iCollege

Australian Securities Exchange Limited Via e-lodgement
ASX Code ICT

27 November 2018

Market Update

Key points:

- Strong growth in CRICOS enrolments and revenue;
- Confirmed CRICOS Enrolment Value (CCEV) for the month of November exceeds $1M with one week remaining;
- Opening of Perth campus with allocation of 400 CRICOS places for international students and substantive facilities including a fully operational and trading café.

iCollege operates its Australian business through 3 registered training organisations (**RTOs**)

1. **Sero Institute** which offers training both domestic and to international students under its CRICOS registration. Currently Sero delivers hospitality training from certificate III to advanced diploma, commercial cookery, business and leadership and management qualifications

2. **Celtic Training** is a leading provider of Individual care (aged and disability) and community services qualifications in South Australia and

3. **Capital Training Institute (CTI)** which offers specialist building and construction qualifications. CTI has campuses in Brisbane, Canberra and Sydney.

This announcement provides an update ahead of the AGM regarding the current performance of each of those RTOs. iCollege is pleased to report an ongoing trend of increased enrolments, revenues and CRICOS numbers.

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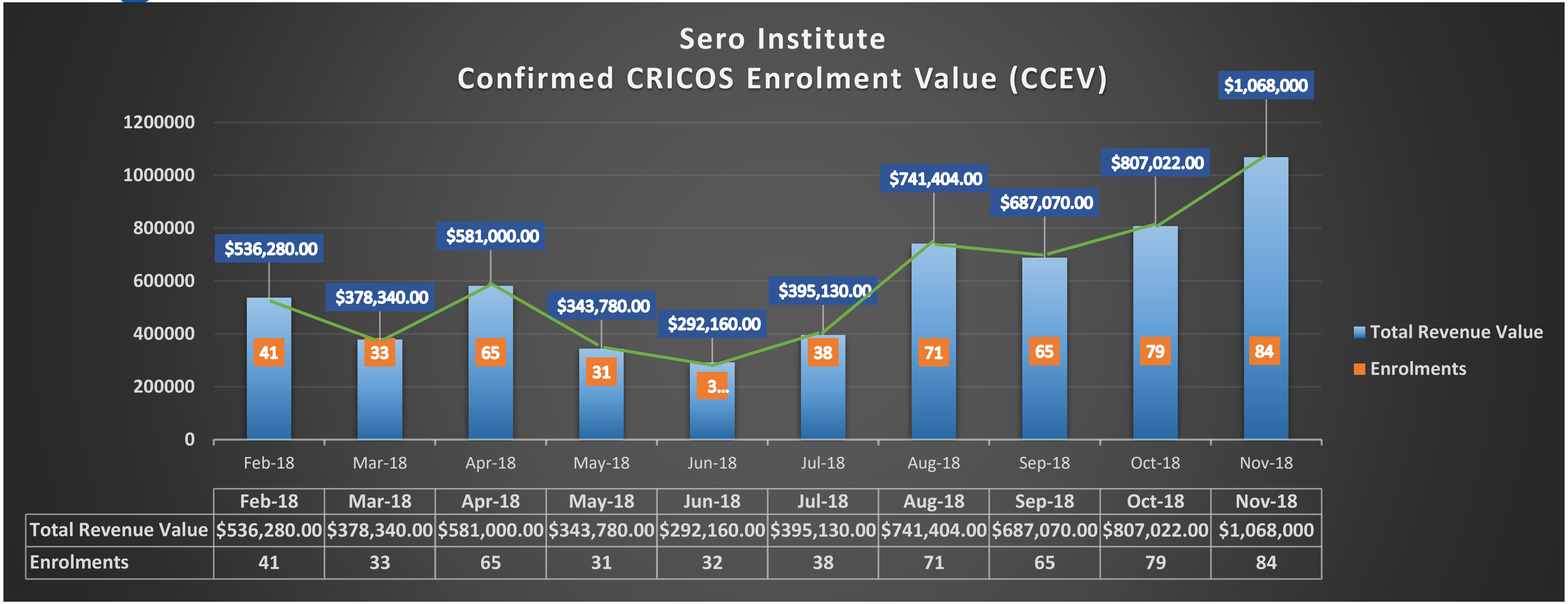
SERO INSTITUTE

RTO # 32303 - CRICOS #: 03528K

Sero Institute is a CRICOS registered training organization with focus on delivering courses related to Hospitality, Leadership and Management, Business, English and Foundation Skills. The focus areas for the company are delivery of courses to international students and foundation skills programs in correctional facilities across Queensland.

The company has successfully increased the number of its CRICOS places to 1800 with the addition of Perth Campus. The company has been quite successful in delivering the foundation skills program and other specialist training across 5 correctional facilities in Queensland and has maintained over 95% completion rate.

Sero Institute has experienced strong growth in revenues since its acquisition by iCollege in February 2018. The growth in revenue, enrolments, cash collections as well as expenses breakdown, student and course diversity is set out in Graphs 1 to 5 below together with explanatory notes.



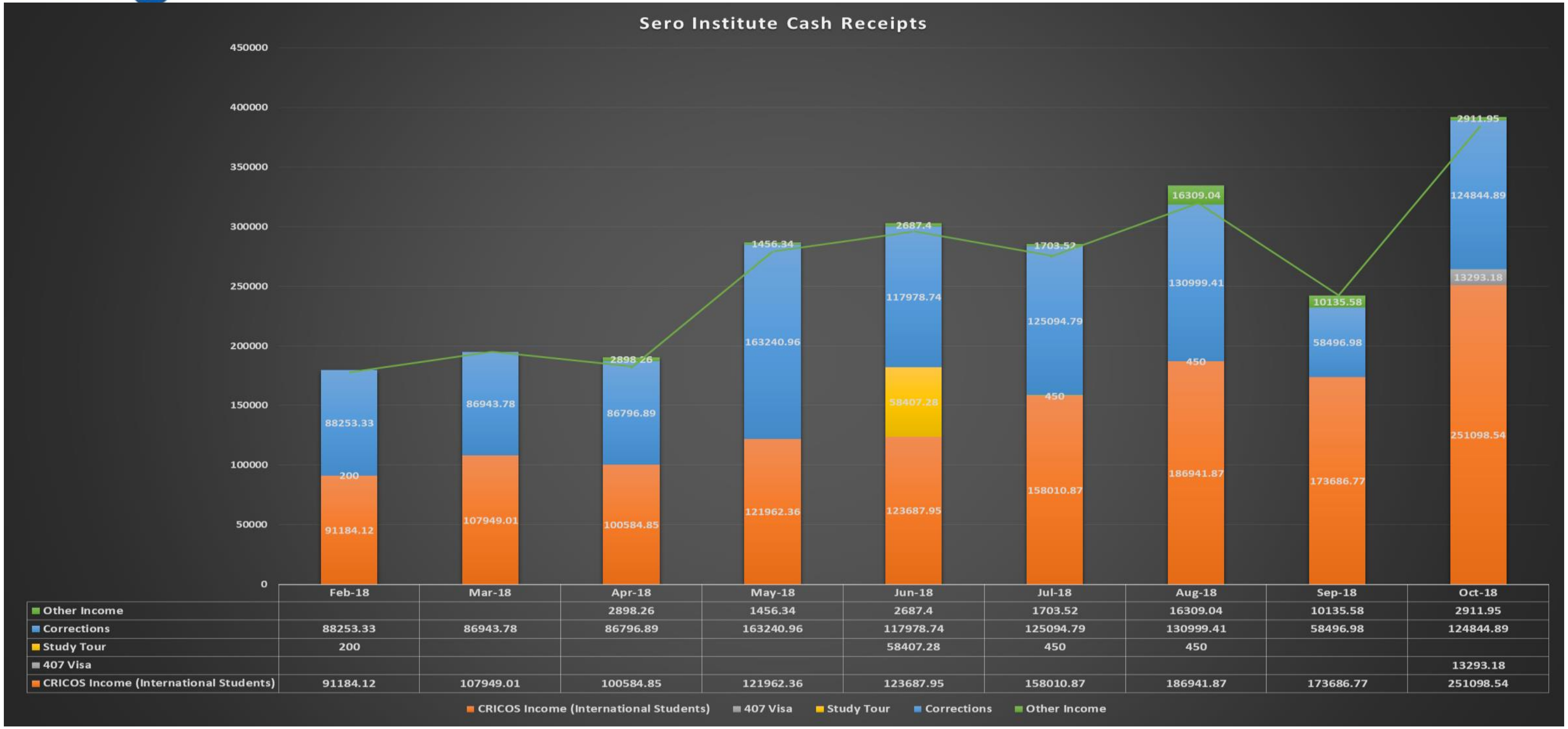
	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Total Revenue Value	$536,280.00	$378,340.00	$581,000.00	$343,780.00	$292,160.00	$395,130.00	$741,404.00	$687,070.00	$807,022.00	$1,068,000
Enrolments	41	33	65	31	32	38	71	65	79	84

Graph 1: Number of students and Confirmed CRICOS ENROLMENT VALUE (CCEV)

The Confirmed CRICOS Enrolment Value (CCEV) derived from CRICOS placements represents the booked dollar value attributed to each individual international student's enrolment with Sero Institute over the duration of their course. Course durations vary from 3 months to 18 months with some students requiring ELICOS (English Language Training) in addition to their primary area of study. As can be seen in Graph 1, the average revenue value equates to just over $10,000 per student[1]. CCEV is only reported after the student accepts a Letter of Offer (LoO), pays the deposit and is issued with a Confirmation of Enrolment (CoE).

Students can participate in a range of course offerings including commercial cookery, business and leadership or hospitality. In the period February 2018 to 23rd November 2018, Sero has booked an unaudited CRICOS based Enrolment Value of $5,830,186. November 2018 is set to be another record month with 84 CoE's issued as at 23 November 2018. This represents an unaudited Enrolment Value of $1,0680,000 with one week still to go in the month. iCollege expects strong revenues and enrolments to continue through to 30 June 2019

[1] $5,830,186/539 students



Graph 2 Sero Institute cash receipts

The graph above depicts cash receipts for the period February 2018 to 31 October 2018. Cash receipts represents the fees paid by CRICOS students as they progress through their course and deposits paid by students prior to being issued with a confirmation of enrolment. Cash receipts and enrolments have continued to grow on a month on month basis and iCollege expects strong receipts and enrolments to continue through to 30 June 2019. Cash receipts for CRICOS are paid directly by the student on a monthly or quarterly basis with deposits being received prior to CoE's being issued confirming the place.

Sero's non-CRICOS related operations have also contributed to the improving cash receipts position. Sero continuing to deliver specialist training at 5 Correctional facilities located in Queensland. The completion rate for this program sits above 95% and the company s expecting to expand operations to additional correctional facilities during quarter 3 and 4 of FY 2018/19. Non CRICOS domestic training revenue is received monthly under a Government Training Contract. The State Government pays on completion of units for courses that a student is enrolled in, each month Sero reports unit completions to the department and payments are made middle of the following month.

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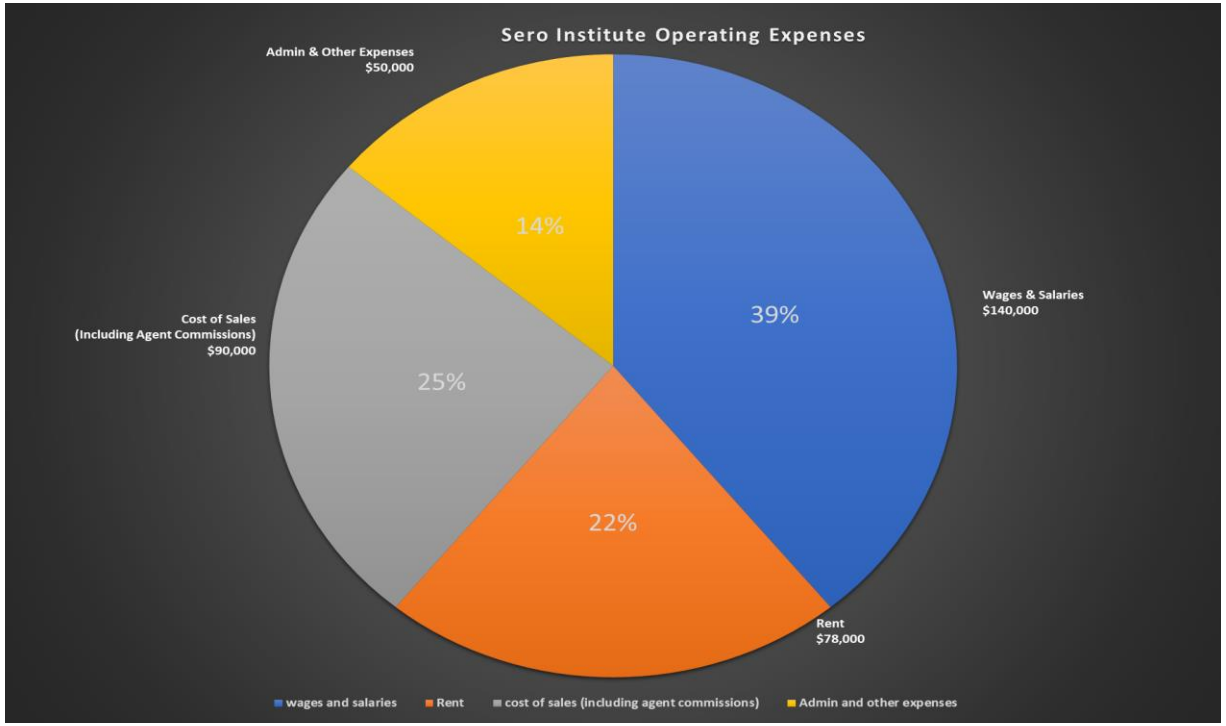
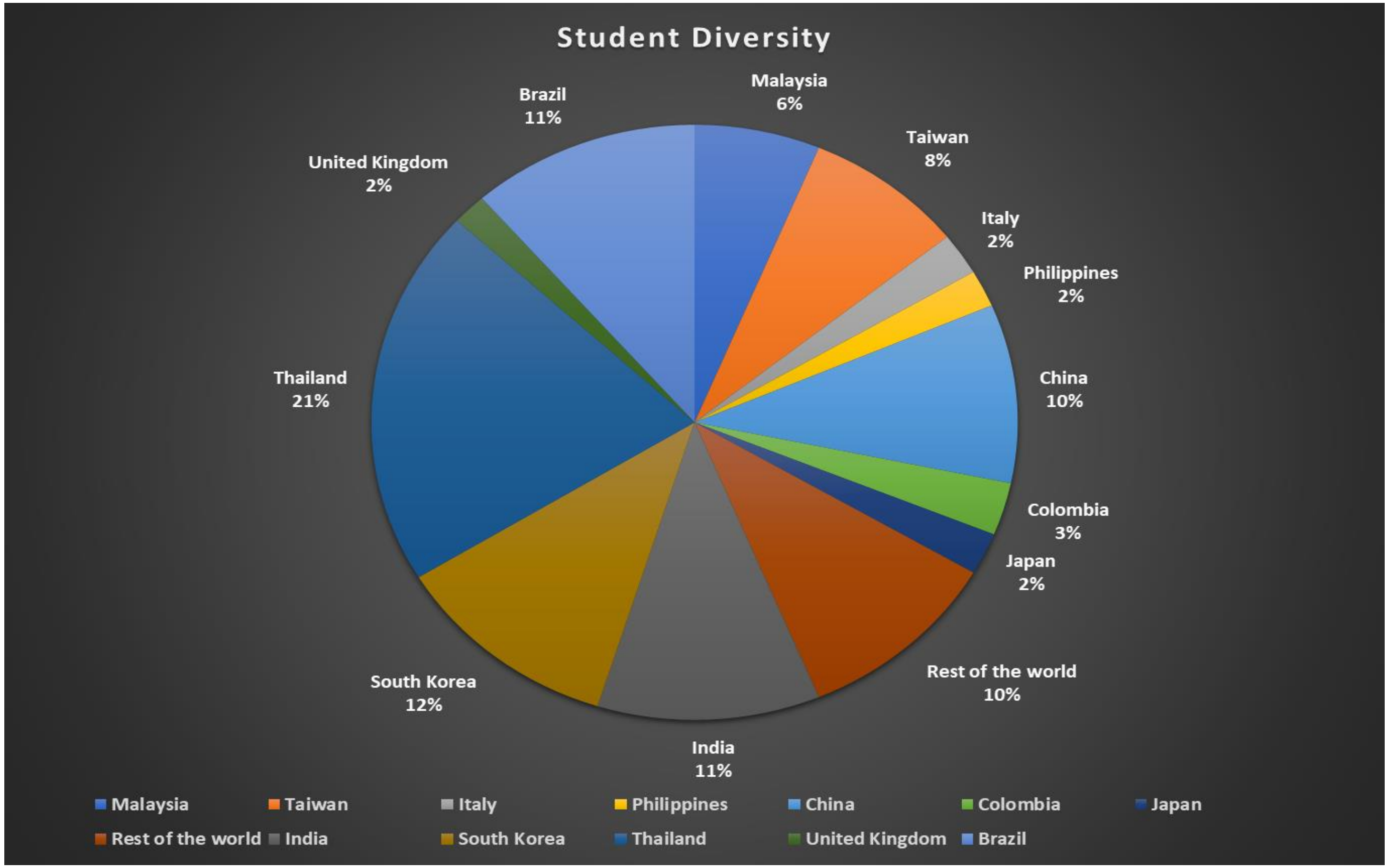


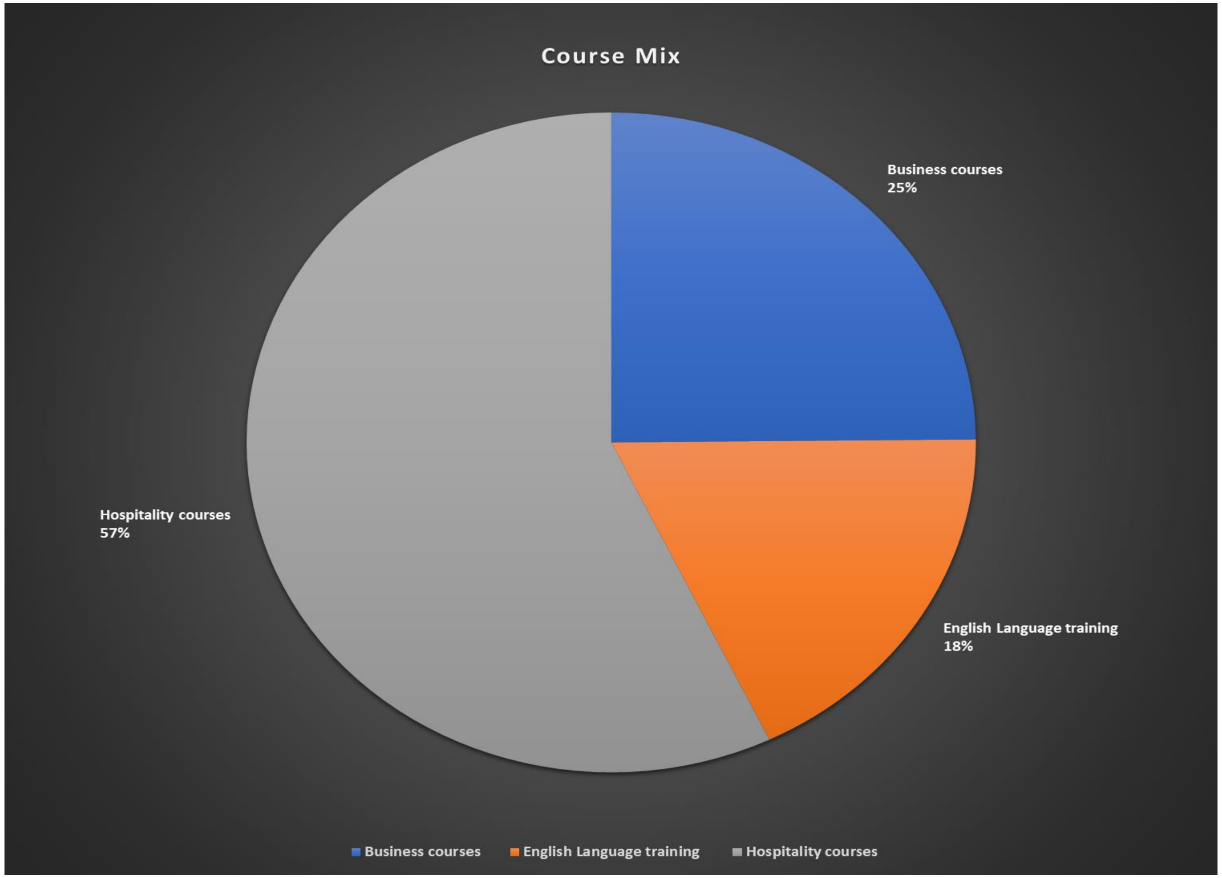
Graph 3: Sero Institute operating expenses

Having implemented strict financial controls and with the introduction of a shared services model which manages compliance, finance, payroll, facilities and marketing across the group, Sero is now in a position where further increases in enrolments and revenues, will result in improved profitability. Significant growth can be achieved without the need to incur any material additional fixed costs (e.g. new campus'). With the closure of the Kedron campus and redomiciling of Capital Training Institute students and trainers to the Sero Institute at the Mt. Gravatt campus, Sero expects to achieve significant fixed cost savings through to 30 June 2019.



Graph 4: Student diversity

Sero currently has students enrolled from 42 different countries. This broad student channel represents a hedge against future student immigration policy changes directed towards one country or region. Tracking the student mix allows Sero to identify regional trends and in turn allocate its resources in a targeted manner to specifically address those emerging trends.



Graph 5: Sero Institute CRICOS course mix

Sero has numerous courses on its international scope of delivery all of which are designed to provide the student with a dynamic and relevant learning experience. The courses also align to the Australian Skills shortage list and have been timetabled to allow the students to experience both study and employment (as permitted by their visa) in Australia.

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Perth Campus

iCollege has entered into a Public Private Partnership with the City of Bayswater in Perth. The City has provided office space, an operational café, classrooms, access to an extremely well-resourced library, training rooms (providing capacity for up to 400 students), a gym and two commercial kitchens. All facilities have been leased on competitive commercial terms. The management and administration functions will be delivered by the shared services team located on the Gold Coast, leaving marketing and student services to be undertaken at the venue. Student enrolments have commenced with the official opening ceremony scheduled within the next 60 days.

Additional benefits offered by the chosen campus include the prospect of employment for Sero students at the café. Under the guidance of Lead Hospitality Trainer and Head Chef, students will participate in the preparation of a Christmas Luncheon for Bayswater City Council Volunteers. This and other catering opportunities are a secondary revenue stream available to Sero at its new Perth Campus.

Celtic Training is one of South Australia's leading providers of training in Individual Care (aged and disability) and community services at its campus located in Adelaide South Australia. Celtic also holds a funding contract in Queensland and are in the process of establishing training facilities in Brisbane, it is anticipated that training will begin in Queensland in Q3.

Celtic Training currently has 430 domestic students enrolled in South Australia with the average revenue contribution per student of approximately $5,000. Enrolment numbers have increased from 15 per month in July to September to more than 40 new students enrolling per month in both October and November. These numbers are set to increase as Celtic enters into a training arrangement with a significant disability services provider in South Australia. This training is scheduled to start in December and will deliver an additional 100 students each contributing approximately $4000. Celtic operates under a Government Funding contract in South Australia administered by the Department of Industry and Skills. Payments are made by the department as student progress through their chosen qualification and are assessed as competent by the Celtic team, under the funding agreement students are also required to make a financial contribution to their qualification. Often the final assessment of competence is reliant upon a practical work placement which is delivered through one of our many placement partners in South Australia.

Celtic Training is relocating to a new campus in the Adelaide CBD in December 2018. The new location meets the requirements to deliver a broader range of qualifications from the iCollege group to a larger audience comprise of both domestic and international students. It is expected that the formal application to recognise Celtic's new campus as a CRICOS accredited facility will take place during the first quarter of 2019. This is important as many international students undertake additional studies in individual (aged and disability) care allowing them to seek employment in this growing sector while completing their qualifications.

The Health, Community Services and Disability sectors are some of the South Australia's fastest growing sectors.

The NDIS (National Disability Insurance Scheme) is creating many new careers and opportunities for South Australians. More than 30,000 South Australians are set to receive support from the NDIS, creating an estimated 6000 new full-time jobs across South Australia over the next few years including disability support workers and allied health professionals. Celtic Training is well positioned to provide the training required to support this rapidly growing sector.

Capital Training Institute is a specialist Building and Construction training organisation delivering qualifications from Cert IV to Advanced Diploma of Building and Construction

Capital Training Institute (CTI) delivers consistent revenue between $100,000 and $150,000 per month. The monthly fixed cost base is set to decrease with the end of lease of the CTI Kedron facility with the team moving into the Sero Institute Mt. Gravatt campus

CTI holds State Government training contracts in Queensland, the Australian Capital Territory and New South Wales. The courses offered by CTI are one of the legislated requirements for trades persons wishing to upskill and obtain their independent builders license.

CTI is also one of 12 accredited providers delivering asbestos awareness training in the Australian Capital Territory. This and other short courses delivered by the business consistently deliver revenues of $25,000 monthly and these courses are delivered on a strictly fee for service basis. Building on the success of short courses CTI staff are currently negotiating with several local business and trade groups to offer specialist training, we hope to be able to provide an update on this prior to February 2019.

The iCollege Executive are currently planning the geographical expansion of CTI into South Australia to be housed in the new Celtic Training facility. This initiative and a planned expansion to the CTI delivery scope will see increases in the monthly revenue with minimal addition to expenses.

iCollege Ltd Consolidated Expenses and Future Outlook

Monthly Expense	Cost $
Wages and Salaries	$333,000
Rent	$122,500
Administration and other costs	$105,000
Cost of sales	$140,000*

As per above, rent and administrative expenditure are expected to remain constant over the next 12 months with the only increases being in the variable costs such as the cost of sales and wages. The board of ICT is confident that wages and salaries expenditure will reduce close to 40-42% of during FY 18-19 as sales increase and diligent cost management and centralization of services continue to be implemented.

The business also replaced a convertible note with a new one at more favourable terms for $150,000 with a 10% per annum interest rate, 12 month term and a conversion strike of 5 cents per share at the election of iCollege ltd during this quarter.

iCollege also entered a binding sale agreement of Mathisi Pty Ltd for $120,000. Mathisi has been a registered training organization in the portfolio before the Manthano acquisition and has had very limited trading activity in the last 12 months. The sale agreement is expected to be finalized before the end of November 2018.

Q2 has seen a reduction in iCollege's ongoing corporate costs following a Q1 that had significant outflows that addressed several one-off expenses including the repayment of debt, significant legal expenses associated with the now settled Walker litigation and finalising the remaining legacy issues. The board and executive of iCollege are confident that the business expenses will be maintained at a manageable level as outlined by the above table.

*cost of sales figure is based on a revenue of $700,000

FUTURE OUTLOOK

All 3 Australian businesses are performing well with each demonstrating a trend of increased enrolments and revenue. The company expects all domestic business to continue to deliver increasingly strong results through until to 30 June 2019.

With a solid foundation now in place the board will focus on the execution on its overseas plans in 2019 with a view to revenues being generated from those operations in late Q3 and into Q4.

The Birla Edutech Joint Venture and fitout of the New Delhi Hospitality School of Excellence is progressing well, with the first students expected to commence in February/March 2019. We look forward to keeping shareholders advised on the progression of the MOU with Shandong University and other opportunities in the Chinese market.

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For further Information:

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