THE ACQUISITION

### 6.1 Background of iCollege

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.

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 transaction, Victor 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 Victor, rebranded and designed based on their popularity worldwide.

### 6.2 The Business Model

iCollege is the scalable spin out of the technology platform and business processes from profitable, existing online education business using a proven cloud based software platform who will deliver self-paced career and professional development courses worldwide.

iCollege Pty Ltd is a provider of dedicated online educational services targeting the non-formal vocational education training sector of educational consumers. The course content that will be developed by iCollege will be created by qualified and reputable independent educators with the intellectual property rights owned by iCollege.

The decision to offer non-formal courses has a number of advantages such as:

- Reducing the business overheads related to administration, registration, approval and compliance for courses by an accrediting body; and
- Significant customer demand for online non-accredited courses and this appears to be growing in older demographics (see section on Market).

Non formal courses typically cover areas such as:

- Personal enrichment courses (e.g. personal finance, sports instruction, public speaking);
- Work-related courses (e.g. manager development, job search training, induction courses);and
- Bridging courses

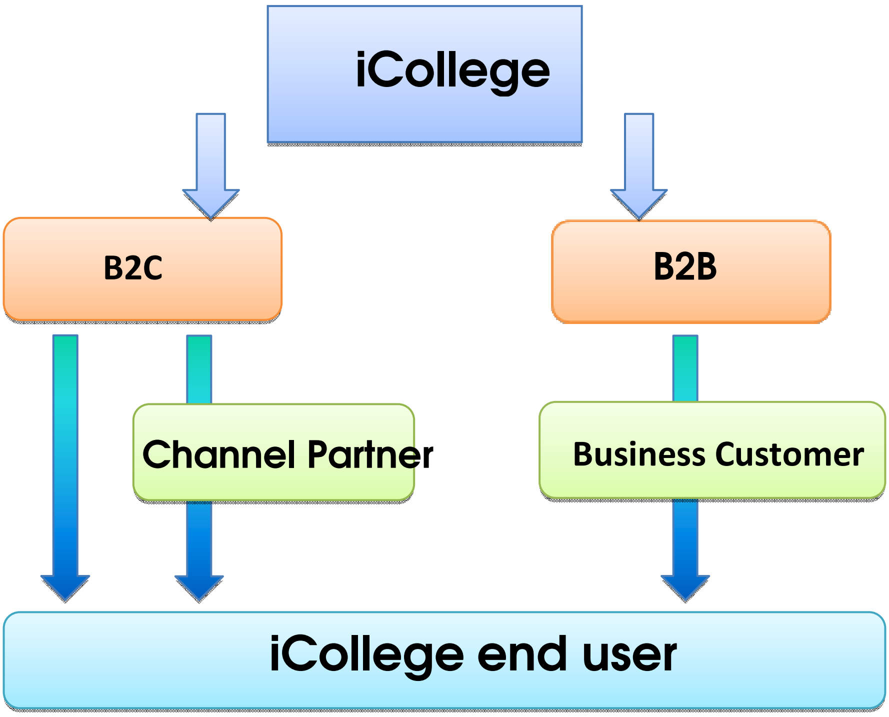
By selecting the non-accredited course market, it allows the broad delivery of course content across a range of English speaking countries without having to require accreditation in many different countries.

The online only delivery model for learning content by iCollege is suitable for many types of courses. The online delivery model retains a broad scope of opportunities for the delivery of many course options. iCollege plans to deliver courses in a range of areas including but not limited to:

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

By using online delivery, iCollege has future opportunities to develop increasingly interactive and media rich content for course delivery exploiting improvements in both online media technology and increasing bandwidth availability. Improvements in interactivity and deploying more media rich content is a current trend in the online education (e-learning) market.

iCollege will exploit two channels to market which target individual consumers (B2C Market) and businesses (B2B market). Both of these channels target individuals as the end user / consumer of the educational content but the B2B market places an intermediary in the form of a business with employee training needs between iCollege and the end consumer. The general route to market path can be seen below




The B2C market targets individuals who have a range of needs for which they may seek further education for:

- Professional development in unregulated industries to increase personal knowledge;

- Personal development to increase or acquire 'soft' skills in their current role
- Create career switching opportunities for the future and
- Seeking new knowledge or learning opportunities for personal knowledge of other fulfilment.

The B2C market will primarily be targeted through online marketing of their course offering, focusing on online marketing tools to target potential customers. Marketing tools in the online marketing space include search engine marketing and optimisation, app-based advertising, social media marketing and similar tools.

The online marketing efforts may be supplemented through the development of strategic partnerships with resellers of educational courses who provide a range of courses and training sourced from multiple providers. The third party partner model is a hybrid of the B2C and B2B markets by placing an intermediary between iCollege and the student but this is only in relation to the sales process and delivery remains the responsibility of iCollege. The partner/ reseller model primarily targets the consumer market and can potentially extend the reach of iCollege courses. Partner organisations would act as an agent or reseller of the iCollege course content but the delivery of the course would be through the iCollege portal. These partnering opportunities include:

- Universities, although Australian Universities are not considered a high priority target due to existing relationships with other providers and the more open university in other countries such as the US;
- Vocational education and training (VET) providers such as TAFE institutes who already provide both accredited and non-accredited courses;
- Resellers of third party online education services, e.g. Seek who currently offer accredited and non-accredited courses from external providers such as Swinburne and Deakin Universities;

The B2B market will directly target businesses as buyers of iCollege products or as a conduit for the businesses' employees to access iCollege courses. In targeting these businesses, iCollege can offer direct training opportunities to large businesses with ongoing non-formal education and personal development rather than accredited or mandatory professional development training needs.

As part of the B2B delivery channel, iCollege also has the opportunity to provide 'White label' courses for the internal delivery for existing businesses that have a broad range of training requirements. This White Label training includes the customization of a web based portal and the implementation of corporate delivery for the course content and materials to match client branding.

### 6.3 Revenue Model for iCollege

The iCollege business model allows a number of potential revenue streams from both the B2C and B2B markets: These revenues will be received from:

- Course fees received directly from end consumers which are paid as a lump sum or over a number of months under a payment plan;
- Revenues from partner organisations who act a as a reselling sales channel for iCollege courses;

- Per user course fees for of organisations using iCollege services, paid by individual employees;
- Corporate training plans which charge a single fixed cost per course based on the number of potential users;
- Direct payment of license fees to iCollege by corporations for course consumption by employees and paid for by the company on behalf of the employees; and
- Fees for the customisation to create or adapt courses for specific end user businesses with large training needs, including development of customized interfaces and portals.

iCollege has chosen not to pursue a strategy to sub-license the technology for other online education providers as it is not considered a viable route to market. This is due to the issues that the revenues obtained from sub-licensing of the technology would not be worth the enabling of a new market competitor. As the iCollege technology is able to provide significant technical capacity and business efficiencies that provide cost advantages, providing this technology to other providers could have a long term impact on the iCollege business.

Furthermore, there are a number of existing businesses who are targeting provision of learning management and online course delivery technologies to organisations who have courses but do not have the appropriate technology to deliver them.

### 6.4 The iCollege Technology Platform

The iCollege technology platform is an online cloud based system that was created and designed by Mr Hawkins based on over 5 years of extensive research and development. The iCollege technology uses a combination of industry leading web enabled technologies in a unique way to both manage the business and deliver course content on demand via an integrated learning management system (LMS). This is different from other commonly used LMS platforms which do not integrate the business and course administration in a single package with the LMS.

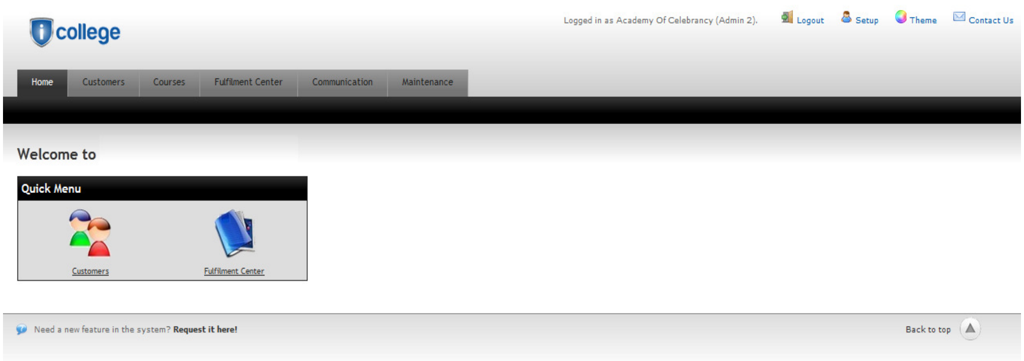
The platform operates as a web-enabled cloud database containing all of the business information, administration and course content. The programming languages and architecture used for the iCollege platform is based on a system using industry standard programming languages and frameworks into a single integrated web database and content delivery system.

The programming frameworks and architecture are in common use in the industry and, for example, are used in a range of high throughput applications including Twitter, Facebook, Wikipedia and others. The core technology and programming language used in the iCollege system is designed to be scaled up to meet high demand applications. The limit of these technologies comes from the architecture of the database or the physical limitations of the servers rather than the languages themselves.

The iCollege platform allows access through an encrypted, secure access portal, with all portal users; Administrators, Management, Trainers and Students, using the same portal. Control of the information that is allowed to be viewed by an individual is based on the access level granted to that user by their user type. The access to different levels of information can be seen in the diagram below.

| Portal user | Visible information | Level of system access |
|---|---|---|
| **Student** | E-shop for course purchase<br>Course enrolment information<br>Lesson and course content and progress<br>Communications tools for interaction with trainers | |
| **Trainer** | As for students plus:<br>Course development tools<br>Marking and student management tools<br>Student communication tools | |
| **Administration** | As for Trainers plus:<br>Student profile information<br>Student payment and enrolment management | |
| **Management** | As all of the above plus access to other business relevant and administrative functions | |

A view of the portal access for an Administrator can be seen below.




The platform uses an automated function for emailing of questions from students and the trainers responses. The platform uses system generated reporting on markings completed in date ranges on courses, which assists the Administrator of the business in managing the cash flow.

The iCollege technology currently uses a third party merchant service to operate the payment gateway for processing payments from students. As such the responsibility for the security of payments rests with the 3rd party payment provider. This allows iCollege to receive payments, while not having access to or retaining personal financial details (e.g. credit card information), reducing the risk of the loss of this information, which can cause embarrassment and lack of trust in the organisation leading to reputational damage.

The technology platform has been developed with the intention of providing opportunities for the system to scale up to allow for the simple addition of new courses and to cope with high levels of students being online at the same time.

Also, access from new countries / markets can be added to the platform at minimal cost and very quickly to facilitate rapid uptake of iCollege's course offerings.

The platform also offers various growth opportunities including the future development of mobile apps and online education for companies that presently run off line courses.

The iCollege system is highly automated to maximise the potential in leveraging the business process and course delivery. Students can automatically sign on for a course without human interventions, selecting upfront or payment plans as can be afforded. The Trainers have a macro and micro view of the courses and the student's workflow. The system generates notification emails automatically when students complete work and when marked by a trainer, which makes the system very efficient. Internal management of the processes are automated and can be accessed by iCollege staff anywhere through the cloud based portal.

iCollege's bespoke system manages the delivery of online training in its entirety. A course is added by simply creating a website from their standard proforma and adding the appropriate course material. The system automatically manages the courses by sending emails and letters to the student and has date triggers for the delivery of information.

Other advantages of the iCollege platform include:

- the dashboard provides details of all 4 levels of the stakeholders;
- the main KPIs, progress and information on each stakeholder or client student is easily viewed on the administrative and management dashboard; and
- the platform can be executed by a small number of employees due to its functionality.

## 6.5 Intellectual Property

iCollege has a unique set of intellectual property which will support its business and will be developing other unique intellectual property assets in the course of its business. To date iCollege has acquired a significant number of purpose driven online domain names, and the highly prized root domain name "icollege".

These domains, together with the licensing of a unique cloud based online software platform and existing online course content are some of the intellectual property assets that will assist iCollege in developing a successful business.

In the course of its business, iCollege will develop further intellectual property assets including but not limited to:

- Additional course contents and materials;
- Customer databases and demographic information on online education consumers;
- Business processes and improvements thereto for the delivery of iCollege services and content; and
- Improvements to the cloud based online system and platform.

## 6.6 The Online Education Market

### *Background*

iCollege's business has a primary focus on the delivery of **non-formal education** to consumers who are seeking personal and work related training and education via an online, consume on demand delivery model. The non-formal education and training sector has been targeted as it is seen as the sector with the best scalable opportunity for course delivery at a global scale. iCollege is targeting opportunities in this sector initially in Australia and globally in 40 English speaking countries in the longer term as the use of an online delivery mechanism allows for globalisation of education delivery, separating the old model of co-locations of students and classrooms.

### *Education market & market segments*

Globally the education market can be broken down into the following major segments based on the type and level of education that is being delivered:

- University - Graduate and post-graduate degrees;
- Vocational & education training (VET) – Accredited courses e.g. Certificate I-IV;
- Non-formal education (vocational & non-vocational);
- High School;
- Primary School; and
- Pre-Primary.

The formal education market is the single largest sector for education and includes the school (compulsory), VET and university sectors covering all education which results in attainment of completion (school) and formally recognised qualifications (VET and university). The majority of education received by participants in the formal education sector is delivered via traditional class based learning through established 'bricks and mortar' schools and accredited educational institutions. However, the delivery of learning content with an online component is increasing in this sector to meet changing demands for time flexibility required by students as well as to reduce costs associated with course delivery and administration, particularly in the University and VET sectors.

The formal education sector is generally highly regulated in each country by the relevant government agencies and educations institutions are public rather than privately owned. However, in many countries, the educational market is increasingly becoming deregulated to allow the entry of private education providers but this comes at a high cost in achieving accreditation and maintaining compliance with local regulation. This makes market entry into this sector expensive and increases difficulty in scaling the business to operate across multiple jurisdictions each one with different regulations to comply with.

Non-formal education, on the other hand does not provide formal, accredited qualifications but are often those involved with consumers who are seeking education which is related to:

- Personal enrichment courses (e.g. personal finance, sports instruction, public speaking etc.);

- Work-related courses (e.g. manager development, job search training, induction courses);and
- Bridging courses.

This market is serviced by a range of providers, both public and private, who provide these services on a fee paying basis. Public providers of non-formal education are primarily VET colleges who include non-formal education as part of their range of offerings. Private education providers who are part of this segment are often registered training organisations (RTO) who provide courses with formal qualifications as well as offering non-formal education and training.

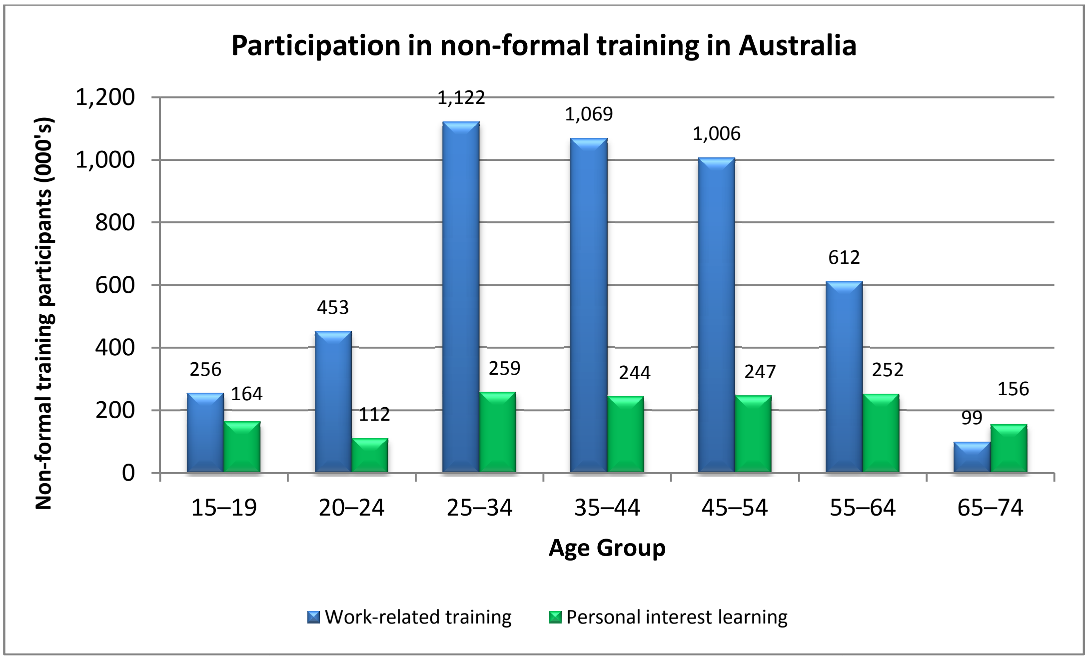
In comparing the different education segments we can see that there are differences between the key characteristics of each of the market segments. This table highlights the core differences between segments in the education market.

***Comparison of characteristics of education segments***

| Segment characteristic | University | VET | Non-formal | Schools |
|---|---|---|---|---|
| **Compulsory** | No | No | No | Yes |
| **Accredited qualification** | Yes | Yes | No | Yes |
| **Part time available** | Yes | Yes | Yes | No |
| **Course Length** | 3+ years | 1+ years | <1 year | 10+ years |
| **Target ages** | 18-24 | 15-24 | 25-54 | 5-18 |
| **Education Focus** | Academic | Practical | Practical | General |
| **Employment Application** | Professional | Industry | Industry | General |

The non-formal education segment primarily deals with consumers who are involved in education and training related to employment (work related) or are undertaking education for personal interest.

In Australia, the predominant circumstance in which non-formal education is undertaken is in the context of work related training, particularly in age brackets (25-54 years) where formal education from school and university has often ceased. This is shown in the figure below.




Source: ABSStats Cat. 4320.0 (2013)

***The Market size & characteristics***

The online education market is still in a relatively early stage and in showing significant growth both in Australia in a global market. Historically, online training and education has been focussed around the IT sector but this has begun to change in recent years with both non-formal and formal education offerings coming on to the market.

In Australia, non-formal education and training has only recently begun to be recorded by the Australian Bureau of Statistics, with the first release of data in April 2013. From this information we know that Australia had 5.8 million people over the age of 15 engaged in work related and personal interest, non-formal training during 2012. Of this group 4.6 million were involved in work related training, and just under 600,000 courses, about 12.5%, of which were delivered via online learning.

It is estimated that the current value of online education in the Australian market was $5.9 billion in the 2013 financial year. Over the period of 2012 to 2013 the online education market showed strong growth which is expected to continue into the future.

The non-formal education segment is currently the dominant revenue generator within the online educator sector constituting over 50% of revenues generated in Australia in 2013-14. This estimates the value of the online non-formal education segment of the market at approximately $3.3 billion for this period.

| **Market segment** | **%** |
|---|---|
| Non formal education | 55.9 |
| Undergraduate & post-graduate | 25.1 |
| Certificates & diplomas | 16.5 |
| School education | 1.9 |
| Online tutoring | 0.6 |

***Global online education market***

Assessments of the value of the global online learning market vary depending on the source of the information, as does the rate of potential growth of the segment. The global online education market (for both English speaking and non-speaking regions) across all market segments was valued at between $30 to $50 billion in 2010 growing to $90 billion in 2013. The online education market has the potential for significant growth over the near term future with expansion of online offerings by existing education and training providers, in both the formal and non-formal education segments, as well as new entrants coming into the market.

Online education delivery removes physical limitations of classroom location and having to have students in reasonably close proximity to where the education provider is located. This allows the possibility of international delivery of courses and services; however, technical practicalities and student preferences generally mean that the current level of education providers operating in this manner is negligible. However, if these technical and regulatory barriers can be overcome or avoided, then strategies can be developed for international offerings.

The corporate training sector is one of the largest potential global markets for online training with rapid growth of online delivery as a channel for course delivery. It has been estimated that in the US alone over 35% of corporate training courses are delivered online against a global average of 20%. Currently the US and Europe are the largest consumers of online education content but the Asia-Pacific market is undergoing rapid growth in the adoption of online education.

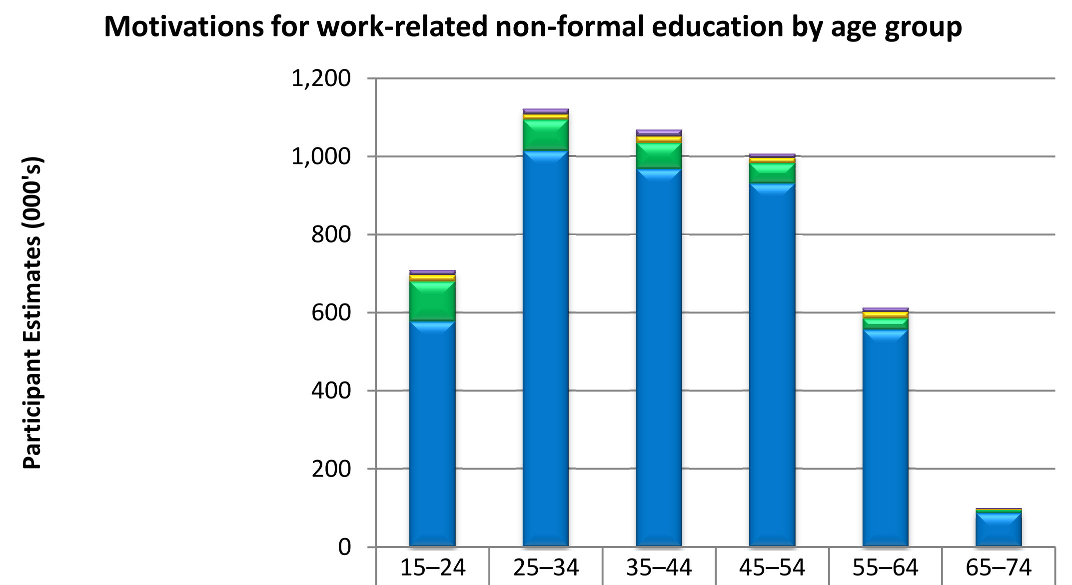
With the increasing availability of internet connectivity on a global basis, including the increasing adoption of internet-enabled mobile devices such as smartphones and tablets the potential channels for online learning and education is growing. The disconnection of internet connection from landline locations such as home and work increases the opportunities for the consumption of education as and where desired by the consumer at their own convenience.

***Market and consumer drivers***

The demand for growth in non-formal education is driven by a range of factors:

- online education is one of the fastest growing industries across all education segments;
- demand from customers wanting the flexibility of online training for ease of consumption; and
- increases in Generation X and Y seeking or being required to up-skill, re-skill and pursue personal interests in a more structured and organised manner to compete in an increasingly demanding employment market.

The reason why consumers undertake non-formal learning vary based on whether the motivation is personal or a requirement from work related training requirement. The figures below provide some data on the Australian market on the main motivations for people undertaking work related and personal interest non-formal training.




| | 15–24 | 25–34 | 35–44 | 45–54 | 55–64 | 65–74 |
|---|---|---|---|---|---|---|
| Other | 12.8 | 14.9 | 18.0 | 10.2 | 10.9 | 2.4 |
| Personal development | 15.2 | 12.8 | 15.9 | 13.5 | 16.4 | 2.5 |
| Increase job prospects | 102.1 | 79.4 | 67.0 | 51.7 | 28.1 | 7.3 |
| Increase skills for current job | 577.9 | 1,014.5 | 967.6 | 930.6 | 556.5 | 86.9 |

As can be seen from the information above, the need for skills improvement within the workforce, either due to changing job requirements or to meet the needs of management or as a self-motivation to improve job skills, is a key motivator with consumers assumed to be working towards achieving improvements in pay and conditions in the current role.

# 7. RISK FACTORS

## 7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

## 7.2 Company Specific

***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) **Competition Risk**

iCollege will be participating in a highly competitive market, however there are few if any specific competitors who have a dominant market share and dictate the structure or practices in the market.

These competitors include existing online education providers using the name "iCollege" or variations to market online courses, registered training organisations providing accredited and non-accredited courses, education content resellers like SEEK Education, Universities, both public and private, online universities like Open University and professional development providers.

The fact that there are no dominant competitors makes market entry and penetration easier but not without the need to ensure that iCollege can position and differentiate itself to gain market share.

There is no certainty that iCollege will be successful in this market.

(c) **Technology Risk**

The iCollege technology platform has been developed as a proprietary system and all intellectual property rights are licensed by iCollege. The platform is suitable for its application and based on the core programming languages and tools used to develop it, should be able to be scaled initially to meet growth in consumer demands.

However, with any technology there are security risks and upgrade risks, both of which have been mitigated due to the use of common web based technologies.

However, future demand levels may require improvements and updating of the technology or software architecture to meet scale out demand. The future demand loads for the technology are not as yet quantified.

(d) **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.

(e) **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. 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.

(f) **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.

(g) **Competition Risk**

The Company's current and future potential competitors include companies with substantially greater resources to develop similar and competing products. There is no assurance that competitors will not succeed in developing services and products that have higher customer appeal.

To keep ahead of competitors, the Company aims to adopt an aggressive business pathway over the next two years, maintaining high standards and the ongoing input from the new Board and management team to identify new business opportunities will be paramount to success.

There can be no guarantee that revenue growth will be stimulated or that the Company will operate profitably in the short term, or at all.

(h) **Contractors and Service Providers**

The Directors are unable to predict the risk of financial failure, default, insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or other managerial failure by any of the other service providers used by the Company for any activity. Such events could adversely impact on the Company's operations.

## 7.3 General Risks

(a) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and future activities, as well as on its ability to fund those activities.

(b) **Security Investments**

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the Shares regardless of the Company's performance.

(c) **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.

(d) **Market risk**

Share market conditions may affect the value of the Company's quoted Shares 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) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism and other hostilities.

(e) **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.

(f) **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. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(g) **Future Capital Requirements**

Future funding will be required by the Company to develop the Project. 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, which may adversely affect the business and financial condition of the Company and its performance.

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. 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.

(h) **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.

## 8. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

### 8.1 Directors, Proposed Directors and Key Personnel

Biographies for the Directors and Proposed Directors are set out in Section 4.19 above.

### 8.2 The ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available from the Company's website at http://www.dgiholdings.com.au and upon request from the Company Secretary on +61 8 9321 4000.

***Board of Directors***

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board's discussions on a fully-informed basis.

***Composition of the Board***

Election of Board members is substantially the province of the Shareholders in general meetings.

However, subject thereto, the Company is committed to the following principles:

(a) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and

(b) the principal criterion for the appointment of new directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board's membership, but an informal assessment process, facilitated in consultation with the Company's professional advisors, has been committed to by the Board.

***Identification and management of risk***

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

***Ethical standards***

The Board is committed to the establishment and maintenance of appropriate ethical standards.

***Independent professional advice***

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

***Remuneration arrangements***

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $260,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board will review and approve the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

***Trading policy***

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

***External audit***

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

***Audit committee***

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

***Diversity policy***

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

## 8.3 Departures from Recommendations

Following admission to the Official List of the ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
|---|---|---|
| ***1.*** | ***Lay solid foundations for management and oversight*** | |
| 1.1 | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | The Company's Corporate Governance Policies include a Board Charter, which discloses the specific responsibilities of the Board and those delegated to senior executives.<br>The Board will delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | The Company's Corporate Governance Policies include a section on performance evaluation practices adopted by the Company.<br>At this stage of the development of the Company, DGI has only informal procedures in place for performance evaluation of the senior executives, but will consider the implementation of formal processes in the future. |
| 1.3 | Companies should provide the information indicated in the *Guide to reporting on Principle 1*. | Explanation of departures from Recommendations 1.1 and 1.2 (if any) are set out above. The Company will provide an explanation of any departures from Recommendations 1.1 and 1.2 (if any) in its future annual reports.<br>Future annual reports will disclose whether such a performance evaluation has taken place in the relevant reporting period and whether it was in accordance with the process disclosed.<br>The Corporate Governance Policies, which includes the Board Charter, are posted on the Company's website. |
| ***2.*** | ***Structure the board to add value*** | |
| 2.1. | A majority of the board should be independent directors. | Upon completion of the Acquisition, a Managing Director and two Non-Executive Directors will be appointed and the Company's current board will be replaced. Following completion of the Acquisition, the Company will only have one independent, non-executive director being Mr de Back. |
| 2.2. | The chair should be an independent director. | Mr de Back is the proposed Non-Executive Chairman upon completion of the Acquisition.<br>Mr de Back has been selected as Chairman to bring specific skills and experience relevant to the Company. Given the size of the Company and the stage of its development, the Board considers that this appointment is appropriate. |

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
|---|---|---|
| 2.3. | The roles of chair and chief executive officer should not be exercised by the same individual. | The Company will have a Managing Director who is separate from the chair. |
| 2.4. | The board should establish a nomination committee. | No formal nominations committee has been established by the Company as yet.<br>The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.<br>However, it is noted the Board has adopted a Nomination Committee Charter.<br>Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership. |
| 2.5. | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Given the current of the Company, Board and level of activity of the Company, the Board currently has an informal process for the evaluation of individual directors or committees at this time but will consider the implementation of formal processes in future, particularly as the size of the Company, Board and the level of activity of the Company increase. |
| 2.6. | Companies should provide the information indicated in the *Guide to reporting on Principle 2.* | The Company has provided details of each director, such as their skills, experience and expertise relevant to their position in this Prospectus and will also provide these details on its website and in future annual reports.<br>Explanation of departures from Principles and Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 (if any) are set out above. The Company will provide an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 (if any) in its future annual reports.<br>The Company's Corporate Governance Policies are posted on the Company's website. |
| ***3.*** | ***Promote ethical and responsible decision-making*** | |
| 3.1. | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>• the practices necessary to maintain confidence in the company's integrity<br>• the practices necessary to take into account | The Company's Corporate Governance Policies include a formal Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.<br>The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a |

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
|---|---|---|
| | their legal obligations and the reasonable expectations of their stakeholders<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.<br>All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.<br>The Company's Corporate Governance Policies, which include the Code of Conduct, are posted on the Company's website. |
| 3.2. | Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them. | The Company's Corporate Governance Policies include a Diversity Policy. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy provides a framework for establishing measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and for the Board to assess annually both the objectives and the progress in achieving them.<br>The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.<br>The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. |
| 3.3. | Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them. | While no measurable objectives have been set for achieving gender diversity, the Company has disclosed in its annual report the proportion of women employees in the Company, in senior executives positions and on the Board. The Board will consider the setting of measurable objectives for achieving gender diversity as the size of the Company, Board, workforce and the level of activity of the Company increase. |
| 3.4. | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | The Company currently has one female employees in a senior role.<br>The Company has disclosed in its annual report the proportion of women employees in the Company, in senior executives positions and on the Board. |
| 3.5. | Companies should provide the information indicated in the *Guide to reporting on Principle 3*. | The Company will provide an explanation of any departures from Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) in its future annual reports. |

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
|---|---|---|
| | | The Company's Corporate Governance Policies, which includes the Code of Conduct and Diversity Policy, are posted on the Company's website. |
| ***4.*** | ***Safeguard integrity in financial reporting*** | |
| 4.1. | The board should establish an audit committee. | The Board considers the Company is not currently of a size, or its financial affairs of such complexity, to justify the establishment of an audit committee. The Board, as a whole, meeting for that special purpose currently serves as the audit committee.<br>However, it is noted the Board has adopted an Audit and Risk Committee Charter. |
| 4.2. | The audit committee should be structured so that it:<br>• consists only of non-executive directors<br>• consists of a majority of independent directors<br>• is chaired by an independent chair, who is not chair of the board<br>• has at least three members. | There is currently no formal audit committee (see as above). The Board carries out the duties of the audit committee.<br>The Board does not consider that the Company is of sufficient size to justify the appointment of additional directors for the sole purpose of satisfying this recommendation as it would be cost prohibitive and counterproductive.<br>However, it is noted the Board has adopted an Audit and Risk Committee Charter. |
| 4.3. | The audit committee should have a formal charter. | In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor. The full Board of the Company, is also responsible for establishing policies on risk oversight and management. |
| 4.4. | Companies should provide the information indicated in the *Guide to reporting on Principle 4*. | The Company does not have an audit committee. The Board carries out the duties of the audit committee.<br>The Company will explain any departures from the Corporate Governance Recommendations 4.1, 4.2 and 4.3 (if any) in its future annual reports. |
| ***5.*** | ***Make timely and balanced disclosure*** | |
| 5.1. | Companies should establish written policies designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | The Company's Corporate Governance Policies include a Continuous Disclosure Policy, which is designed to ensure the compliance with the disclosure obligations under the Corporations Act and the ASX Listing Rules and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.<br>The Company Secretary is responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure |

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
|---|---|---|
| | | requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. |
| 5.2. | Companies should provide the information indicated in *Guide to Reporting on Principle 5.* | The Company will provide an explanation of any departures from Principle and Recommendation 5.1 (if any) in its future annual reports.<br>The Corporate Governance Policies, which includes a Continuous Disclosure Policy, are posted on the Company's website. |
| ***6.*** | ***Respect the rights of shareholders*** | |
| 6.1. | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | The Company's Corporate Governance Policies include a Shareholders Communication Policy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.<br>The policy provides that information will be communicated to shareholders through:<br>• the Annual Report which is distributed to all shareholders;<br>• Half-Yearly Reports, Quarterly Reports, and all ASX announcements which are posted on the Company's website;<br>• the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and<br>• compliance with the continuous disclosure requirements of the ASX Listing Rules. |
| 6.2. | Companies should provide the information indicated in the *Guide to reporting on Principle 6.* | The Company will provide an explanation of any departures from Recommendation 6.1 (if any) in its future annual reports.<br>The Corporate Governance Policies, which includes a Shareholders Communication Policy, are posted on the Company's website. |
| ***7.*** | ***Recognise and manage risk*** | |
| 7.1. | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | The Company's Corporate Governance Policies include a Risk Management Policy.<br>Management determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. |

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
|---|---|---|
| 7.2. | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | The Company's Corporate Governance Policies include a Risk Management Policy.<br>Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various directors and management, depending upon the nature and materiality of the matter.<br>Management and the Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings. |
| 7.3. | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.<br>For each reporting period, the Board receives assurance from the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.<br>The full Board of the Company, is also responsible for establishing policies on risk oversight and management. |
| 7.4. | Companies should provide the information indicated in *Guide to Reporting on Principle 7.* | The Company will explain any departures from in Guide to Reporting on Principle 7. Recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports.<br>The Corporate Governance Policies, which includes a Risk Management and Internal Compliance and Control Policy, are posted on the Company's website. |
| ***8.*** | ***Remunerate fairly and responsibly*** | |
| 8.1. | The board should establish a remuneration committee. | The Board considers the Company is not currently of a size, or its affairs of such complexity, to justify the establishment of a Remuneration Committee.<br>Until a Remuneration Committee is established, the Board as a whole is responsible for the remuneration arrangements for the Directors and executives of the |

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
|---|---|---|
| | | Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a Remuneration Committee, in accordance with Corporations Act and ASX Listing Rules requirements, particularly in respect of related party transactions. No Director participates in any discussion or decision regarding his own remuneration or related issues.<br>The Board has adopted a Remuneration Committee Charter. |
| 8.2. | The remuneration committee should be structured so that it:<br>• consists of a majority of independent directors<br>• is chaired by an independent director<br>• has at least three members | The Board considers the Company is not currently of a size, or its affairs of such complexity, to justify the establishment of a Remuneration Committee. |
| 8.3. | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | Executive Directors remuneration packages may comprise of:<br>• fixed salary;<br>• performance based bonuses;<br>• participation in any share/option scheme; and<br>• statutory superannuation.<br><br>Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.<br>Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.<br>Full remuneration disclosure, including superannuation entitlements has been provided by the Company in its annual reports. |

| | PRINCIPLES AND RECOMMENDATIONS | COMMENT |
| --- | --- | --- |
| 8.4. | Companies should provide the information indicated in the *Guide to reporting on Principle 8*. | The Company will provide an explanation of any departures from Corporate Governance Recommendations 8.1, 8.2 and 8.3 (if any) in its future annual reports.<br><br>The Corporate Governance Policies are posted on the Company's website. |

# 9. FINANCIAL INFORMATION

1DGIH01

20 February 2014

The Directors
DGI Holdings Ltd
C/- Regency Partners
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SUBIACO WA 6904

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Dear Sirs

# Investigating Accountant's Report – DGI Holdings Ltd

## Introduction

This report has been prepared at the request of the Directors of DGI Holdings Ltd ("DGI" or "the Company"), for inclusion in a prospectus to be lodged with the Australian Securities and Investment Commission ("ASIC") on or around 21 February 2014 ("Prospectus"), relating to the proposed issue of a minimum of 12,500,000 ordinary shares at an issue price of 20 cents each to raise a total of at least $2,500,000 and a maximum of 17,500,000 ordinary shares to raise up to $3,500,000.

The offer is not underwritten and the minimum subscription level is $2,500,000.

## Basis of Preparation

The report has been prepared to provide investors with information on historical results and the financial position of DGI, and to provide investors with a pro forma Statement of Financial Position of DGI as at 31 December 2013 adjusted to include funds raised by the Prospectus and the completion of the exercise of the option to acquire online education company iCollege Pty Ltd ("the acquisition") and other transactions as referred to in the appendices to this report.

This report does not address the rights attaching to the Shares to be issued in accordance with the Prospectus, the risks associated with the investment, nor form the basis of an Expert's opinion with respect to a valuation of the Company or a valuation of the share issue price of 20 cents per share to the public.

Bentleys has not been requested to consider the prospects for DGI nor the merits and risks associated with becoming a shareholder and accordingly, has not done so, nor purports to do so. Bentleys accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors are set out in Section 7 of the Prospectus.

## Background

DGI was formed as a public company limited by shares on 6 June 2003 and listed on the ASX on 24 August 2009. The Company's principal activity is the research, development and marketing of innovative miniature projection technologies and products. For further details of the Company and the proposed acquisition refer to Section 4 of this Prospectus.

## Scope of Report

Bentleys has been requested to:

(a) report whether anything has come to our attention which would cause us to believe that the historical financial information disclosed in the appendices to this report is not fairly presented in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by DGI, and

(b) report whether anything has come to our attention which would cause us to believe that the pro forma financial information disclosed in the appendices to this report is not presented fairly in accordance with the basis of preparation and assumptions set out therein and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by DGI.

DGI has prepared, and is responsible for the historical and pro forma financial information included in the appendices to this report.

## Scope of Review

Bentleys has not audited the financial statements of DGI as at 31 December 2013. We have conducted our review of the historical financial information in accordance with Australian Auditing Standard ASRE 2405 "Review of Historical Financial Information Other Than a Financial Report" to 31 December 2013. We made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances, including:

(i) enquiry of directors, management and others;
(ii) analytical procedures on the historical information;
(iii) a review of work papers, accounting records and other documents; and
(iv) comparison of consistency in application of the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by DGI.

The review procedures were substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards.

Having regard to the nature of the review, which provides less assurance than an audit, and to the nature of the historical and pro forma financial information, this report does not express an audit opinion on the historical and pro forma financial information included in the appendices to this report.

## Valuation of iCollege Acquisition

The principal assets of DGI will be the intellectual property of iCollege.

The assets have been included at cost in the pro forma Statement of Financial Position. We have not performed our own valuation of the asset. We are unable to form a view on whether the carrying value of the assets are fairly stated.

## Opinions

(a) Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in the appendices of this report is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by DGI.

(b) Pro Forma Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma financial information, as set out in the appendices of this report is not presented fairly in accordance with the basis of preparation in the appendices and assumptions set out therein and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by DGI.

## Subsequent Events

To the best of Bentleys' knowledge and belief, there have been no material items, transactions or events subsequent to 31 December 2013 not otherwise disclosed in this report or its appendices that have come to our attention during the course of our review which would cause the information included in this report to be misleading or deceptive.

## Independence

Bentleys does not have any interest in the outcome of the listing of the shares, other than in connection with the preparation of this report for which normal professional fees will be received. Bentleys were not involved in the preparation of any part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus. Bentleys consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

Bentleys

**BENTLEYS**
**Chartered Accountants**

**RANKO MATIC** CA
**Director**

## APPENDIX 1 – HISTORICAL & PRO-FORMA FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | Reviewed Actual 31 December 2013 | Reviewed Pro-forma 31 December 2013 |
|---|---|---|---|
| | | $ | $ |
| **Current Assets** | | | |
| Cash assets | 3 | 832,051 | 3,358,551 |
| Receivables | | 45,739 | 45,739 |
| Inventories | | 2,090 | 2,090 |
| Other assets | | 82,950 | 82,950 |
| Total current assets | | 962,830 | 3,489,330 |
| **Net Current Assets** | | | |
| Property, plant & equipment | | 18,060 | 18,060 |
| Intangible assets | 4 | 31,994 | 1,656,994 |
| Total non-current assets | | 50,054 | 1,675,054 |
| Total assets | | 1,012,884 | 5,164,384 |
| **Current Liabilities** | | | |
| Trade payables | | 82,646 | 82,646 |
| Total current liabilities | | 82,646 | 82,646 |
| Total liabilities | | 82,646 | 82,646 |
| **Net assets** | | 930,238 | 5,081,738 |
| **Equity** | | | |
| Issued capital | 5 | 26,266,923 | 30,266,923 |
| Share issue cost | 6 | (191,254) | (414,754) |
| Options reserve | 7 | 116,130 | 491,130 |
| Accumulated losses | | (25,261,561) | (25,261,561) |
| **Total equity** | | 930,238 | 5,081,738 |

**Notes to and Forming Part of the Financial Statements**

## 1. Summary of significant accounting policies

### (a) Basis of Accounting

The financial statements have been prepared in accordance with the measurement and recognition (but not the disclosure) requirements of Australian Accounting Standards, Australian Accounting Interpretations and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis, are based on historical cost and except where stated do not take into account changing money values or current valuations of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of the Statement of Financial Position requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Statement of Financial Position are disclosed where appropriate.

The financial information has been prepared on the basis of a going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Statement of Financial Position as at 31 December 2013 is in accordance with the Company's reviewed financial position at that date. The pro forma Statement of Financial Position as at 31 December 2013 represents the reviewed financial position and adjusted for the transactions discussed in Note 2 to this report. The Statement of Financial Position should be read in conjunction with the notes set out in this report.

### (b) Principles of Consolidation

***Subsidiaries***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of DGI Holdings as at 31 December 2013 and the results of all subsidiaries for the period then ended. DGI Holdings and its subsidiaries together are referred to in this report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of DGI Holdings Limited.

(c) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(d) **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(e) **Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) **Business Combinations**

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Costs directly attributable to the acquisition are expensed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) **Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) **Intangible Assets**

Intangible assets including intellectual property are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

(i) **Investments & Financial Instruments**

***Recognition and de-recognition***

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Profit or Loss and Other Comprehensive Income as gains and losses from investment securities.

(i) **Financial assets at fair value through profit or loss**
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) **Held-to-maturity investments**
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) **Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

***Fair Value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

***Impairment***

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(j) **Trade Creditors**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) **Issued Capital**

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) **Employee Benefits**

(i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(m) **Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense

(n) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables in the statement of financial position are shown inclusive of GST.

## 2. Actual and Proposed Transactions to Arrive at the Pro-Forma Financial Information

The pro-forma financial information has been included for illustrative purposes to reflect the position of DGI Holdings on the assumption that the following transactions had occurred as at 31 December 2013:

(a) The issue of 50,000,000 pre-consolidation ordinary shares at $0.005 each pursuant to an initial capital raising to raise a gross $250,000;

(b) The issue of 250,000,000 pre-consolidation ordinary shares valued at $0.005 and the issue of 125,000,000 pre-consolidation options valued at $0.003 under Black Scholes valuation, as consideration to purchase iCollege in accordance with the Heads of Agreement;

(c) The issue of 150,000,000 pre-consolidation Performance Shares and a 1 for 1 attaching pre-consolidation option as further consideration to purchase iCollege in accordance with the Heads of Agreement. Refer to Note 9 for further information;

(d) The issue of 12,500,000 post-consolidation ordinary shares at 20 cents each pursuant to this Prospectus to raise a gross $2,500,000; and

(e) The payment of expenses of the public issue totalling an estimated $223,500 excluding GST.

**Note 3: Cash assets**

| | $ |
|---|---|
| Balance at 31 December 2013 | 832,051 |
| Funds raised from placement | 250,000 |
| Funds raised from Prospectus | 2,500,000 |
| Expenses of the issue | (223,500) |
| Closing balance | 3,358,551 |

**Note**: The effect of over subscriptions has not been accounted for. In the event that oversubscriptions occur the Company's total raising would fall between the minimum subscription of $2,500,000 and the maximum oversubscription up to $3,500,000, the pro-forma cash balance and issued capital would be increased to the extent of the oversubscription (adjusted for any increase in prospectus issue costs arising from the oversubscription).

**Note 4: Intangibles assets**

| | $ |
|---|---|
| Balance at 31 December 2013 | 31,994 |
| Acquisition of intellectual property | 1,625,000 |
| | 1,656,994 |

**Note 5: Issued capital**

| | $ |
|---|---|
| Balance at 31 December 2013 | 26,266,923 |
| Funds raised from placement | 250,000 |
| Exercise of option to acquire iCollege | 1,250,000 |
| Funds raised from Prospectus | 2,500,000 |
| Closing balance | 30,266,923 |

**Note 6: Share issue cost**

| | $ |
|---|---|
| Balance at 31 December 2013 | 191,254 |
| Share issue cost pursuant to the issue of securities under the Prospectus | 223,500 |
| Closing balance | 414,754 |

**Note 7: Option reserve**

| | $ |
|---|---|
| Balance at 31 December 2013 | 116,130 |
| Exercise of option to acquire iCollege | 375,000 |
| Closing balance | 491,130 |

**Note 8: Related Parties**

Refer to Section 4.14, 10 and 11 of the Prospectus for details of related party transactions and shareholdings.

**Note 9: Commitments and Contingent Liabilities**

As further consideration, DGI will issue Performance Shares (subject to the receipt of appropriate shareholder and ASX approvals) as follows:

i. Performance Tranche 1 – 50m pre-consolidation ordinary shares when sales revenue reaches $1.0 million within 2 years;
ii. Performance Tranche 2 – 50m pre-consolidation ordinary shares when EBITDA reaches $500,000 within 2 years; and
iii. Performance Tranche 3 – 50m pre-consolidation ordinary shares when EBITDA reaches $2.5m within 3 years.

For each tranche of shares issued, the Company has agreed to grant a 1 for 1 attaching option (exercise price of minimum 20 cents each (post consolidation) and expiry date of 5 years).

The Performance Shares and attaching options have not had any value allocated to them as the Directors are not in a position to determine the probability of achieving the sales revenue and EBITDA targets at the date of acquisition. Hence no contingent consideration has been recognised and in the event the performance targets are met, the consideration paid will be expensed and not capitalised as part of the asset.

At the date of the report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in this Prospectus.

**Note 10: Subsequent Events**

At the date of this report there have been no material events subsequent to balance date that we are aware of, other than those disclosed in this Prospectus.

## 10. MATERIAL CONTRACTS

### 10.1 Heads of Agreement

On or about 28 November 2013, the Company entered into a binding agreement with iCollege, together with the Vendors for an exclusive option to acquire 100% of the issued share capital of iCollege. As announced on 23 December 2013, the Company has exercised this option.

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 granted to iCollege;

(iii) DGI preparing this 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 of not less than $2,500,000 (this condition will be satisfied upon completion of the Offer); 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 section 11.3 (**Performance Shares**), together with 1 free attaching option for every one Performance Share issued (**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.

(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 and Options are valued at a minimum of $0.20 each following the Consolidation.

(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 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 is the subject of the Offer under this Prospectus.

(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 nominees of iCollege. The iCollege nominees to be appointed to the Board of DGI are:

Mr Johannes de Back – Non Executive Chairman

Mr Victor Hawkins – CEO and Managing Director; and

Mr Phillip Re - Non-Executive Director.

(f) **Change of Name**

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

Please note, the Consideration Shares and Performance Shares will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules.

### 10.2 iCollege Exclusive Licence

iCollege (as Licensee) has entered into an exclusive licence agreement with Performa Capital Pty Ltd (as trustee for the Performa Trust), a company associated with Mr Victor Hawkins, (as Licensor) dated 20 February 2014.

The Licensor is the owner of the Cloud Infrastructure, Cloud Platform and associated IP as defined in the Licence Agreement which includes the online cloud computing software platform owned and operated by the Licensor that provides end users online education and professional development courses worldwide.

Under the Licence Agreement, the Licensor grants to the Licensee an exclusive worldwide licence to exploit the Cloud Infrastructure, Cloud Platform and associated IP for the purpose of providing online education and professional development courses to end users for perpetuity, other than in respect of marriage celebrancy and counselling courses (which rights are licensed to National Education Academy Pty Ltd, a company associated with Mr Hawkins).

The Licensee agrees to pay a fee of $10,000 per month, capped at $250,000, commencing after the completion of the acquisition of iCollege by the Company.

After the payment of this amount, the Licensee can require of the Licensor that the Licensor assign or transfer the IP and the Cloud Platform (and if necessary for using the IP and Cloud Platform, the Cloud Infrastructure) to the Licensee free from encumbrances and for no additional cost.

### 10.3 Consultancy Agreement – Performa Capital Pty Ltd -Victor Hawkins

The Company has entered into a consultancy agreement with Performa Capital Pty Ltd (as trustee for the Performa Trust) and Victor Hawkins (**CA**) effective from the date of completion of the Acquisition for a period of one year, with the possibility of being extended. Under the CA, Mr Hawkins is engaged by the Company to provide services to the Company in the capacity of Managing Director.

Mr Hawkins will be paid a fee of $250,000 per annum exclusive of GST. Mr Hawkins will be reimbursed for reasonable expenses incurred in carrying out his duties.

The CA contains standard termination provisions under which the Company must give 3 month's written notice of termination and the Consultant must give 6 month's written notice of termination (or shorter period in the event of serious misconduct or a material breach).

### 10.4 Loan Facility Agreement

The Company has agreed to make available to iCollege a loan facility pursuant to a binding terms sheet entered into 17 February 2014 (**Loan Facility**).

The Loan Facility provides a maximum of $150,000 in funding to iCollege, which must be applied by iCollege in accordance with an expenditure budget to be approved by the Company.

The principal amount under the Loan Facility will accrue interest at the rate of 10% per annum.

All amounts drawn down under the Loan Facility must be satisfied, together with all other interest and outstanding moneys, on the earlier of:

(a) 4 months from the date the initial drawdown is advanced to iCollege; or

(b) the date upon which the Company issues a written notice to iCollege declaring all amounts due and payable upon an event of default.

As at the date of this Prospectus, iCollege has drawn down an amount of $50,000 under the Loan Facility.

The Loan Facility is secured by a general security deed entered into by the Company and iCollege on 17 February 2014 (**GSD**). The GSD grants a security interest over all of iCollege's present and after-acquired property in favour of the Company. The security interest granted ranks in priority before any other security interest, other than an interest mandatorily preferred by law, or a permitted security (as defined in the GSD) that ranks in priority to it.

## 10.5 Other Contracts

The Company has entered into standard Directors Indemnity Deeds with its Directors and Proposed Directors and a corporate advisory and capital raising mandate with Otsana Capital Pty Ltd. These agreements are summarised in other sections of this Prospectus.

## 11. ADDITIONAL INFORMATION

### 11.1 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

### 11.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

## 11.3 Performance Shares

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

(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.

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

(iii) 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;

(iv) 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

(v) 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.

(m) **Redemption if Milestones not achieved:** If:

(vi) 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;

(vii) 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

(viii) 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.

(n) **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).

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

## 11.4 Interests of Directors

Other than as set out in this Prospectus, no Director or Proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or Proposed Director:

(a) as an inducement to become, or to qualify as, a Director; or

(b) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

## 11.5 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

(a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of the Company; or

(c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue, holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

  (i) its formation or promotion; or

  (ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(a) the formation or promotion of the Company; or

(b) the Offer.

Steinepreis Paganin has acted as the Company's solicitor in the preparation of this Prospectus. The Company estimates it will pay Steinepreis Paganin a total of $25,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received $98,636.50 (excluding GST, re-imbursements and disbursements) for the year ended 30 June 2013 in fees from the Company for other legal services and $64,879 (excluding GST and disbursements) in fees from the Company for other legal services up to 1 February 2014.

Bentleys Audit & Corporate (WA) Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay Bentleys Audit & Corporate (WA) Pty Ltd a total of $4,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Bentleys Audit & Corporate (WA) Pty Ltd has not received any fees from the Company for any other services.

## 11.6 Consents

Each of the parties referred to in this Section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

(b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Bentleys Audit & Corporate (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 of this Prospectus in the form and context in which the information and report is included. Bentleys Audit & Corporate (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

## 11.7 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately $223,500 for minimum subscription or $287,500 for full oversubscription and are expected to be applied towards the items set out in the table below.

| Item of Expenditure | Minimum Subscription ($) | Maximum Subscription ($) |
|---|---|---|
| ASIC fees | 2,225 | 2,225 |
| ASX fees | 26,250 | 28,665 |
| Legal fees | 25,000 | 25,000 |
| Investigating Audit Report | 7,500 | 7,500 |
| Broker Commissions and Advisory Fees | 150,000 | 210,000 |
| Printing and distribution | 10,000 | 10,000 |
| Miscellaneous | 2,525 | 4,110 |
| **TOTAL** | 223,500 | 287,500 |

## 11.8 Continuous disclosure obligations

As the Company is admitted to the Official List, the Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through the ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## 11.9 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this

Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the ASX company announcements platform.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

### 11.10 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

### 11.11 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company currently participates in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

### 11.12 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

## 12. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors and separately consented to by each of the Proposed Directors.

In accordance with Section 720 of the Corporations Act, each Director and Proposed Director has consented to the lodgement of this Prospectus with ASIC.

______________________________

**Roger Steinepreis**
**Chairman**
**For and on behalf of**
**DGI Holdings Limited**

## 13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**$** means an Australian dollar.

**Acquisition** means the acquisition of iCollege by the Company.

**Agreement** has that meaning at Section 4.1 of this Prospectus.

**Application Form** means the application form(s) attached to or accompanying this Prospectus.

**ASIC** means Australian Securities & Investments Commission.

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

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

**Board** means the board of Directors as constituted from time to time.

**Business Day** means those days other than a Saturday, Sunday, New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which the ASX shall declare and publish is not a business day.

**Capital Raising** means a 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. The Capital Raising is the subject of the Offer under this Prospectus.

**Closing Date** means the closing date of the Offer as set out in the indicative timetable in the Investment Overview in Section 4 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

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

**Consideration Securities** has the meaning set out in section 4.4 of this Prospectus.

**Consolidation** means the consolidation of the Company's Shares on a 1 for 15 basis.

**Constitution** means the constitution of the Company.

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

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

**Directors** means the directors of the Company at the date of this Prospectus and the Proposed Directors.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

**Heads of Agreement** has the meaning set out in section 4.1 of this Prospectus.

**iCollege** means iCollege Pty Ltd ACN 160 943 386.

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

**General Meeting** means the general meeting of Shareholders to be held on 14 March 2014.

**Initial Capital Raising** means the capital raising conducted by the Company pursuant to the Heads of Agreement for the issue of up to 50,000,000 Shares and 50,000,000 Options, on a pre Consolidation basis, at an issue price of $0.005 per Share.

**Notice of Meeting** means the notice of meeting for the General Meeting.

**Offer** means the offer of 12,500,000 Shares at an issue price of $0.20 per Share (with oversubscriptions of a further 5,000,000 Shares) pursuant to this Prospectus.

**Offers** means the Offer and the Cleansing Offer.

**Offer Period** means the period from the Opening Date until the Closing Date.

**Official List** means the official list of the ASX.

**Official Quotation** means official quotation by the ASX in accordance with the ASX Listing Rules.

**Opening Date** means the opening date of the Offer, as set out in the indicative timetable in Section 2 of this Prospectus.

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

**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.

**Proposed Directors** means those persons named as such in Section 1 of this Prospectus.

**Prospectus** means this prospectus.

**Resolution** means a resolution proposed to Shareholders at the General Meeting.

**Section** means a section of this Prospectus.

**Settlement Date** means the date of settlement of the Agreement.

**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 given to that term in Section 4.1.

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