

**Arowana International Limited
(ACN 103 472 751)
Notice of Annual General Meeting**

Notice is given that the Annual General Meeting of Shareholders of Arowana International Limited (**AWN** or **Company**) will be held at:

Date: **Tuesday, 15 November 2016**

Time: **11.00am AEDT**

Venue: **Level 11, 153 Walker Street, North Sydney NSW 2060**

Important Note:	Out of respect for shareholders and others attending the meeting, there will be STRICTLY NO ADMISSION once the meeting has commenced.
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Business

Financial statements and reports

To receive and consider the Company's annual financial report, including the directors' report and audit report for the year ended 30 June 2016.

1. Remuneration report

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That the Company adopt the remuneration report for the year ended 30 June 2016 in accordance with Section 250R(2) of the Corporations Act."

Voting Prohibition Statement

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- A member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- A Closely Related Party of such a member

The Voting Restriction does not apply where:

- the chairperson or any other member of the Key Management Personnel is appointed in writing (by a shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with specific instructions on how to vote on a resolution to adopt the Remuneration Report of the Company; or
- the chairperson is appointed in writing (by a shareholder who is not Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with no specific instructions on how to vote on a non-binding shareholder vote on remuneration, where the shareholder provides express authorisation for the chairperson to do so.

2. Re-election of Director – Mr Tony Kinnear

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Tony Kinnear, who retires in accordance with the Company's constitution and, being eligible for re-election, be re-elected as a Director."

3. Re-election of Director – Mr Kevin Chin

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Mr Kevin Chin, who retires in accordance with the Company’s constitution and, being eligible for re-election, be re-elected as a Director.”

4. Approval of acquisition of Evolution Academy under Listing Rule 10.1

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.1 and for all other purposes, the acquisition of all of the issued share capital of Evolution Academy from ETC on the terms described in the Explanatory Memorandum, is approved.”

Voting restrictions

AWN will disregard any votes cast on Resolution 4 by:

- ETC; and
- the Associates of ETC;

However, AWN will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Other information

An Explanatory Memorandum accompanies and forms part of this notice of Annual General Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

Voting by proxy

Any Shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of that Shareholder.

The proxy does not need to be a Shareholder of the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder’s votes.

Proxies must be:

- (a) lodged at the Company’s share registry, Boardroom Pty Limited, or
- (b) faxed to the fax number specified below,

not later than **11.00am (AEDT) on 13 November 2016**.

Address (hand deliveries): Level 12, 225 George Street, Sydney, NSW, Australia, 2000

Address (postal deliveries): GPO Box 3993, Sydney, NSW, Australia, 2001

Fax number for lodgement: +61 2 9290 9655

The proxy form has been enclosed. Please read all instructions carefully before completing the proxy form.

Entitlement to vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares will be taken to be held by the persons who held them as registered Shareholders at 7.00pm (AEDT) on 13 November 2016. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By order of the Board



Tom Bloomfield
Company Secretary

**Arowana International Limited
(ACN 103 472 751)
Explanatory Memorandum**

This Explanatory Memorandum sets out further information regarding the proposed resolutions to be considered by Shareholders of Arowana International Limited (**AWN** or **Company**) at the 2016 annual general meeting to be held commencing at 11.00am AEDT on 15 November 2016 at Level 11, 153 Walker Street, North Sydney NSW 2060.

The Directors recommend that Shareholders read this Explanatory Memorandum before determining whether or not to support the resolutions.

Financial statements and reports

Under Section 317 of the Corporations Act, AWN is required to lay its annual financial report, directors' report and remuneration report before its Shareholders at its annual general meeting. The annual financial report is submitted for Shareholders' consideration and discussion at the annual general meeting as required. Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the report they wish to discuss.

Representatives of AWN's auditor, PKF Hacketts Audit, will be present for discussion purposes on matters of relevance to the audit.

Resolution 1 - Remuneration report

Resolution 1 provides Shareholders the opportunity to vote on AWN's remuneration report. The remuneration report is contained in the directors' report. Under Section 250R(2) of the Corporations Act, AWN must put the adoption of its remuneration report to a vote at its annual general meeting.

This vote is advisory only and does not bind the Directors or AWN.

The Remuneration Report sets out the Company's remuneration arrangements for Key Management Personnel of the Company. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ending 30 June 2016.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Voting consequences

Under the Corporations Act, if at least 25% of the votes cast on a Remuneration Report resolution are voted against the adoption of the Remuneration Report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of Directors of the Company at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (spill meeting) within 90 days of the second annual general meeting. All of the Directors of the Company who were in office when the Directors Report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the Executive Directors of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as Directors of the Company is approved will be the Directors of the Company.

At the Company's previous annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

Proxy Restrictions

Members of the Key Management Personnel and their proxies and Closely Related Parties are restricted from voting on a resolution put to Shareholders that the Remuneration Report of the Company be adopted. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Voting Restriction does not apply where:

- (a) the chairperson or any other member of the Key Management Personnel is appointed in writing (by a shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with specific instructions on how to vote on a resolution to adopt the Remuneration Report of the Company; or
- (b) the chairperson is appointed in writing (by a shareholder who is not Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with no specific instructions on how to vote on a non-binding shareholder vote on remuneration, where the shareholder provides express authorisation for the chairperson to do so.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

Resolution 2 - Re-election of Director – Mr Tony Kinnear

Under clause 6.2(b) of the Constitution, any director appointed to either to fill a casual vacancy or as an addition to the existing Directors holds office only until the end of the next following Annual General Meeting and is eligible for re-election at that meeting.

Mr Tony Kinnear was appointed as a Director of the Company on 19 November 2015 and retires as a Director of AWN in accordance with clause 6.2(b) of the Constitution and, being eligible, wishes to stand for re-election.

Tony has over 25 years of leadership experience with both private, high growth technology start-ups and large multinationals in Australia and throughout Asia. In his current role, he serves as Managing Director of Thomson Reuters for the ASEAN and North Asian regions, covering 14 geographies. Prior to this he has been CEO of four information and technology businesses, two of which he took to IPO. Tony is a lawyer by training and brings a unique, real-world command of software and technology, research and big data, as well as extensive fund raising, acquisition and operating experience across Asia, Australia and New Zealand. Tony holds a BA with honours and a Bachelor of Laws from the University of Sydney, and lives in Singapore with his wife and sons.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

Resolution 3 - Re-election of Director – Mr Kevin Chin

Under clause 6.7 of the Constitution, the Company must hold regular elections for directors at the times required under the ASX Listing Rules. ASX listing Rule 14.5 requires Companies to hold an election of directors each year.

Mr Kevin Chin, who retires as a Director of AWN in accordance with clause 6.7 of the Constitution and ASX Listing Rules, being eligible, wishes to stand for re-election.

Kevin is the CEO of AWN and the founder of Arowana & Co. He orchestrated the formation and listing of Arowana International Limited. Kevin has extensive experience in “hands on” strategic and operational management having served as CEO, CFO and COO of various companies across a range of industries. He also has significant international experience in private equity, buyouts of public companies, mergers and acquisitions and capital raisings as well as funds management, accounting, litigation support and valuations. Kevin has been primarily responsible for delivering annualised returns in excess of 30% to investors across Arowana & Co.’s investments since its formation in 2007.

This has been achieved through driving strategic and operational excellence with minimal leverage. Over his 20 year career, Kevin has held a number of strategic and operational leadership roles and was also previously with Lowy Family Group, J.P. Morgan in Sydney and New York, Ord Minnett, PWC and Deloitte. Kevin holds a Bachelor of Commerce degree from the University of New South Wales where he was one of the inaugural University Co-Op Scholars with the School of Banking and Finance. He is also a qualified Chartered Accountant and a Fellow of FINSIA, where he was a lecturer in the Masters of Applied Finance programme.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

Resolution 4 - Approval of acquisition of Evolution Academy Pty Limited under Listing Rule 10.1

Background

Evolution Academy is a Perth-based registered training organisation that carries on a business of operating a vocational education and training college providing courses in traditional construction-related industries including bricklaying, tiling, plasterboarding and carpentry. The business services both domestic and international students.

In May 2016 AWN informally approached ERMG regarding the potential sale of Evolution Academy to AWN. Following further discussions and due diligence enquiries, on 21 September 2016 AWN and ERMG entered into a non-binding heads of agreement with respect to the sale of Evolution Academy.

Following further due diligence, on 14 October 2016 AWN announced that it had entered into an agreement to acquire all of the issued share capital of Evolution Academy for a purchase price of up to \$8 million.

The Transaction will only proceed if the Resolution 4 is approved by Shareholders. Shareholder approval is being sought under Listing Rule 10.1.

The Resolution requires approval by a simple majority of votes cast by eligible Shareholders at the Meeting. ETC as seller and its Associates may not vote on Resolution 4.

Rationale

AWN has commenced building a vocational education operation business, separate to its 24.9% shareholding in Intueri. This new group, known as Everthought Education, will be run by an AWN-assembled management team and will provide AWN with an opportunity to apply its preferred modus operandi in the vocational education sector.

The acquisition strategy is focussed on Australian vocational education providers that are not exposed to the regulatory uncertainty of VET FEE-HELP and seeks to capitalise on the flight to quality within the sector, stable State-based funding regimes for vocational education and the increasing number of international students seeking vocational education in Australia.

The first small acquisition, Keystone Training, was completed in early July 2016 for an investment of \$2 million at an EBIT multiple of approximately 1.7x. Keystone Training is a Brisbane-based RTO that provides building and construction related qualifications.

Evolution Academy will be a complementary fit to Keystone Training given its location. Its scope of qualifications is similar but it is also approved as a CRICOS provider and is therefore able to provide training to international students.

Recommendation of Independent Directors

Mr Kevin Chin and the Hon John Moore are directors of both ERMG, the ultimate holding company of ETC and AWN and so do not consider it appropriate to make a recommendation in relation to Resolution 4.

Mr Tony Kinnear and Mr Rob McKelvey, being Directors who are not directors of ERMG or ETC, consider themselves independent. The Independent Directors consider that the Transaction is in the best interests of Shareholders and recommend that Shareholders vote in favour of Resolution 4 for the following reasons:

- The Independent Expert has concluded that the Transaction is fair and reasonable to Shareholders not associated with ERMG and ETC.
- The AWN team has strong experience in operating and managing vocational education and training businesses and will be able to deploy its preferred modus operandi in operating Evolution Academy.
- Evolution Academy offers potential synergies with Keystone Training and is a complementary fit to that existing AWN operating business.
- The Transaction will strengthen AWN's presence in the Australian vocational education and training sector and provide exposure to the growing international education market.

Independent Expert Report

AWN engaged the Independent Expert to prepare an Independent Expert's Report expressing an opinion on whether or not the Transaction is fair and reasonable to Shareholders who are not associated with ETC.

The Independent Expert has concluded that:

Accordingly, in our opinion, the Proposed Transaction is fair and reasonable to the shareholders of AWN

The Independent Expert's Report is set out in full in the Appendix and you are strongly encouraged to read that report as part of your assessment of the Transaction.

A copy of the Independent Expert's Report can be accessed from the Company's website at www.arowanainternational.com/GreenfishIER.pdf. AWN will provide a hard copy of the Independent Expert's Report at no cost to a Shareholder on request. To request a copy, please contact Boardroom Pty Limited on 1300 737 760.

Why Shareholders should vote in favour of the Transaction

Reasons why Shareholders may decide to vote in favour of Resolution 4 include the following:

- The Independent Expert has concluded that the Transaction is fair and reasonable to Shareholders not associated with ERMG and ETC.
- The AWN team has experience in operating and managing vocational education and training businesses such as Evolution Academy. AWN is currently operating Keystone Training and previously operated Intueri, prior to its IPO.
- Evolution Academy offers potential revenue and cost synergies with Keystone Training, given the similarity of their scope of qualifications and complementary geographic locations.
- Evolution Academy has no exposure to VET FEE-HELP and the related regulatory uncertainty surrounding this program, which offers stability and growth opportunities once the Australian Government's new VET Student Loans program commences in 2017. In addition, Evolution Academy's international students are full fee paying and not dependent on any form of Australian or state government funding.
- The Transaction will provide AWN with 100% ownership of Evolution Academy. Accordingly, there will be no minority interests for AWN to consider and this will enable it to control the future strategic and financial direction of Evolution Academy.

- Evolution Academy is an established vocational education and training provider with an international student population and the Transaction strengthens AWN's presence in the Australian vocational education and training market, which is complementary to AWN's current interests and a base for further expansion, while providing exposure to the growing international education market.

Why you may vote against the Transaction

Shareholders may decline to vote in favour of Resolution 4 for a number of reasons. These may include the following:

- You may disagree with the Independent Expert's conclusion that the Transaction is fair and reasonable to Shareholders not associated with ERMG and ETC.
- The Transaction results in AWN having increased exposure to the vocational education and training sector. Increased competition from universities, TAFEs and regulatory uncertainty may constrain future growth in the sector.
- The international student market is subject to external influences such as regulatory changes to immigration policy, currency fluctuations and competing markets such as the United States, the United Kingdom, Canada and New Zealand. These factors may impact negatively upon Evolution Academy's ability to recruit international students in the future.
- Consideration for the Transaction is to be paid in cash, which could alternatively be invested to expand AWN's existing operating interests.

Implementation and timetable

If all necessary approvals and conditions for the Transaction are satisfied or waived (as applicable), it is expected that the Transaction will be fully implemented by 30 November 2016.

The acquisition will be funded from the existing cash reserves of the Company. ERMG has indicated that it intends to apply the net proceeds of sale of Evolution Academy to reduce its senior secured debt.

Evolution Academy

Evolution Academy was established in 1997 in New South Wales as a vocational education provider focussed on new entrants to the building industry. In 2004, the business moved from New South Wales to Western Australia, trading initially as the "Silver Trowel Bricklaying School".

In January 2007, the business restructured into Silver Trowel Trade Training Pty Ltd and became a registered training organisation to reflect its broader range of trade course offerings. CRICOS registration was obtained in February 2008, and it received its first international students shortly thereafter.

ETC acquired Silver Trowel Pty Ltd (as it was then known) in January 2015 and the business has operated as the core of the ERMG Training Division since that point. It was renamed Evolution Academy in early 2016.

Evolution Academy's focus is on providing building and construction industry trade qualifications to international and domestic students ranging from Certificate I to Diploma level. It has recently expanded its offerings to include business, leadership/management, customer engagement and safety courses with nationally recognised qualifications ranging from Certificate III to Advanced Diploma level.

Evolution Academy's management team consists of:

- Amanda Welch, the General Manager. Amanda has over 8 years' experience in the vocational education and training sector in training, sales and management roles.

- Fergal McHugh, the Training Manager. Fergal has over 15 years' experience in the building industry and is a carpenter by trade.
- Sam Schumacher, the RTO Compliance Manager. Sam is an experienced vocational education and training professional with experience in operations and compliance roles.

The management team is supported by seven administrative staff and 14 trainers (11 of which are employees and three of which are contractors).

Set out below are summaries of the unaudited profit and loss accounts of Evolution Academy for the years ended 30 June 2014, 2015 and 2016 (refer to section 6.4.1 of the Independent Expert's Report for further detail), along with a summary of the forecast profit and loss account for the year ended 30 June 2017:

\$'000	FY2014	FY2015	FY2016	FY2017F
Revenue	5,018	3,334	3,450	4,190
Gross Profit	4,638	3,000	3,122	3,796
EBITDA	2,404	951	1,358	1,650
EBIT	2,246	774	1,007	1,335
NPAT	2,311	633	621	934

Set out below are summaries of the unaudited balance sheet of Evolution Academy for the years ended 30 June 2014, 2015 and 2016 (refer to section 6.4.2 of the Independent Expert's Report for further detail):

\$'000	FY2014	FY2015	FY2016
Current assets	3,996	451	1,266
Non-current assets	1,383	1,163	1,060
Total assets	5,379	1,614	2,326
Current liabilities	(1,508)	(268)	(358)
Non-current liabilities	(804)	-	-
Total liabilities	(2,312)	(268)	(358)
Net assets	3,067	1,347	1,968
Total equity	3,067	1,347	1,968

Evolution Academy's future growth is likely to come primarily in the international student market. International students are full fee paying and not dependent on any Australian or State government funding. The declining Australian dollar and positive changes to government regulation have increased Australia's attractiveness to the international student market. In addition, shortages in qualified tradespeople has created demand for migrants willing to undertake trade training such as that offered by Evolution Academy.

Relationship between ERMG and AWN

Separate to this Transaction, ERMG and AWN have a relationship on a number of fronts:

- Mr Kevin Chin and the Hon John Moore are directors of both ERMG, the ultimate holding company of ETC and AWN.
- AWN previously agreed to procure or provide funding of up to \$10.2 million to support ERMG. In April 2015 ERMG (with assistance from AWN) sourced senior bank financing. Accordingly, AWN's funding support commitment was released and AWN received a \$0.2 million commitment fee.
- In April 2016 AWN through its controlled entity, the AASSF I, acquired 3 million unsecured convertible notes in ERMG with an issue price of \$1.00 per note. The notes have a five year term and bear interest of 8% per annum, with interest being cumulative.
- Pursuant to a service agreement, ERMG appointed AWN to provide services to ERMG, including AWN personnel on secondment. Currently, three AWN personnel provide operational support and services where required to assist ERMG finance and corporate development activities. In consideration for provision of the services, AWN receives a base retainer of \$150,000 per annum (indexed to CPI) and may receive a performance fee equivalent to 1% of gross proceeds in the event ERMG completes a fundraising during the term of the agreement.
- AWN had previously entered into an agreement to provide financial support to ETC to cover any short term excesses over its facility with the National Australia Bank, while ERMG undertook to use its best endeavours to repay or amend the bank facilities to eliminate the need for the AWN commitment of financial support by 31 October 2016 (or such other date as agreed by the parties).

Purpose of approval

Resolution 4 approves the Transaction for the purposes of Listing Rule 10.1.

Listing Rule 10.1 provides that prior approval of shareholders is required for a listed entity to acquire a substantial asset from certain parties. An asset is a substantial asset if its value, or the value of the consideration given for it, is 5% or more of the equity interests of the listed entity set out in the latest accounts given to ASX under the Listing Rules.

The latest audited consolidated financial statements for AWN for the financial year ended 30 June 2016 records AWN's equity interests attributable to the parent shareholders at \$96.55 million. The shareholding in Evolution Academy is substantial for the purposes of Listing Rule 10.1 if its value, or the value of the consideration given for it, is greater than \$4.8 million. The maximum purchase price payable for Evolution Academy is \$8 million. Accordingly, the shares in Evolution Academy is a substantial asset.

ETC and ERMG are not a party to whom Listing Rule 10.1 strictly applies. However, Listing Rule 10.1.5 provides that if a person whose relationship to a listed entity, or a person to whom otherwise Listing Rule 10.1 would apply is such that, in the opinion of ASX, the transaction should be approved by shareholders, shareholder approval for that transaction is required.

As outlined above, AWN has a number of commercial and contractual relationships with ERMG. In light of this and the fact that 2 AWN Directors are also directors of ERMG, AWN determined that ASX was likely to apply Listing Rule 10.1 to the Transaction. In any event, the Independent Directors of AWN considered it appropriate that Shareholders have the opportunity to consider the Transaction and to have the benefit of an independent report regarding the Transaction in deciding whether to approve its implementation. Resolution 4 has been proposed to Shareholders as if Listing Rule 10.1 applied to the Transaction.

As required by Listing Rule 10.10, a report on the Transaction from the Independent Expert Report is set out in Appendix 1.

Terms of the Transaction

AWN, ETC and ERMG entered into the SSA on 13 October 2016. Under the SSA, AWN agreed to purchase all of the issued share capital of Evolution Academy for a purchase price of up to \$8 million subject to adjustment for surplus working capital. The purchase price is made up of the following:

- \$2 million – payable on Completion;
- \$4 million – payment is conditional on the registration of Evolution Academy as a registered training organisation being renewed on or before 30 June 2017, with payment occurring not before 29 December 2016; and
- An earn out payment of up to \$2 million – calculated at 4.9 x the earnings before interest, tax, depreciation and amortisation of the Company in respect of the 2017 financial year adjusted by excluding any unusual, non-recurring, abnormal or extraordinary items. This earn out amount is then reduced by the aggregate of all other payments made on account of the purchase price.

The purchase price is also subject to post-completion adjustments if the working capital and net debt of Evolution Academy departs from pre-agreed levels.

Completion of the Transaction is subject to the satisfaction or waiver of conditions consistent with market practice including the following:

- approval of the Transaction by Shareholders for all purposes including Listing Rule 10.1;
- Evolution Academy procuring the consent of the Department of Training and Workforce Development to the Transaction under the VET (WA) Ministerial Corporation Purchase of Training Services General Provisions (Conditions of Contract);
- receipt of all other necessary third party consents; and
- no material adverse change in circumstances of Evolution Academy occurring prior to Completion.

If the conditions precedent are not satisfied or waived by 31 December 2016 or such later date as agreed by the parties, either AWN or ETC can terminate the agreement by notice to the other.

ETC has provided customary undertakings regarding the conduct of business of Evolution Academy in respect of the period prior to Completion.

ETC has provided warranties regarding the shares in Evolution Academy and its business customary for a transaction of this nature. ETC has also provided a tax indemnity in respect of any unpaid tax or other tax liability arising in respect of the period up to Completion with respect to Evolution Academy.

ETC and ERMG have given non-competition undertakings relating to the business conducted by Evolution Academy and the provision of similar training products throughout Australia for a period of five years from Completion. Standard non-solicitation and non-disparagement undertakings are also provided.

Voting restrictions

AWN will disregard any votes cast on Resolution 4 by:

- ETC; and
- the Associates of ETC.

However, AWN will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Glossary

The following terms used (including the Notice of Meeting) have the meanings given to them below, unless the context otherwise requires.

AASSF I	Arowana Australian Special Situations Fund I
ASIC	Australian Securities & Investment Commission
Associate	Has the meaning given in the Corporations Act
ASX	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conducted by it
Board	the board of Directors of the Company
Closely Related Party	a closely related party of a Key Management Personnel and includes (among others), a spouse, child or dependent of the Key Management Personnel and a company controlled by the Key Management Personnel.
Company	Arowana International Limited (ACN 103 472 751)
Corporations Act	Corporations Act 2001 (Cth)
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
Directors	the directors of the Company
ERMG	Evolution Road Maintenance Group Limited (ACN 147 834 133)
ETC	Evolution Traffic Control Pty Limited (ACN 109 656 233)
Everthought Education	Everthought Education Pty Ltd (ACN613 279 815)
Evolution Academy	Evolution Academy Pty Limited (ACN 123 363 495)
Independent Directors	Mr Tony Kinnear and Mr Rob McKelvey being Directors who are not directors of ERMG or ETC
Independent Expert	Nexia Sydney Corporate Advisory Pty Limited (ACN 114 696 945)
Independent Expert's Report	the report issued by the Independent Expert considering whether the Transaction is fair and reasonable to Shareholders not associated with ETC set out in the Annexure
Intueri	Intueri Education Group Limited (a New Zealand registered company)
Key Management Personnel	those persons having authority and responsibility for planning, directing and controlling the activities of the Group, whether directly or indirectly. The Company's Remuneration Report identifies the Company's key management personnel.
Keystone Training	Lynchpin Enterprises Pty Ltd (ACN 114 892 509) trading as Keystone Training
Listing Rules	the listing rules of ASX

Meeting	the annual general meeting of Shareholders to be held on 15 November 2016.
RTO	a registered training organisation
Shareholder	a registered holder of Shares
Shares	ordinary shares in the capital of the Company
SSA	the share sale agreement in respect of all of the issued shares of Evolution Academy between AWN, ETC and ERMG dated 13 October 2016
Transaction	the acquisition of all of the issued shares of Evolution Academy from ETC for a maximum consideration of \$8 million on the terms of the SSA
VET FEE-HELP	an Australian Government program providing loans to help eligible students enrolled in higher-level VET courses (Diploma, Advanced Diploma, Vocational Graduate Certificate or Vocational Graduate Diploma) pay their tuition fees
VET Student Loans	an Australian Government program to replace VET FEE-HELP from 1 January 2017

All Correspondence to:

 **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

 **By Fax:** +61 2 9290 9655

 **Online:** www.boardroomlimited.com.au

 **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (AEDT) on Sunday 13 November 2016.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.


Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**


STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (AEDT) on Sunday, 13 November 2016.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

 **By Fax** + 61 2 9290 9655

 **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Arowana International Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at **Level 11, 153 Walker Street, North Sydney NSW 2060 on Tuesday, 15 November 2016 at 11:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS
* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	To Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Tony Kinnear	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director – Mr Kevin Chin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of acquisition of Evolution Academy under Listing Rule 10.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS
This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... Date / / 2016

Annexure

Independent Expert's Report

Arowana International Limited

Acquisition of Evolution Academy Pty Ltd, a wholly owned subsidiary of Evolution Road Maintenance Group Limited.

Independent Expert's Report
and Financial Services Guide

13 October 2016

In our opinion the Proposed Transaction is fair and reasonable to the shareholders



FINANCIAL SERVICES GUIDE

Dated: 13 October 2016

What is a Financial Services Guide (“FSG”)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Nexia Sydney Corporate Advisory Pty Ltd ABN 68 114 696 945, a corporate authorised representative of Nexia Sydney Financial Solutions Pty Ltd (“NSFS”), Australian Financial Services Licence Number 247300 (“NSCA”).

This FSG includes information about:

- NSCA and how they can be contacted
- the services NSCA is authorised to provide
- how NSCA are paid
- any relevant associations or relationships of NSCA
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that NSCA has in place.

Where you have engaged NSCA we act on your behalf when providing financial services. Where you have not engaged NSCA, NSCA acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a Report or other financial services from NSCA.

Financial Services that NSCA is authorised to provide

NSCA is a corporate authorised representative of NSFS, which holds an Australian Financial Services Licence authorising it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a Report in relation to a transaction relating to one of these types of financial products.

NSCA's responsibility to you

NSCA has been engaged by the independent directors of Arowana International Limited (“AWN” or the “Client”) to provide general financial product advice in the form of an independent expert’s report to be included in the Explanatory Memorandum sent to the AWN shareholders dated on or about 13 October 2016 (“Report”).

You have not engaged NSCA directly but have received a copy of the Report because you have been provided with a copy of the Document. NSCA or the employees of NSCA are not acting for any person other than the Client.

NSCA is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As NSCA has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Scheme.

Fees NSCA may receive

NSCA charges fees for preparing Reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay NSCA \$25,000 (excluding GST and out of pocket expenses) for preparing the Report. NSCA and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

Referrals

NSCA does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and Relationships

Through a variety of corporate and trust structures NSCA is controlled by and operates as part of the Nexia Sydney Partnership. NSCA's directors and authorised representative may be partners in the Nexia Sydney Partnership. Mr Brent Goldman, director of NSCA, authorised representative of NSFS and partner in the Nexia Sydney Partnership, has prepared this Report. The financial product advice in the Report is provided by NSCA and not by the Nexia Sydney Partnership.

From time to time NSCA, the Nexia Sydney Partnership and related entities (Nexia entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years \$72,500 (excluding GST) in professional fees has been received from the Client for the preparation of independent expert's reports.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Proposed Transaction.

Complaints Resolution

If you have a complaint, please let NSFS know. Formal complaints should be sent in writing to:

Nexia Sydney Financial Solutions Pty Ltd
Head of Compliance
PO Box H195
Australia Square NSW 1215

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Craig Wilford, on +61 2 9251 4600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External Complaints Resolution Process

If NSFS cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 56 55 62
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation Arrangements

NSCA has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact NSCA at:

Nexia Sydney Corporate Advisory Pty Ltd
PO Box H195
Australia Square NSW 1215

13 October 2016

The Directors
Arowana International Limited
Level 11
153 Walker Street
North Sydney NSW 2060

Dear Sirs,

Independent Expert's Report on Acquisition of Evolution Academy Pty Ltd, a wholly owned subsidiary of Evolution Road Maintenance Group Limited

1. OUTLINE OF THE TRANSACTION

On 13 October 2016, Arowana International Limited ("AWN") announced that it had entered into an agreement with Evolution Road Maintenance Group Limited ("Evolution Road") to acquire its wholly owned subsidiary Evolution Academy Pty Ltd ("Evolution Academy" or the "Company") ("the Proposed Transaction").

Under the Proposed Transaction, Arowana will acquire all of the issued shares in Evolution Academy by way of cash payments. The maximum cash consideration payable is \$8 million and is payable as follows:

- An upfront payment of \$2 million;
- An interim payment of \$4 million upon successful renewal of Evolution Academy's Registered Training Organisation ("RTO") registration, on or before 30 June 2017; and
- A contingent earn-out payment up to a maximum of \$2 million (based on a 4.9x multiple of FY2017 EBITDA, less amounts already paid in respect of the upfront payment and interim payment). To obtain the maximum earn-out payment the Company would be required to achieve an EBITDA of approximately \$1.63 million.

The Proposed Transaction will occur on a cash-free, debt-free basis, with adjustments to be made to the purchase price for surplus working capital over an agreed target, unearned revenue and a bank guarantee provided by Evolution Traffic Control Pty Ltd ("ETC") in respect of the Company's leased premises at Cannington, Western Australia. Prior to the Proposed Transaction completing, Evolution Academy will:

- distribute excess cash in the business to its shareholders by way of a dividend or apply the excess cash against any loans payable by Evolution Academy to other Group entities;
- resolve intercompany loan balances between Group entities; and
- settle any tax liabilities owing to the Group as a consequence of its exit from the consolidated tax group.

NSCA has been requested to prepare an independent expert's report for AWN's shareholders, in order to advise whether the Proposed Transaction is fair and reasonable.

2. PURPOSE OF REPORT

The purpose of this Report is to advise the shareholders of AWN on the fairness and reasonableness of the Proposed Transaction.

Australian Securities Exchange ("ASX") Listing rule 10.1 prohibits a listed entity from acquiring a substantial asset from, or disposing of a substantial asset to, an entity to whom the ASX considers it would be appropriate to apply Listing Rule 10.1 without the approval of its shareholders.

Nexia Sydney Corporate Advisory Pty Ltd

Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nexiasydney.com.au, www.nexia.com.au



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Listing rule 10.1 applies to a related party to the listed entity and any substantial shareholder, amongst other classifications. A related party includes companies with common directors and a substantial shareholder includes a shareholder, and its associates, with a relevant interest in at least 10% of the issued voting shares in the listed entity. An asset is substantial if its value, or the consideration being paid, is 5% or more of the listed entity's equity as set out in the accounts lodged with the ASX.

Given that common directors are on the boards of both AWN and Evolution Road, the ASX may determine that shareholder approval should be sought under listing rule 10.1. Rather than wait for the ASX to make this determination, AWN have sought approval under this listing rule.

ASX Listing Rule 10.10.2, requires that a notice of meeting under Listing Rule 10.1 must be accompanied by an independent expert's report stating whether in the expert's opinion the transaction is fair and reasonable to the shareholders not associated with the transaction.

Consistent with the requirement under ASX Listing Rule 10.10.2 the Directors of AWN have requested Nexia Sydney Corporate Advisory Pty Ltd to prepare an independent expert's report, the purpose of which is to provide an independent opinion as to whether or not the Proposed Transaction is fair and reasonable to AWN's shareholders.

3. SUMMARY AND OPINION

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this Report.

The principal factors that we have considered in forming our opinion are summarised below.

3.1 Assessment of Fairness

As discussed in section 0, in determining whether the transaction is fair to the shareholders of AWN, we have set out the basis on which fairness is assessed. This is summarised below:

(\$'000)	Note	Low	Preferred	High
Fair value of a share in Evolution Academy (\$/share)		1.10	1.16	1.21
Upfront payment upon contract completion		2,000	2,000	2,000
Interim payment upon renewal of RTO registration		-	4,000	4,000
Maximum earn-out payment based on FY2017 EBITDA		-	-	2,000
Maximum purchase price under the Proposed Transaction		2,000	6,000	8,000
Purchase Price Adjustments		(212)	(212)	(212)
Total consideration paid under the Proposed Transaction		1,788	5,788	7,788
Shares on issue in Evolution Academy		5,000,000	5,000,000	5,000,000
Consideration paid per share for the acquisition of Evolution Academy (\$/share)		0.36	1.16	1.56

The consideration per share that AWN is paying for a share in Evolution Academy is lower than the fair value of a share in Evolution Academy on a control basis under the low level and the same at the preferred level. At the high level, the consideration paid is higher than the fair value of a share in Evolution Academy. We note, however, that the additional consideration payable under the high level is contingent on Evolution Academy achieving higher profitability than current levels.

Based on the above, **we have concluded that the Proposed Transaction is fair.**

3.2 Assessment of Reasonableness

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

In forming our opinion we have considered the following relevant factors (see section 11).

Advantages	Disadvantages
<ul style="list-style-type: none"> • AWN has experience in operating and managing companies within the training and education space. • AWN will obtain 100% ownership of Evolution Academy under the Proposed Transaction. • The Proposed Transaction strengthens AWN's education interests in Australia and provides increased exposure to international students. 	<ul style="list-style-type: none"> • Market reports suggest that the performance of the Australian VET training industry may reduce from current levels over the next five years. • Cash consideration utilised for the Proposed Transaction could be used in existing investments.

Management have not identified any alternatives to the Proposed Transaction and if the Proposed Transaction does not proceed, AWN will seek other investment opportunities and Evolution Academy will remain a wholly owned subsidiary of Evolution Road.

Taking into consideration the matters above, **we have concluded that the Proposed Transaction is reasonable.**

3.3 Opinion

Accordingly, in our opinion, the Proposed Transaction is fair and reasonable to the shareholders of AWN

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Explanatory Memorandum, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

Yours faithfully
Nexia Sydney Corporate Advisory Pty Ltd



Brent Goldman
(Authorised representative of Nexia Sydney Financial Solutions Pty Ltd, AFSL 247300)
 Director

STRUCTURE OF REPORT

Our Report is set out under the following headings:

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4. BASIS OF EVALUATION

Regulatory Guide 76 ("RG 76"): Related party transactions and Regulatory Guide 111: Content of expert's report ("RG 111") provides guidance as to matters that should be considered in determining whether a transaction is fair and reasonable in a range of circumstances.

RG 76 and RG 111 state that in deciding an appropriate form of analysis, the expert needs to consider that the main purpose of the Report is to deal with the concerns that could reasonably be anticipated by those persons affected by the transaction. An expert should focus on the purpose and outcome of the transaction; that is the substance of the transaction, rather than the legal mechanism used to effect the transaction.

RG 111 requires analysis of a transaction under two distinct criteria being:

- is the offer 'fair'?; and
- is it reasonable?

That is the opinion of fair and reasonable is not considered as a compound phrase.

In determining what is fair and reasonable for a control transaction, RG 111 states that:

- an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer, assuming a 100% interest of the target and irrespective of whether consideration is cash or scrip; and
- an offer is reasonable if it is fair, or if the offer is not fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In determining whether the transaction is fair, the fair value is assumed to be based on a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

For the purpose of considering whether or not the Proposed Transaction is fair we have compared the cash consideration paid for each share to the fair value of a share in Evolution Academy on a control basis.

In our assessment of the reasonableness of the Proposed Transaction, our consideration has included the following matters:

- the benefits for issuing shares for cash including the financial situation and solvency of AWN;
- opportunity costs;
- alternative options and the likelihood of the options occurring;
- AWN's bargaining position;
- whether there is the selective treatment of any security holder;
- any special value of Evolution Academy such as technology, the potential to write-off outstanding loans from AWN etc;
- the liquidity of the market in AWN's securities; and
- other significant matters set out in section 0.

4.1 Individual shareholders' circumstances

The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this Report, shareholders should seek independent professional advice.

4.2 Limitations on reliance on information

The documents and information relied on for the purposes of this Report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose.

We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this Report is the opinions and judgement of Directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NSCA are not the auditors of Evolution Academy. We have analysed and reviewed information provided by the Directors and management of Evolution Academy and made further enquiries where appropriate. Preparation of this Report does not imply that we have in any way audited the accounts or records of Evolution Academy.

In forming our opinion we have assumed:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Explanatory Memorandum to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
- the publicly available information relied upon by NSCA in its analysis was accurate and not misleading.

This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

5. OVERVIEW OF AWN

5.1 Corporate History

AWN is an Australian ASX listed company, incorporated on 22 January 2003 and listed on the ASX. AWN is headquartered in North Sydney, New South Wales and is a diversified investment group with a number of operating subsidiaries.

5.2 Business Activities

AWN's business activities comprise the following:

Operating Companies Division

AWN invests in operating companies and helps them grow through a contribution in human, intellectual and financial capital. Through the Operating Companies Division, AWN has investments in:

- Education, through a 24.9% interest in Intueri Education Group Limited ("Intueri"), which offers a range of vocational courses to domestic and international students in New Zealand and online in Australia. AWN also has a 100% interest in Lynchpin Enterprises Property Pty Ltd (trading as Keystone Training), a registered training organisation based in Brisbane, Australia, offering building and construction related qualifications to domestic students;

- Solar Power, through VivoPower, which invests in small and medium sized solar photovoltaic projects in Australia, Asia, Europe and the United States of America; and
- Diagnostic Testing, through Thermoscan Inspection Services, which provides non-destructive testing services (for example thermal imaging and condition monitoring services) to a wide range of customers in Australia.

Funds Management Division

The Funds Management Division manages the Arowana Australasian Value Opportunities Fund, an ASX listed investment company, the Arowana Australasian Special Situations Fund, a registered venture capital limited partnership targeted at wholesale, professional, high net worth and Significant Investment Visa investors, and Arowana Inc., a special purpose acquisition company listed on the NASDAQ.

Enterprise Office Division

The Enterprise Office Division employs professional experts and provides the support services that facilitate the success of the other two divisions. This division predominantly operates in Australia (specifically Sydney and Brisbane), however it also has a presence in Melbourne, Perth, Singapore, the Philippines and the United States of America.

5.3 Directors and Key Management

Following is a table of the board of AWN:

Name	Position
Kevin Chin	Managing Director and Executive Chairman
John Moore	Non-executive Director
Robert McKelvey	Non-executive Director
Anthony Kinnear	Non-executive Director
Thomas Bloomfield	Secretary

Source: SAI Global search as at 9 September 2016

5.4 Capital Structure and Ownership

AWN's issued capital as at 8 September 2016 comprised 158,170,799 ordinary shares. The top 10 shareholders, as at 8 September 2016, hold 43.52% of the issued capital of AWN and are set out below:

Shareholder	Shareholding	% Total
AIA Investment Management Pty Ltd	11,367,420	7.19%
HSBC Custody Nominees (Australia) Limited	11,360,265	7.18%
Contemplator Pty Ltd	9,170,335	5.80%
K&B Richards Pty Ltd	8,575,000	5.42%
Panaga Group Pty Ltd	6,388,954	4.04%
C F Foundation Group Pty Ltd	5,805,000	3.67%
Ruminator Pty Ltd	5,046,667	3.19%
Traoj Pty Ltd	4,544,380	2.87%
Dudley Hoskin	3,575,000	2.26%
Pacific Capital Investments Pty Limited	3,000,000	1.90%
Top ten shareholders	68,833,021	43.52%
Other	89,337,778	56.48%
Total shareholders	158,170,799	100.00%

Source: Share register as at 8 September 2016, extracted from AWN's 2016 annual report.

6. OVERVIEW OF EVOLUTION ACADEMY

6.1 Corporate History

Evolution Academy was established in 1997 as a vocational education provider for new entrants to the building industry. Initially operating in New South Wales, Evolution Academy moved to Western Australia in 2004 and commenced trading under the name “Silver Trowel Bricklaying School”.

In January 2007, the business restructured into Silver Trowel Trade Training Pty Ltd and became a registered training organisation to reflect its broader range of trade course offerings. Commonwealth Register of Institutions and Courses for Overseas Students (“CRICOS”) registration was obtained in February 2008, and it received its first international students shortly thereafter.

The Company was acquired by Evolution Road in January 2015, effective from November 2014, and rebranded as Evolution Academy in early 2016. It is headquartered in Cannington, Western Australia and set out below is the corporate structure of Evolution Academy.



Evolution Traffic Control Pty Ltd holds 5,000,000 partially paid shares in Evolution Academy.

6.2 Business Activities

Evolution Academy provides industry Vocational Education and Training (“VET”) qualifications to international and domestic students. The courses offered by Evolution Academy are targeted towards the building and construction industry and include:

Construction courses

Evolution Academy offers both short-term and long-term building and construction training courses in a range of technical areas, including bricklaying, tiling, plaster boarding and carpentry. The courses available include both construction skills training and apprenticeship training. Upon successful completion of a course, students will obtain a nationally recognised qualification ranging from Certificate I to Diploma level in the applicable field.

Management courses

Evolution Academy has recently expanded its course offerings to include business, leadership and management, customer engagement and safety. These courses provide students with a nationally recognised qualification that range from Certificate III through to Advanced Diploma level.

The Company has no exposure to the federal government VET FEE-HELP Scheme, however does receive some funding from the Western Australian government. In addition, Evolution Academy's international students are full fee paying and not dependent on any form of Australian or state government funding.

Evolution Academy operates as a standalone entity in respect of its trading operations, however receives limited assistance from the Evolution Road finance function in relation to the finalisation of its month-end accounts.

6.3 Directors

The following are directors of Evolution Academy:

Name	Position
Steven Thomas	Director and CEO
Craig Moss	Director
Thomas Bloomfield	Secretary

Source: SAI Global search as at 9 September 2016

Management has advised that Craig Moss will cease to be a director of the Company following the Proposed Transaction.

6.4 Financial Information

Presented below is the financial information for Evolution Academy as prepared by management for the years ended 30 June 2014, 2015 and 2016.

Evolution Road acquired Evolution Academy in January 2015. Accounts for the period prior to acquisition were prepared by the former owners. We have been advised that the accounting policies and operations were different under the previous ownership. Therefore there are inconsistencies when comparing the reported financial results of the Company between FY2014 and the subsequent years.

We have been advised that the key difference is in relation to the recognition of revenue. In FY2014 the Company invoiced international students in advance and deferred revenue, recognising it when the course was substantially delivered. From FY2015, following a change in government invoicing requirements, international students were no longer able to pay their full course fees in advance and had to be invoiced on a semester by semester basis. This resulted in revenue being recognised when invoiced at the commencement of a semester. Accordingly, there are inconsistencies when comparing the reported results for FY2014 and subsequent financial years.

Since its acquisition, Evolution Academy has been a member of the Group. Due to its size, the Company is not audited independently. The financial statements of Evolution Road were audited and an unqualified audit opinion was given for the 2015 and 2016 financial years, when Evolution Academy was a member of the Group.

6.4.1 Financial Performance

Set out below are the unaudited profit and loss accounts of Evolution Academy for the years ended 30 June 2014, 2015 and 2016:

\$'000		FY2014 Unaudited	FY2015 Unaudited	FY2016 Unaudited
Revenue	1	5,018	3,334	3,450
Cost of sales	2	(380)	(334)	(327)
Gross profit		4,638	3,000	3,122
Other income	3	242	27	52
General expenses	4	(679)	(291)	(285)
Salaries and wages	5	(1,365)	(1,141)	(972)
Vehicle expenses	6	(47)	(212)	(59)
Rent expenses	7	(385)	(432)	(500)
EBITDA		2,404	951	1,358
Depreciation and amortisation		(158)	(177)	(351)
EBIT		2,246	774	1,007
Interest income/(expenses)		66	(3)	0
NPBT		2,311	770	1,007
Income tax (expense) / benefit relating to ordinary activities		-	(137)	(386)
NPAT		2,311	633	621

Source: Evolution Academy 30 June 2014, 30 June 2015 and 30 June 2016 unaudited management accounts

1. Evolution Academy generates revenue through the delivery of VET courses to domestic and international students. As discussed above, the Company employed a different revenue recognition in FY2014. It is estimated that adjusting the FY2014 results to reflect the current accounting treatment (namely by reversing the year end journal entries that were recorded to defer revenue) reduces reported revenue for FY2014 by approximately \$1.2 million. Taking this adjusted figure into account, revenue has declined slightly since FY2014 primarily as a result of lower student numbers and a reduced government funding rate for recognition of prior learning students.
2. Cost of sales includes materials, commissions paid and contractor fees used in providing education services to students of Evolution Academy. Materials refer to building consumables associated with the relevant qualification being taught and commissions relate to amounts paid to placement agencies who refer international students. Three contractors are engaged by Evolution Academy to provide teaching services to a small number of students.
3. Other income in FY2016 related to vehicle disposals and an export development grant.
4. General expenses have declined since FY2014, primarily as a result of reduced advertising and promotion, insurance and repairs and maintenance expenditure under Evolution Road ownership.
5. Evolution Road engaged in a restructuring of the business operations of the Company which resulted in employee terminations following the acquisition of Evolution Academy in January 2015.
6. Vehicle expenses in FY2015 included a loss on the sale of motor vehicles (totalling \$169,000) in relation to the write off of personal vehicles that were not acquired by Evolution Road.
7. Evolution Academy leases its training facility at Cannington, Western Australia. The lease commenced on 1 December 2014 for a three year period, with a three year option exercisable by Evolution Academy.

6.4.2 Financial Position

Set out below is the unaudited balance sheet of Evolution Academy as at 30 June 2014, 30 June 2015 and 30 June 2016.

\$'000		FY2014 Unaudited	FY2015 Unaudited	FY2016 Unaudited
Current assets				
Cash and cash equivalents	1	1,240	19	7
Trade and other receivables	2	349	496	653
Intercompany/related party loans	3	2,263	(121)	477
Other current assets		144	58	129
		3,996	451	1,266
Non-current assets				
Property, plant and equipment	4	1,033	459	251
Goodwill		350	350	350
Intangible assets	5	-	298	422
Other non-current assets		-	56	37
		1,383	1,163	1,060
Total assets		5,379	1,614	2,326
Current liabilities				
Trade and other payables		(90)	(90)	(91)
Employee entitlements		(68)	(98)	(105)
Accruals	6	-	(101)	(142)
Provision for tax liabilities	7	(1,071)	21	(20)
Borrowings	8	(280)	-	-
		(1,508)	(268)	(358)
Non-current liabilities				
Borrowings	8	(804)	-	-
Other non-current liabilities		-	-	0
		(804)	-	0
Total liabilities		(2,312)	(268)	(358)
Net assets		3,067	1,347	1,968
Equity				
Issued capital		50	50	50
Retained profits/(accumulated losses)		3,017	1,297	1,918
Total equity		3,067	1,347	1,968

Source: Evolution Academy 30 June 2014, 30 June 2015 and 30 June 2016 unaudited management accounts

1. Excess cash in the Evolution Academy business is transferred to Evolution Road.
2. Trade and other receivables primarily relate to outstanding course fees payable by students or their employers. Approximately 46% of Evolution Academy's trade debtors are aged more than 90 days. Management has advised that majority of the more than 90 days debtor balance relates to overseas students' fees and it is actively working to collect outstanding amounts.

3. Intercompany loans are comprised of cash that is generated in the business and transferred to Group entities and tax liabilities that arise as a consequence of the Company being part of a consolidated tax group. As at 30 June 2016, the balance of intercompany loans was as follows:

Group entity	Receivable (\$'000)	Payable (\$'000)
Evolution Traffic Control Pty Ltd	783	
Evolution Asset Management Pty Ltd ("EAM")	-	216
Evolution Training and Safety Pty Ltd	-	79
Evolution Road	-	11
Total	783	306
Net position	477	-

The FY2014 balance was wholly comprised of loans to the Company's directors, which occurred under prior ownership.

4. Property, plant and equipment is comprised of motor vehicles, office equipment and plant (including equipment used by students in coursework). The reduction in property, plant and equipment between FY2014 and FY2015 was due to motor vehicles with a combined carrying value of \$491,000 at FY2014, not being acquired by Evolution Road. We note that there are assets, namely desktop computers and printers, used in the day-to-day operations of Evolution Academy that are currently held by EAM. These assets had a written down value of \$38,000 at FY2016 and will be transferred to Evolution Academy prior to the completion of the Proposed Transaction.
5. Intangible assets refers to Evolution Academy's trademarks and capitalised course development costs. Under the Group's accounting policy, course development costs are capitalised. Course development costs at FY2016 were \$263,000, net of amortisation.
6. Accruals is comprised of unearned revenue and general expenses. Unearned revenue relates to students who pay course fees to Evolution Academy upfront and, FY2016, the balance of the account was \$103,000. General expenses are comprised of rental and employee accruals, including wages and superannuation.
7. The Company's provision relates to its GST liability. The Company is part of a consolidated tax group and its tax liabilities will be settled prior to completion and accordingly, there will be no tax impact on the Company as a consequence of the Proposed Transaction.
8. External finance, if required, is organised by Evolution Road, being the head company of the Group under the new corporate structure following the acquisition in January 2015. Evolution Academy does not have any loans with parties external to the Group.

7. TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING IN AUSTRALIA¹

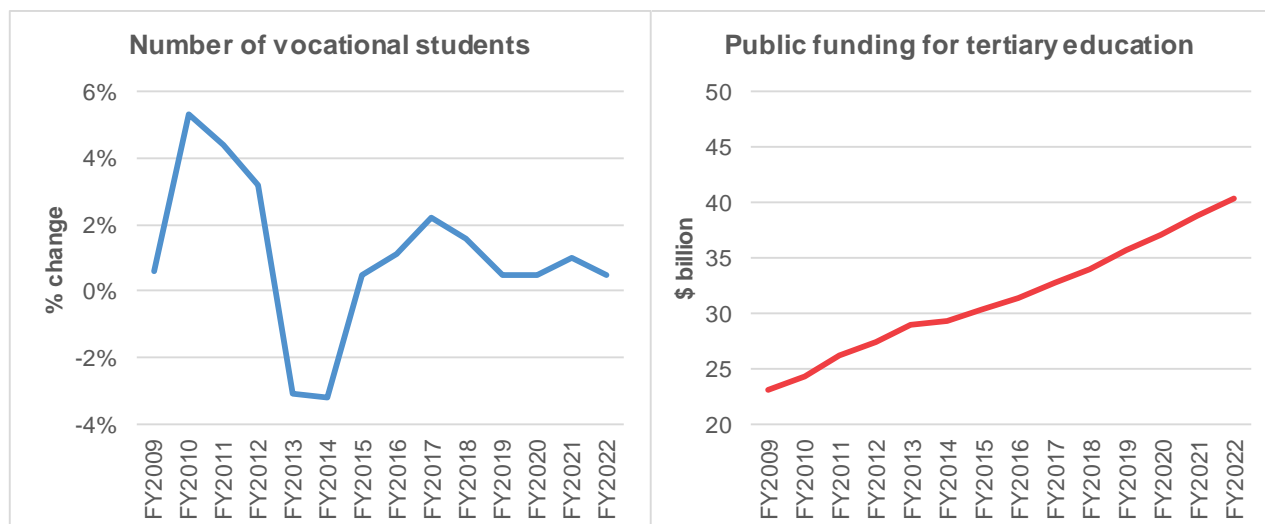
The Australian technical and vocational education and training ("VET") industry turns over approximately \$8.9 billion dollars annually and has grown at an annualised rate of 3% per annum over the five year period to 2016. This growth was largely driven by policy changes to the rules surrounding vocational education and training markets, which provided students with greater access to loan schemes and an increase in the amount of funding that was provided to private education institutions.

Two of the key drivers of industry revenue are government funding and the number of students seeking a VET education. The graphs below illustrates the historical and forecast trends in these two areas and the following points are noted:

- Government funding for tertiary education is anticipated to increase, however, the portion allocated to VET institutions has been growing at a slower rate compared to funding for universities. The continuation of this trend has the potential to negatively impact the industry.

¹ IBIS World, June 2016, Industry report P8101 – Technical and Vocational Education and Training in Australia. Available at: <http://clients1.ibisworld.com/reports/au/industry/default.aspx?entid=601>

- There has been some disruption in the number of students enrolling for VET courses due to structural changes to the industry (for example, the uncapping of university places by the 2012 Labor government) and societal factors (for example, racial violence towards Indian students in 2010 and 2011). The weaker Australian dollar is expected to encourage a return to growth in the number of student enrolments by reducing the relative cost of qualifications to international students.



Students can obtain a number of credentials from VET institutions, however, Certificate III and Certificate IV qualifications comprise the majority of those obtained and accounted for 53.6% of industry revenue in 2016. A trend of employee upskilling has been observed, which has driven increased demand for Certificate IV and Diploma qualifications from institutions, and encouraged additional participants (for example, universities) to compete in the industry.

International students form an important part of the Australian education industry, with approximately 647,000 enrolments in the 2015 calendar year. Of this number, VET courses comprised approximately 165,000 enrolments. This number is anticipated to increase in the five years to 2020 to approximately 226,000 enrolments², which will be beneficial for industry participants that have the ability to accommodate international students.

A number of questionable practices from some operators in the industry has led to legal actions following accusations of unconscionable behaviour. Governments have responded to these issues and are in the process of making private providers in the industry more accountable. As a result, it is expected that participants who cannot meet the stricter requirements will exit the industry, which should improve its perception and provide a benefit for those who remain.

The tightening of government regulation in response to unscrupulous practices and intensifying competition in the tertiary education space from other participants are expected to have an impact on industry performance. It is anticipated that the industry growth over the next five years will slow and IBISWorld is predicting that industry revenue will reach approximately \$9.5 billion per annum at an annualised rate of 1.8% per annum over the five years to 2021. In order to respond to these challenges, remaining participants will need to focus on the quality and value, of their service offering in order to attract additional enrolments, particularly those from international students, who are anticipated to select Australian institutions as a response to the weaker Australian dollar.

² Deloitte Access Economics, 2016, Growth and opportunity in Australian International Education.

8. VALUATION METHODOLOGIES

8.1 Definition of market value

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to shareholders of AWN, we have assessed the fair value of a share in Evolution Academy on a control basis. RG 111 defines fair value as the amount:

“assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length...”

8.2 Selection of Methodology

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information.

In determining the fair value of share in Evolution Academy, we have applied the application of earnings multiples methodology. We have determined this to be the most appropriate methodology as:

- Evolution Academy has an established trading history and is a participant in a defined industry, which allows for a comparison to be made to similar entities and transactions;
- EBITDA has been determined as the appropriate profit level as the operations of Evolution Academy have limited capital expenditure that relate to the operations of the business.
- Evolution Academy is a private company so it is not possible to value the company by reference to the trading price of its shares;
- Evolution Academy has not received any recent offers for the acquisition of a part or whole of the business, from which an indication of value can be determined.

9. FAIR VALUE OF EVOLUTION ACADEMY ON A CONTROL BASIS

As discussed in section 4, in evaluating the Proposed Transaction we are considering the fair value of a share in Evolution Academy on a control basis in accordance with RG 111.

9.1 Normalised EBITDA adjustments

Evolution Academy's reported financial performance has been adjusted to exclude the impact of one-off and non-recurring expenses in order to provide an indication of the Company's financial performance from normal operations. The adjustments made to EBITDA are detailed below:

(\$'000)	Note	FY2015	FY2016
EBITDA		951	1,358
Adjustments:			
Bad debt expense	1	(79)	(59)
Redundancy costs	2	298	3
Group costs	3	(65)	(65)
Motor vehicle write downs	4	169	-
General expenses	5	135	142
Normalised EBITDA		1,409	1,379

Source: Management accounts for the years ended 30 June 2015 and 2016, and information provided by management.

1. The adjustment is for debtors of the Company that are considered to be uncollectable and is included as a bad debt expense that was not previously recognised. Uncollectable amounts are considered to be those that are more than 90 days or more outstanding and for which the debtor has not been active on a repayment plan.
2. The adjustment relates to wages, entitlements and other payments to staff whose employment was terminated following a restructure of the operations of Evolution Academy following the acquisition by Evolution Road in January 2015.
3. Evolution Academy currently receives some assistance from the Group's finance team. An adjustment is made for the estimated cost of Evolution Academy employing appropriate staff or outsourcing as a stand-alone operation.
4. Motor vehicles that were not transferred to Evolution Academy as part of the acquisition January 2015 were written-off as vehicle expenses in the FY2015 accounts. This is a one-off expense.
5. The adjustment to general expenses includes the following amounts:
 - In FY2015, Evolution Academy incurred legal expenses of \$27,000 relating to the acquisition in January 2015. These are a one-off expense.
 - In FY2015 and FY2016, Evolution Road recharged to Evolution Academy expenses of \$11,000 and \$80,000 respectively in respect of legal expenses. These expenses are not relevant to the Company's operations and should not be included in its financial performance.
 - The Company rented apartments in Perth, Australia and Manilla, Philippines that were utilised by the Company's General Manager and for student enrolment activities. The leases over these properties have been terminated and accordingly, the expense has been normalised as it is not an ongoing cost of the Company.

9.2 Capitalisation multiple

The capitalisation multiple has been determined with reference to identified listed companies and transactions. The mean and median EBITDA multiples are summarised below and the details are set out in Appendix E:

EBITDA Multiple	Comparable companies	Comparable transactions
Mean	8.7x	7.5x
Median	8.9x	6.7x

Source: S&P Capital IQ as at 12 September 2016

It is difficult to identify company that is directly comparable to Evolution Academy, however, the companies identified share similar industry characteristics and, consequently, have been used as a basis for determining the capitalisation multiple.

We have applied discounts to the average implied multiple based on Evolution Academy's size given that the companies and target companies in the transactions identified are significantly larger. Further, as Evolution Academy is an unlisted company consideration must be had to the lack of marketability in respect of selling the business. Finally, as the Proposed Transaction is for 100% of Evolution Academy, we have added a premium for control.

Based on the above we have determined that the appropriate capitalisation multiple is between 4.0x and 4.4x.

9.3 Fair value calculation

As noted in section 6, Evolution Academy was acquired by Evolution Road in January 2015. In calculating the fair value of Evolution Academy we have used normalised FY2016 EBITDA (refer to section 9.1 above), as it provides a standalone view of the Company's most recent trading performance under the new management structure. The calculation of fair value of Evolution Academy is summarised below:

(\$'000)	Note	Low	Mid	High
FY2016 normalised EBITDA		1,379	1,379	1,379
Multiple applied		4.0x	4.2x	4.4x
Enterprise and equity value	1	5,518	5,793	6,069
Shares in Evolution Academy	2	5,000,000	5,000,000	5,000,000
Value of a share in Evolution Academy (\$/share)		1.10	1.16	1.21

The following matters are identified in respect of the valuation:

1. The Company had a cash balance of \$7,000 at FY2016 and net inter-company loans of \$477,000, which will be settled prior to completion. As these amounts will be settled through a dividend prior to the Proposed Transaction no adjustment has been made to the enterprise value as there will be no transfer of value to in the Proposed Transaction. Therefore, the enterprise and equity value of Evolution Academy for the purposes of the Proposed Transaction is the same.
2. Evolution Academy's share capital is set out in section 6.1

10. ASSESSMENT OF FAIRNESS

As discussed in section 4, in determining whether the transaction is fair to AWN shareholders, we have set out the basis on which fairness is assessed. This is summarised below:

(\$'000)	Note	Low	Preferred	High
Fair value of a share in Evolution Academy (\$/share)		1.10	1.16	1.21
Upfront payment upon contract completion		2,000	2,000	2,000
Interim payment upon renewal of RTO registration		-	4,000	4,000
Maximum earn-out payment based on FY2017 EBITDA		-	-	2,000
Maximum purchase price under the Proposed Transaction		2,000	6,000	8,000
Purchase Price Adjustments				
Bank guarantee	2	(109)	(109)	(109)
Unearned revenue	3	(103)	(103)	(103)
Total purchase price adjustments		(212)	(212)	(212)
Total consideration paid under the Proposed Transaction		1,788	5,788	7,788
Shares on issue in Evolution Academy		5,000,000	5,000,000	5,000,000
Consideration paid per share for the acquisition of Evolution Academy (\$/share)		0.36	1.16	1.56

1. No adjustment has been made for Surplus Working Capital as the expectation is that the adjustment from the target working capital will be minimal.
2. Under the Proposed Transaction the purchase price is to be adjusted for a bank guarantee provided by Evolution Traffic Control Pty Ltd ("ETC") in respect of the Company's leased premises at Cannington, Western Australia. The bank guarantee for the leased premises is \$109,000.
3. The Proposed Transaction requires the purchase price to be adjusted for the Company's unearned revenue. At FY2016, the balance of the Company's unearned revenue was \$103,000.
4. No adjustment has been made for cash as set out in the net debt position in 9.3 above as all cash will be paid out prior to the Proposed Transaction and therefore will not be reflected in the consideration.

The consideration per share that AWN is paying for a share in Evolution Academy is lower than the fair value of a share in Evolution Academy on a control basis under the low level and the same at the preferred level. At the high level, the consideration paid is higher than the fair value of a share in Evolution Academy. We note, however, that the additional consideration payable under the high level is contingent on Evolution Academy achieving higher profitability than current levels.

Based on the above, **we have concluded that the Proposed Transaction is fair.**

11. ASSESSMENT OF REASONABLENESS

11.1 Approach to assessing Reasonableness

In forming our conclusions in this Report, we have compared the advantages and disadvantages to shareholders of AWN if the Proposed Transaction proceeds.

11.2 Advantages of the transaction

We outline below potential advantages of the Proposed Transaction:

Advantage	Explanation
AWN has experience in operating and managing companies within the training and education space.	AWN has significant experience in operating and managing education and training companies. AWN is currently operating Keystone Training, an Australian based RTO, and completed the spin off and IPO of Intueri in 2014. Intueri is one of New Zealand's largest vocational education providers with an online presence in Australia. AWN currently holds a minority interest in Intueri.
AWN will obtain 100% ownership of Evolution Academy under the Proposed Transaction.	The Proposed Transaction will provide AWN with 100% ownership of Evolution Academy. Accordingly, there will be no minority interests for AWN to consider and this will enable it to control the future strategic and financial direction of Evolution Academy.
The Proposed Transaction strengthens AWN's education interests in Australia and provides increased exposure to international students.	AWN currently has exposure to the VET training industry in Australia and New Zealand through its interests in Intueri and Keystone Training. Evolution Academy is an established Australian VET training provider with an international student population and the Proposed Transaction strengthens AWN's presence in the Australian market, which is complementary to AWN's current interests, a base for further expansion, and provides exposure to the international education sector.

11.3 Disadvantages of the transaction

We outline following the potential disadvantages of the Proposed Transaction:

Disadvantage	Explanation
Market reports suggest that the performance of the Australian VET training industry may reduce from current levels over the next five years.	The Proposed Transaction results in AWN having increased exposure to the VET training industry. Increased competition from universities and regulatory uncertainty may constrain growth in industry, according to IBISWorld.
Cash consideration utilised for the Proposed Transaction could be used in existing investments.	Consideration for the Proposed Transaction is to be paid in cash, which could alternatively be invested to expand AWN's existing commercial interests.

11.4 Alternatives to the transaction

The Directors have advised us that there are no alternatives to the Proposed Transaction.

11.5 Implications of the transaction not proceeding

If the Proposed Transaction is not approved, AWN will seek other investment opportunities and Evolution Academy will continue to operate as a wholly owned subsidiary of Evolution Road.

11.6 Conclusion as to Reasonableness

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

- Taking into account other significant factors, **we have concluded that the Proposed Transaction is reasonable.**

12. OPINION

Accordingly, in our opinion, the Proposed Transaction is fair and reasonable to the AWN shareholders.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Explanatory Memorandum, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

APPENDIX A – GLOSSARY

Term	Definition
Explanatory Memorandum	Document to be sent to shareholders on or about the date of this Report in which this Report is included
ASIC	Australia Securities and Investment Commission
ASX	Australian Securities Exchange
AWN	Arowana International Limited (ACN 103 472 751)
Corporations Act	Corporations Act 2001 (Cth)
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EAM	Evolution Asset Management Pty Ltd (ACN 109 296 746)
Evolution Academy	Evolution Academy Pty Ltd (ACN 123 363 495)
Evolution Road	Evolution Road Maintenance Group Limited (ACN 147 834 133)
FSG	Financial Services Guide
FY2014	the financial year ended or as at 30 June 2014
FY2015	the financial year ended or as at 30 June 2015
FY2016	the financial year ended or as at 30 June 2016
FY2017	the financial year ending or as at 30 June 2017
Group	Evolution Road and its subsidiaries
GST	Goods and Services Tax
Intueri	Intueri Education Group Limited
Keystone Training	Lynchpin Enterprises Property Pty Ltd (trading as Keystone Training)
Management	Steven Thomas, CEO
NSCA	Nexia Sydney Corporate Advisory Pty Ltd (authorised corporate representative of Nexia Sydney Financial Solutions Pty Ltd (AFSL 247300))
Proposed Transaction	<p>The acquisition of Evolution Academy by way of cash payments under the following deal structure:</p> <ol style="list-style-type: none"> 1. Upfront payment of \$2 million to be paid to Evolution Road at the time of contract completion; 2. Interim payment of \$4 million upon successful renewal of Evolution Academy's RTO registration, on or before 30 June 2017; and 3. Contingent earn-out payment up to a maximum of \$2 million based on a 4.9x multiple of FY2017 EBITDA, less amounts already paid in respect of the upfront payment and the interim payment.
Report	Independent Expert's Report
RG 112	ASIC Regulatory Guide 112: Independence of expert's Reports
RG 111	ASIC Regulatory Guide 111: Content of expert Reports
RG 76	ASIC Regulatory Guide 76: Related party transactions
RG 74	ASIC Regulatory Guide 74: Acquisitions approved by members
RTO	Registered Training Organisation

APPENDIX B - SOURCES OF INFORMATION

- APES 225 – Valuation Services
- Australian Securities and Investment Commission's (ASIC) database
- Unaudited financial statement of Evolution Academy Pty Ltd for the year ended 30 June 2014
- Unaudited management accounts and supporting documentation of Evolution Academy Pty Ltd for the years ended 30 June 2015 and 2016
- Audited financial report for Arowana International Limited for the year ended 30 June 2016
- Course information for the period FY2014 to FY2016
- Student enrolment information for the period FY2014 to FY2016
- Heads of Agreement between Arowana International Limited, Evolution Academy Pty Ltd, Evolution Traffic Control Pty Ltd and Evolution Road Maintenance Group Limited
- Lease agreement between Panichi Nominees Pty Ltd and Silver Trowel Trade Training Pty Ltd
- Regulatory Guide 74: Acquisitions approved by members
- Regulatory Guide 111: Content of expert reports
- Regulatory Guide 112: Independence of expert's reports
- IBISWorld Industry report P8101 – Technical and Vocational Education and Training in Australia, June 2016.
- SAI Global
- S&P Capital IQ
- Discussions with Management

APPENDIX C - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Nexia Sydney Corporate Advisory Pty Ltd (“NSCA”) determined its independence with respect to AWN and Evolution Academy with reference to ASIC Regulatory Guide 112: Independence of expert’s Reports (“RG 112”). NSCA considers that it meets the requirements of RG 112 and that it is independent of AWN and Evolution Academy.

Also, in accordance with s648(2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with AWN or Evolution Academy, its related parties or associates that would compromise our impartiality.

Mr Brent Goldman, authorised representative of NSCA, has prepared this Report. Neither he nor any related entities of NSCA have any interest in the promotion of the Proposed Transaction nor will NSCA receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NSCA does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NSCA provided a draft copy of this Report to the Directors and management of AWN for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NSCA alone. Changes made to this Report, as a result of the review by the Directors and management of AWN, have not changed the methodology or conclusions reached by NSCA.

Reliance on Information

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report NSCA has relied upon information provided on the basis it was reliable and accurate. NSCA has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. NSCA evaluated the information provided to it by AWN and Evolution Academy as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its Report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. NSCA does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix B of this Report.

Qualifications

NSCA carries on business at Level 16, 1 Market Street, Sydney NSW 2000. NSCA is an authorised corporate representative of Nexia Sydney Financial Solutions Pty Ltd, which holds Australian Financial Services Licence No 247300 authorising it to provide financial product advice on securities to retail clients. NSCA’s representatives are therefore qualified to provide this Report.

Brent Goldman specifically was involved in the preparing and reviewing this Report. Brent Goldman is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand, a Business Valuation Specialist of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the

Financial Services Institute of Australasia. He has over 15 years of corporate finance experience in both Australia and the UK.

Consent and Disclaimers

The preparation of this Report has been undertaken at the request of the Directors of AWN. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Explanatory Memorandum to be sent to AWN shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of NSCA's opinion as to whether or not the Proposed Transaction is fair and reasonable to AWN shareholders.

NSCA consent to the issue of this Report in the form and context in which it is included in the Explanatory Memorandum to be sent to AWN shareholders.

Shareholders should read all documents issued by AWN that consider the Proposed Transaction in their entirety, prior to proceeding with a decision. NSCA had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically for the shareholders of AWN. Neither NSCA, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of AWN, in respect of this Report, including any errors or omissions howsoever caused. This Report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of this Report, our conclusions and opinions may differ from those stated herein. There is no requirement for NSCA to update this Report for information that may become available subsequent to its date.

APPENDIX D - VALUATION METHODOLOGIES

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from two main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

APPENDIX E – COMPARABLE SEARCHES AND MULTIPLES

Comparable listed companies

Name	Business Description
Intueri Education Group Limited	Intueri Education Group Limited provides physical and online private training tuition in New Zealand and Australia. The company operates through two segments, Online Vocational Training and In-Class Vocational Training. It offers vocational education, including a range of study options, from foundation courses through to certificate, diploma, bachelor’s degree, and graduate diploma level qualifications in a range of industries to students. The company operates hairdressing academy, design and arts college, school of beauty and spa therapies, information technology training institute, professional hospitality academy, college of massage, institute of sport, school of outdoor studies, school of commercial diver training, online courses, and other education institutes. Intueri Education Group Limited was founded in 2012 and is based in Auckland, New Zealand.
Site Group International Limited	Site Group International Limited provides training, education, and workforce solutions to government, corporate, and individual customers in Australia and internationally. It operates through four segments: Site Skills Training–Domestic, Site Skills Training–International, Energy Services, and Tertiary Education. The company engages in the provision of vocational training and assessment services for candidates in the mining and processing, oil and gas, construction, camp services, hospitality, and logistic sectors; and sourcing, training, and deployment of skilled labor for various projects. The company also offers VET FEE-HELP funded courses, including diploma of business, diploma of management, and diploma of project management courses through Site Institute; site skill training services; and diploma courses to regional and remote communities through Captain Cook College. In addition, it operates learn2earn.edu.au that provides course advisory services to students; provides education, training, networking, and professional development tools for experts and new entrants in the field of teaching English and speakers of other languages; and offers a range of programs across project management and business. Site Group International Limited has a strategic alliance with RBR Group Limited. The company is based in Brisbane, Australia.
RedHill Education Limited	RedHill Education Limited engages in the specialist education and agency businesses. The company operates through four segments: Information Technology, Creative Design, English Language, and Student Agency. The Information Technology segment operates the Academy of Information Technology, which provides courses in information technology, digital design, interactive multimedia, and games and apps programming. The Creative Design segment operates the International School of Color and Design that offers campus and distance learning in interior designing and styling courses. The English Language segment operates Greenwich English College, which provides English language intensive courses for overseas students, as well as other English language and vocational programs. The Student Agency segment operates the Go Study Australia, an international student recruitment agency that offers student recruitment services. RedHill Education Limited was founded in 2006 and is based in Ultimo, Australia.

Navitas Limited

Navitas Limited provides educational services for students and professionals in Australia, the United Kingdom, Europe, Asia, Canada, the United States, and internationally. The company operates through University Partnerships, SAE, and Professional and English Programs (PEP) segments. The University Partnerships segment offers pathway program services that focus on providing pre and first-year university courses to international students who do not qualify for direct entry to partner universities due to either language or academic record. It also provides certificate, diploma, associate degree, bachelor, and masters programs to students in 33 colleges and managed campuses in Australia, New Zealand, Singapore, the United Kingdom, the United States, Canada, and Sri Lanka. The SAE segment offers a range of higher education opportunities, including certificate, diploma, degree, and masters programs in various fields of study, such as audio, film, animation, gaming, design, and Web, as well as licenses its programs to third party providers. The PEP segment provides English language and literacy programs comprising adult migrant English programs, skills for education and employment, and humanitarian settlement services primarily to migrants and refugees settling in Australia. This segment also offers careers and learning skills, including English language intensive courses for overseas students, careers and internships services, and English test center services, which enables students and clients for gaining work experience. In addition, its professional institute delivers programs to build and enhance careers in the social, community, health, and education sectors; and provides training and development services that builds capacity, skills, and employee effectiveness in the resources sector and related industries. Navitas Limited was founded in 1994 and is headquartered in Perth, Australia.

Listed company comparables	Multiples
Name	EBITDA
Intueri Education Group Limited	5.6x
Site Group International Limited	7.9x
RedHill Education Limited	9.9x
Navitas Limited	11.6x
Mean	8.7x
Median	8.9x

Comparable transactions

Name	Business Description
Yoobee School of Design	Yoobee School of Design, a private design school, offers certificate and diploma courses, and short courses for community, primary, and secondary school students and teachers. It offers diploma courses, including certificate in digital media (online), foundation certificate, graphic design, animation and digital video, game art, Web development, Web design, animation, digital filmmaking (advanced), digital media (advanced), advanced 3D graphics, English and design, and bachelor of applied science; and various day, evening, and weekend short courses and master classes. The company also provides services to assist primary and secondary schools, educational institutes, design professionals, and anyone wanting to learn about the digital media technologies that include books and interactive resources; teaching, learning, and assessment resources for schools; online short courses for schools; a range of short courses for personal or professional development; and graduates work experience through an internship program. In addition, it offers online learning services; and publishes teaching resources for teachers. Yoobee School of Design was formerly known as Natcoll Limited and changed its name to Yoobee School of Design. The company was founded in 1997 and is based in Christchurch, New Zealand. Ltd. It has campuses in Auckland, Wellington, and Christchurch. As of February 28, 2014, Yoobee School of Design operates as a subsidiary of Academic Colleges Group Limited.
SAE Institute	SAE Institute was founded in 1976 and is based in Byron Bay, Australia. As of February 7, 2011, SAE Institute operates as a subsidiary of Navitas Limited.
Vostro Institute of Training Australia Pty Ltd.	Vostro Institute of Training Australia Pty Ltd. offers workplace and classroom based training programs in Melbourne. The company delivers qualifications that range from Certificate II to Diploma level in various industry areas, such as business, competitive sales and retail, community services, aged care, health services, management, manufacturing, and warehousing. It also facilitates funding assistance for students, who qualify for government help. The company was founded in 2008 and is based in Maidstone, Australia. As of January 30, 2014, Vostro Institute of Training Australia Pty Ltd. operates as a subsidiary of Academies Australasia Group Limited.
Vamp Oilfield Services Inc.	Vamp Oilfield Services Inc. provides training and consultancy solutions to the oil and gas industry from British Columbia to Manitoba. It offers oilfield training courses onsite or online. The company was founded in 2007 and is based in Moose Jaw, Canada. As of June 20, 2014, Vamp Oilfield Services Inc. operates as a subsidiary of LoneStar West Inc.
Online Courses Australia Group Pty Limited	Online Courses Australia Group Pty Limited is an educational institution that offers online corporate training courses for government and corporate sectors. The courses cover photography, farming, psychology, and animal care. Online Courses Australia Group Pty Limited was founded in 2003 and is based in Fortitude Valley, Australia. As of March 31, 2014, Online Courses Australia Group Pty Limited operates as a subsidiary of Intueri Education Group Limited.

Comparable transactions			Multiples	
Date	Buyer	Target	% acquired	EBITDA
28/02/14	Academic Colleges Group Limited	Yoobee School of Design	100	6.7x
7/02/11	Navitas Limited	SAE Institute	100	9.7x
30/01/14	Academies Australasia Group Limited	Vostro Institute of Training Australia Pty Ltd.	100	1.9x
20/06/14	LoneStar West Inc	Vamp Oilfield Services Inc.	100	3.8x
31/03/14	Intueri Education Group Limited	Online Courses Australia Group Pty Limited	50	15.6x
Mean				7.5x
Median				6.7x