

18 May 2017

**Australian Securities Exchange Limited Via e-lodgement
ASX Code ICT**

ICOLLEGE LTD ANNOUNCES IMPROVED TERMS TO ACQUIRE LARA GROUP PLC

Following an extensive negotiation, iCollege Ltd has secured a performance based deal to acquire Lara Group PLC that rewards the anticipated growth plans and maximises shareholder value.

Key points:

- **Less shares issued upfront on completion;**
- **Performance based earn out shares issued up to 18 months after acquisition;**
- **Share issue price fixed at original deal price.**

iCollege Ltd ("ICT" or "the Company") (ASX: ICT) has signed a revised binding term sheet ("**Term Sheet**") with Lara Group plc ("Lara Group") in relation to the proposed acquisition by the Company ("**Proposed Acquisition**") of 100% of the issued capital in the Lara Group, the largest support services company to the early years' sector in the UK.

The revised terms sheet supersedes and replaces the term sheet and earn out agreement entered on 2 May 2017.

As a result, iCollege becomes a key player in a new combined business, which is set to dominate the education marketplace globally. The vision for the new group is to advance the capabilities of everyone by providing the resources for lifelong learning.

Ross Cotton, iCollege's Executive Chairman, commented: "We will build the world's number one organisation providing best in class education for all ages. Joining forces with Lara Group PLC extends our global reach which enables us to deliver better outcomes."

Allan Presland, Chief Executive of Lara Group PLC said: "The acquisition of Lara Group brings a new dimension to the group's portfolio, bringing, as it does, market leading childcare setting software and training. Certainly, the team at iCollege have impressed us with their positive commitment to deliver our vision of Lifelong Learning."

icollege.edu.au

Corporate inquiries
+61 8 9466 9008

Investor inquiries
investors@icollege.edu.au

Media inquiries
media@icollege.edu.au

Key Material Changes to terms of the Proposed Acquisition

A summary of the key revised terms is set out below.

- **Purchase price:**

The aggregate consideration for the purchase of the Lara Shares has been revised from 5 down to 3.5 times the audited EBITDA² of Lara Group for the FY2016 ending 31 December 2016 (the **Reference EBITDA²**) (the **Base Consideration**). The Base Consideration will be satisfied by the issue of fully paid ordinary shares in the Company at an issue price of \$0.04 per share (**Base Consideration Shares**). Therefore, there will be 166,133,043 Base consideration shares issued, revised downward from 241,427,625 shares (75,294,582 less shares issued upfront on completion).

- **Earn Out:**

Tranche 1 Earn Out Shares

If within 12 months from the completion date, the EBITDA of Lara Group equals 135% or more of the Reference EBITDA², based on an accumulative 12 month rolling basis, the Company shall issue additional shares at an issue price of \$0.04 per share based on the following calculation:

$$\text{Number of Tranche 1 Earn Out Shares} = \frac{(\text{Reference EBITDA}^2 \times 1.5)}{0.04}$$

Tranche 2 Earn Out Shares

If within 18 months from the completion date, the EBITDA of Lara Group is equal to 150% or more of the Reference EBITDA², based on an accumulative 12 month rolling basis, the Company shall issue additional shares at an issue price of \$0.04 per share based on the following calculation:

$$\text{Number of Tranche 2 Earn Out Shares} = \frac{(\text{Reference EBITDA}^2 \times 2.9)}{0.04}$$

- **Conditions Precedent:**

The completion of the Proposed Acquisition is subject to various conditions precedent to be satisfied or waived by 1 July 2017 or other date as agreed between the parties, and remain the same as disclosed to ASX on 2 May 2017.

The purchase price and earn out amounts payable under this transaction are as previously agreed. The change is principally to split the amounts payable, and tying such amounts to performance based benchmarks for an 18 month period to ensure that Lara Group's performance is in alignment with the Company's expectations.

The Total Consideration, comprising of Base Consideration and Earn Out Shares, are consistent with the previously announced agreement.

The amendments consist of:

- a lower Base Consideration; and
- higher earn out multiples, linked to performance hurdles, that can be achieved up to 18 months after completion of the proposed acquisition of Lara Group plc.

Pro-Forma Capital Structure incorporating all Lara share issues	
Ordinary Shares on Issue ¹	196,672,083
Shares to be issued on Acquisition of Lara ²	166,133,043
Earn Out Shares – Tranche 1 & 2	219,837,978
Total Ordinary Shares	582,643,104

¹ Based on last announced Appendix 3B as at 18 May 2017

² Based on the provisional yearly audited accounts of an EBITDA of \$1.9M

- Ends -

For further Information:

Mr. Ross Cotton
Executive Chairman
iCollege Limited
+61 8 9466 9008
ross.cotton@icollge.edu.au

icollge.edu.au

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+61 8 9466 9008

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