

Scheme Booklet

For the recommended Scheme of Arrangement between 3P Learning Limited and its shareholders in relation to the proposed acquisition by IXL Australia Pty Ltd

3P Learning Limited

ABN 50 103 827 836

VOTE IN FAVOUR

The 3PL Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of 3PL Shareholders taken as a whole in the absence of a Superior Proposal

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should read it in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your broker or financial, tax or legal adviser immediately.

If, after reading this Scheme Booklet, you have any questions in relation to this Scheme Booklet or the Scheme, you should call the 3PL Shareholder Information Line on +61 1800 218 694 any time between 9:00am and 5:00pm (Sydney time) on Monday to Friday.

This Scheme Booklet has been sent to you because you are shown in the 3PL Register as holding 3PL Shares. If you have recently sold all of your 3PL Shares, please disregard this Scheme Booklet.

Financial Advisor:

ALLIER
CAPITAL

Legal Advisor:

gadens

Important notices

The Scheme Booklet

This Scheme Booklet is important. You should read it carefully and in its entirety before deciding how to vote at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser. This Scheme Booklet explains the terms of the proposed acquisition of all 3PL Shares by IXL, by way of a scheme of arrangement between 3PL and 3PL Shareholders under Part 5.1 of the Corporations Act. A copy of the proposed Scheme is set out in Annexure D to this Scheme Booklet. This Scheme Booklet details how the Scheme will be considered and implemented if all the Scheme Conditions are satisfied or, if permitted, waived. It is not a disclosure document required by Chapter 6D of the Corporations Act. If you have sold all your 3PL Shares, please disregard this Scheme Booklet.

ASIC and ASX

This Scheme Booklet is the explanatory statement for the Scheme of Arrangement between 3PL and the 3PL Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet in Annexure D.

A copy of this Scheme Booklet (including the Independent Expert's Report) was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and has been examined and registered by ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court at the time of the Second Court Hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this document has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Investment decisions

The information contained in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet does not take into account the investment objectives, financial situation, tax position or particular needs of individual 3PL Shareholders or any other person. Before making any investment decision in relation to the Scheme, you should consider whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. Independent financial and taxation advice should be sought before making any decision in relation to the Scheme.

Not an offer

This Scheme Booklet does not constitute or contain an offer to 3PL Shareholders, or a solicitation of an offer from 3PL Shareholders, in any jurisdiction.

Purpose of this Scheme Booklet

The purpose of this Scheme Booklet is to give 3PL Shareholders the information required to make an informed decision about whether to vote in favour of the Scheme. This Scheme Booklet also provides information as is prescribed by law or is otherwise material to the decision of 3PL Shareholders whether to vote in favour of the Scheme. Voting will take place at the Scheme Meeting to be held virtually at <https://agmlive.link/3PLSM20> on Friday, 20 November 2020 at 11.00am (AEDT).

You should read this Scheme Booklet in full before deciding how to vote on the Scheme. The Scheme has advantages, disadvantages and risks, which may affect 3PL Shareholders in different ways depending on their individual circumstances. However, this Scheme Booklet should not be relied upon as the sole basis for an investment decision. You should seek independent professional advice on your circumstances, as appropriate, before making any decision in relation to the Scheme.

Responsibility statement

3PL has been solely responsible for preparing the 3PL Information. The 3PL Information concerning 3PL and the intentions, views and opinions of 3PL and the 3PL Directors contained in this Scheme Booklet has been prepared by 3PL and the 3PL Directors and is the responsibility of 3PL. IXL, its Related Bodies Corporate and their respective directors, officers, employees and advisers have not verified any 3PL Information and do not assume any responsibility for the accuracy or completeness of any 3PL Information or the Independent Expert's Report (or any information contained therein).

IXL has been solely responsible for preparing the IXL Information. The IXL Information concerning IXL and the intentions, views and opinions of IXL contained in this Scheme Booklet, has been prepared by IXL and is the responsibility of IXL. 3PL, its Related Bodies Corporate and their respective directors, officers, employees or advisers have not verified any IXL Information and do not assume any responsibility for the accuracy or completeness of any IXL Information or the Independent Expert's Report (or any information contained therein).

The Independent Expert has prepared the Independent Expert's Report and takes responsibility for that report. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the Independent Expert's Report. 3PL, IXL, and their respective Related Bodies Corporate and their respective directors, officers, employees or advisers do not take any responsibility for the Independent Expert's Report, except in the case of 3PL in relation to the information which it has provided to the Independent Expert. The Independent Expert's Report is set out in Annexure B to this Scheme Booklet.

Scheme Meeting

In order to minimise the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people, the Scheme Meeting is scheduled to be held virtually.

3PL Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical meeting.

3PL Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Scheme Meeting through an online platform at <https://agmlive.link/3PLSM20>.

The online platform enables participants to view the Scheme Meeting live, vote on the Scheme Resolution in real time and ask questions online.

Further details with respect to the conduct of the Scheme Meeting, including how to join the virtual Scheme Meeting, ask questions during the Scheme Meeting and vote at the Scheme Meeting are set out in the Notice of Meeting for the Scheme Meeting (see Annexure F) and summarised in Section 3.

3PL strongly encourages 3PL Shareholders to consider lodging a direct vote or directed proxy in the event they are not able to participate in the virtual Scheme Meeting.

Second Court Hearing

Due to the unforeseen extraordinary circumstances posed by COVID-19, 3PL reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the Scheme Resolution is not passed by a majority in number (more than 50%) of 3PL Shareholders present and voting at the Scheme Meeting (whether electronically or by direct vote or by appointing a proxy, corporate representative or attorney to attend and vote at the Scheme Meeting electronically). The Court may waive the requirement that the Scheme be approved by such a majority if it considers it appropriate to do so in all the circumstances. The Scheme Resolution would still need to be passed by at least 75% of the total number of votes cast on the Scheme Resolution by 3PL Shareholders present and voting at the Scheme Meeting (whether virtually or by direct vote or by appointing a proxy, corporate representative or attorney to attend and vote at the Scheme Meeting virtually).

3PL Shareholders' right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the votes at the Scheme Meeting. Any 3PL Shareholder may appear at the Second Court Hearing, expected to be held on Monday 23 November 2020 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney, NSW 2000.

Any 3PL Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on 3PL a notice of appearance in the prescribed form together with any affidavit that the 3PL Shareholder proposes to rely on. The notice of appearance and affidavit must be served on 3PL at its address for service at least one day before the Second Court Hearing.

3PL Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in response to developments relating to the COVID-19 pandemic. Any change will be announced by 3PL to the ASX.

Forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

The forward-looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current views of 3PL or, in relation to the IXL Information, IXL, held only as at the date of this Scheme Booklet concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipated", "intending", "foreseeing", "likely", "should", "planned", "may", "estimated", "potential", or other similar words and phrases. Similarly, statements that describe 3PL's or IXL's objectives, plans, goals or expectations are or may be forward-looking statements. The statements in this Scheme Booklet about the impact that the Scheme may have on the results of 3PL's operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

Any other forward-looking statements included in this Scheme Booklet and made by 3PL have been made on reasonable grounds and reflect its present intentions as at the date of this Scheme Booklet and may be subject to change.

All forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either 3PL's or IXL's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. The operations and financial performance of 3PL are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of 3PL and/or IXL. Those risks and uncertainties include factors and risks specific to the industry in which 3PL operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. The actual results, operations and earnings of 3PL (whether or not the Scheme is implemented), as well as the actual advantages or disadvantages of the Scheme, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved. 3PL Shareholders should note that the historical financial performance of 3PL is no assurance of future financial performance of 3PL (whether or not the Scheme is implemented). 3PL Shareholders should review carefully all of the information included in this Scheme Booklet. The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although 3PL believes that the views reflected in any forward-looking statements included in the 3PL Information have been made on a reasonable basis and as at the date of this Scheme Booklet reflect its present intentions, no assurance can be given that such views will prove to have been correct or not subject to change. Although IXL believes that the views reflected in any forward-looking statements included in the IXL Information have been made on a reasonable basis and reflect its present intentions as at the date of this Scheme Booklet, no assurance can be given that such views will prove to have been correct or not subject to change.

None of 3PL Group, IXL Group or any of their respective directors, officers, employees, advisers and any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet give any representation, warranty, assurance or guarantee to 3PL Shareholders that any forward-looking statements will actually occur or be achieved, except to the extent required by law. 3PL Shareholders are cautioned not to place undue reliance on such forward-looking statements.

All subsequent written and oral forward-looking statements attributable to 3PL Group or IXL Group or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under law or the Listing Rules, 3PL Group and IXL Group do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

3PL and IXL will need to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of 3PL Shareholders, plus names and contact details of individuals appointed by 3PL Shareholders to act as proxies, corporate representatives or attorneys at the Scheme Meeting. The primary purpose of the collection of personal information is to assist 3PL and IXL in the conduct of the Scheme Meeting and to enable the Scheme to be implemented. The collection of certain personal information is required or authorised by the Corporations Act.

3PL Shareholders, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact the 3PL Share Registry on +61 1800 218 694 if they wish to exercise those rights.

Personal information may be disclosed to the share registries of 3PL or IXL, print and mail service providers, authorised securities brokers, 3PL, IXL, Related Bodies Corporate of 3PL and IXL and to 3PL's and IXL's advisers to the extent necessary to effect the Scheme. If the information outlined above is not collected, 3PL and IXL may be hindered in, or prevented from, conducting the Scheme Meeting, or implementing the Scheme effectively or at all. 3PL Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. This Scheme Booklet and the Scheme do not constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

References to currency and exchange

References to dollars (\$) or A\$) in this Scheme Booklet are to Australian dollars, unless otherwise stated. All share prices and trading volumes refer to ordinary shares in the capital of 3PL trading on the ASX.

Rounding

Certain financial figures in this Scheme Booklet have been rounded as applicable, unless otherwise stated. Such figures should be considered as approximate figures. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet. Any discrepancies in any table between totals and sums of amounts listed therein or to previously published financial figures are due to rounding.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet are defined either in the Glossary in Section 10 or in the body of this Scheme Booklet.

Any diagrams, charts, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Scheme Booklet.

Times and dates

Unless otherwise stated, a reference to time in this Scheme Booklet is a reference to Australian Eastern Daylight Time. All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to the Court approval process and the satisfaction or, where capable, waiver of the Scheme Conditions. The Scheme Conditions are summarised in Section 8.7(d) and set out in full in clause 3 of the Scheme and clause 3.1 of the Scheme Implementation Agreement.

Tax

If the Scheme becomes effective and is implemented, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain on disposal of 3PL Shares. For further detail about the general tax consequences of the Scheme, refer to Annexure A.

The tax treatment may vary depending on the nature and characteristics of each Scheme Shareholder and their specific circumstances. Accordingly, Scheme Shareholders should seek professional tax advice in relation to their specific circumstances.

Court process

A copy of this Scheme Booklet has been lodged with the Court to obtain an order of the Court approving the convening of the Scheme Meeting. Orders made by the Court are made under section 411(1) of the Corporations Act.

The fact that the Court has ordered that the Scheme Meeting be convened and has directed that this Scheme Booklet accompany the Notice of Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how 3PL Shareholders should vote (on this matter 3PL Shareholders must reach their own conclusion);
- has prepared, or is responsible for, the content of this Scheme Booklet; or
- has approved or will approve the terms of the Scheme.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Date

This Scheme Booklet is dated 21 October 2020.

Important dates

Date and time	Event
Tuesday, 20 October 2020	First Court Date The date on which the Court made orders convening the Scheme Meeting
Wednesday, 21 October 2020	Date of this Scheme Booklet
11.00am (AEDT), Wednesday, 18 November 2020	Scheme Meeting voting forms Latest date and time by which voting forms (including forms lodged online), powers of attorney or certificates of appointment of body corporate representatives for the Scheme Meeting must be received
7:00pm (AEDT), Wednesday, 18 November 2020	Voting Eligibility Date Date and time for determining eligibility to vote at the Scheme Meeting
11.00am (AEDT), Friday, 20 November 2020	Scheme Meeting to vote on the Scheme To be held virtually
Monday, 23 November 2020	Second Court Date For approval of the Scheme
Tuesday, 24 November 2020	Effective Date Court Order lodged with ASIC and announced to ASX 3PL Shares suspended from trading on ASX at close of trading
5:00pm (AEDT), Thursday, 26 November 2020	Scheme Record Date For determining entitlements to Scheme Consideration
Thursday, 3 December 2020	Implementation Date Scheme Shares transferred to IXL and Scheme Consideration to be paid to the Scheme Shareholders

Please note that all of the above times and dates are indicative only and subject to change. 3PL may vary any or all of these dates and times and will provide reasonable notice of any such variation. In particular, the date of the Scheme Meeting may be postponed or adjourned if satisfaction of a Scheme Condition is delayed. Certain times and dates are conditional on the approval of the Scheme by 3PL Shareholders and by the Court. Any changes will be announced by 3PL to ASX and notified on 3PL's website at www.3plearning.com.

All references to time are to Australian Eastern Daylight Time unless otherwise stated. Any obligation to do an act by a specified time in Australian Eastern Daylight Time must be done at the corresponding time in any other time zone.

Overview of this booklet

What is this booklet for?

This Scheme Booklet is about the proposed recommended acquisition of 3PL by IXL by way of the Scheme of Arrangement.

The Scheme Booklet is designed to provide 3PL Shareholders with information to consider before voting on whether the Scheme should proceed, at the Scheme Meeting scheduled for Friday 20 November 2020.

Why should you vote?

As a 3PL Shareholder, you have a say in whether the acquisition of 3PL by IXL is completed or not – this is your opportunity to play a role in deciding the future of the business in which you have a stake.

Is the Scheme in the best interests of 3PL Shareholders?

The 3PL Board unanimously recommends that 3PL Shareholders vote in favour of the Scheme, subject to no Superior Proposal being made for 3PL and the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders.

The Independent Expert's Report is included in this booklet for your consideration in Annexure B.

3PL Shareholders should have regard to the interests of 3PL Directors as set out in Section 9 when considering how to vote on the Scheme Resolution.

How do the 3PL Directors intend to vote in respect of their own shares?

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders, each 3PL Director intends to vote, or cause to be voted, all 3PL Shares held by or controlled by them in favour of the Scheme.

What you should do next

Read this booklet and consider the Scheme

You should read and carefully consider the information included in this booklet to help you make an informed decision.

There is a "Questions and answers" summary included in Section 2, to help answer any questions you may have.

If you have any doubts as to what action you should take, please contact your legal, investment or other professional adviser.

Vote on the Scheme

The Scheme Meeting is to be held virtually at 11.00am (AEDT) on Friday 20 November 2020.

As a 3PL Shareholder, it is your right to vote on whether the Scheme should proceed.

As a result of the COVID-19 pandemic and restrictions on public gatherings imposed by the Australian State and Federal governments, the 3PL Board has determined to hold the Scheme Meeting virtually. Further details with respect to the conduct of the Scheme Meeting, including how to join the virtual Scheme Meeting, ask questions during the Scheme Meeting and vote at the Scheme Meeting are set out in the Notice of Meeting for the Scheme Meeting (see Annexure F) and summarised in Section 3.

Participating in the Scheme

If you are eligible and wish to participate in the Scheme, you will need to ensure that you do not sell your 3PL Shares prior to 5:00pm (AEDT) on 26 November 2020, being the expected Scheme Record Date. Otherwise, and assuming the Scheme is approved by the Requisite Majorities and the Court, you do not need to do anything to participate in the Scheme.

For further information

If you have any questions of a general nature, or require further information, then you may refer to 3PL's corporate website at www.3plearning.com, email investors@3plearning.com or call the 3PL Shareholder Information Line on +61 1800 218 694 between 9:00am and 5:00pm (Sydney time) on Business Days. For more specific advice pertinent to your own circumstances please contact your legal, investment or other professional adviser.

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Letter from the Chairman of 3PL

21 October 2020

Dear 3PL Shareholder,

On behalf of the 3PL Board, I am pleased to provide this Scheme Booklet to you, which contains important information for you to consider about the proposed acquisition of 3PL by IXL.

On 14 August 2020, 3PL, IXL and IXL Guarantor entered into the Scheme Implementation Agreement. Under this document, the 3PL Board unanimously agreed to recommend an acquisition of 3PL by IXL for total cash consideration of \$1.35 per share by way of Scheme of Arrangement, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders. The Scheme is subject to several conditions, including shareholder and Court approval, together with other customary conditions.

On 28 September 2020, the 3PL Board received confirmation from IXL that the Scheme Consideration of \$1.35 per 3PL Share represents IXL's last and final price, in the absence of a competing proposal or any change to the Independent Expert's Report.

The 3PL Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of 3PL Shareholders. Subject to those qualifications, each of the 3PL Directors intends to vote, or cause to be voted, all 3PL Shares held by or controlled by them in favour of the Scheme.

The interests of 3PL Directors are disclosed in Section 9 of this Scheme Booklet including the entitlement of the CEO Rebekah O'Flaherty to receive \$325,000, being the value of Ms O'Flaherty's unpaid award under 3PL's short term incentive plan (STIP) as a result of the Scheme Meeting being convened. In addition, if the Scheme becomes Effective and Ms O'Flaherty remains employed by the 3PL Group until the Effective Date, Ms O'Flaherty is entitled to a cash retention bonus of \$379,309 and the vesting of 339,450 Employee Share Rights which will convert into 339,450 3PL Shares and participate in the Scheme. 3PL Shareholders should have regard to these interests when considering how to vote on the Scheme Resolution.

The 3PL Directors consider that the Scheme is an attractive opportunity for 3PL Shareholders to realise the value of their investment in 3PL, in the absence of a Superior Proposal.

If the Scheme is approved and implemented, 3PL Shareholders who are registered as such on the Scheme Record Date will receive cash consideration of \$1.35 per 3PL Share that they hold.

The Scheme Consideration of \$1.35 per 3PL Share represents the following transaction metrics:

- 23.3% premium to the close of trading of 3PL Shares on 13 August 2020 of \$1.10 per 3PL Share (being the last trading day prior to the announcement of the Scheme Implementation Agreement);
- 32.3% premium to the 1-month VWAP of 3PL Shares up to 13 August 2020 of \$1.02 per 3PL Share;
- 45.0% premium to the 3-month VWAP of 3PL Shares up to 13 August 2020 of \$0.93 per 3PL Share; and
- 54.1% premium to the 6-month VWAP of 3PL Shares up to 13 August 2020 of \$0.88 per 3PL Share.

The Scheme Consideration values 3PL's equity at approximately \$188.9 million and an enterprise value (EV) of \$166.6 million¹, implying an EV/FY20 EBITDA² multiple of 11.4x.

3PL Directors' Recommendation

The 3PL Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of 3PL Shareholders. Subject to those same qualifications, each of the 3PL Directors intends to vote, or cause to be voted, all 3PL Shares held or controlled by them in favour of the Scheme.

¹ Implied equity value of \$188.9 million based on Scheme Consideration of \$1.35 per share multiplied by current shares on issue of 139,484,170 and unlisted performance rights of 427,840. Enterprise value includes reported net cash of \$22.2 million as at 30 June 2020.

² FY20 EBITDA of \$14.6 million.

While the 3PL Board is confident that 3PL is well positioned to continue to deliver growth for 3PL Shareholders into the future, the 3PL Directors consider that the material premium implicit in IXL's offer and the opportunity to realise certain and immediate value represents an attractive outcome for 3PL Shareholders.

Reasons to vote in favour of the Scheme are set out in detail in Section 1.3. There are also reasons why you may choose to vote against the Scheme which are set out in Section 1.5.

Independent Expert

3PL appointed Lonergan Edwards & Associates Limited as the Independent Expert to assess the merits of the Scheme. **The Independent Expert has concluded that the Scheme is in the best interests of 3PL Shareholders taken as a whole in the absence of a Superior Proposal.** The Independent Expert has assessed the value of 3PL on a 100% controlling interest basis at between \$1.31 and \$1.52 per 3PL Share. The Scheme Consideration of \$1.35 per 3PL Share is within this valuation range.

A complete copy of the Independent Expert's Report is included as Annexure B of this Scheme Booklet and I encourage you to read it in full.

How to Vote

Your vote is important and we encourage you to vote on the Scheme.

In order to minimise the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people, the Scheme Meeting is scheduled to be held virtually. If you cannot participate in the virtual Scheme Meeting, you should lodge a direct vote or directed proxy either online or, if you received a hardcopy voting form, by following the instructions on the voting form as soon as possible. Your voting form must be received by the 3PL Share Registry or lodged online by no later than 11.00am (AEDT) on 18 November 2020.

For the Scheme to be approved by 3PL Shareholders, votes in favour of the Scheme Resolution must be received from a majority in number (more than 50%) of 3PL Shareholders present and voting (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually) at the Scheme Meeting (unless the Court orders otherwise) and at least 75% of the total number of votes cast on the Scheme by 3PL Shareholders (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually).

Details of how to vote at the Scheme Meeting are set out in the Notice of Meeting.

Further Information

The Scheme Booklet sets out important information relating to the Scheme, the reasons why the 3PL Board has recommended that 3PL Shareholders vote in favour of the Scheme together with the Independent Expert's Report. The Scheme Booklet also sets out some of the reasons why you may wish to vote against the Scheme.

Please read this document carefully and in its entirety. It will assist you in making an informed decision on how to vote. We also recommend that you seek independent financial, legal and taxation advice before making any decision in relation to your 3PL Shares.

If you have any general queries about the Scheme or the Scheme Booklet, please do not hesitate to contact the 3PL Shareholder Information Line on +61 1800 218 694 between 9:00am and 5:00pm (Sydney time) on Business Days.

On behalf of the 3PL Board, I would like to take this opportunity to thank you for your ongoing support of 3PL and I look forward to your participation at the Scheme Meeting.

Yours sincerely



Mr Sam Weiss
Chairman



01

Key considerations relevant to your vote

01 Key considerations relevant to your vote

1.1 Summary of reasons why you might vote for or against the Scheme

The Scheme has a number of advantages and disadvantages which may affect Scheme Shareholders in different ways depending on their individual circumstances. 3PL Shareholders should seek independent professional advice on their particular circumstances, as appropriate, before voting on the Scheme. Section 1.3 provides a summary of some of the reasons why the 3PL Board unanimously recommends 3PL Shareholders vote in favour of the Scheme, including:

- (a) The Scheme Consideration offered to 3PL Shareholders represents an attractive premium to the historical trading prices of 3PL and an attractive valuation multiple.
- (b) 3PL Shareholders will receive certain value of \$1.35 per 3PL Share for their investment in 3PL.
- (c) The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and therefore in the best interests of 3PL Shareholders taken as a whole, in the absence of a Superior Proposal.
- (d) No Superior Proposal has been received by the 3PL Board as at the date of this Scheme Booklet.
- (e) If the Scheme is not approved, the 3PL Share price may fall below the value of the Scheme Consideration.
- (f) If the Transaction does not proceed, 3PL Shareholders will continue to be exposed to risks associated with 3PL's business rather than realising certain value for their 3PL Shares in a certain timeframe.
- (g) No brokerage or stamp duty will be payable by 3PL Shareholders on the transfer of their 3PL Shares under the Scheme.

Section 1.3 should be read in conjunction with Section 1.5, which sets out some of the reasons why 3PL Shareholders may wish to vote against the Scheme, including:

- (h) You may disagree with the 3PL Board's recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests.
- (i) You may prefer to realise the potential value of 3PL over the long term, and may consider that the Scheme does not capture 3PL's long term potential.
- (j) You may believe it is in your best interests to maintain your current investment and risk profile.
- (k) The disposal of Scheme Shares pursuant to the Transaction may have taxation consequences for 3PL Shareholders.
- (l) It is possible that a Superior Proposal could materialise in the future (although the 3PL Board is not aware of any such proposal).
- (m) If 3PL enters into further medium to long term contracts in future, the value of 3PL Shares is likely to exceed the Independent Expert's valuation range.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote in relation to the Scheme. While the 3PL Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme outweigh the disadvantages.

1.2 3PL Board's recommendation

The 3PL Board unanimously recommends that you vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders. Subject to those qualifications, each 3PL Director intends to vote, or cause to be voted, all 3PL Shares held by or controlled by them in favour of the Scheme.

In making this recommendation, the 3PL Board has, among other things, considered:

- (a) the reasons 3PL Shareholders should vote in favour of the Scheme as set out in Section 1.3;
- (b) the reasons 3PL Shareholders may wish to vote against the Scheme as set out in Section 1.5;
- (c) the risks outlined in Section 7; and
- (d) the Independent Expert's Report.

01 Key considerations relevant to your vote continued

In considering whether to vote in favour of the Scheme, the 3PL Board encourages you to:

- (a) read the whole of this Scheme Booklet (including the Independent Expert's Report);
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (c) obtain financial advice from your legal, investment or other professional adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

The interests of 3PL Directors are disclosed in Section 9 of this Scheme Booklet including the entitlement of the CEO Rebekah O'Flaherty to receive \$325,000, being the value of Ms O'Flaherty's unpaid award under 3PL's short term incentive plan (STIP) as a result of the Scheme Meeting being convened. In addition, if the Scheme becomes Effective and Ms O'Flaherty remains employed by the 3PL Group until the Effective Date, Ms O'Flaherty is entitled to a cash retention bonus of \$379,309 and the vesting of 339,450 Employee Share Rights which will convert into 339,450 3PL Shares and participate in the Scheme. 3PL Shareholders should have regard to these interests when considering how to vote on the Scheme Resolution.

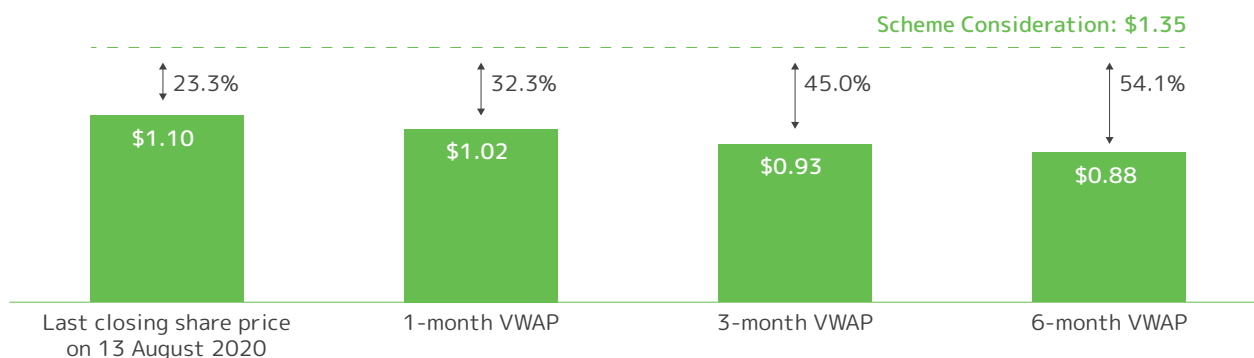
1.3 Why 3PL Shareholders should vote in favour of the Scheme

The Scheme may affect 3PL Shareholders in different ways depending on their individual circumstances. 3PL Shareholders should consider seeking professional advice on their particular circumstances, as appropriate.

The 3PL Board believes 3PL Shareholders should vote in favour of the Scheme at the Scheme Meeting for the following reasons:

(a) The Scheme Consideration represents an attractive premium to the historical trading prices of 3PL and an attractive valuation multiple

On the day of the announcement of the proposed Transaction (being 14 August 2020) the Scheme Consideration represented a premium of 23.3% to the last closing price for 3PL Shares on 13 August 2020, being \$1.10 per 3PL Share. In addition, the Scheme Consideration represents a 32.3% premium to the 1-month VWAP, a 45.0% premium to the 3-month VWAP and a 54.1% premium to the 6-month VWAP of 3PL Shares, each up to the close of trade on 13 August 2020.



The Scheme Consideration values 3PL's equity at approximately \$188.9 million and an enterprise value (EV) of \$166.6 million, implying an EV/FY20 EBITDA multiple of 11.4x.

(b) The 3PL Board unanimously recommends the Transaction

In the announcement of the Transaction on 14 August 2020, Mr Sam Weiss, Chairman of 3PL, stated that the 3PL Board believes the Transaction is in the best interests of 3PL Shareholders. The 3PL Board unanimously recommends that you vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders. Subject to those qualifications, each 3PL Director intends to vote, or cause to be voted, all 3PL Shares held by or controlled by them in favour of the Scheme.

When considering how to vote on the Scheme Resolution, 3PL Shareholders should have regard to the interests of 3PL Directors as set out in Section 9 including the interests of the CEO Rebekah O'Flaherty as noted in the Chairman's letter.

(c) Cash consideration delivers certainty and immediate value

The offer from IXL is an all-cash offer. This offers a high degree of certainty of value and timing.

If the Scheme is implemented, 3PL Shareholders will receive the Scheme Consideration in cash for each 3PL Share that they own at the Scheme Record Date, to be paid on the Implementation Date.

In contrast, if the Scheme does not proceed, the amount which 3PL Shareholders will be able to realise for their investment in 3PL Shares will be uncertain. The Scheme removes this uncertainty for 3PL Shareholders. For details of the risks relating to remaining a 3PL Shareholder, see Section 7.

(d) The Scheme allows 3PL Shareholders to sell all their 3PL Shares

The Scheme provides 3PL Shareholders with an opportunity to dispose of all their 3PL Shares in a single transaction for certain cash value.

(e) The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and therefore in the best interests of 3PL Shareholders taken as a whole, in the absence of a Superior Proposal

The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme Consideration is fair and reasonable and therefore the Scheme is in the best interests of 3PL Shareholders taken as a whole. The Independent Expert has assessed the value of 3PL Shares on a 100% controlling interest basis to be in the range of \$1.31 and \$1.52 per 3PL Share. The Scheme Consideration of \$1.35 per 3PL Share is within this range.

The Independent Expert's Report is reproduced in Annexure B. The 3PL Board encourages 3PL Shareholders to read the report in its entirety, including the assumptions on which the conclusions are based, to enable them to make an informed decision on whether or not to vote in favour of the Scheme.

(f) Since the announcement of the Scheme, no Superior Proposal has emerged

Since 3PL announced that it has entered into the Scheme Implementation Agreement, no Superior Proposal has emerged and the 3PL Directors are not aware of any Superior Proposal that is likely to emerge.

(g) If the Scheme is not approved, the 3PL Share price may fall below the value of the Scheme Consideration

In the three month period before 14 August 2020, being the date that 3PL announced that it had entered into the Scheme Implementation Agreement, the VWAP of 3PL Shares was \$0.93.

The 3PL Board considers that if the Scheme is not approved, the 3PL Share price on ASX may fall below the value of the Scheme Consideration, in the absence of a Competing Proposal.

(h) If the Scheme is not approved, 3PL Shareholders will continue to be exposed to risks associated with 3PL's business rather than realising certain value for their 3PL Shares in a certain timeframe

If the Scheme does not proceed, the amount which 3PL Shareholders will be able to realise in respect of their 3PL Shares, in terms of trading price and future dividends, will be uncertain and subject to a number of risks outlined in Section 7.

Among other things, this will be subject to the performance of 3PL's business from time to time, general economic conditions and the movement in the share market.

The Scheme provides 3PL Shareholders with the opportunity to avoid these risks and uncertainties and allows 3PL Shareholders to fully exit their investment in 3PL and realise certain and immediate value.

(i) No brokerage or stamp duty will be payable by 3PL Shareholders on the transfer of their 3PL Shares under the Scheme

3PL Shareholders will not incur any brokerage or stamp duty on the transfer of their 3PL Shares to IXL under the Scheme.

If 3PL Shareholders sell their 3PL Shares on the ASX (rather than disposing of them as part of the Scheme), they may incur brokerage charges (and, potentially GST on those charges).

01 Key considerations relevant to your vote continued

1.4 If the Transaction does not proceed

If the Transaction is not implemented:

- (a) the price of 3PL Shares may fall below the value of the Scheme Consideration, in the absence of a Competing Proposal;
- (b) substantial transaction costs and expenses will be incurred by 3PL (estimated at \$2 million excluding GST);
- (c) the benefits of the Transaction will not be realised;
- (d) 3PL Shareholders will retain their direct interests in 3PL Shares and continue to collectively control 3PL;
- (e) 3PL will remain an independent company and focus on its current business plan and strategy;
- (f) 3PL will continue to operate under the existing corporate structure with its current directors and management in place;
- (g) the rights of 3PL Shareholders will remain unchanged;
- (h) the Employee Share Rights and Employee Options described in Section 5.6(b) that are due to vest or lapse prematurely as a result of the Scheme will not vest or lapse and the original terms and conditions attaching to the Employee Share Rights and Employee Options will continue to be in effect and the issued capital of 3PL will remain unchanged;
- (i) in accordance with the terms of her employment contract, as a result of the Scheme Meeting being convened, the CEO Rebekah O'Flaherty will be entitled to receive \$325,000, being the value of Ms O'Flaherty's unpaid award under 3PL's short term incentive plan (STIP) which is described in Section 9.4(a); and
- (j) 3PL Shareholders may not, in the near term, realise a price for their 3PL Shares which is equivalent to or greater than the value of the Scheme Consideration.

In addition, depending on the reasons the Transaction does not proceed, 3PL may also be liable to pay the Break Fee. Details of the Break Fee and the circumstances in which it may become payable are set out in Section 8.7(b).

In addition, depending on the reasons the Transaction does not proceed, IXL may also be liable to pay the Reverse Break Fee. Details of the Reverse Break Fee and the circumstances in which it may become payable are set out in Section 8.7(c).

1.5 Why you may wish to vote against the Scheme

The Scheme has a number of potential disadvantages and risks that 3PL Shareholders must consider in deciding whether or not to vote in favour of the Scheme. While the 3PL Directors are of the opinion that these disadvantages are outweighed by the Scheme's advantages, 3PL Shareholders should consider their individual circumstances and make their own determination.

Factors which may lead 3PL Shareholders to consider voting against the Scheme include:

(a) You may disagree with the 3PL Board's recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests

In concluding that the Scheme is in the best interests of 3PL Shareholders, absent a Superior Proposal, the 3PL Directors and the Independent Expert are making judgments based on future trading conditions and events which cannot be predicted with any certainty and which may prove to be inaccurate (positively or negatively). You may hold a different view from, and are not obliged to follow the recommendation of, the 3PL Directors, and you may not agree with the Independent Expert's conclusion.

(b) You may prefer to realise the potential value of 3PL over the long term, and may consider that the Scheme does not capture 3PL's long term potential

If the Scheme is approved and implemented, it is expected to complete in December 2020. This timeframe may not be consistent with your investment objectives and you may consider that your 3PL Shares have greater value in the long term.

You may consider that 3PL has stronger long term growth potential and that the Scheme Consideration does not fully reflect your view on the long term value. You may therefore prefer to retain your 3PL Shares and realise the value of your 3PL Shares over the longer term.

(c) You may believe it is in your best interests to maintain your current investment and risk profile

You may wish to keep your 3PL Shares as you may want to preserve your investment in a publicly listed company with the specific characteristics of 3PL. In particular, you may consider that, despite the risks relevant to 3PL's operations (including those set out in Section 7), 3PL may be able to return greater value from its assets by remaining independent, or seeking alternative commercialisation strategies.

Implementation of the Scheme may result in a disadvantage to those 3PL Shareholders who wish to maintain their investment profile as they may find it difficult to find an investment with a similar profile to that of 3PL. Transaction costs may also be incurred undertaking any new investment.

(d) The disposal of Scheme Shares pursuant to the Transaction may have taxation consequences for 3PL Shareholders

If the Scheme is implemented, the disposal of Scheme Shares as a result of the Transaction may have taxation consequences for 3PL Shareholders. The general Australian tax consequences of the Transaction for 3PL Shareholders are set out in Annexure A.

This Scheme Booklet contains a general discussion of the taxation consequences of the Transaction for 3PL Shareholders who are not tax residents of Australia.

3PL Shareholders should consider the tax consequences of the Transaction in light of their own personal circumstances and are encouraged to seek advice from their tax adviser.

(e) It is possible that a Superior Proposal could materialise in the future (although the 3PL Board is not aware of any such proposal)

It is possible that a Superior Proposal for 3PL could materialise in the future. However, since the date that 3PL announced it has entered into the Scheme Implementation Agreement, no Competing Proposal has emerged and the 3PL Directors are not aware of any Competing Proposal that is likely to emerge.

The 3PL Board will keep 3PL Shareholders informed of any material developments in relation to any Competing Proposals that may emerge.

It should be noted that the Scheme Implementation Agreement contains "no shop" and "no talk" provisions which generally restrict 3PL from soliciting or discussing a Competing Proposal. For a summary of these obligations, see Section 8.7(a).

(f) If 3PL enters into further medium to long term contracts in future, the value of 3PL Shares is likely to exceed the Independent Expert's valuation range

In the Independent Expert's Report, the Independent Expert notes that, in its view, the value of 3PL Shares is likely to exceed the Independent Expert's valuation range should 3PL successfully enter into further medium to long term contracts in future to provide its software and related services to the National Ministry of Education in the Middle East or as a result of other similar enterprise sales opportunities.

Those 3PL Shareholders who consider that this is likely, and are prepared to accept the significant risks associated with such possible further contracts, may therefore consider that the Scheme is not in their best interests.

01 Key considerations relevant to your vote continued

1.6 Other relevant considerations

(a) The Scheme may be implemented even if you vote against the Scheme or you do not vote at all

You should be aware that if you do not vote, or if you vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of 3PL Shareholders and by the Court, and if the Scheme Conditions are satisfied or waived (as applicable). If this occurs, your 3PL Shares will be transferred to IXL and you will receive the Scheme Consideration even though you voted against, or did not vote on, the Scheme Resolution.

(b) If the Scheme is not implemented, 3PL Shareholders will not receive the Scheme Consideration

If the Scheme is not approved or all outstanding Scheme Conditions are not satisfied or waived (where capable of waiver), the Scheme will not proceed. In that case, 3PL Shareholders will not receive the Scheme Consideration and, in the absence of another proposal, 3PL will continue to operate as a stand-alone entity listed on the ASX and 3PL Shareholders will retain their 3PL Shares and continue to be exposed to risks and opportunities associated with their investment in 3PL. See Section 7 for a summary of the key risks relating to 3PL's business.

If the Scheme is not implemented, the advantages to the Scheme described in Section 1.3 will not be realised.

(c) Last and final confirmation

On 28 September 2020, the 3PL Board received confirmation from IXL that the Scheme Consideration of \$1.35 per 3PL Share represents IXL's last and final price, in the absence of a competing proposal or any change to the Independent Expert's Report.



02

Questions and answers

02 Questions and answers

This Section 2 answers some basic questions that you may have about the Transaction. The information is a summary only which you should read in conjunction with the entire Scheme Booklet (including the recommendation of the 3PL Directors and the key reasons for those recommendations as set out in Section 1.3) before deciding how to vote on the Scheme. It is not intended to address all relevant issues for 3PL Shareholders.

Questions	Answers
Overview of the Scheme	
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a 3PL Shareholder and 3PL Shareholders are being asked to vote on a Scheme, which, if approved, will result in IXL acquiring all 3PL Shares.</p> <p>This Scheme Booklet is intended to help you decide how to vote on the Scheme at the Scheme Meeting to allow the Scheme to proceed.</p>
What is the Transaction?	<p>The Transaction is a scheme of arrangement between 3PL and 3PL Shareholders. A scheme of arrangement is a statutory procedure that is commonly used in transactions which may result in a change of ownership or control of a company.</p> <p>On 14 August 2020, 3PL announced that it had entered into the Scheme Implementation Agreement, whereby it was proposed that IXL would acquire all of the issued capital in 3PL for \$1.35 per share.</p> <p>If the Transaction is approved and implemented, all Scheme Shares will be transferred to IXL and 3PL will become a Subsidiary of IXL.</p> <p>Section 4 contains a summary of the Transaction.</p>
What are the benefits of the Transaction?	<p>The 3PL Board believes that the advantages of the Scheme to 3PL Shareholders include the following:</p> <ul style="list-style-type: none">▪ The Scheme Consideration offered to 3PL Shareholders represents an attractive premium to the historical trading prices of 3PL and an attractive valuation multiple.▪ The 3PL Board unanimously recommends the Transaction.▪ Cash consideration delivers certainty and immediate value.▪ The Scheme allows 3PL Shareholders to sell all their 3PL Shares.▪ The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and therefore in the best interests of 3PL Shareholders taken as a whole, in the absence of a Superior Proposal.▪ Since the announcement of the Scheme, no Superior Proposal has emerged.▪ If the Scheme is not approved, the 3PL Share price may fall below the value of the Scheme Consideration.▪ If the Scheme is not approved, 3PL Shareholders will continue to be exposed to risks associated with 3PL's business rather than realising certain value for their 3PL Shares in a certain timeframe.▪ No brokerage or stamp duty will be payable by 3PL Shareholders on the transfer of their 3PL Shares under the Scheme. <p>Further information regarding the advantages and reasons to vote in favour of the Scheme is set out in Section 1.3. Details regarding IXL and the effect of the Scheme are set out in Section 6.</p>

Questions

Answers

What are the potential disadvantages of voting in favour of the Scheme?

The 3PL Board believes the potential disadvantages of the Scheme to 3PL Shareholders are as follows:

- You may disagree with the 3PL Board's recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests.
- You may prefer to realise the potential value of 3PL over the long term, and may consider that the Scheme does not capture 3PL's long term potential.
- You may believe it is in your best interests to maintain your current investment and risk profile.
- The disposal of Scheme Shares pursuant to the Transaction may have taxation consequences for 3PL Shareholders.
- It is possible that a Superior Proposal could materialise in the future (although the 3PL Board is not aware of any such proposal).
- If 3PL enters into further medium to long term contracts in future, the value of 3PL Shares is likely to exceed the Independent Expert's valuation range.

Further information regarding the disadvantages and reasons to vote against the Scheme is set out in Section 1.5.

What will I receive if the Transaction is implemented?

If the Transaction is implemented, for each 3PL Share held on the Scheme Record Date, Scheme Shareholders will be entitled to receive cash consideration of \$1.35 per Scheme Share.

Further details of the Scheme Consideration are set out in Section 4.4.

Recommendations

What do the 3PL Directors recommend?

The 3PL Board unanimously recommends that all 3PL Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders.

Section 4.2 sets out the recommendation of the 3PL Directors. Section 1.2 sets out the matters which 3PL Directors have had regard to in making their recommendation that 3PL Shareholders vote in favour of the Scheme.

The interests of 3PL Directors are disclosed in Section 9 of this Scheme Booklet including the entitlement of the CEO Rebekah O'Flaherty to receive \$325,000, being the value of Ms O'Flaherty's unpaid award under 3PL's short term incentive plan (STIP) as a result of the Scheme Meeting being convened. In addition, if the Scheme becomes Effective and Ms O'Flaherty remains employed by the 3PL Group until the Effective Date, Ms O'Flaherty is entitled to a cash retention bonus of \$379,309 and the vesting of 339,450 Employee Share Rights which will convert into 339,450 3PL Shares and participate in the Scheme. 3PL Shareholders should have regard to these interests when considering how to vote on the Scheme Resolution.

How are the 3PL Directors intending to vote?

Each of the 3PL Directors intends to vote, or cause to be voted, all 3PL Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of 3PL Shareholders.

What is the opinion of the Independent Expert?

The Independent Expert has considered the Scheme and has concluded that the Scheme Consideration is fair and reasonable and therefore the Scheme is in the best interests of 3PL Shareholders taken as a whole, in the absence of a Superior Proposal.

The Independent Expert's Report is set out in full in Annexure B.

02 Questions and answers continued

Questions	Answers
Scheme Meeting and implementation	
How will the Transaction be implemented?	<p>The Transaction will be implemented by way of a scheme of arrangement between 3PL and Scheme Shareholders, pursuant to which IXL will acquire all of the Scheme Shares and pay the Scheme Consideration to Scheme Shareholders.</p> <p>The Scheme will only be implemented if the Scheme is agreed to by 3PL Shareholders and the Court approves the Scheme.</p> <p>Further details on how the Transaction will be implemented are set out in Sections 4.6 and 8.</p>
When and where will the Scheme Meeting be held?	<p>The Scheme Meeting will be held virtually on Friday, 20 November 2020 commencing at 11.00am (AEDT).</p> <p>In order to minimise the health risks created by the COVID-19 pandemic and in accordance with Federal and State government restrictions with respect to non-essential gatherings of people, the Scheme Meeting is scheduled to be held virtually.</p> <p>3PL Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Scheme Meeting. 3PL strongly encourages 3PL Shareholders to consider lodging a direct vote or directed proxy in the event they are not able to participate in the virtual Scheme Meeting.</p>
What is a virtual meeting and how does it work?	<p>The Scheme Meeting will be conducted virtually via an online platform at https://agmlive.link/3PLSM20 which can be accessed from desktops, laptops, tablets and smartphones. The online platform enables participants to view the Scheme Meeting live, vote on the Scheme Resolution in real time and ask questions online.</p> <p>For more information see Section 3 and the Notice of Meeting in Annexure F.</p>
Can I attend a physical Scheme Meeting in person?	<p>No. You may only participate in a virtual Scheme Meeting.</p>
When will the Transaction become Effective and be implemented?	<p>Subject to satisfaction or waiver (if applicable) of any outstanding Scheme Conditions and the approval of the Court, it is expected that the Transaction will become Effective on 24 November 2020. It is expected that the Transaction will be implemented on 3 December 2020.</p> <p>Further details about the timetable are set out under the heading "Important dates" at the front of this Scheme Booklet.</p>

Questions

Answers

What happens if the Transaction does not proceed?

If the Scheme is not agreed to at the Scheme Meeting (or is agreed to at the Scheme Meeting but is not approved by the Court or any of the other conditions precedent to the Scheme becoming Effective are not satisfied or waived or the Scheme Implementation Agreement is terminated), then the Scheme will not be Effective and will not be implemented.

In this situation:

- the price of 3PL Shares may fall below the value of the Scheme Consideration, in the absence of a Competing Proposal;
- 3PL will also bear substantial transaction costs and expenses estimated at a direct financial cost of approximately \$2 million excluding GST. As well as this, it is possible that 3PL may have to pay (depending on the reasons for the Scheme not proceeding) a Break Fee of \$1,900,685 to IXL;
- the benefits of the Transaction will not be realised;
- 3PL Shareholders will not receive the Scheme Consideration and will retain their direct interests in 3PL Shares and continue to collectively control 3PL;
- 3PL will remain an independent company and focus on its current business and strategic plans;
- 3PL will continue to operate under the existing corporate structure with its current directors and management in place;
- the CEO Rebekah O’Flaherty will be entitled to receive \$325,000, being the value of Ms O’Flaherty’s unpaid award under 3PL’s short term incentive plan; and
- the rights of 3PL Shareholders will remain unchanged.

Further details are set out in Sections 1.4, 8.3 and 9.4(a).

What are the risks associated with an investment in 3PL if the Transaction does not proceed?

If the Scheme is not approved and implemented, you will continue to be a 3PL Shareholder and participate in the future financial performance of 3PL’s business and continue to be subject to the specific risks associated with 3PL’s business and other general risks. Details of these risks are set out in Section 7.

Among other things, this will be subject to the performance of 3PL’s business from time to time, general economic conditions and the movement in the share market.

The Scheme provides 3PL Shareholders with the opportunity to avoid these risks and uncertainties and allows 3PL Shareholders to fully exit their investment in 3PL and realise certain and immediate value.

What will be the effect of the Transaction on 3PL Shareholders?

If the Transaction is implemented:

- Scheme Shareholders will transfer all of their 3PL Shares to IXL;
- in consideration for the transfer of their 3PL Shares, each Scheme Shareholder will receive the Scheme Consideration;
- 3PL will become a Subsidiary of IXL; and
- IXL will seek to have 3PL removed from the official list of ASX.

Further details are set out in Sections 4 and 8.

02 Questions and answers continued

Questions	Answers
What approvals are required at the Scheme Meeting?	<p>For the Scheme to be approved, votes in favour of the Scheme Resolution must be received from both:</p> <ul style="list-style-type: none">▪ a majority in number (more than 50%) of 3PL Shareholders present and voting (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually) at the Scheme Meeting (unless the Court orders otherwise); and▪ at least 75% of the total number of 3PL Shares voted at the Scheme Meeting by 3PL Shareholders (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually).
Questions about voting	
How do I vote?	<p>You may vote at the Scheme Meeting by joining the Scheme Meeting virtually on https://agmlive.link/3PLSM20 or by appointing a proxy, corporate representative or attorney to vote at the Scheme Meeting on your behalf.</p> <p>If you do not wish to, or are unable to, participate in the virtual Scheme Meeting, you may vote by lodging your direct vote or proxy online at www.linkmarketservices.com.au, or, if you received a hardcopy voting form, by following the instructions on the voting form.</p> <p>See Section 3 and the Notice of Meeting in Annexure F for more information.</p>
Who is entitled to vote at the Scheme Meeting?	<p>3PL Shareholders on the 3PL Register at 7:00pm (AEDT) on Wednesday, 18 November 2020 will be entitled to vote at the Scheme Meeting.</p> <p>Further details about voting rights and procedures are set out in Section 3 and in the Notice of Meeting in Annexure F.</p>
Is voting compulsory?	<p>No, voting is not compulsory. However, your vote is important and you are encouraged to exercise your right to vote. Accordingly, the 3PL Directors urge you to read this Scheme Booklet carefully and to vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders. If you cannot attend the virtual Scheme Meeting, you should lodge your direct vote or proxy online at www.linkmarketservices.com.au, or if you received a hardcopy voting form, by following the instructions on the voting form.</p> <p>For further details regarding voting and submitting the voting form for the Scheme Meeting, see Section 3 and the Notice of Meeting in Annexure F.</p>
Will I be bound by the Scheme even if I vote against the Transaction?	<p>If the Scheme becomes Effective, it will bind all 3PL Shareholders, including those who voted against it and those who did not vote at all.</p>
When will the result of the Scheme Meeting be known?	<p>The result of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX once available. Even if the Scheme Resolution is passed at the Scheme Meeting, the Scheme is subject to the approval of the Court.</p>

Questions

Answers

Questions about IXL

Who is IXL and IXL Guarantor?	<p>The IXL Group is comprised of IXL Guarantor, an unlisted company incorporated in Delaware, United States of America and its Subsidiaries, including IXL.</p> <p>IXL is an unlisted Australian proprietary company limited by shares incorporated and registered in New South Wales on 12 August 2020 for the purposes of the Scheme. Further details about IXL are set out in Section 6.</p>
How is IXL funding the Scheme Consideration?	<p>IXL has a legally binding commitment letter from IXL Guarantor to provide the funding for the Scheme Consideration. IXL Guarantor intends to fund the Scheme Consideration in part through utilising existing cash reserves, and in part through drawing on secured debt facilities in an aggregate amount of up to US\$110,000,000. See Section 6.5(b) for further details.</p>
What are the intentions of IXL in relation to the business, assets and employees of 3PL?	<p>IXL does not currently intend to make any material changes to 3PL's Australian operations.</p> <p>Following implementation of the Scheme, IXL intends to undertake a review of 3PL's operations, assets and structure with a view to identifying potential areas where 3PL's business can be enhanced with the support of, and as a member of, the IXL Group. In undertaking this review, IXL intends to explore potential efficiencies across 3PL's business where it is commercially appropriate to do so. IXL does not believe that it has a reasonable basis to speculate as to what the value of these potential efficiencies (if any) is likely to be.</p> <p>Further details about IXL's intentions concerning 3PL and its business, assets and employees are set out in Section 6.6.</p>

02 Questions and answers continued

Questions	Answers
Questions about your entitlement	
Who is entitled to receive the Scheme Consideration?	Only Scheme Shareholders, being persons registered as holders of 3PL Shares on the Scheme Record Date (currently 5:00pm (AEDT) on 26 November 2020), will be entitled to receive the Scheme Consideration.
Will I be required to pay broker fees or stamp duty?	No, you will not have to pay brokerage or stamp duty if your 3PL Shares are acquired under the Scheme.
When will I receive my Scheme Consideration?	If all conditions precedent to the Scheme becoming Effective are satisfied or waived (as applicable), 3PL Shareholders on the 3PL Register on the Scheme Record Date will be sent the Scheme Consideration on the Implementation Date (currently 3 December 2020).
How will I receive my Scheme Consideration?	All payments will be made by direct deposit in your nominated bank account, as advised to the 3PL Share Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be made by Australian dollar cheque, sent by post to your registered address as shown on the 3PL Register.
Can I sell my 3PL Shares now?	You can sell your 3PL Shares on-market at any time before the close of trading on the ASX on the Effective Date. However, if you do so you will receive the prevailing on-market price set at the time of sale which may not be the same price as the Scheme Consideration and you may also be required to pay brokerage. 3PL intends to apply to ASX for 3PL Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your 3PL Shares on-market after that time.
What are the tax implications of the Transaction?	The general Australian taxation implications of the Transaction for 3PL Shareholders are set out in Annexure A. This Scheme Booklet contains a general discussion of the taxation consequences of the Transaction for 3PL Shareholders resident for tax purposes outside Australia. It is recommended that 3PL Shareholders consult with their legal, investment or other professional advisers prior to making a decision on how to vote on the Scheme. Any decision on how to vote on the Scheme should be based on individual investment objectives, financial situations, taxation positions and particular needs. See Annexure A for more details.

Questions

Answers

Questions about conditions to be satisfied to allow the Transaction to proceed

What are the key conditions to be satisfied before the Transaction can proceed?

As at the date of this Scheme Booklet, there are a number of outstanding Scheme Conditions that will need to be satisfied or waived (if applicable) before the Scheme can become Effective. These conditions include:

- 3PL Shareholders approving the Scheme at the Scheme Meeting by the Requisite Majorities; and
- the Court approving the Scheme.

These are not the only conditions. All the conditions that must be satisfied or waived are discussed in Section 8.7(d) and set out in full in the Scheme Implementation Agreement which is substantially reproduced in Annexure C.

As at the date of this Scheme Booklet, the 3PL Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).

What other information is available?

This Scheme Booklet provides detailed information in relation to the Transaction that all 3PL Shareholders should read.

If you have any questions of a general nature or require further information, then you may refer to 3PL's website at www.3plearning.com, email 3PL at investors@3plearning.com or call the 3PL Shareholder Information Line on +61 1800 218 694 between 9:00am and 5:00pm (Sydney time) on Business Days. For more specific advice pertinent to your own circumstances please contact your legal, investment or other professional adviser.



03

What to do and how to vote

03 What to do and how to vote

3.1 Carefully read and consider this Scheme Booklet

This is an important document. You should read the information in this Scheme Booklet in its entirety before making a decision on how to vote at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

3.2 Consider the reasons to vote for or against the Scheme

Refer to Section 1.3 for a discussion of the reasons to vote in favour of the Scheme and Section 1.5 for a discussion of the reasons you may wish to vote against the Scheme.

Answers to various frequently asked questions about the Scheme are set out in Section 2. If you have any additional questions in relation to this Scheme Booklet or the Scheme, please consult your financial, legal or other professional adviser or call the 3PL Shareholder Information Line on +61 1800 218 694 between 9:00am and 5:00pm (Sydney time) on Business Days.

3.3 3PL Directors' recommendation and opinion of the Independent Expert

The 3PL Board unanimously recommends that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders, you vote in favour of the Scheme at the Scheme Meeting. Subject to those qualifications, each 3PL Director intends to vote or cause to be voted all 3PL Shares held or controlled by them in favour of the Scheme.

The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and therefore the Scheme is in the best interests of 3PL Shareholders taken as a whole, in the absence of a Superior Proposal.

When considering how to vote on the Scheme Resolution, 3PL Shareholders should have regard to the interests of 3PL Directors as set out in Section 9 including the interests of the CEO Rebekah O'Flaherty as noted in the Chairman's letter.

3.4 Scheme Meeting

In order to minimise the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people, the Scheme Meeting is scheduled to be held virtually. 3PL Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical meeting.

The Scheme Meeting will be conducted virtually via an online platform at <https://agmlive.link/3PLSM20> which can be accessed from desktops, laptops, tablets and smartphones. The online platform enables participants to view the Scheme Meeting live, vote on the Scheme Resolution in real time and ask questions online.

For the Scheme to proceed, votes in favour of the Scheme Resolution must be received from both:

- (a) a majority in number (more than 50%) of 3PL Shareholders present and voting (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually) at the Scheme Meeting; and
- (b) at least 75% of the total number of 3PL Shares voted at the Scheme Meeting by 3PL Shareholders (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually),

(the **Requisite Majorities**).

The Court has the discretion to waive the first of these two requirements if it considers appropriate to do so.

The passing of the Scheme Resolution is a condition of the Scheme becoming Effective and being implemented.

The Notice convening the Scheme Meeting is contained in Annexure F.

03 What to do and how to vote continued

3.5 Appointing proxies

If you wish to appoint a proxy or you are unable to attend the Scheme Meeting via the online platform you may appoint one or two proxies to attend and vote at the Scheme Meeting on your behalf. You may do this online at www.linkmarketservices.com.au or, if you received a hardcopy voting form, by following the instructions on the voting form.

The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. If you would like to do so please contact the 3PL Share Registry on +61 1800 218 694.

Proxy instructions must be received by the 3PL Share Registry or lodged online by no later than 11.00am (AEDT) on Wednesday, 18 November 2020.

3.6 Direct voting

You may also vote directly on the Scheme Resolution without attending the Scheme Meeting via the online platform. You may do this online at www.linkmarketservices.com.au or, if you received a hardcopy voting form, by following the instructions on the voting form.

If you lodge a direct vote, you are voting directly and are not appointing a third party, such as a proxy, to act on your behalf. Even if you plan to attend the Scheme Meeting virtually, you are still encouraged to lodge a direct vote (or a directed proxy) in advance of the Scheme Meeting so that your votes can still be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the Scheme Meeting).

Your direct vote does not preclude you from attending the Scheme Meeting via the online platform. However, your attendance will have the effect of cancelling your direct vote.

Your direct voting instructions must be received by the 3PL Share Registry or lodged online by no later than 11.00am (AEDT) on Wednesday, 18 November 2020.

3.7 Joining the Scheme Meeting

In order to join the Scheme Meeting, please open your web browser on your desktop, laptop, tablet or smartphone and go to <https://agmlive.link/3PLSM20>. It is recommended that you ensure the online platform works on your browser in advance of the Scheme Meeting.

Login to the portal using your full name, email address and company name (if applicable).

Please read and accept the terms and conditions before proceeding to click the 'Register and Watch Scheme Meeting' button.

If you are an appointed proxy, you will need your proxy number that will be provided by the 3PL Share Registry prior to the Scheme Meeting. Instructions with respect to how to appoint a proxy, attorney and corporate representative are set out in the Notice of Meeting in Annexure F.

The Scheme Meeting will commence at 11.00am (AEDT) on Friday, 20 November 2020.

3.8 Voting during the Scheme Meeting

3PL Shareholders and their proxies will be able to vote on the Scheme Resolution during the Scheme Meeting directly through the online platform at any time between the commencement of the Scheme Meeting at 11.00am (AEDT) on 20 November 2020 and the closure of voting as announced by the Chair during the Scheme Meeting.

Having logged onto the online platform, participants will be able to register to vote by clicking on the 'Get a Voting Card' box at the top of the webpage or below the video.

Once registered, participants will be able to vote on the Scheme Resolution using the voting card.

The Chair will announce when voting will close during the Scheme Meeting. At the closure of voting, a red bar with a countdown timer will appear at the top of the webcast and presentation screens advising the remaining voting time available.

3.9 Participating at the Scheme Meeting

Participants that have registered to vote will be able to ask questions at the Scheme Meeting. In order to do so, participants will need to click on the 'Ask a Question' box at the top of the webpage or at the bottom of the webpage.

Participants will then be able to type questions which will be submitted to the Chair of the Scheme Meeting.

3.10 Further information

Further details with respect to the conduct of the Scheme Meeting, including more specific instructions relating to joining the Scheme Meeting, voting at the Scheme Meeting and raising questions at the Scheme Meeting are set out in the Notice of Meeting in Annexure F of this Scheme Booklet.

If you have any questions in relation to the Transaction, the Scheme or the Scheme Meeting after reading this Scheme Booklet, please contact your legal, investment or other professional adviser.

If you have any questions of a general nature or require further information about 3PL, then you may refer to 3PL's website at www.3plearning.com, email 3PL at investors@3plearning.com or call the 3PL Shareholder Information Line on +61 1800 218 694 between 9:00am and 5:00pm (Sydney time) on Business Days.

If you would like more information about IXL, you can visit the IXL website at au.ixl.com.



04

Summary of the Transaction

04 Summary of the Transaction

4.1 Background

On 14 August 2020, 3PL announced that it had entered into the Scheme Implementation Agreement with IXL and IXL Guarantor, under which it is proposed that IXL will acquire all of the issued share capital in 3PL by way of the Scheme of Arrangement.

If the Scheme is approved by 3PL Shareholders at the Scheme Meeting and by the Court, and if all other necessary approvals and considerations for the Scheme are satisfied or waived (where capable of waiver), 3PL will become a wholly-owned subsidiary of IXL and will be delisted from the ASX.

If the Scheme is not approved, the Scheme will not proceed and 3PL will continue as a stand-alone entity listed on the ASX.

This Scheme Booklet contains information that the 3PL Board considers is material to 3PL Shareholders in making a decision whether or not to vote in favour of the Scheme. You should carefully read this Scheme Booklet as part of your consideration of the Scheme.

4.2 3PL Board's recommendation

The 3PL Board unanimously recommends that you vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders. Subject to those qualifications, each 3PL Director intends to vote, or cause to be voted, all 3PL Shares held by or controlled by them in favour of the Scheme.

In making this recommendation, the 3PL Board has, among other things, considered the matters detailed in Section 1.2.

When considering how to vote on the Scheme Resolution, 3PL Shareholders should have regard to the interests of 3PL Directors as set out in Section 9 including the interests of the CEO Rebekah O'Flaherty as noted in the Chairman's letter.

4.3 Independent Expert's Report

Lonergan Edwards & Associates Limited has been appointed as the Independent Expert by the 3PL Board to assess the merits of the Scheme.

The Independent Expert has assessed the value of 3PL Shares on a 100% controlling interest basis to be in the range of \$1.31 and \$1.52 per share and has concluded that the Scheme Consideration is fair and reasonable and therefore the Scheme is in the best interests of 3PL Shareholders taken as a whole, in the absence of a Superior Proposal.

A copy of the Independent Expert's Report can be found in Annexure B.

4.4 Scheme Consideration

If the Scheme is approved and implemented, Scheme Shareholders will receive a total cash payment of \$1.35 per 3PL Share, in return for the transfer of their 3PL Shares to IXL.

On 28 September 2020, the 3PL Board received confirmation from IXL that the Scheme Consideration of \$1.35 per 3PL Share represents IXL's last and final price, in the absence of a competing proposal or any change to the Independent Expert's Report.

Payments will be made by direct deposit into your nominated bank account, as advised to the 3PL Share Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be made by Australian dollar cheque.

If the Scheme Shareholder does not have a valid registered address, or 3PL considers the Scheme Shareholder is not known at its registered address and no bank account has been nominated, payments due to the Scheme Shareholder will be held by 3PL until claimed or applied under the relevant laws dealing with unclaimed money.

04 Summary of the Transaction continued

4.5 Employee Share Rights and Employee Options

As at the date of the Scheme Booklet there are 641,760 Employee Share Rights and 3,559,209 Employee Options on issue. Under the Scheme Implementation Agreement it is a condition that all of the Employee Share Rights and Employee Options have been exercised or have lapsed and have otherwise been cancelled by the date the Scheme becomes Effective. For details of the treatment of Employee Share Rights and Employee Options under the Scheme see Section 5.6(b).

4.6 Implementation of the Scheme

(a) Conditions of the Transaction and status

The obligations of 3PL and IXL to complete the Transaction are subject to the Scheme Conditions which are discussed in further detail in Section 8.7(d).

All of the Scheme Conditions must be either satisfied or waived (where capable of waiver) in accordance with the Scheme and the Scheme Implementation Agreement for the Transaction to be implemented.

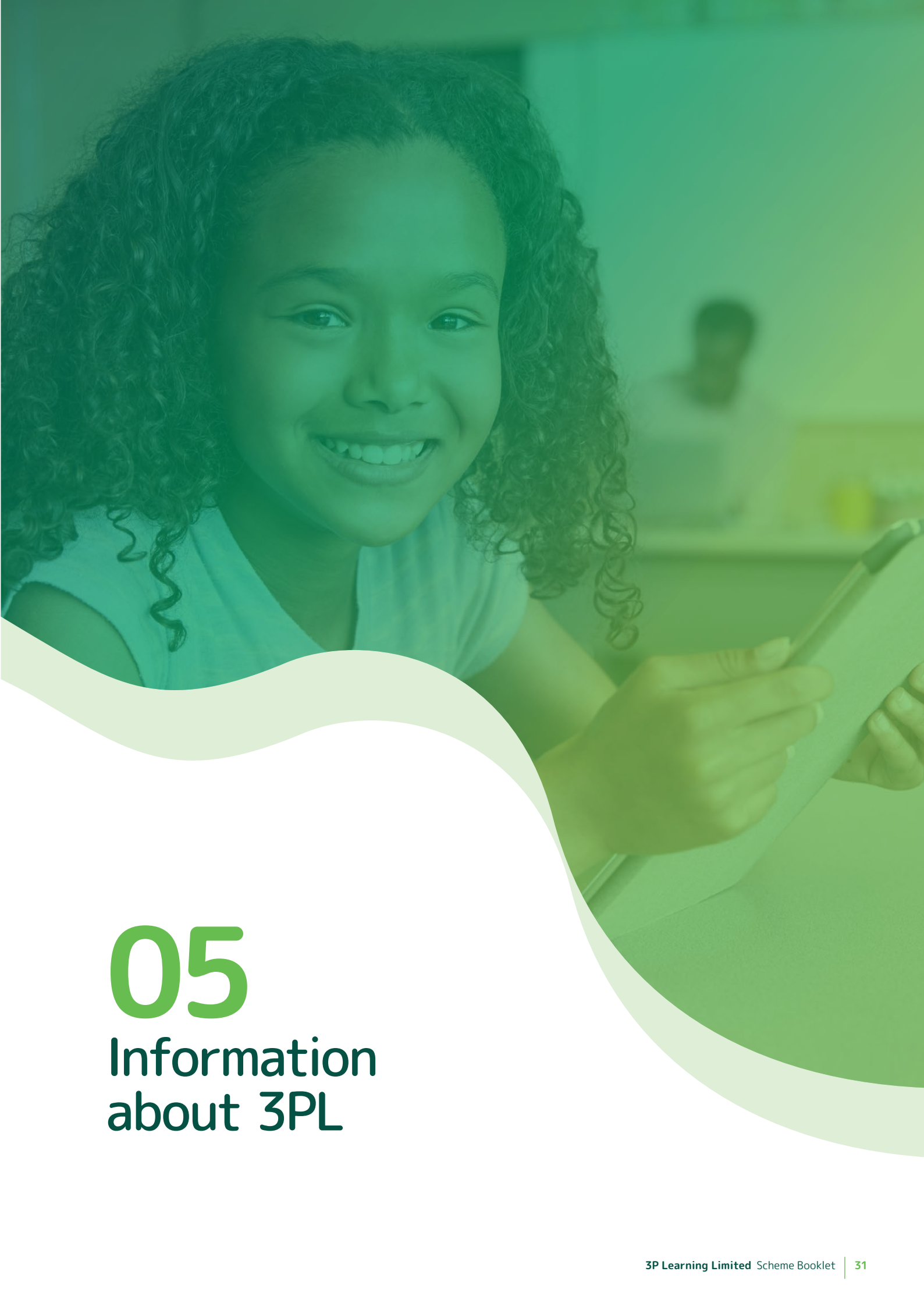
As at the date of this Scheme Booklet, 3PL and IXL are not aware of any circumstances which would cause the Scheme Conditions not to be satisfied. An update as to the status of the Scheme Conditions will be provided at the Scheme Meeting.

(b) Scheme approval conditions

If the Requisite Majorities of 3PL Shareholders vote in favour of the Scheme at the Scheme Meeting (see Section 3.4 for details) and all other Scheme Conditions have been either satisfied or waived (if applicable), the Court will be asked to approve the Scheme.

4.7 No brokerage or stamp duty

3PL Shareholders will not incur any brokerage or stamp duty on the transfer of 3PL Shares pursuant to the Scheme.



05

Information about 3PL

05 Information about 3PL

5.1 Background

Founded in 2004, 3PL is a global online education company with a portfolio of brands and product offerings for school students in grades K-12 across numeracy, literacy and science subject areas.

3PL's mission is to create a place where students, families and teachers can love learning. This passion translates to more engaged educators, motivated learners and an overall improvement in student knowledge and achievement.

The Company listed on the Australian Securities Exchange on 9 July 2014.



Today the company serves approximately 4.7 million students in approximately 17,500 schools worldwide.

5.2 Business overview

3PL's core product offerings include, owned products: Mathletics and Readwriter; and distributed products: Mathseeds, Reading Eggs and Word Flyers.

3PL's products are designed to provide an engaging environment for students and tools to maximise efficiency for educators. These include custom course builders, standardised testing and automated reporting. A key strength of the 3PL products is the highly personalised learning environment they provide. The products deliver content dynamically based on students' results in order to cater to students' individual learning needs.

The Company has a presence in Australia, New Zealand, the United Kingdom, the United States, Canada, Hong Kong, South Africa and the Middle East. 3PL is headquartered in Sydney, Australia and employs approximately 265 employees globally.

	Numeracy	Literacy
Owned Products		
Key Products		
Description	<ul style="list-style-type: none">▪ Mathletics is a comprehensive online numeracy product for school grades K-12▪ Flagship product that has led entry into each market▪ Includes content for 30 curricula around the world▪ Available in two languages with more in development▪ Designed for use on personal computers and mobile devices	<ul style="list-style-type: none">▪ Readwriter Spelling was launched in late 2019 with strong market acceptance in core UK and Australian markets and will be expanded to other regions▪ 3PL has commenced work on Readwriter Writing which is addressing product portfolio gaps in literacy, the largest category of spend in K-12 education

Numeracy	Literacy
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Distributed Products	
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Key Products		 
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Description	<ul style="list-style-type: none"> ▪ Mathseeds is an online mathematics program for children in grades K-2 ▪ Developed by the Blake Group and released to market in 2016 ▪ Distribution rights were acquired in 2014 	<ul style="list-style-type: none"> ▪ Reading Eggs products, consisting of Reading Eggs and Reading Eggspress, form an online literacy product for school grades K-6 ▪ Developed by the Blake Group ▪ 3PL has exclusive sales agency rights in some territories ▪ Wordflyers is an online literacy program for grades 7-10 and was designed for secondary students to learn and practise essential literacy skills ▪ Distribution rights were acquired in 2014
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3PL has three main geographical segments, Asia-Pacific (“APAC”), the Americas (“AMER”) and Europe, Middle-East and Africa (“EMEA”).

FY20 Revenue by segment

- APAC 61%
- AMER 17%
- EMEA 22%



FY20 Licences by segment

- APAC 51%
- AMER 20%
- EMEA 29%



05 Information about 3PL continued

5.3 3PL Board and Senior Management

(a) As at the date of this Scheme Booklet, the 3PL Board is comprised of the following directors:

Name	Current position
Sam Weiss	Non-executive Chairman
Roger Amos	Non-executive Director
Claire Hatton	Non-executive Director
Mark Lamont	Non-executive Director
Rebekah O'Flaherty	Managing Director/Chief Executive Officer

Jia Chen Wang holds the position of Company Secretary.

(b) As at the date of this Scheme Booklet, 3PL's senior management is comprised of the following people:

Name	Current position
Rebekah O'Flaherty	Managing Director/Chief Executive Officer
Dimitri Aroney	Chief Financial Officer
Tania Black	Chief People Officer
Simon Martin	Chief Information Officer

5.4 3PL Board's intentions

Subject to the Scheme becoming Effective, on the Implementation Date, with the exception of Rebekah O'Flaherty, all current 3PL Directors will resign as directors of 3PL and the 3PL Board will be reconstituted so that it consists only of IXL nominees and Rebekah O'Flaherty. It will be for the reconstituted 3PL Board to determine its intentions as to:

- (a) the continuation of the business of 3PL;
- (b) any major changes to be made to the business of 3PL; and
- (c) the future employment of the present employees of 3PL.

The current intentions of IXL with respect to these matters are set out in Section 6.6.

If the Transaction is not implemented, the 3PL Board intends to continue the business of 3PL as it is now conducted.

5.5 Summary of historical financial information

The financial information in this Section is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only. The financial information has been extracted from 3PL's financial results for the full financial year ended 30 June 2018 (FY18), 30 June 2019 (FY19) and 30 June 2020 (FY20), which were each audited and reviewed by EY.

The financial information of 3PL is presented in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Further details about 3PL's financial performance can be found on 3PL's website at <https://www.3plearning.com/investors/>

(a) Summary of 3PL historical consolidated income statements

\$'000	FY20	FY19	FY18
Revenue	54,955	54,415	55,367
Share of profits of associates accounted for using the equity method	–	–	567
Other income	148	195	81
Interest revenue calculated using the effective interest method	270	267	23
Expenses			
Employee benefits expense	(29,911)	(26,172)	(24,820)
Depreciation and amortisation expense	(11,407)	(9,131)	(8,285)
Professional fees	(1,136)	(938)	(1,020)
Technology costs	(3,701)	(3,486)	(3,512)
Marketing expenses	(2,066)	(1,752)	(2,011)
Occupancy expenses	(1,061)	(2,539)	(2,437)
Administrative expenses and foreign exchange	(2,653)	(1,976)	(2,643)
Operating profit	3,438	8,883	11,310
Finance costs	(284)	(138)	(624)
Loss on disposal of investments	–	–	(25,259)
Corporate advisory costs	(197)	–	–
Profit before income tax expense	2,957	8,745	(14,573)
Income tax expense	(1,407)	(2,834)	(4,110)
Profit after income tax expense for the year attributable to owners of 3P Learning Limited	1,550	5,911	(18,683)
Other comprehensive income			
Foreign currency translation	(213)	(295)	2,908
Total comprehensive income for the year	1,337	5,616	(15,775)
Total comprehensive income for the year is attributable to:			
Non-controlling interest	–	–	5
Owners of 3P Learning Limited	1,337	5,616	(15,780)
Total comprehensive income for the year	1,337	5,616	(15,775)

05 Information about 3PL continued

(b) Summary of 3PL historical consolidated balance sheets

\$'000	FY20	FY19	FY18
Assets			
Current assets			
Cash and cash equivalents	27,083	25,766	23,014
Trade and other receivables	9,520	9,000	4,649
Lease receivables	565	-	-
Income tax receivable	-	-	183
Other assets	1,591	1,812	1,966
Total current assets	38,759	36,578	29,812
Non-current assets			
Plant and equipment	651	1,042	926
Intangibles	20,865	19,551	18,386
Right-of-use assets	2,841	-	-
Lease receivables	1,193	-	-
Deferred tax asset	4,758	5,031	5,960
Other assets	48	17	6
Total non-current assets	30,356	25,641	25,278
Total assets	69,115	62,219	55,090
Liabilities			
Current liabilities			
Trade and other payables	8,181	7,288	5,671
Contract liabilities	23,877	24,310	25,958
Borrowings	-	14	12
Lease liabilities	1,615	-	-
Income tax payable	161	389	766
Provisions	1,778	1,479	1,324
Total current liabilities	35,612	33,480	33,731
Non-current liabilities			
Contract liabilities	3,292	3,356	1,556
Borrowings	-	4	18
Lease liabilities	3,229	-	-
Provisions	715	755	777
Total non-current liabilities	7,236	4,115	2,351
Total liabilities	42,848	37,595	36,082
Net assets	26,267	24,624	19,008
Equity			
Issued capital	34,494	34,374	34,233
Reserves	7,954	8,049	8,485
Accumulated losses	(16,181)	(17,799)	(23,710)
Total equity	26,267	24,624	19,008

(c) Summary of 3PL historical consolidated cash flow statements

\$'000	FY20	FY19	FY18
Cash flows from operating activities			
Receipts from customers	66,981	63,192	64,133
Payments to suppliers and employees	(52,576)	(49,457)	(49,207)
Interest received	289	230	23
Interest and other finance costs paid	(284)	(138)	(707)
Income taxes paid	(1,260)	(1,651)	(230)
Net cash from operating activities	13,150	12,176	14,012
Cash flows from investing activities			
Payments for plant and equipment	(136)	(425)	(269)
Payments for intangibles	(10,597)	(9,002)	(9,777)
Receipts from sub-leases	528	-	24,896
Net cash used in investing activities	(10,205)	(9,427)	14,850
Cash flows from financing activities			
Proceeds from borrowings	-	-	13,500
Repayment of borrowings	-	(12)	(23,010)
Repayment of lease liabilities	(1,433)	-	-
Net cash used in financing activities	(1,433)	(12)	(9,510)
Net increase in cash and cash equivalents	1,512	2,737	19,352
Cash and cash equivalents at the beginning of the financial year	25,766	23,014	3,287
Effects of exchange rate changes on cash and cash equivalents	(195)	15	375
Cash and cash equivalents at the end of the financial year	27,083	25,766	23,014

(d) Material changes in 3PL's financial position since 30 June 2020

So far as the 3PL Board is aware and other than as disclosed in the Scheme Booklet or announced on ASX, there has been no material change in 3PL's financial position since 30 June 2020.

05 Information about 3PL continued

5.6 Capital structure

The equity structure of 3PL as at the date of this Scheme Booklet is as follows:

(a) 3PL Shares

As at the date of this Scheme Booklet, 3PL has a total of 139,484,170 3PL Shares on issue.

(b) Employee Share Rights and Employee Options

As at the date of the Scheme Booklet, 3PL has 641,760 Employee Share Rights and 3,559,209 Employee Options outstanding.

The rules relating to the Employee Incentive Plan give the 3PL Board discretion to:

- (i) accelerate the vesting of any or all Employee Share Rights and Employee Options in the event of a proposed change of control of 3PL; and
- (ii) accelerate the lapsing of all or any unvested Employee Share Rights or Employee Options in the event of a proposed change of control of 3PL.

In accordance with the terms of the Employee Incentive Plan, the 3PL Board has exercised its discretion and determined that, subject to the Scheme becoming Effective:

- (iii) 213,920 Employee Share Rights will lapse on the Effective Date;
- (iv) 3,559,209 Employee Options will lapse on the Effective Date; and
- (v) 427,840 Employee Share Rights will vest on the Effective Date and will automatically convert into 3PL Shares after trading in 3PL Shares has been suspended at the close of trading on ASX on that date, subject to the holders of those Employee Share Rights remaining employed by the 3PL Group until the Effective Date. 339,450 of those Employee Share Rights are held by the CEO Rebekah O'Flaherty.

3PL Shares issued to the former holders of Employee Share Rights will be acquired by IXL on the Implementation Date as part of the Scheme, and the holders of those 3PL Shares will be entitled to receive the Scheme Consideration.

However, if the Scheme does not become Effective, the original terms and conditions attaching to the Employee Share Rights and Employee Options will continue to be in effect.

5.7 Substantial shareholders

The substantial shareholders of 3PL Shares as at 16 October 2020 are:

Substantial shareholder	Number of 3PL Shares	Percentage of issued capital
Viburnum Funds Pty Ltd	34,866,596	25.00
National Nominees Ltd ACF Australian Ethical Investment Ltd	21,192,583	15.19
Schroder Investment Management Australia Ltd	13,778,766	9.88
Sterling Equity Pty Ltd	11,066,140	7.93
FIL Limited	9,679,718	6.94

The shareholdings listed in this Section 5.7 are as disclosed to 3PL by the shareholders in substantial holding notices. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on ASX's website is not included above.

5.8 Group structure

The following entities are Subsidiaries of 3PL.

Name	Country of incorporation	Ownership interest
3P Learning Australia Pty Ltd	Australia	100%
3P Learning Limited	New Zealand	100%
3P Learning Limited	United Kingdom	100%
3P Learning Inc	United States	100%
3P Learning Canada	Canada	100%
Into Science Pty Ltd	Australia	100%
3P International Holdings Pty Ltd	Australia	100%

5.9 Recent 3PL share price performance

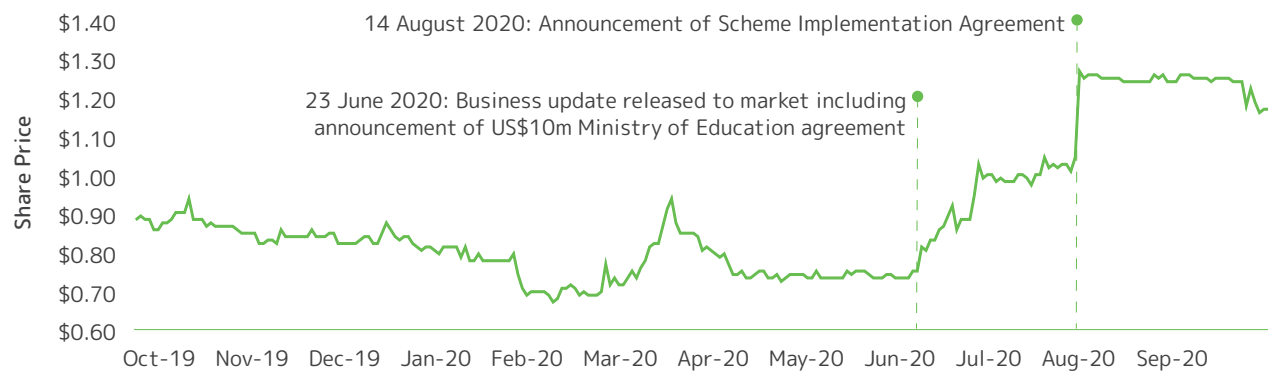
3PL Shares are listed on ASX under the trading code "3PL".

The closing price of 3PL Shares on ASX on 13 August 2020 (being the last trading day prior to the announcement of the Scheme Implementation Agreement) was \$1.10.

During the 6 months ended 13 August 2020:

- (a) the highest recorded daily closing share price for 3PL Shares was \$1.10 on 13 August 2020; and
- (b) the lowest recorded daily closing share price for 3PL Shares was \$0.68 on 28 February 2020.

3PL closing share price over last 12 months³



³ Represents the 12 months to 16 October 2020.

05 Information about 3PL continued

5.10 Risks relating to 3PL's business

There are existing risks relating to 3PL's business and an investment in 3PL. If the Scheme does not become Effective, those risks continue to be relevant to 3PL Shareholders. A summary of the key risks relating to 3PL's business and an investment in 3PL is set out in Section 7.

5.11 Publicly available information

3PL is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, 3PL is subject to the Listing Rules which require (subject to some exceptions) immediate disclosure of any information of which 3PL becomes aware that a reasonable person would expect to have a material effect on the price or value of 3PL Shares.

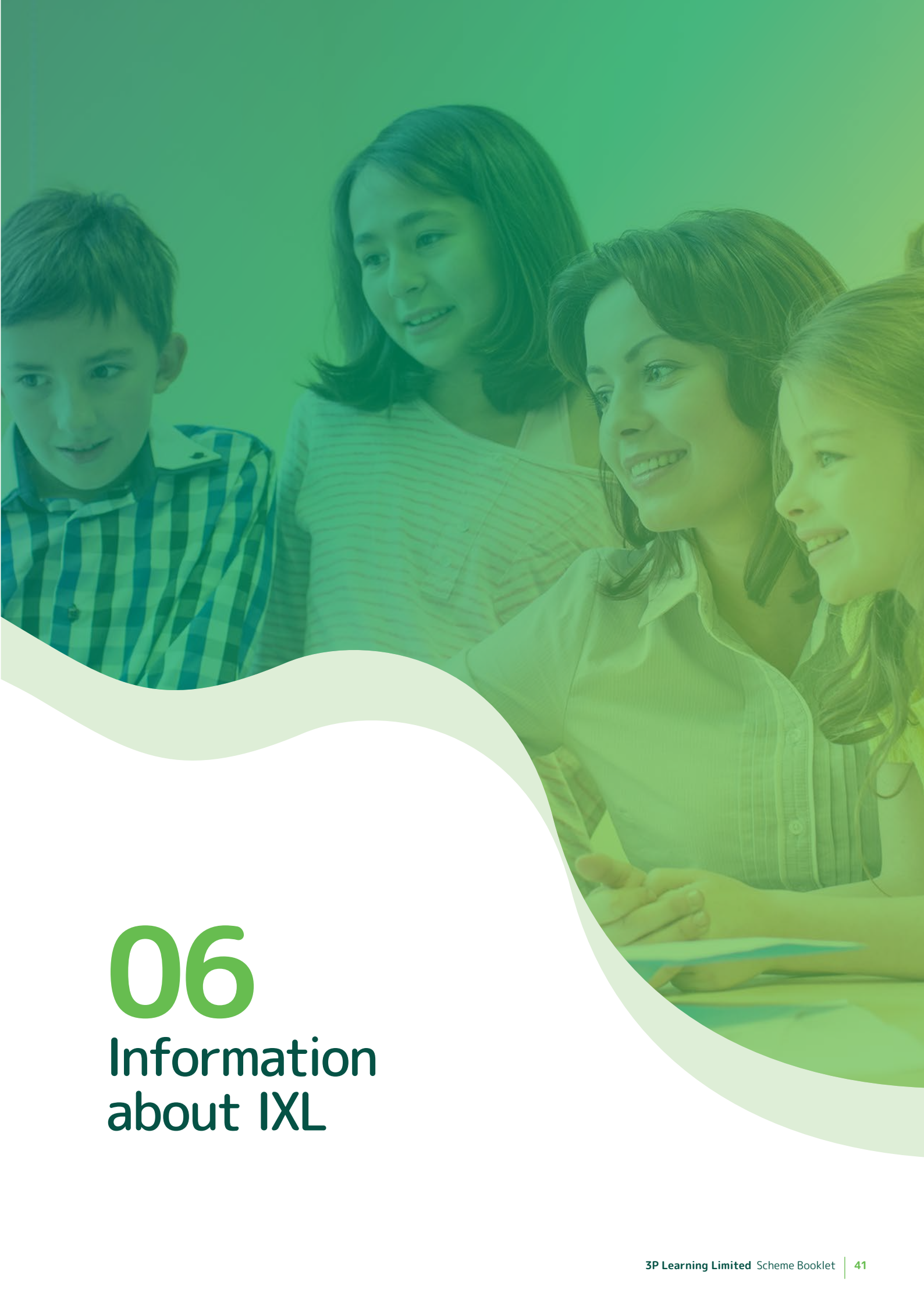
ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to ASX by 3PL is available on ASX's website at www.asx.com.au.

In addition, 3PL is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by 3PL may be obtained from an ASIC office.

3PL Shareholders may obtain a copy of:

- (a) 3PL's constitution;
- (b) 3PL's 2020 Annual Report (being the last full financial statements given to ASX); and
- (c) any other document or financial statements lodged by 3PL with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial statements for the year ended 30 June 2020 and before the lodgement of this Scheme Booklet with ASIC,

free of charge, by calling the 3PL Shareholder Information Line on +61 1800 218 694 between 9:00am and 5:00pm (Sydney time) on Business Days, or from ASX's website at www.asx.com.au.



06

Information about IXL

06 Information about IXL

The information contained in Section 6 of this Scheme Booklet has been prepared by IXL. The information concerning IXL and its group companies and the intentions, views and opinions contained in this Section 6 are the responsibility of IXL. 3PL, its Related Bodies Corporate and their respective directors, employees, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

6.1 Overview of IXL

The IXL Group is comprised of IXL Guarantor, an unlisted company incorporated in Delaware, United States of America and its Subsidiaries, including IXL.

IXL is an unlisted Australian proprietary company limited by shares incorporated and registered in New South Wales on 12 August 2020 for the purposes of the Scheme. IXL does not conduct business and does not own any assets or have any liabilities other than in connection with its incorporation, the entry into the Scheme Implementation Agreement and other transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the implementation of the Scheme. IXL is wholly owned by IXL Holdco.

IXL Holdco is also an unlisted Australian proprietary company limited by shares incorporated and registered in New South Wales on 12 August 2020 for the purposes of the Scheme. IXL Holdco does not conduct business and does not own any assets or have any liabilities other than in connection with acting as a holding company of IXL. IXL Holdco is wholly owned by IXL Guarantor.

The IXL Group's main activity is to develop and support educational technologies that deliver personalised learning experiences to students from kindergarten to Year 12.

IXL Guarantor offers the following products:

- IXL – a personalised learning tool that provides algorithmically generated practice questions for mathematics and English with real-time analytical reports and a dynamic scoring system for students from preschool to Year 12;
- ABCya – an online tool that provides educational games for school-aged children from pre-kindergarten to sixth grade;
- Quia Web – a tool for educators to create, customise and share their curricula and engage with their students through an interactive online platform;
- Education.com – an integrative tool for educators to access and produce digital teaching resources; and
- Vocabulary.com – a systematic online vocabulary acquisition platform.

The IXL Group is headquartered in San Mateo, California, United States of America.

Further information on IXL Guarantor can be obtained from IXL Guarantor's website at www.ixl.com.

6.2 Group and organisational structure

IXL is a wholly-owned subsidiary of IXL Holdco, which is in turn a wholly-owned subsidiary of IXL Guarantor. IXL Guarantor is ultimately owned by various private individuals, with Paul Mishkin being the majority shareholder.

6.3 IXL Directors and Executives

At the date of this Scheme Booklet, the directors of IXL and IXL HoldCo are:

Paul Mishkin	Managing Director
Jennifer Gu	Executive Director
Tony Bancroft	Non-executive Director

At the date of this Scheme Booklet, the directors of IXL Guarantor are:

Paul Mishkin	Managing Director, CEO
John Harrington	Non-executive Director

At the date of this Scheme Booklet, the IXL Guarantor executive team is comprised of the following members:

Paul Mishkin	Chief Executive Officer
Jennifer Gu	Chief Operating Officer
Joseph Kent	Chief Technology Officer

6.4 Rationale for the proposed acquisition of 3PL

The acquisition of 3PL under the Scheme reflects IXL's commitment to creating a global business that is well-positioned to capitalise on the rapidly growing digital education industry. IXL believes the two platforms are strategically and culturally aligned and the resulting combination can create a compelling solution that will allow schools and parents around the world to access a better online education solution to improve student outcomes. Further, the Scheme will allow 3PL Shareholders to maximise the value of their holdings and realise their investment at a significant premium to the market value of their Shares immediately prior to the announcement of the Scheme.

6.5 Funding arrangements for the Scheme Consideration

(a) Cash consideration

The Scheme Consideration will be paid wholly in cash. Based on 3PL's issued share capital as at the date of this Scheme Booklet (see Section 5.6), the proposed treatment of the Employee Share Rights and Employee Options (see Section 4.5) and the Scheme Consideration of \$1.35 per 3PL Share, the maximum cash consideration payable by IXL in connection with the Scheme will be approximately \$188.9 million.

Pursuant to the Deed Poll, IXL has undertaken in favour of each Scheme Shareholder to deposit, or procure the deposit of, an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders in a trust account operated by or on behalf of 3PL as trustee for the Scheme Shareholders, subject to and in accordance with the Scheme. For further details regarding IXL's obligations under the Deed Poll, see Section 8.4(a)(ii) of this Scheme Booklet. A copy of the Deed Poll is reproduced in Annexure E.

(b) Overview of funding arrangements

(i) Debt commitment

IXL Guarantor has entered into a debt commitment letter under which HSBC Bank USA, N.A. and Wells Fargo Bank, National Association have agreed to provide certain secured debt facilities (**Facilities**) in an aggregate amount of up to US\$110,000,000 (**Debt Funding**). IXL Guarantor is permitted to use the proceeds of borrowings under the Facilities to fund the Scheme Consideration and certain related transactions and costs.

The Debt Funding is subject to the satisfaction of certain customary conditions, including:

- (A) the delivery of a certificate certifying (among other things) that the Scheme has been approved by the Court under section 411(4)(b) of the Corporations Act, that implementation of the Scheme as contemplated by the Scheme Implementation Agreement will occur following the drawdown of the Facilities, and that following implementation, 3PL will become a wholly-owned subsidiary of IXL;
- (B) certain representations and warranties provided by 3PL under the Scheme Implementation Agreement being true and correct in all material respects; and
- (C) other customary conditions in respect of matters such as payment of fees and expenses, delivery of certain financial information in relation to 3PL, delivery of customary legal opinions, evidence of authority, officer's certificates, a solvency certificate issued by the CFO of IXL Guarantor and delivery of a customary borrowing request.

IXL is not aware of any reason why the conditions to the Debt Funding would not be satisfied so as to enable the relevant Facilities to be drawn for the purpose of funding the Scheme Consideration.

06 Information about IXL continued

(ii) IXL Guarantor funding commitment

IXL has a legally binding commitment letter from IXL Guarantor, under which IXL Guarantor agrees to make available to IXL an amount equal to the Scheme Consideration or, if applicable, the Reverse Break Fee (**IXL Funding**). IXL Guarantor intends to provide the IXL Funding in part through utilising existing cash reserves, and in part through drawing on the Facilities (see Section 6.5(b)(i)).

As at 30 September 2020, IXL Guarantor held US\$100,000,000 in cash or cash equivalents. IXL Guarantor intends to use the proceeds from the Debt Funding along with cash on IXL Guarantor's balance sheet to fund the Scheme Consideration and related transaction costs. Neither IXL nor IXL Guarantor is aware of any security interests, rights of set off or other arrangements that might materially affect IXL's ability to pay the Scheme Consideration and related transaction costs.

On the basis of arrangements described in this Section 6.5, IXL is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds available to fund the payment of the Scheme Consideration and related transaction costs.

6.6 IXL's intentions if the Scheme is implemented

This Section sets out the intentions of IXL in relation to the continuation of the business of 3PL, any major changes to the business of 3PL including any redeployment of the fixed assets of 3PL and the future employment of the present employees of 3PL, assuming IXL acquires all of the 3PL Shares on issue as a result of implementation of the Scheme.

These statements of intention are based on information concerning 3PL, the circumstances affecting the business of 3PL and the general business environment which is known to IXL at the date of this Scheme Booklet. In addition to publicly available information, certain other information has been made available to IXL and its advisers by 3PL. However, IXL does not currently have knowledge of all information that is necessary to determine all the operational, commercial, taxation and financial implications of its current intentions. Following implementation of the Scheme, IXL will conduct a general review of its business, including 3PL. Final decisions on these matters will only be made after that review and in light of all relevant information and circumstances at the relevant time if the Scheme is implemented.

Accordingly, the statements set out in this Section 6.6 are statements of current intention only, which may change as new information becomes available or circumstances change, and the statements in this Section should be read in that context and as being subject to the law (including the Corporations Act) and the legal obligations of the directors of IXL from time to time to act in good faith in the best interests of IXL.

IXL's intentions regarding the business, assets and employees of 3PL are as follows:

(a) Corporate structure

IXL will be the direct holding company of 3PL upon implementation of the Scheme, with IXL Guarantor as the ultimate holding company.

Following implementation of the Scheme, 3PL may be converted to a proprietary company.

(b) Strategy and operations

Following implementation of the Scheme, IXL intends to undertake a review of 3PL's operations, assets and structure with a view to identifying potential areas where 3PL's business can be enhanced with the support of, and as a member of, the IXL Group. In undertaking this review, IXL intends to explore potential efficiencies across 3PL's business where it is commercially appropriate to do so. IXL does not believe that it has a reasonable basis to speculate as to what the value of these potential efficiencies (if any) is likely to be.

IXL does not currently intend to make any material changes to 3PL's Australian operations.

(c) 3PL to be delisted

If the Scheme is implemented, IXL will arrange for 3PL to be removed from the official list of the ASX.

(d) Head office

If the Scheme is implemented, overall, the key operational responsibilities held by 3PL's management are expected to be largely unchanged. However, the final decisions regarding the structure of 3PL's business (including in respect of less relevant corporate and administrative functions applicable to a private company) will be made following implementation of the Scheme.

(e) Employees and incentive plans

As a growing company intent on expanding into Australia, IXL expects to leverage the 3PL employee base to substantially augment its presence in Australia.

It is IXL's intention for the majority of 3PL employees involved in services and development to remain in their roles on the same or substantially similar conditions to those that they currently have. IXL expects there to be significant value and knowledge in the existing staff of 3PL. Subject to the post-acquisition review described above, IXL will endeavour to minimise the disruption (if any) to 3PL and its employees.

6.7 IXL's interests in 3PL

(a) Interest in 3PL Shares

As at the date of this Scheme Booklet, none of IXL or any of its Associates has any Relevant Interest or voting power in any 3PL Shares.

(b) Dealing in 3PL Shares in the previous four months

Apart from IXL's offer to acquire all 3PL's Shares under the Scheme, none of IXL or any of its Associates has provided or agreed to provide consideration for any 3PL Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

(c) Benefits given during previous four months

During the four months before the date of this Scheme Booklet, none of IXL or any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to vote in favour of the Scheme or dispose of 3PL Shares, where the benefit was not offered to all 3PL Shareholders.

(d) Benefits to 3PL Directors

None of IXL or its Associates will be making any payment or giving any benefit to any current officers of 3PL as compensation for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

6.8 Other material information

Otherwise than as contained or referred to in this Section 6, there is no other information regarding IXL, or its intentions regarding 3PL, that is material to the making of a decision by a 3PL Shareholder in relation to the Scheme, being information that is known to any director of IXL and which has not previously been disclosed to 3PL Shareholders.



07

Risks

07 Risks

7.1 Introduction

The 3PL Board considers that it is appropriate for 3PL Shareholders, in considering the Scheme, to be aware that there are a number of risk factors which could materially adversely affect the future operating and financial performance of 3PL, as well as the value of 3PL.

This Section outlines:

- (a) risks associated with the COVID-19 pandemic;
- (b) general investment risks (refer to Section 7.3); and
- (c) specific risks associated with your current investment in 3PL Shares (refer to Section 7.4).

This Section 7 is a summary only. There may be:

- additional risks and uncertainties not currently known to 3PL; and
- risks which are known to 3PL but not currently considered material,

which may have a material adverse impact on 3PL's financial and operational performance now or in the future.

You should carefully consider the risk factors outlined below and your individual circumstances. This Section 7 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs. Prior to deciding how to vote in the Scheme, 3PL Shareholders should carefully consider the risk factors discussed in this Section, as well as other information contained in this Scheme Booklet and seek independent professional advice.

7.2 COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 to have reached pandemic status.

In the medium to longer term, the direct effects of COVID-19 and measures introduced by State and Federal governments to limit transmission of the virus (such as the forced closure of businesses to facilitate 'social distancing', travel bans and quarantine requirements) will likely have a material negative impact on Australia's economic growth, including the potential for further significant impact on capital markets and share prices.

Despite the uncertainty surrounding the COVID-19 pandemic, there has been no interruption to 3PL's operations including sales, marketing and product development with 3PL's technology suite scaling well with increased usage and demand. The longer term impact from COVID-19 on the 3PL Group, and on the education and ed-tech sectors more broadly, is difficult to assess at this time.

In the Americas, COVID-19 is expected to drive continued market uncertainty due to funding challenges, however, there remains a pipeline of enterprise opportunities.

7.3 General investment risks

The market price of 3PL Shares on ASX is influenced by a number of factors, including those set out below. These risk factors have been set out without regard to the impact of COVID-19, and apply independently of the COVID-19 issues addressed in Section 7.2.

- (a) Change in investor sentiment and overall performance of the Australian and international stock markets;
- (b) Changes in credit markets;
- (c) Changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- (d) Changes in government fiscal, monetary and regulatory policies, including foreign investment;
- (e) Natural disasters and catastrophes, whether of a global, regional or local scale;
- (f) Accounting standards which affect the financial performance and position reported by 3PL;
- (g) There may be few or many potential buyers or sellers of 3PL Shares on the ASX at any time and this may affect the volatility of the market price of 3PL Shares. It may also affect the prevailing market price at which shareholders are able to sell their 3PL Shares; and

07 Risks continued

- (h) A change to the current taxation regime may affect 3PL and 3PL Shareholders (personal tax liabilities are the responsibility of each individual investor in 3PL and 3PL is not responsible for taxation or penalties incurred by investors in 3PL).

These factors may vary across the markets in which 3PL operates and have differing effects on different parts of 3PL's business and therefore the price of 3PL Shares.

7.4 Risks specific to an investment in 3PL Shares

There are a range of business-specific risks associated with your current investment in 3PL Shares, as set out below. You will only continue to be exposed to these risks if the Scheme does not proceed, in which case 3PL will continue to operate as a stand-alone entity. These risk factors have been set out without regard to the impact of COVID-19, and apply independently of the COVID-19 issues addressed in Section 7.2.

- (a) **Competition risks:** The 3PL Group operates in a highly competitive industry and there are a large number of online education participants targeting the school K-12 segment, many with significant resources and access to capital.
- (b) **Product risks:** The 3PL Group has distribution rights to products owned by Blake ELearning Pty Limited (Reading Eggs, Reading Eggspress, Wordflyers or Mathseeds) but does not own the intellectual property rights to them, however the contractual distribution rights enjoyed by the 3PL Group do not expire.
- (c) **Technology risks:** As a provider of online products, the 3PL Group is reliant on the performance, reliability and availability of its technology platforms, communications systems, servers, the internet, hosting services and the cloud-based environment in which it provides its products (whether provided in-house or sourced from third parties). There is a risk that these systems may be adversely affected by various factors such as damage, faulty or aging equipment, power surges or failures, computer viruses or misuse by staff or contractors. Other factors such as hacking, denial of service attacks or natural disasters may also adversely affect these systems and cause them to become unreliable. This could result in a reduction of the 3PL Group's ability to generate income, as well as adversely affecting its reputation and have a material adverse effect on the financial position and performance of the 3PL Group.
- (d) **Privacy and data security risks:** As a technology-focused education business, compliance with privacy and data security legislation relating to managing information security and safeguarding customer and student data is a complex and resource-hungry process. The 3PL Group provides its services extensively through a range of websites. Hacking or exploitation of any vulnerability in its websites could lead to loss, theft or corruption of data.

This could render the websites unavailable for a period of time while data is restored. It could also lead to unauthorised disclosure of user's data with associated reputational damage, claims by users and regulatory scrutiny and fines.

Although the 3PL Group employs strategies and protections to try to minimise security breaches and to protect data, these strategies might not be successful. In that event, disruption to the websites and unauthorised disclosure of user data could negatively impact the 3PL Group's revenue and profitability. The loss of customer data could have severe impacts for the business related to marketing, customer services and the ability for customers to use the products.

- (e) **Dependence on third party vendors:** The 3PL Group contracts with a number of technology and infrastructure suppliers to conduct its business and maintain its products. There is a risk that if the services of these suppliers were interrupted, or if the 3PL Group was unable to continue to contract with these suppliers, the 3PL Group may not be able to conduct its business or maintain its products. Finding alternative suppliers may require the 3PL Group to invest time and money to establish adequate alternative arrangements.
- (f) **Revenue risk:** The global school K-12 market is driven by schools' ability to fund the purchase of education technology for their students. A significant decline in school funding in any market could result in reduced demand for the 3PL Group's products.
- (g) **Counterparty risk:** As part of its ongoing commercial activities, the 3PL Group enters into commercial contracts with various third parties. There is a risk that counterparties (including customers) with whom the 3PL Group has entered into contracts may fail to meet their contractual obligations resulting in a financial loss to the 3PL Group and impacting on its business relationships and operations. The 3PL Group cannot guarantee that its counterparties will fulfil these obligations or that the 3PL Group will successfully manage counterparty credit risk.

- (h) **Exchange rate risk:** Volatility in exchange rates can impact the 3PL Group's ability to maintain or grow margins. However, to a significant extent the 3PL Group's business currently enjoys natural hedges: the revenue that the 3PL Group obtains in a particular foreign currency closely matches the expenses it incurs in that currency (such as the British pound). The 3PL Board believes that natural hedges presently mitigate any exchange rate volatility risk for the 3PL Group to an economically acceptable level.
- (i) **Government related risks:** The 3PL Group may be adversely impacted by changes in government policy, regulation or legislation applying to education providers and changes to education expenditure. Governments in different territories may encourage or mandate schools to adopt alternative products from education providers other than those of the 3PL Group, which would adversely impact the 3PL Group's ability to retain existing customers as well as its ability to attract new customers.
- (j) **Personnel related risks:** The successful operation of the 3PL Group's business relies on its ability to attract and retain experienced employees and for those personnel to continue to successfully innovate. A failure in this regard may adversely affect the 3PL Group's ability to develop its products or implement its business strategies.
- (k) **Financing risk:** The 3PL Group has bank and other debt facilities and there is a risk that the 3PL Group may not be able to refinance those facilities when they fall due or that the terms (including in relation to pricing) on refinancing will be less favourable than the existing terms.
- (l) **Price of shares:** There are general risks associated with any investment in the share market. The price of 3PL shares may increase or decrease due to a number of factors. Those factors include fluctuations in domestic or global financial markets and general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the removal or inclusion of 3PL from market indices, and the nature of markets in which 3PL operates.
- (m) **Litigation risk:** Legal proceedings and claims may arise from time to time in the ordinary course of the 3PL Group's business and may result in high legal costs, adverse monetary judgments and/or damage to the 3PL Group's reputation which could have an adverse impact on the 3PL Group's financial position or performance and the price of its shares.
- (n) **Inability to pay dividends:** There is a potential risk that the 3PL Group may be restricted from paying dividends or making other distributions in the future. The ability of the 3PL Group to offer fully franked dividends is contingent on it making taxable profits and the future cash needs of its business at the relevant time. The 3PL Group's taxable profits may be volatile, making the forecasting and payment of dividends difficult and unpredictable.
- (o) **Insurance risk:** The 3PL Group seeks to maintain appropriate insurances for its business given its industry and operations. Insurances need to be renewed on an annual basis and those renewals may result in insurance premiums increasing with an adverse effect on the expenses and therefore the profitability of the 3PL Group. Alternatively, those insurances may not be available on terms which are economic in light of the risks they protect against, resulting in the 3PL Group having to self-insure such risks. If such risks ultimately arise they would have an adverse effect on the financial position and performance of the 3PL Group.



08

Implementation of the Scheme

08 Implementation of the Scheme

All dates referred to in this Section 8 are indicative only. The actual dates on which events referred to in this Section 8 will occur will depend upon the time at which the Scheme Conditions are satisfied or, if applicable, waived. 3PL has the right to vary all dates subject to the approval of IXL, the Court and ASX where required. Any variation to the dates referred to in this Section 8 will be announced to ASX and published on 3PL's website.

8.1 Overall effect of the Scheme

The Transaction is to be implemented through the Scheme outlined in this Scheme Booklet between 3PL and 3PL Shareholders and on the terms of the Scheme Implementation Agreement.

The Scheme is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company.

If the Scheme is approved by 3PL Shareholders at the Scheme Meeting and by the Court, and if all other necessary approvals and Scheme Conditions are satisfied or (if permitted) waived and the Scheme becomes Effective and is implemented, 3PL will become a wholly-owned subsidiary of IXL and will be delisted from the ASX.

8.2 Scheme Consideration

If the Scheme is approved and implemented, Scheme Shareholders will receive a total cash payment of \$1.35 per 3PL Share held, in return for the transfer of their 3PL Shares to IXL.

On 28 September 2020, the 3PL Board received confirmation from IXL that the Scheme Consideration of \$1.35 per 3PL Share represents IXL's last and final price, in the absence of a competing proposal or any change to the Independent Expert's Report.

Payments will be made by direct deposit into the Scheme Shareholders' nominated bank account, as advised to the 3PL Share Registry as at the Scheme Record Date. If a Scheme Shareholder has not nominated a bank account, payment will be made by Australian dollar cheque posted to the Scheme Shareholder's registered address as shown on the 3PL Register.

If a Scheme Shareholder does not have a registered address, or 3PL considers the Scheme Shareholder is not known at its registered address and no bank account has been nominated, payments due to the Scheme Shareholder will be held by 3PL until claimed or applied under the relevant laws dealing with unclaimed money.

8.3 If the Transaction does not proceed

If the Transaction does not proceed, 3PL will remain an independent company and Scheme Shareholders will not receive the Scheme Consideration and will continue to retain a direct interest in 3PL and continue to collectively control 3PL. In this case the advantages of the Scheme described in Section 1.3 will not be realised. See Section 1.4 for further details of the consequences of the Scheme not proceeding.

8.4 Key steps in implementing the Scheme

(a) Preliminary steps

- (i) **Scheme Implementation Agreement:** On 14 August 2020, 3PL, IXL and IXL Guarantor executed the Scheme Implementation Agreement under which, among other things, 3PL agreed to propose the Scheme. A copy of the Scheme Implementation Agreement is reproduced in Annexure C and a summary of its key terms (including the Scheme Conditions, exclusivity, termination rights, and break fees) is set out at Section 8.7.
- (ii) **Deed Poll:** IXL and IXL Guarantor have executed the Deed Poll in favour of Scheme Shareholders. Subject to the Scheme becoming Effective, pursuant to the Deed Poll, IXL covenants in favour of Scheme Shareholders to perform its obligations under the Scheme, and IXL Guarantor undertakes in favour of each Scheme Shareholder to procure that all obligations of IXL under the Deed Poll and the Scheme are met. A copy of the Deed Poll is reproduced in Annexure E.

(b) Scheme Meeting

- (i) On 20 October 2020 the Court ordered that 3PL convene the Scheme Meeting to be held virtually via an online platform on Friday, 20 November 2020 commencing at 11.00am (AEDT) for the purpose of the 3PL Shareholders voting on the Scheme. Instructions on how to attend and vote at the Scheme Meeting via the online platform (including how to appoint a proxy, attorney or corporate representative to attend the Scheme Meeting via the online platform and vote on your behalf) or lodge your direct vote in advance of the Scheme Meeting are set out in Section 3 of this Scheme Booklet and in the notes for the Notice of Meeting in Annexure F to this Scheme Booklet.

08 Implementation of the Scheme continued

- (ii) Votes cast in favour of the Scheme Resolution must be approved by the Requisite Majorities, being:
- (A) a majority in number (more than 50%) of 3PL Shareholders present and voting (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually) at the Scheme Meeting; and
 - (B) at least 75% of the total number of 3PL Shares voted at the Scheme Meeting by 3PL Shareholders (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually).

The Court has the discretion to waive the first of these two requirements if it considers appropriate to do so.

(c) Second Court Hearing

If the Scheme is approved by the Requisite Majorities of 3PL Shareholders at the Scheme Meeting and all other Scheme Conditions have been satisfied or remain capable of being satisfied, or waived (if applicable), 3PL will apply to the Court for an order approving the Scheme. Subject to any developments relating to the COVID-19 pandemic which will be announced by 3PL to ASX, each 3PL Shareholder has the right to appear at Court at the hearing of the application by 3PL for orders approving the Scheme. The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is agreed to by the Requisite Majorities of 3PL Shareholders.

(d) Effective Date

If the Court Order approving the Scheme is obtained, on or before 5:00pm (AEDT) on the first Business Day following approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, 3PL will lodge with ASIC an office copy of the Court Order. The date the office copy of the Court Order is lodged with ASIC will be the Effective Date. 3PL intends to apply to the ASX for 3PL Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date.

Once the Scheme becomes Effective:

- (i) IXL will become bound to pay the Scheme Consideration in the manner contemplated by Section 8.4(e)(i) below; and
- (ii) subject to the payment of the aggregate Scheme Consideration by IXL as referred to in Section 8.4(e)(i) below, 3PL will become bound to take the steps required for IXL to become the holder of all 3PL Shares.

(e) Implementation Date

On the Implementation Date, currently anticipated to be 3 December 2020, the Scheme will be implemented by 3PL and IXL undertaking the following steps:

(i) Deposit of aggregate Scheme Consideration by IXL

One Business Day before the Implementation Date, IXL will deposit (or procure the deposit) of the aggregate Scheme Consideration payable to all Scheme Shareholders in cleared funds to an account nominated by 3PL to be held on trust by 3PL for Scheme Shareholders.

(ii) Transfer of all 3PL Shares to IXL

Subject to the payment of the aggregate Scheme Consideration by IXL as referred to in paragraph (i) above, all of the 3PL Shares will be transferred to IXL by 3PL and 3PL will enter the name of IXL into the 3PL Register in respect of all 3PL Shares.

(iii) Payment of Scheme Consideration

The Scheme Consideration will be paid by 3PL as described in Section 8.2 above.

8.5 Effect of Scheme

The Scheme binds 3PL and all 3PL Shareholders on the 3PL Register at the Scheme Record Date and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of 3PL.

8.6 Enforcement of Deed Poll

3PL undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against IXL and IXL Guarantor on behalf of and as agent and attorney for the Scheme Shareholders.

8.7 Scheme Implementation Agreement

The Scheme Implementation Agreement sets out the obligations of IXL and 3PL in connection with the implementation of the Scheme. A summary of certain key terms of the Scheme Implementation Agreement is set out below. A copy of the Scheme Implementation Agreement is reproduced in Annexure C.

(a) Exclusivity

The Scheme Implementation Agreement provides that 3PL is subject to certain exclusivity obligations during the Exclusivity Period. These are summarised below:

- (i) **'no shop' obligation:** 3PL must not solicit, encourage or initiate a Competing Proposal;
- (ii) **'no talk' obligation:** 3PL must not participate in any discussions or negotiations about, or which may reasonably lead to, a Competing Proposal;
- (iii) **'no due diligence' obligation:** 3PL must not provide, or make available, non-public information regarding 3PL (including due diligence information) to a Third Party for the purpose of formulating, developing or finalising a Competing Proposal.

In addition, 3PL is required to notify IXL of any Competing Proposals that 3PL receives and also provide IXL with a matching right if a Superior Proposal is received by 3PL. As at the date of this Scheme Booklet, no such Superior Proposal has been received.

However, if the 3PL Board determines that complying with no talk or no due diligence restrictions or the notification obligation would be likely to constitute a breach of the fiduciary or statutory duties owed by the 3PL Board, it need not do so, and in those circumstances 3PL would be permitted to respond to any Competing Proposal or refrain from notifying IXL of any Competing Proposal.

3PL will keep you informed of any material developments, including by making announcements via the ASX. 3PL Shareholders are encouraged to continue to monitor ASX announcements until the Scheme is implemented.

Full details of the exclusivity provisions are set out in clause 9 of the Scheme Implementation Agreement, set out in Annexure C.

(b) Break Fee

3PL must pay the Break Fee to IXL in certain circumstances. These are summarised below:

- (i) **Change of recommendation:** any member of the 3PL Board fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not in the best interests of 3PL Shareholders (other than where a Competing Proposal has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the Transaction);
- (ii) **Competing Proposal:** on or before the earlier to occur of the End Date and the date on which the Scheme Implementation Agreement is validly terminated in accordance with its terms, a Competing Proposal is announced and within 12 months of the date of such announcement, the third party who announced or made the Competing Proposal (or any of its Associates):
 - (A) completes or otherwise implements a Competing Proposal of a kind referred to in paragraphs (b) or (c) of the definition of 'Competing Proposal'; or
 - (B) otherwise acquires all or a majority of the 3PL Shares or Control of 3PL; and
- (iii) **Material breach by 3PL:** IXL validly terminates the Scheme Implementation Agreement where 3PL has materially breached any term of the Scheme Implementation Agreement and, if the breach is capable of remedy, 3PL has not remedied the breach within the prescribed time.

The Break Fee is \$1,900,685 and is IXL's sole and exclusive remedy against 3PL for breach of the Scheme Implementation Agreement.

08 Implementation of the Scheme continued

(c) Reverse Break Fee

IXL must pay the Reverse Break Fee to 3PL if:

- (i) **Material breach by IXL:** 3PL validly terminates the Scheme Implementation Agreement where IXL has materially breached any term of the Scheme Implementation Agreement and, if the breach is capable of remedy, IXL has not remedied the breach within the prescribed time; or
- (ii) IXL does not pay the aggregate Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement, the Scheme and the Deed Poll.

The Reverse Break Fee is \$1,900,685 and is 3PL's sole and exclusive remedy against IXL for breach of the Scheme Implementation Agreement, but does not limit IXL's liability under the Deed Poll if the Scheme becomes Effective.

(d) Scheme Conditions

The Scheme is subject to the satisfaction (or, if applicable, waiver) of the Scheme Conditions which are summarised below and set out in the Scheme Implementation Agreement (which is reproduced in Appendix C to this Scheme Booklet). If the Scheme Conditions are not satisfied or waived (as applicable) by the End Date (being 14 February 2021 or such other date as agreed between 3PL and IXL), the Scheme will not proceed and 3PL Shareholders will not receive the Scheme Consideration.

As at the date of this Scheme Booklet, the outstanding Scheme Conditions which must be satisfied or waived (as applicable) before the Scheme can become Effective are summarised as follows:

- (i) the Court approves the Scheme in accordance with the Corporations Act;
- (ii) 3PL Shareholders approve the Scheme by the Requisite Majorities;
- (iii) the Independent Expert does not publicly withdraw, qualify or change its opinion before 8:00am on the Second Court Date;
- (iv) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and none of those things is in effect as at 8:00am on the Second Court Date;
- (v) no 3PL Prescribed Event occurs before 8:00am on the Second Court Date;
- (vi) no Material Adverse Effect occurs before 8:00am on the Second Court Date;
- (vii) the 3PL Representations and Warranties are materially true and correct as at 8:00am on the Second Court Date; and
- (viii) the IXL Representations and Warranties are materially true and correct as at 8:00am on the Second Court Date.

The Scheme Conditions in paragraphs (i) and (ii) above cannot be waived. As at the date of this Scheme Booklet, the 3PL Directors are not aware of any reason why the Scheme Conditions should not be satisfied.

(e) Termination

As outlined in clause 13 of the Scheme Implementation Agreement, the Scheme Implementation Agreement may be terminated in circumstances including the following events:

- (i) by either party if:
 - (A) the Scheme has not become Effective by the End Date;
 - (B) a Scheme Condition has not been satisfied or waived (as applicable) by the date required, and, in certain circumstances, 3PL and IXL are unable to agree on a course of action;
 - (C) the Court refuses to make orders convening the Scheme Meeting or approving the Scheme and either:
 - (I) IXL and 3PL agree not to appeal the Court's decision; or
 - (II) an independent senior counsel of the New South Wales bar advises that, in their opinion, an appeal would have no reasonable prospect of success before the End Date;
 - (D) at any time before 8:00am on the Second Court Date the other party has materially breached any provision of the Scheme Implementation Agreement and, if the breach is capable of remedy, the party in breach has not remedied the breach within the prescribed time; or
 - (E) agreed to in writing by 3PL and IXL;

- (ii) by IXL if:
 - (A) at any time before 8:00am on the Second Court Date:
 - (I) any member of the 3PL Board changes its recommendation to the Scheme Shareholders that they vote in favour of the resolution to approve the Scheme, including any adverse modification to its recommendation, or otherwise makes a public statement indicating that it no longer supports the Scheme; or
 - (II) if a Material Adverse Effect occurs; and
 - (B) at any time prior to the Voting Eligibility Date, a person (other than IXL or its Associates or any person that holds a Relevant Interest in more than 20% of the 3PL Shares on the date of the Scheme Implementation Agreement) acquires a Relevant Interest in more than 20% of the 3PL Shares;
- (iii) by 3PL at any time before 8:00am on the Second Court Date if the 3PL Board determines that a Competing Proposal that was not solicited, invited, encouraged or initiated in breach of the no shop restrictions described in Section 8.7(a)(i) above is a Superior Proposal.

Full details of the termination events are detailed in the Scheme Implementation Agreement contained in Annexure C. If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.

(f) End date

The Scheme will lapse and be of no further force or effect if the Scheme has not become Effective on or before 14 February 2021 or such later date as 3PL and IXL agree in writing.

8.8 Establishing Scheme Shareholders

(a) Scheme Record Date

The Scheme Shareholders will be entitled to receive the Scheme Consideration in respect of 3PL Shares they hold as at the Scheme Record Date (being 5:00pm on the 2nd Business Day following the Effective Date).

(b) Dealings prior to the Scheme Record Date

To establish the identity of the Scheme Shareholders, dealings in 3PL Shares or other alterations to the 3PL Register will only be recognised if:

- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the 3PL Register as the holder of the relevant 3PL Shares on or before the Scheme Record Date; and
- (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Scheme Record Date at the place where the 3PL Register is kept,

and 3PL will not accept for registration, nor recognise for any purpose (except a transfer to IXL under the Scheme and any subsequent transfer by IXL or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

(c) Dealings after the Scheme Record Date

- (i) 3PL will not accept for registration or recognise for any purpose any transmission or transfer in respect of 3PL Shares received after the Scheme Record Date, other than to IXL or its successors in title in accordance with the Scheme and any subsequent transfer by IXL or its successors in title.
- (ii) The 3PL Register as at the Scheme Record Date will solely determine entitlements to the Scheme Consideration.
- (iii) As from the Scheme Record Date, each entry current at that date on the 3PL Register (other than entries in respect of IXL or its successors in title) will cease to have effect except as evidence of an entitlement to the Scheme Consideration in respect of 3PL Shares relating to that entry.
- (iv) All statements of holding for 3PL Shares (other than statements of holding in favour of IXL or its successors in title) will cease to have effect from the Scheme Record Date as documents of title in respect of those shares.

08 Implementation of the Scheme continued

(d) Provision of information

As soon as practicable after the Scheme Record Date and in any event within 2 Business Days after the Scheme Record Date, 3PL will procure the provision to IXL of details of the names, registered addresses and holdings of 3PL Shares for each Scheme Shareholder.

8.9 Suspension and termination of trading in 3PL Shares

If the Scheme becomes Effective, 3PL intends to apply to ASX for 3PL Shares to be suspended from quotation on ASX from the close of trading on the Effective Date, which is expected to be 24 November 2020. Following the Implementation Date, on a date determined by IXL, 3PL intends to request ASX to remove 3PL from the official list of ASX.

8.10 Warranties by Scheme Shareholders

The Scheme provides that each Scheme Shareholder warrants to IXL and is deemed to have authorised 3PL as agent and attorney to warrant to IXL, that as at the Implementation Date:

- (a) all of its Scheme Shares which are transferred to IXL under the Scheme, including any rights and entitlements attaching to those Scheme Shares, will, at the time of transfer, be free from all mortgages, charges, liens, assignments, encumbrances, title retentions, preferential rights or trust arrangements, claims, covenants, profit a prendre, easements, pledges, or any other security interests or arrangements (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and any other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- (b) all of its Scheme Shares which are transferred to IXL under the Scheme will, on the date on which they are transferred to IXL, be fully paid;
- (c) it has full power and capacity to sell and transfer its Scheme Shares to IXL together with any rights attaching to those Scheme Shares; and
- (d) it has no existing right to be issued any 3PL Shares, options exercisable into 3PL Shares, convertible notes convertible into 3PL Shares or any other securities issued by 3PL.

8.11 Status of Scheme Shares

- (a) From the Implementation Date, IXL will be beneficially entitled to the 3PL Shares transferred to it under the Scheme pending registration by 3PL of IXL in the 3PL Register as the holder of the 3PL Shares.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints 3PL and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purposes of:
 - (i) enforcing the Deed Poll against IXL and IXL Guarantor;
 - (ii) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares.
- (c) On the provision of the Scheme Consideration in the manner contemplated by Section 8.4(e)(i) above, and until 3PL registers IXL as the holder of all Scheme Shares in the 3PL Register, each Scheme Shareholder:
 - (i) irrevocably appoints IXL as its attorney and agent (and directs IXL in such capacity) to appoint an officer or agent nominated by IXL as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of 3PL, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution;
 - (ii) undertakes not to attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolution (whether in person, by proxy or by corporate representative) other than as contemplated by paragraph (i) above;
 - (iii) must take all other actions in the capacity of a registered holder of Scheme Shares as IXL reasonably directs; and
 - (iv) acknowledges and agrees that in exercising the powers referred to in paragraph (i) above, IXL and an officer or agent nominated by IXL under that paragraph may act in the best interests of IXL as the intended registered holder of Scheme Shares.



09

Additional information

09 Additional information

9.1 3PL Directors' interests in 3PL Shares and IXL Shares

(a) 3PL Shares

The table below lists the Relevant Interests of 3PL Directors in 3PL Shares as at the date of this Scheme Booklet.

Director	Relevant Interest in 3PL Shares	%
Sam Weiss	637,277	0.46
Roger Amos	83,970	0.06
Claire Hatton	41,526	0.03
Mark Lamont	None	None
Rebekah O'Flaherty	112,000	0.08

3PL Directors, and entities who are controlled by any of them, who hold 3PL Shares, will be entitled to vote at the Scheme Meeting.

3PL Directors, or the entities controlled by them, who hold 3PL Shares on the Scheme Record Date will receive the Scheme Consideration along with the other Scheme Shareholders.

(b) Employee Share Rights and Employee Options

The table below lists the Relevant Interests of 3PL Directors in Employee Share Rights and Employee Options as at the date of this Scheme Booklet.

Director	Position	Relevant Interest in Employee Share Rights	Relevant Interest in Employee Options
Rebekah O'Flaherty	Managing Director/Chief Executive Officer	509,175	2,867,647

If the Scheme becomes Effective, 339,450 of the 509,175 Employee Share Rights held by Ms O'Flaherty will vest and convert into 3PL Shares (subject to Ms O'Flaherty remaining employed by the 3PL Group until the Effective Date) and the remaining 169,725 Employee Share Rights held by Ms O'Flaherty will lapse. Please refer to Section 5.6(b) for details regarding the treatment of Employee Share Rights and Employee Options if the Scheme becomes Effective.

(c) IXL Shares

As at the date of the Scheme Booklet, no 3PL Director has a Relevant Interest in any securities of IXL or any of its Related Bodies Corporate.

9.2 3PL interests and dealings in IXL Shares

3PL has no interests, including any Relevant Interest, in any securities of IXL or any of its Related Bodies Corporate.

9.3 3PL Directors' interests in IXL contracts

No 3PL Director has an interest in any contract entered into by IXL or any of its Related Bodies Corporate with the exception of an agreement between IXL and Rebekah O'Flaherty in relation to Ms O'Flaherty's on-going employment with the 3PL Group. Under this agreement, Ms O'Flaherty and IXL have agreed that Ms O'Flaherty's employment will continue with the 3PL Group as Chief Executive Officer, under its current terms, for a transition period of at least 90 days following implementation of the Scheme.

9.4 Payments or other benefits

As noted in Section 9.1 above, Rebekah O’Flaherty holds Employee Share Rights and Employee Options that will be subject to the regime described in Section 5.6(b). In addition, Rebekah O’Flaherty is entitled to receive the following cash payments:

- (a) **FY21 STI:** Ms O’Flaherty is eligible to participate in 3PL’s short term incentive plan (**STIP**) which provides executives with the opportunity to earn an annual incentive award which is delivered in cash subject to the assessment of annual performance against key performance indicators. In accordance with the terms of her employment contract, as a result of the Scheme Meeting being convened, Ms O’Flaherty is entitled to receive 100% of any unpaid award which she would have been eligible for under the STIP for the relevant performance year. The value of Ms O’Flaherty’s unpaid award under the STIP for the current performance year is \$325,000. The payment of the unpaid award is effectively an acceleration of a payment to which Ms O’Flaherty may otherwise have been entitled after the completion of the performance year and subject to the satisfaction of key performance indicators.
- (b) **Retention bonus:** Senior staff of the 3PL Group were offered a Retention Incentive to remain employed with the group until the Scheme becomes Effective. Ms O’Flaherty is entitled to a retention bonus in the amount of \$379,309 if she remains employed with the 3PL Group until the Scheme becomes Effective. If the Scheme does not become Effective or Ms O’Flaherty’s employment ceases for any other reason during this period, the Retention Incentive is not owed, but the 3PL Board has discretion to offer an ex-gratia payment to Ms O’Flaherty where significant additional workload has been undertaken by her during this period.

3PL Shareholders should have regard to these arrangements and the 339,450 Employee Share Rights that will vest and convert into 3PL Shares for Ms O’Flaherty when considering Ms O’Flaherty’s recommendation of the Scheme, which appears throughout this Scheme Booklet.

Except as set out in this Section 9.4, no payment or other benefit is proposed to be made or given to any Director, secretary or executive officer of 3PL or of any Related Body Corporate of 3PL as compensation for loss of, or as consideration for or in connection with his or her retirement from, office as a Director, secretary or executive officer of 3PL or of a Related Body Corporate of 3PL, as the case may be, as a result of the Scheme.

If an executive’s employment is terminated following the change of control, the relevant executive will have such entitlements (including in respect of compensation for loss of office) as are contemplated by their employment contract.

9.5 Agreements or arrangements with 3PL Directors

Except as set out in Section 9.3 and Section 9.4 above there is no agreement or arrangement made between 3PL and any 3PL Director and any other person in connection with or conditional on, the outcome of the Scheme.

9.6 Other interests of 3PL Directors

Except as set out in Section 9.4 above, no 3PL Director has any other interest, whether as a director, member or creditor of 3PL or otherwise, which is material to the Scheme, other than in their capacity as a holder of 3PL Shares, Employee Share Rights or Employee Options.

9.7 Status of regulatory conditions

The Scheme is subject to approval from the Foreign Investment Review Board (**FIRB**). The FIRB Approval was received on 13 October 2020.

9.8 No unacceptable circumstances

The 3PL Board does not consider that the Scheme involves any circumstances in relation to the affairs of 3PL that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

09 Additional information continued

9.9 Implications for creditors

As at the date of this Scheme Booklet, 3PL is not aware of any material contractual disputes or litigation matters in respect of 3PL, including with its customers or other third parties. 3PL has paid and is paying all its creditors within 3PL's normal terms of trade. Each 3PL Group company is solvent and is trading in an ordinary commercial manner.

The Scheme, if implemented, is not expected to materially prejudice the 3PL Group's ability to pay its creditors.

9.10 No other material information

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures to this Scheme Booklet, there is no other information that is material to the making of a decision by a 3PL Shareholder in relation to the Scheme, being information that is known to any 3PL Director and which has not previously been disclosed to 3PL Shareholders.

9.11 Consents

The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:

- (a) Allier Capital as financial adviser to 3PL;
- (b) Link Market Services as the manager of the 3PL Register;
- (c) KPMG as the tax advisers of 3PL;
- (d) Gadens as legal adviser to 3PL in relation to the Scheme; and
- (e) IXL Guarantor.

The Independent Expert has given, and has not withdrawn, its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure B to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.

IXL has given, and has not withdrawn, its consent to be named in this Scheme Booklet and in relation to the inclusion of the IXL Information in this Scheme Booklet in the form and context in which that information is included.

Each person named in this Section 9.11:

- (a) has not authorised or caused the issue of this Scheme Booklet;
- (b) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in this Section 9.11; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 9.11.

9.12 Supplementary information

If 3PL becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Effective Date:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, 3PL may circulate and publish any supplementary document by:

- (e) making an announcement to ASX;
 - (f) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
 - (g) posting the supplementary document to 3PL Shareholders at their registered address as shown in the 3PL Register; and/or
 - (h) posting a statement on 3PL's website at <https://www.3plearning.com/investors/>,
- as 3PL in its absolute discretion considers appropriate.

9.13 Transaction costs

3PL estimates that it will incur approximately \$3.64 million (plus GST) in external transaction costs related to the Scheme, which includes advisory fees, legal fees, valuation fees, Court fees and registry, printing and mailing costs.

Of this, approximately \$2 million (plus GST) will be incurred regardless of whether the Scheme becomes Effective or not, including Independent Expert's fees of \$90,000 (plus GST).



10

Glossary of Terms

10 Glossary of Terms

3PL or **Company** means 3P Learning Limited ACN 103 827 836;

3PL Board or **3PL Directors** means the board of directors of 3PL;

3PL Group means 3PL and each of its Related Bodies Corporate;

3PL Information means the information in this Scheme Booklet other than the IXL Information and the Independent Expert's Report;

3PL Prescribed Event has the meaning set out in the Scheme Implementation Agreement;

3PL Register means the register of members of 3PL maintained in accordance with the Corporations Act;

3PL Representations and Warranties means the representations and warranties of 3PL set out in clause 12.1 of the Scheme Implementation Agreement;

3PL Share means a fully paid ordinary share of 3PL;

3PL Share Registry means Link Market Services Limited ABN 54 083 214 537;

3PL Shareholder means each person registered as a holder of 3PL Shares in the 3PL Register;

A\$ or **\$** means the lawful currency for the time being of the Commonwealth of Australia;

AEDT means Australian Eastern Daylight Time;

ASIC means the Australian Securities and Investments Commission;

Associate has the meaning given in section 12 of the Corporations Act;

ASX means ASX Limited ABN 98 008 624 691 and where the context requires, the financial market operated by it;

ATO means Australian Taxation Office;

Break Fee means \$1,900,685;

Business Day means a business day as defined in the Listing Rules;

CGT means Capital Gains Tax;

Chairman means the chairman of the Scheme Meeting;

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Ltd;

Competing Proposal means any expression of interest, offer or proposal by any person or its associates (other than IXL or its Associates) to consider or enter into any proposal, transaction or arrangement (whether by way of a takeover bid, scheme of arrangement, capital reduction, buyback, sale, lease or assignment of assets, sale or issue of securities, joint venture, reverse takeover bid, dual listed company structure (or other synthetic merger), deed of company arrangement, debt for equity arrangement or otherwise) which is the same or similar in economic terms to the Scheme or any other proposed transaction within paragraphs (a) to (d) below, whether existing before, on or after the date of the Scheme Implementation Agreement:

- (a) any person acquiring directly or indirectly an interest (including an economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) or Relevant Interest in 20% or more of the 3PL Shares (other than as custodian, nominee or bare trustee);
- (b) any person acquiring directly or indirectly (including by way of joint venture, alliance, dual listed company structure or otherwise) any interest in all or a substantial part of the business conducted by, or assets of, 3PL or its Subsidiaries;
- (c) any person acquiring Control of, or merging or amalgamating with, 3PL or any of its Subsidiaries, including by way of takeover bid, scheme of arrangement, dual listed company structure, or capital reduction; or
- (d) 3PL implementing any reorganisation of capital, dissolution or any proposal which affects, prejudices or jeopardises, or might reasonably be expected to affect, prejudice or jeopardise, the completion of the Scheme (except as previously announced prior to the date of the Scheme Implementation Agreement);

Control has the meaning given by section 50AA of the Corporations Act;

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

Corporations Regulations means the *Corporations Regulations 2001* (Cth);

10 Glossary of Terms continued

Court means the Supreme Court of New South Wales, or another court of competent jurisdiction under the Corporations Act agreed by 3PL and IXL;

Court Order means an order made by the Court pursuant to section 411(4)(b) of the Corporations Act approving the Scheme;

Debt Funding has the meaning set out in Section 6.5;

Deed Poll means the deed poll made by IXL and IXL Guarantor in favour of Scheme Shareholders, a copy of which is substantially reproduced in Annexure E;

Effective and **Effect** mean the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme;

Effective Date means the date on which the Scheme becomes Effective;

Employee Incentive Plan means an employee incentive plan operated by the 3PL Group and includes the 3P Learning Equity Incentive Plan and the FY21 3P Equity Incentive Plan also known as the FY21 3PEP Plan;

Employee Option means an option to receive a 3PL Share issued under an Employee Incentive Plan operated by the 3PL Group;

Employee Share Right means a right to a 3PL Share issued under an Employee Incentive Plan operated by the 3PL Group;

End Date means 14 February 2021 or such other date as 3PL and IXL may agree in writing;

Exclusivity Period means the period from and including 14 August 2020, being the date of the Scheme Implementation Agreement to the earlier of:

- (a) the termination of the Scheme Implementation Agreement in accordance with its terms; and
- (b) the End Date.

Explanatory Statement means the explanatory statement for the purposes of section 412 of the Corporations Act, constituted by this Scheme Booklet;

Facilities has the meaning set out in Section 6.5;

FIRB Approval means the approval IXL requires from the Federal Treasurer (or the Federal Treasurer's delegate) pursuant to clause 3.1(a) of the Scheme Implementation Agreement;

GST means Goods and Services Tax;

Implementation Date means the 5th Business Day after the Scheme Record Date;

Independent Expert means Lonergan Edwards & Associates Limited ABN 53 095 445 560;

Independent Expert's Report means the independent expert's report prepared by the Independent Expert, a copy of which is reproduced in Annexure B;

ITAA1997 means the *Income Tax Assessment Act 1997* (Cth);

ITAA1936 means the *Income Tax Assessment Act 1936* (Cth);

IXL means IXL Australia Pty Ltd ACN 643 275 209;

IXL Funding has the meaning set out in Section 6.5;

IXL Group means IXL Learning, Inc and each of its Related Bodies Corporate;

IXL Guarantor means IXL Learning, Inc.;

IXL Holdco means IXL Australia Holdings Pty Ltd ACN 643 422 404.

IXL Information means:

- (a) the information contained in Section 6 (Information about IXL); and
- (b) the answer to the questions under the heading 'Questions about IXL' in Section 2;

IXL Representations and Warranties means the representations and warranties of IXL set out in clause 12.4 of the Scheme Implementation Agreement;

Listing Rules means the official listing rules of ASX;

Material Adverse Effect has the meaning set out in the Scheme Implementation Agreement;

Notice or **Notice of Meeting** means the notice of general meeting which is contained in Annexure F;

Regulatory Authority includes:

- (a) ASX, ACCC, ASIC and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute;

Related Body Corporate or **Related Bodies Corporate** has the meaning given to those terms in section 50 of the Corporations Act;

Relevant Interest has the meaning given to that term in sections 608 and 609 of the Corporations Act;

Requisite Majorities has the meaning set out in Section 3.4;

Reverse Break Fee means \$1,900,685;

Scheme and **Scheme of Arrangement** means the scheme of arrangement under Part 5.1 of the Corporations Act between 3PL and the 3PL Shareholders in respect of all of the 3PL Shares, a copy of which is set out in Annexure D, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act;

Scheme Booklet means this scheme booklet, including the Annexures to it;

Scheme Conditions means the conditions set out in clause 3 of the Scheme and clause 3.1 of the Scheme Implementation Agreement and summarised in Section 8.7(d);

Scheme Consideration means, in respect of each Scheme Share, \$1.35 cash;

Scheme Implementation Agreement means the Scheme Implementation Agreement dated 14 August 2020 between 3PL, IXL and IXL Guarantor, a copy of which is substantially reproduced in Annexure C;

Scheme Meeting means the meeting of 3PL Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, approve the Scheme;

Scheme Record Date means 5:00pm on the 2nd Business Day following the Effective Date, or such other date as IXL and 3PL agree or as may be required by ASX;

Scheme Resolution means a resolution of 3PL Shareholders to approve the Scheme, the form of which is set out in the Notice of Meeting;

Scheme Shares means all of the 3PL Shares on issue on the Scheme Record Date;

Scheme Shareholder means each person registered in the 3PL Register as the holder of Scheme Shares as at the Scheme Record Date;

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**;

Subsidiary has the meaning given to that term in section 46 of the Corporations Act;

10 Glossary of Terms continued

Superior Proposal means a publicly announced Competing Proposal which the 3PL Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed in a timely manner taking into account all aspects of the Competing Proposal;
- (b) reasonably likely to be implemented within 6 months, having regard to the proponents and conditionality of the Competing Proposal; and
- (c) if implemented substantially in accordance with its terms, more favourable to 3PL Shareholders than the Scheme, taking into account all terms and conditions of the Competing Proposal;

Third Party means a person other than IXL and its Associates;

Transaction means the acquisition of 3PL by IXL through implementation of the Scheme in accordance with the terms of the Scheme Implementation Agreement;

Voting Eligibility Date means the time and date for determining eligibility to vote at the Scheme Meeting; and

VWAP means volume-weighted average price.



Annexure

A

Taxation Implications of the Transaction

A Taxation Implications of the Transaction

1. Overview of Australian taxation implications

This Section provides a general outline of the Australian income tax, GST and stamp duty considerations for Scheme Shareholders who:

- (a) hold ordinary shares in 3PL;
- (b) hold their 3PL Shares at the Scheme Record Date;
- (c) participate in the Scheme and dispose of their 3PL Shares to IXL;
- (d) are either:
 - (i) residents of Australia for Australian income tax purposes; or
 - (ii) non-residents of Australia for Australian income tax purposes and do not hold their 3PL Shares in carrying on a business at or through a permanent establishment in Australia; and
- (e) hold their 3PL Shares on capital account for Australian income tax purposes and acquired them after 19 September 1985.

The comments in this Section are not applicable to all Scheme Shareholders and are not intended to cover Scheme Shareholders who:

- (f) hold their 3PL Shares as a revenue asset (e.g. trading entities or entities who acquired their 3PL Shares for the purposes of resale at a profit) or as trading stock for Australian income tax purposes;
- (g) obtained rollover relief in connection with the acquisition of their 3PL Shares;
- (h) are temporary residents for the purposes of Australian income tax law;
- (i) hold options to acquire 3PL Shares (including Employee Share Rights and Employee Options on issue), or have acquired their 3PL Shares through the exercise of such rights or options;
- (j) may be subject to special tax rules, such as insurance companies, partnerships, tax exempt organisations and entities subject to the investment manager regime under Subdivision 842-I of the ITAA1997 in respect of their 3PL Shares; or
- (k) are subject to the taxation of financial arrangements rules in Division 230 of the ITAA1997 in relation to gains and losses on their 3PL Shares.

This summary is based on Australian tax law and the practice of relevant tax authorities at the date of this Scheme Booklet. Taxation laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or a complete statement of the applicable law. This summary does not take into account the tax law of countries other than Australia. The precise implications of ownership or disposal of 3PL Shares will depend upon each Scheme Shareholder's specific circumstances.

The comments in this Section are not a substitute for advice from an appropriate professional adviser having regard to each Scheme Shareholder's individual circumstances. All Scheme Shareholders are strongly advised to obtain their own professional advice, based on their own specific circumstances, on the Australian taxation implications of dealing in 3PL Shares in connection with the Scheme.

The information in this Section does not constitute "financial product advice" within the meaning of the Corporations Act. This information is confined to taxation issues and is only one of the matters shareholders need to consider when making a decision about their investments. Shareholders should consider taking advice from a licensed adviser, before making a decision about their investments.

This Section does not take into account the objectives, financial situation or needs of any individual shareholder of 3PL. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs and consider obtaining independent financial advice.

The following summaries consider the general taxation and duty implications of dealing in 3PL Shares in connection with the Scheme.

1.2 CGT event

The disposal of 3PL Shares to IXL under the Scheme will give rise to CGT Event A1. The time of this event will be when Scheme Shareholders transfer their Scheme Shares to IXL (i.e. on the Implementation Date). On the basis that the Implementation Date is 3 December 2020, the CGT Event will occur in the financial year ended 30 June 2021 for Scheme Shareholders with a 30 June year end.

1.3 Disposal of 3PL Shares for Australian tax residents

Broadly, a Scheme Shareholder will:

- make a “capital gain” if the capital proceeds from the disposal of their 3PL Shares exceeds the cost base of their 3PL Shares; or
- make a “capital loss” if the capital proceeds from the disposal of their 3PL Shares are less than the reduced cost base of their 3PL Shares.

Scheme Shareholders who make a capital gain on disposal of their 3PL Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

A capital loss realised on the disposal of 3PL Shares by the Scheme Shareholder may be used to offset against other capital gains derived by the same Scheme Shareholder in the income year in which the capital loss is realised; or carried forward to offset against capital gains derived by the Scheme Shareholder in future income years (subject, where relevant to satisfaction of loss recoupment tests).

(a) Capital proceeds

In calculating the capital gain, the capital proceeds from the disposal of 3PL Shares under the Scheme should consist of the money received, or entitled to be received, by the Scheme Shareholder. Under the Scheme, each Scheme Shareholder will receive the Scheme Consideration of \$1.35 cash per 3PL Share.

(b) Cost base

The cost base (or reduced cost base) of each 3PL Share held by a Scheme Shareholder will generally include the following:

- (i) the amount of money paid, or value of property given to acquire, the 3PL Share; plus
- (ii) any “incidental costs” of acquisition (e.g. brokerage fees and stamp duty) as defined in the CGT provisions of the ITAA1997 (Cth); plus
- (iii) any non-capital costs not claimed as an income tax deduction; less
- (iv) the amount of any previous capital returns made by 3PL.

The cost base of each 3PL Share will depend on the individual circumstances of each Scheme Shareholder respectively. This means that 3PL Shares acquired in different transactions may have different cost bases and therefore capital gains may arise in respect of some 3PL Shares while capital losses may arise in respect of other 3PL Shares.

A Taxation Implications of the Transaction continued

(c) Capital gains and the CGT discount

As the Scheme Consideration is to be provided in cash only, CGT rollovers are not relevant.

Where the Scheme Shareholder is an individual, trust or complying superannuation fund and the Scheme Shareholder has held their 3PL Shares for a period of at least 12 months before the Implementation Date, the CGT general discount should be available.

In general, the CGT discount rules enable Scheme Shareholders to reduce their capital gain (after the application of any current year or carried forward capital losses) by 50% for individuals and trusts, and 33⅓% for complying superannuation funds. The CGT discount is not available to Scheme Shareholders that are companies (that are not trustees) or taxpayers who are not residents of Australia for income tax purposes.

For completeness, the CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The CGT discount rules, insofar as they apply to trusts, are complicated, and Scheme Shareholders who are trustees should seek independent professional advice in relation to the availability of the CGT discount and the potential taxation consequences for the trustee and the trust's beneficiaries.

Additionally, special rules apply to Scheme Shareholders who have been non-residents for part of their ownership period and independent professional advice should be sought by Scheme Shareholders in these circumstances.

(d) Capital losses

Where a Scheme Shareholder makes a capital loss on the disposal of their 3PL Shares, this loss may be used to offset any capital gains derived by the Scheme Shareholder in the income year in which the loss is realised or carried forward to be offset against capital gains derived by the Scheme Shareholder in future income years (subject, where relevant, to satisfaction of loss recoupment tests).

Loss recoupment rules apply to companies and trusts, which can restrict their ability to use capital losses in future years in certain circumstances. Scheme Shareholders should obtain specific advice regarding the operation of these rules where this is relevant to them.

1.4 Disposal of 3PL Shares for Non-Australian tax resident Scheme Shareholders

Scheme Shareholders who are not residents of Australia for Australian income tax purposes and do not hold their 3PL Shares through a permanent establishment in Australia should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their 3PL Shares to IXL.

While Australian income tax law applies in certain circumstances to tax a non-resident on the disposal of interests in a company, this will only occur where:

- (i) the shareholder, together with their associates, held an interest of 10% or more in the company at the time of disposal or for a 12-month period within the two years preceding the disposal; and
- (ii) more than 50% of the market value of the company's underlying assets is referable to direct or indirect interests in Australian real property.

The 3PL Directors are of the view that, as at the date of this Scheme Booklet, the interests 3PL holds in real property do not exceed 50% of the value of 3PL's total assets and the 3PL Directors expect this will remain the position as at the Implementation Date.

Please note, however, that non-resident shareholders who were previously residents of Australia for income tax purposes and elected to treat their 3PL Shares as "taxable Australian property" on cessation of their residency will have the same CGT consequences on disposal of their 3PL Shares as those set out above for Australian tax residents.

Non-resident shareholders are not entitled to the CGT discount. Non-resident shareholders should also consider the taxation implications of the disposal of their 3PL Shares in their territory of residence. Accordingly, Scheme Shareholders that are non-Australian tax residents should seek their own independent tax advice as to the tax implications of the Scheme, including tax implications in their country of residence.

1.5 Foreign resident capital gains withholding

The foreign resident capital gains withholding regime can impose an obligation on a purchaser of shares to pay to the ATO an amount equal to, broadly, 12.5% of the purchase price of the shares when:

- the vendor is a “foreign resident” within the meaning of section 14-210 of Schedule 1 to the *Taxation Administration Act 1953* (Cth)
- the shares acquired meet the definition of an “indirect Australian real property interest” within the meaning of Division 855 of the ITAA1997; and
- the acquisition of shares by the purchaser is not excluded from the regime.

Any amount required to be paid can be withheld by the purchaser from the purchase price of the shares and then remitted to the ATO.

The 3PL Directors are of the view that, as at the date of this Scheme Booklet, the interests 3PL holds in real property are minimal and therefore the 3PL Shares do not constitute an indirect Australian real property interest. The 3PL Directors expect this will remain the position as at the Implementation Date. If that does remain the position as at the Implementation Date, no amounts will be required to be withheld by IXL from the Scheme Consideration.

1.6 GST

There should be no GST payable by Scheme Shareholders in respect of the disposal of their 3PL Shares under the Scheme. Where the Scheme Shareholder is not registered or required to be registered for GST, the sale will fall outside the scope of the GST. Otherwise, the sale of the 3PL Shares will be an input taxed financial supply. Where this is the case, the relevant Scheme Shareholder should obtain independent advice in relation to whether there is an ability to claim any input tax credits for the costs (such as adviser fees) associated with the disposal of the 3PL Shares.

1.7 Stamp duty

No stamp duty should be payable by 3PL Shareholders on the disposal of their 3PL Shares (as relevant) in accordance with the Scheme.



Annexure

B

Independent Expert's Report

B Independent Expert's Report

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The Directors
3P Learning Limited
Level 18
124 Walker Street
North Sydney NSW 2060

20 October 2020

Subject: Proposed acquisition by way of Scheme

Dear Directors

Introduction

- 1 On 14 August 2020, 3P Learning Limited (3PL or the Company) announced that it and IXL Australia Pty Ltd (IXL) (a wholly owned subsidiary of IXL Learning, Inc.) had signed a Scheme Implementation Agreement (the Agreement) under which IXL would acquire 100% of the issued shares in 3PL for an offer consideration of \$1.35 in cash per share (Scheme Consideration).
- 2 The proposed acquisition of 3PL shares is to be implemented via a scheme of arrangement between 3PL and its shareholders (the Scheme), and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme is approved and implemented, 3PL shareholders will receive \$1.35 in cash for each 3PL share they hold on the Scheme Record Date (Scheme Consideration).
- 4 We note that on 28 September 2020, IXL advised 3PL that the Scheme Consideration of \$1.35 per share was *"its last and final price, in the absence of a competing proposal or any change in the independent expert's report for the Transaction."*

Purpose of report

- 5 The Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of 3PL shareholders.
- 6 In addition:
 - (a) the Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of 3PL shareholders
 - (b) as the Scheme is a change of control transaction, Australian Securities & Investments Commission's (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) also requires the independent expert to provide an opinion on whether the Scheme is fair and reasonable.

B Independent Expert's Report continued

- 7 Accordingly, the Directors of 3PL have requested Lonergan Edwards & Associates Limited (LEA) to prepare an independent expert's report (IER) stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of 3PL shareholders.
- 8 LEA is independent of 3PL and IXL and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 9 In our opinion the Scheme is fair and reasonable in the absence of a superior proposal. We are of this opinion because the Scheme Consideration is consistent with our valuation range for 3PL shares.
- 10 Generally, in our experience, if a transaction is "fair" and "reasonable" under RG 111 it will also be "in the best interests" of shareholders taken as a whole. This is because, if the Scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 11 We therefore consider that the Scheme is also "in the best interests" of 3PL shareholders taken as a whole.
- 12 Notwithstanding the above, as noted in paragraphs 21 to 28, we consider that an assessment of whether the Scheme is "in the best interests" of **individual** 3PL shareholders will primarily depend on the individual risk profile of 3PL shareholders regarding the potential future outcomes associated with the National Ministry of Education (NME) contract and other enterprise sales opportunities.
- 13 Further detail regarding the reasons for the above opinions is set out below.

Value of 3PL

- 14 We have assessed the value of 3PL shares on a 100% controlling interest basis at \$1.31 to \$1.52 per share, as shown below:

3PL – valuation summary			
	Paragraph	Low \$m	High \$m
Value of business (excluding NME contract)	157	140.0	160.0
Value of NME contract and potential for extensions	168	25.0	35.0
Net cash	171	18.0	18.0
Equity value – controlling interest basis		183.0	213.0
Fully diluted shares on issue (million) ⁽¹⁾		139.9	139.9
3PL value per share – controlling interest basis		\$1.31	\$1.52

Fair and reasonable opinion

- 15 Pursuant to RG 111 a scheme is "fair" if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison for 3PL shares is shown below:

Position of 3PL shareholders			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Scheme Consideration	1.35	1.35	1.35
Value of 100% of 3PL	1.31	1.52	1.42
Extent to which the Scheme Consideration exceeds (or is less than) the value of 3PL	0.04	(0.17)	(0.07)

- 16 As the Scheme Consideration lies within (albeit at the lower end of) our assessed valuation range for 3PL shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to 3PL shareholders when assessed based on the guidelines set out in RG 111.
- 17 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Scheme Consideration is also reasonable.

In the best interests

- 18 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for shareholders to vote in favour of the Scheme in the absence of a higher offer.
- 19 As stated above, generally in our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders.
- 20 We therefore consider that the Scheme is also “in the best interests” of 3PL shareholders taken as a whole.
- 21 Notwithstanding this opinion, we consider that an assessment of whether the Scheme is “in the best interests” of **individual** 3PL shareholders will primarily depend on the individual risk profile of 3PL shareholders regarding the potential future outcomes associated with the NME contract and related opportunity (discussed below).
- 22 As noted in Section V, on 23 June 2020, 3PL announced that it had been awarded a one year contract worth approximately US\$10 million (in revenue) to provide Athletics licenses and professional development services to NME in the Middle East.
- 23 The revenue under the NME contract of some A\$14.0 million¹ (which is expected to be generated in FY21) is very significant when compared with 3PL’s FY20 contract revenue of approximately A\$55 million.
- 24 Due to the short term nature of the initial NME contract, any future value creation beyond the initial 12 month term is dependent on the award of a further contract. In this regard, we note that 3PL’s announcement to the Australian Securities Exchange (ASX) dated 23 June 2020 stated that “*there is potential for the agreement to be renewed and expanded after that time*”.

¹ Based on the AUD:USD exchange rate as at 15 October 2020 of A\$1.00 = US\$0.71.

B Independent Expert's Report continued

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- 25 Further, 3PL management have advised that it is likely that any further contract (should that occur) will involve a rollout of Mathletics to a significantly larger number of students than the initial contract², and is therefore likely to generate significantly higher revenues for 3PL than expected in FY21.
- 26 Our valuation of 3PL shares above attributes a value to the NME contract and related future opportunities of between \$25 million and \$35 million, which implicitly includes some value for the possibility that 3PL may be awarded a further contract with NME. Whilst our value range exceeds the expected significant profit contribution from this contract in FY21³, it also reflects the inherent uncertainty associated with whether a further contract will be awarded.
- 27 Accordingly, 3PL shareholders should note that the value of 3PL shares is likely to exceed our valuation range should 3PL successfully enter into further medium to long term contracts in future to provide its software and related services to the NME or as a result of other similar enterprise sales opportunities. Those 3PL shareholders who consider that this is likely, and are prepared to accept the significant risks associated with such possible further contracts, may therefore consider that the Scheme is not in their best interests.
- 28 In contrast, risk averse shareholders are likely to form the view that the Scheme is in their best interests because it provides a certain cash sum as consideration, which also reflects (in our view) some value for the possibility that further NME contracts may be secured and that the services provided under possible future contracts may be expanded.

Advantages and disadvantages

- 29 We summarise below the likely advantages and disadvantages of the Scheme for 3PL shareholders.

Advantages

- 30 In our opinion, the Scheme has the following benefits for 3PL shareholders:
- (a) the Scheme Consideration of \$1.35 cash per share is consistent with (albeit at the lower end of) our assessed value range for 3PL shares on a 100% controlling interest basis
 - (b) the Scheme Consideration represents a significant premium to the recent market prices of 3PL shares prior to the announcement of the Scheme. Furthermore, the premium is consistent with observed premiums generally paid to target company shareholders in comparable circumstances
 - (c) if the Scheme does not proceed, and in the absence of a superior proposal or significant enterprise sales (such as the contract secured with NME), the price of 3PL shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the portfolio nature of individual shareholdings.

² We understand that 3PL is likely to be required to produce an Arabic version of Mathletics as part of any contract extension.

³ Cloud based software companies such as 3PL are able to generate high profit margins on incremental sales due to the relatively low costs of providing the software to new customers.

Disadvantages

- 31 3PL shareholders should note that if the Scheme is implemented they will no longer hold an interest in 3PL. 3PL shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Scheme Consideration.
- 32 In this regard, 3PL shareholders should note that the value of 3PL shares is likely to exceed our valuation range should 3PL successfully enter into further medium to long term contracts in future to provide its software and related services to the NME or as a result of other similar enterprise sales opportunities. Those 3PL shareholders who consider that this is likely, and are prepared to accept the significant risks associated with possible further contracts, may therefore consider that the Scheme is not in their best interests.

General

- 33 In preparing this report we have considered the interests of 3PL shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 34 The impact of approving the Scheme on the tax position of 3PL shareholders depends on the individual circumstances of each investor. 3PL shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 35 The ultimate decision whether to approve the Scheme should be based on each 3PL shareholder's assessment of their own circumstances. If 3PL shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that 3PL shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

B Independent Expert's Report continued

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B Independent Expert's Report continued

I Key terms of the Scheme

Terms

- 36 On 14 August 2020, 3P Learning Limited (3PL or the Company) announced that it and IXL Australia Pty Ltd (IXL) (a wholly owned subsidiary of IXL Learning, Inc.) had signed a Scheme Implementation Agreement (the Agreement) under which IXL would acquire 100% of the issued shares in 3PL for an offer consideration of \$1.35 in cash per share (Scheme Consideration).
- 37 The proposed acquisition of 3PL shares is to be implemented via a scheme of arrangement between 3PL and its shareholders (the Scheme), and is subject to a number of conditions precedent (as summarised below).

Conditions

- 38 The implementation of the Scheme is subject to a number of conditions including:
- (a) the approval of 3PL shareholders and the Court
 - (b) the approval of the Foreign Investment Review Board
 - (c) an independent expert concluding that the Scheme is in the best interests of 3PL shareholders (and not changing or withdrawing that conclusion)
 - (d) no prescribed occurrences
 - (e) no material adverse change
 - (f) other customary conditions for a transaction of this nature.
- 39 Further detailed information on these conditions is set out in the Scheme Booklet.
- 40 In addition 3PL has agreed that during the Exclusivity Period⁴ it will not:
- (a) solicit, invite, encourage or initiate any enquiries, negotiations or discussions in relation to a competing proposal
 - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing proposal
 - (c) enter into any agreement, arrangement or understanding in relation to a competing proposal or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing proposal
 - (d) provide any information to a third party for the purposes of enabling that party to table a competing proposal.

⁴ Defined in the Agreement between 3PL and IXL as the date of the Agreement (14 August 2020) until the earlier of the termination date of the Agreement or the date which is six months after the date of the Agreement, or another date as agreed by IXL and 3PL.

- 41 The exclusivity obligations do not apply if 3PL has complied with the various obligations set out in the Agreement and the 3PL Board determines:
- (a) the proposed competing transaction is a superior proposal or the steps which the 3PL Board proposes to take may reasonably be expected to lead to a competing transaction which is a superior proposal⁵; and
 - (b) based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.
- 42 A break fee equivalent to approximately \$1.9 million is payable by either 3PL to IXL or by IXL to 3PL in certain circumstances as specified in the Agreement.

Resolution

- 43 3PL shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.
- 44 If the resolution is passed by the requisite majorities, 3PL must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all 3PL shareholders who hold 3PL shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

⁵ Subject to any potential breach of fiduciary duties, 3PL must notify IXL if it receives a superior competing proposal and give IXL at least three business days to match that competing proposal.

B Independent Expert's Report continued

II Scope of our report

Purpose

- 45 The Scheme is to be effected pursuant to Part 5.1 of the *Corporations Act 2001* (Cth) (Corporations Act), which governs schemes of arrangement. Part 3 of Schedule 8 of the Corporations Regulations 2001 (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 46 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 47 IXL has no current shareholding in 3PL and has no representation on the 3PL Board. However, both a condition precedent to the Scheme and the 3PL Directors' recommendation of the Scheme are subject to an independent expert concluding that the Scheme is in the best interests of 3PL shareholders. In addition, as the Scheme (if approved and implemented) will result in 100% of the securities in 3PL being held by IXL, RG 111 requires that we provide an opinion on whether the consideration payable under the Scheme is "fair" and "reasonable" to the shareholders of 3PL.
- 48 The Directors of 3PL have therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in 3PL by IXL under the Scheme is fair and reasonable and in the best interests of 3PL shareholders.
- 49 This report has been prepared by LEA for the benefit of 3PL shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to 3PL shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of 3PL shareholders.
- 50 The ultimate decision whether to approve the Scheme should be based on each 3PL shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 51 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 52 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the Scheme Consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company

- (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 53 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 54 Our report has therefore considered:
- (a) the market value of 100% of the shares in 3PL
 - (b) the cash consideration offered by IXL of \$1.35 per share
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the extent to which a control premium is being paid to 3PL shareholders
 - (e) the extent to which 3PL shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (f) the listed market price of 3PL shares, both prior to and subsequent to the announcement of the proposed Scheme
 - (g) the likely market price of 3PL securities if the proposed Scheme is not approved
 - (h) the value of 3PL to an alternative offeror and the likelihood of a higher alternative offer being made for 3PL prior to the date of the Scheme meeting
 - (i) the advantages and disadvantages of the Scheme from the perspective of 3PL shareholders
 - (j) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 55 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 56 Our report is also based upon financial and other information provided by 3PL and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. 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 material facts have been withheld.
- 57 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of 3PL securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due

B Independent Expert's Report continued

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diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

- 58 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 59 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. 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.
- 60 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 61 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

III Profile of 3PL

Overview

62 3PL is a global online education company with cloud based, software as a service (SaaS) products in numeracy, literacy and science for school students in grades K-12. The Company's core product offerings include Mathletics, Readwriter, Reading Eggs, Mathseeds and Word Flyers. 3PL is headquartered in Australia and operates through three business segments: Asia Pacific (APAC); Europe, Middle East and Africa (EMEA) and the Americas. As at 30 June 2020, 3PL had 4.7 million licenses⁶ for students in over 17,000 schools located in more than 100 countries.

History

63 A summary of the key historical developments of 3PL is set out below:

3PL – history	
Year	Key development
2004	<ul style="list-style-type: none"> 3PL commenced producing technology based products for schools, starting with a mathematics CD-ROM for students in grades K-10
2005	<ul style="list-style-type: none"> Launched Mathletics with an initial online release of Live Mathletics in Australia followed by 3PL's first online event: the 10 Million Challenge
2006	<ul style="list-style-type: none"> Launched Spellodrome Established operations in New Zealand, followed by the Trans-Tasman Maths and Spelling Challenge Established EMEA operations with the launch of Mathletics in the United Kingdom (UK)
2007	<ul style="list-style-type: none"> Launched Mathletics in the United States of America (US) and South Africa under distribution arrangements Launched World Maths Day
2009	<ul style="list-style-type: none"> Established operations in Canada Launched World Education Games
2010	<ul style="list-style-type: none"> Established a presence in Hong Kong focusing on direct sales in Asia
2011	<ul style="list-style-type: none"> Commenced distribution of Reading Eggs Products Established offshore development lab in Pune, India Commenced building scalable software and hardware platforms for Mathletics, Spellodrome and the World Education Games
2012	<ul style="list-style-type: none"> Released the first stage of the Arabic language version of Mathletics Launched direct sales of Mathletics to government schools in the US
2013	<ul style="list-style-type: none"> Completed the transition to the new platforms for Mathletics, Spellodrome and the World Education Games Commenced IntoScience pilot program Launched Mathletics application for iPad and Android tablets
2014	<ul style="list-style-type: none"> Exceeded 1 million Mathletics application downloads by 30 April 2014 Expanded IntoScience pilot program into a full launch in Australia for Grades 7 and 8 Listed on the ASX on 9 July 2014
2015	<ul style="list-style-type: none"> Acquired a minority interest in Desmos Inc., a US-based graphic calculator business for US\$5 million Acquired a 23.07% interest in Learnosity Holdings Limited (Learnosity), a provider of SaaS assessment tools based in Dublin, Ireland for US\$19.4 million
2016	<ul style="list-style-type: none"> Acquired a further 16.93% interest in Learnosity for A\$20.2 million, taking the Company's total shareholding to 40%

⁶ Excludes the 200,000 licenses relating to the NME contract in the Middle East announced on 23 June 2020.

B Independent Expert's Report continued

3PL – history

Year Key development

2017	<ul style="list-style-type: none"> • Ceased actively selling IntoScience products from February 2017 • Divested its minority interest in Desmos Inc.
2018	<ul style="list-style-type: none"> • Disposed of its 40% shareholding in Learnosity to Battery Ventures for A\$25 million
2019	<ul style="list-style-type: none"> • Completed the migration of Mathletics from Flash to HTML • Launched Readwriter Spelling in November 2019
2020	<ul style="list-style-type: none"> • Launched Mathletics in Spanish in May 2020 • Secured a US\$10 million agreement with a National Ministry of Education in the Middle East (NME contract)

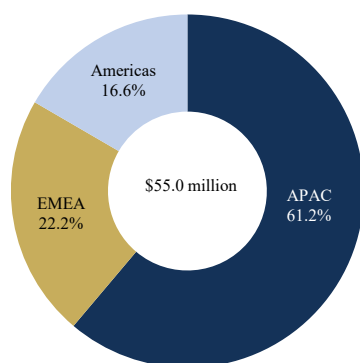
Current operations

64 3PL operates from a North Sydney head office and employs over 250 educators, engineers, product designers and other personnel around the world. The Company provides SaaS products in numeracy, literacy and science for school students in grades K-12 across APAC, EMEA and the Americas.

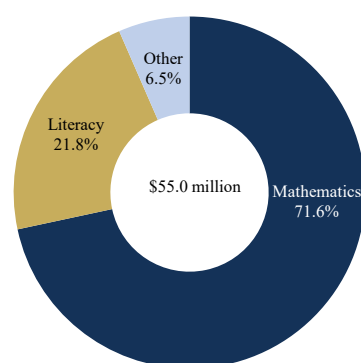
65 A breakdown of 3PL's revenue by geography and product type for the year ended 30 June 2020 (FY20) is set out below:

3PL – FY20 revenue by geography and product type (\$m)

Revenue by geography



Revenue by product type⁽¹⁾








Note:

1 Other revenue includes STEMscopes, copyright fees, workbook sales, IntoScience and sponsorships.

Product overview

66 3PL primarily offers online education products in mathematics and literacy which are available under a number of key brands including Mathletics, Readwriter, Reading Eggs, Mathseeds and Word Flyers:

3PL – Products		
	Mathematics	Literacy
Key products	 	  
Description	<ul style="list-style-type: none"> Mathletics is 3PL’s flagship product and is currently available in English and Spanish Mathletics is available for school grades K-12 Mathseeds focuses on early math development for children aged 3 to 9 Aligned to meet school curriculum 	<ul style="list-style-type: none"> Readiwriter is an online spelling and vocabulary program designed by 3PL for children aged 5 to 12 Reading Eggs is an online literacy product for children aged 5 to 7, with its Reading Eggspress brand focusing on ages 7 to 13. 3PL has exclusive sales agency rights to Reading Eggs products in a number of different countries and regions WordFlyers is a literacy skill building program for school years 7 to 10
Geographical footprint	<ul style="list-style-type: none"> Mathletics is used in over 12,000 schools in over 100 countries 3PL has exclusive sales agency rights to distribute Mathseeds products in various countries 	<ul style="list-style-type: none"> Readiwriter has been tailored for 3PL’s core markets 3PL has exclusive sales agency rights to distribute Reading Eggs products in various countries
Current total licenses ⁽¹⁾	<ul style="list-style-type: none"> 3.2 million 	<ul style="list-style-type: none"> 1.5 million
FY20 revenue contribution	<ul style="list-style-type: none"> \$39.4 million 	<ul style="list-style-type: none"> \$12.0 million

Note:

1 As at 30 June 2020.

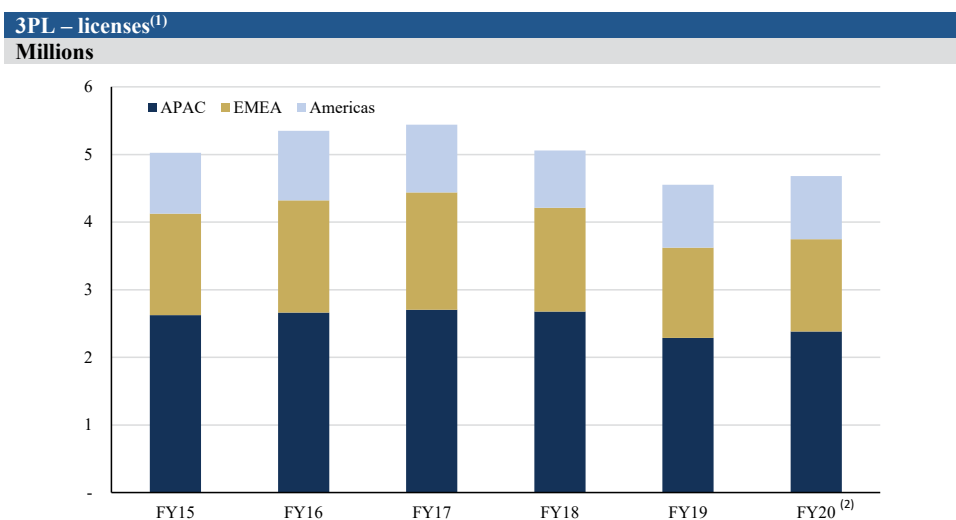
67 3PL generates revenue from its products from three key sources:

- licence fees** – 3PL sells licenses for its products to schools and parents on a per student basis, typically for one year. The majority of licence revenue is generated directly from school customers
- commission revenue** – 3PL receives commission revenue pursuant to distribution agreements for the sale of third party products (such as Reading Eggs and Mathseeds) to customers
- copyright licence fees** – generated in relation to 3PL’s material and resources when they are reproduced by third parties.

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Licenses

68 As at 30 June 2020, 3PL had 4.7 million licenses⁷ for students in over 17,000 schools located in more than 100 countries. A summary of 3PL's licenses by region for the five years to FY20 is set out below:



Note:

- 1 Excludes legacy Middle East contracts for Mathletics licenses and IntoScience licenses, which were not actively sold from February 2017.
- 2 Excludes the 200,000 licenses relating to the NME contract announced on 23 June 2020.

69 As indicated above, 3PL's total licenses have generally declined since FY17. 3PL has attributed this decline to a number of factors, including sales execution and customer experience issues, as the Company's products were migrated from Flash to HTML (which was completed by the end of FY19) together with the move from a licensing model based on student numbers (rather than by volume bands) which was introduced in FY19. Mathematics licenses (which are primarily delivered under the Mathletics brand) have generally accounted for over 70% of the Company's total licenses.

Financial performance

70 The financial performance of 3PL for the three years ended 30 June 2020 is set out below:

⁷ Excludes the 200,000 licenses relating to the NME contract announced on 23 June 2020.

3PL – statement of financial performance⁽¹⁾			
	FY18	FY19	FY20⁽²⁾
	\$m	\$m	\$m
Licence fees	43.0	40.2	36.9
Net commission revenue	8.5	10.9	14.5
Copyright Licence fees and other revenue	3.3	2.7	3.6
Revenue from contracts with customers	54.8	53.8	55.0
Operating expenses ⁽³⁾	(35.8)	(36.1)	(41.4)
Underlying EBITDA⁽⁴⁾	19.0	17.7	13.6
Depreciation and amortisation	(8.3)	(9.1)	(10.4)
Underlying EBIT⁽⁴⁾	10.7	8.6	3.2
Net interest income / (expense)	(0.6)	0.1	0.1
Share of equity accounted profits	0.6	-	-
Significant items ⁽⁵⁾	(25.3)	-	(0.2)
Profit before tax	(14.6)	8.7	3.1
Income tax expense	(4.1)	(2.8)	(1.4)
Profit after tax	(18.7)	5.9	1.7
<i>Revenue growth</i>	<i>na</i>	<i>(1.8%)</i>	<i>2.1%</i>
<i>EBITDA margin</i>	<i>34.7%</i>	<i>33.0%</i>	<i>24.7%</i>
<i>Number of licenses at year end (000s)⁽⁶⁾</i>	<i>5,061</i>	<i>4,555</i>	<i>4,682</i>
<i>Exit ARPU⁽⁷⁾ (\$)</i>	<i>9.86</i>	<i>10.89</i>	<i>10.68</i>

Note:

- 1 Rounding differences may exist.
 - 2 The results for FY20 have been adjusted to exclude the impact of Australian Accounting Standards AASB 16 – *Leases* (AASB 16) which was adopted from 1 July 2019.
 - 3 Net of sublease income and other income.
 - 4 Earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT).
 - 5 Significant items relate to loss on disposal of investments (FY18) and corporate advisory costs (FY20).
 - 6 Excludes IntoScience which was no longer actively sold from February 2017.
 - 7 Exit average revenue per user (Exit ARPU) represents the closing annual recurring revenue (ARR) (royalty adjusted) divided by the closing number of licenses.
- na – not available.

71 In addition to the above, we set out the key operatic metrics by segment:

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3PL – segment results ⁽¹⁾			
	FY18	FY19	FY20 ⁽²⁾
	\$m	\$m	\$m
Revenue			
APAC	34.4	33.7	33.6
EMEA	13.0	12.2	12.2
Americas	7.5	8.0	9.1
Total	54.8	53.8	55.0
Underlying EBITDA			
APAC	27.0	25.9	25.1
EMEA	7.5	7.4	6.3
Americas	1.1	0.4	(0.5)
EBITDA before corporate and product development costs	35.6	33.7	30.9
Corporate costs	(13.3)	(12.1)	(13.9)
Product development costs (expensed)	(3.3)	(3.9)	(3.4)
Total underlying EBITDA	19.0	17.7	13.6
<i>EBITDA margins (before corporate and product development costs)</i>			
APAC	78.6%	76.9%	74.7%
EMEA	57.6%	60.8%	51.6%
Americas	14.7%	5.0%	(5.5%)
Total	64.9%	62.6%	56.2%
<i>Total licenses⁽³⁾</i>			
APAC	2,678	2,287	2,384
EMEA	1,534	1,337	1,366
Americas	849	931	932
Total	5,061	4,555	4,682

Note:

- 1 Rounding differences may exist.
- 2 The results for FY20 have been adjusted to exclude the impact of AASB 16 which was adopted from 1 July 2019.
- 3 Excludes IntoScience which was no longer actively sold from February 2017.

Historical results

72 As indicated above, 3PL operates across three main segments: APAC, EMEA and the Americas. We set out below commentary in respect of each segment for the three years to FY20.

APAC

73 The APAC region has exhibited a marginal decline in revenue since FY18, attributable mainly to a decline in the total number of licenses during FY19. This reflected, inter alia:

- (a) the decision to no longer market the Spellodrome and IntoScience products (which reduced licenses by around 60,000)
- (b) negative sales execution and customer experience issues as the Company's products were migrated from Flash to HTML.

74 Underlying EBITDA (before corporate and product development costs) also declined in the period, due to both the decline in revenue as well as a reduction in EBITDA margins.

18

Expenses for FY20 were partially impacted by increased variable costs needed to meet the demand due to the 2019 novel coronavirus (COVID-19) during the second half of the year.

EMEA

- 75 Revenue and licence numbers have declined in the EMEA segment, driven in part by Brexit uncertainty. Underlying EBITDA (before corporate and product development costs) benefited from an improvement in margins in FY19, following a reduction in non-revenue generating staff costs. However, EBITDA margins in FY20 were negatively impacted by \$0.4 million variable costs incurred in relation to securing the NME contract, together with adverse foreign exchange movements.

Americas

- 76 Revenue and licence numbers have increased in the Americas segment, despite recent challenging conditions in the US market due to funding uncertainty caused by COVID-19. Notwithstanding the growth in revenue, underlying EBITDA (before corporate and product development costs) declined, primarily reflecting increased investment in sales and marketing staff as the Company continues to pursue growth in the Americas region.

FY21 outlook / impact of COVID-19

- 77 On 14 August 2020, 3PL provided the following guidance as part of its FY20 results presentation:
- *APAC: We expect single digit revenue and EBITDA growth for the full year.*
 - *EMEA: Significant revenue and EBITDA growth are expected in FY 21 following the closure of our [NME] agreement as well as other enterprise opportunities in the funnel.*
 - *Americas: We expect continued market uncertainty in the USA due to funding challenges; however, we have a pipeline of enterprise opportunities in the Americas and expect license revenue growth for the full year.*
 - *On a group basis we expect double digit revenue and EBIDTA [sic] growth in FY21.*
 - *Our cost base is now set, our mix of cost is optimised and we expect to deliver revenue growth with increased operating leverage.*
 - *We enter FY21 with strong operating leverage allowing our existing headcount to drive significant revenue growth at high margins similar to other SaaS businesses.”*
- 78 In relation to the impact of COVID-19 on the 3PL business, we note the following statements in the Scheme Booklet:
- “Despite the uncertainty surrounding the COVID-19 pandemic, there has been no interruption to 3PL’s operations including sales, marketing and product development with 3PL’s technology suite scaling well with increased usage and demand. The longer term impact from COVID-19 on the 3PL Group, and on the education and ed-tech sectors more broadly, is difficult to assess at this time.*

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In the Americas, COVID-19 is expected to drive continued market uncertainty due to funding challenges, however, there remains a pipeline of enterprise opportunities.”

Cash flow

79 We set out below a summary of the historical free cash flows generated by the 3PL business (before net interest costs and corporate taxes). As shown below, free cash flow has been relatively modest due to, inter-alia, the level of product development costs:

3PL – free cash flow			
	FY18	FY19	FY20
	\$m	\$m	\$m
Underlying EBITDA	19.0	17.7	13.6
Foreign exchange and other non-cash items	(0.4)	(0.9)	(0.5)
Change in working capital	(3.7)	(3.2)	0.3
Capitalised product development costs	(9.8)	(9.0)	(10.6)
Purchase of fixed assets	(0.3)	(0.4)	(0.1)
Free cash flow ⁽¹⁾	4.8	4.2	2.7

Note:

1 Before net interest and tax.

Financial position

80 The financial position of 3PL as at 30 June 2019 and 30 June 2020 is set out below:

3PL – statement of financial position ⁽¹⁾		
	30 Jun 19	30 Jun 20
	\$m	\$m
Debtors and prepayments	10.8	11.6
Current contract liabilities	(24.3)	(23.9)
Creditors, accruals and provisions	(9.2)	(10.1)
Net working capital	(22.7)	(22.4)
Plant and equipment	1.0	0.7
Intangible assets / goodwill	19.6	20.9
Deferred tax assets (net)	5.0	4.8
Other non-current assets	0.0	1.2
Right of use assets (net)	-	(2.0)
Non-current contract liabilities	(3.4)	(3.3)
Provisions (non-current)	(0.8)	(0.7)
Total funds employed	(1.2)	(0.9)
Cash and cash equivalents	25.8	27.1
Interest bearing liabilities	(0.0)	-
Net cash	25.8	27.1
Net assets attributable to 3PL shareholders	24.6	26.3

Note:

1 Rounding differences may exist.

Net working capital

81 Consistent with annual subscription based companies generally, 3PL operates with a negative working capital position, which primarily reflects the receipt of cash in advance for its products and services which are typically delivered over a one year period.

Intangible assets

82 The carrying value of 3PL's intangible assets is set out below:

3PL – intangible assets	30 Jun 19	30 Jun 20
	\$m	\$m
Product development	13.0	14.7
Goodwill	4.6	4.3
Software	1.6	1.5
Customer contracts	0.3	0.2
Patents and trademarks	0.1	0.1
Total intangible assets	19.6	20.9

83 The majority of 3PL's intangible assets relate to capitalised product development costs and goodwill from historical acquisitions. Goodwill is tested annually for impairment using the value in use method. As at 30 June 2020, post-tax discount rates of 10.9% and 10.8% were used for the APAC and EMEA segments respectively.

84 A significant proportion (around 75%) of total annual product development costs are capitalised, with the balance of around 25% expensed through the profit and loss account. Set out below is a breakdown of product development costs for the three years to FY20:

3PL – product development costs	FY18	FY19	FY20
	\$m	\$m	\$m
Expensed	3.3	3.9	3.4
Capitalised	9.7	8.9	10.6
Total product development cash costs	13.0	12.8	14.0
<i>Percentage of total costs expensed</i>	<i>25.4%</i>	<i>30.5%⁽¹⁾</i>	<i>24.3%</i>
Breakdown of expenditure by asset			
Mathletics	8.9	8.7	9.2
Literacy	1.9	2.0	2.3
Digital Systems	2.2	2.1	2.5
Total product development cash costs	13.0	12.8	14.0

Note:

1 In FY19, 3PL expensed a higher proportion of product development costs for early stage research and development investment in Mathletics.

85 3PL has invested heavily in product development in recent periods, having finalised the migration of Mathletics from Flash to HTML in FY19 and completed the launch of its own literacy brand and product, Readwriter Spelling, in FY20. In addition, 3PL further enhanced its Mathletics product offering in FY20 with the launch of a Spanish version, more than

B Independent Expert's Report continued

700 new problem solving and reasoning activities and over 30,000 new understanding, practicing and fluency activities.

Net cash

- 86 As at 30 June 2020, 3PL had cash of \$27.1 million and no borrowings. Subsequent to reporting results, 3PL extended its \$10 million bank facility (and \$2 million bank guarantee facility) until 31 December 2020.

Share capital and performance

- 87 As at 9 September 2020, 3PL had 139.5 million fully paid ordinary shares on issue. In addition the Company had approximately 0.642 million performance rights on issue (of which 0.427 million will be converted to ordinary shares prior to implementation of the Scheme⁸) and 6.9 million options on issue at exercise prices ranging between \$1.42 to \$1.75:

3PL – options on issue			
	Exercise price		
Number	\$	Grant date	Expiry date
688,331	1.42	31 Aug 17	31 Aug 21
2,644,509	1.42	09 Nov 17	31 Aug 21
691,562	1.75	23 Aug 18	23 Aug 22
2,867,647	1.75	09 Nov 18	23 Aug 22
<u>6,892,049</u>			

- 88 Pursuant to the terms of the Scheme, we understand that all of the options will lapse (as they are “out of the money”).

Significant shareholders

- 89 As at 9 September 2020 there were six substantial shareholders in 3PL, detailed as follows:

3PL – substantial shareholders		
	Shares held (million)	% interest
Viburnum Funds Pty Ltd ⁽¹⁾	32.0	22.9
National Nominees Ltd ACF Australian Ethical Investment Ltd	21.2	15.2
Sterling Equity Pty Ltd	14.2	10.2
Schroder Investment Management Australia Ltd	13.8	9.9
FIL Limited	9.7	6.9
UBS Group	7.1	5.1

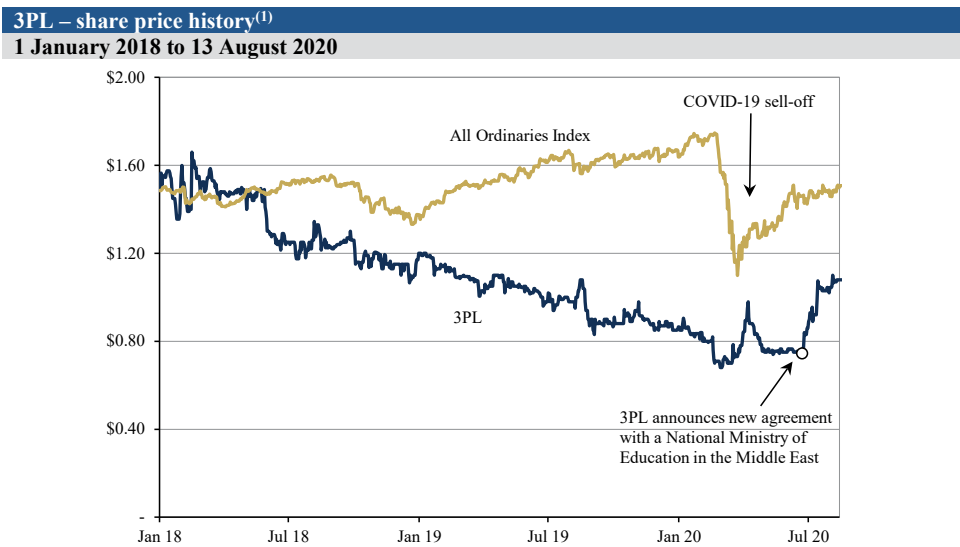
Note:

- 1 Viburnum Funds is an active ownership investment manager.

⁸ The remaining performance rights will lapse.

Share price performance

90 The following chart illustrates the movement in the share price of 3PL from 1 January 2018 to 13 August 2020⁹:



Note:

1 Based on closing prices. The All Ordinaries Index has been rebased to 3PL's last traded price on 1 January 2018, being \$1.49.

Source: Bloomberg.

91 Since 1 January 2018, 3PL has generally underperformed relative to the All Ordinaries Index. However, in the more recent period prior to the announcement of the Scheme, the share price of 3PL significantly increased following the announcement of the NME contract on 23 June 2020, which is expected to deliver US\$10 million revenue in FY21.

Liquidity in 3PL shares

92 The liquidity in 3PL shares based on trading on the ASX over the 12 month period prior to 13 August 2020¹⁰ is set out below:

3PL – liquidity in shares⁽¹⁾

Period	Start date	End date	No of shares traded	WANOS ⁽²⁾ outstanding	Implied level of liquidity	
			000		Period ⁽³⁾	Annual ⁽⁴⁾
				000	%	%
1 month	14 Jul 20	13 Aug 20	6,487	139,484	4.7	55.8
3 months	14 May 20	13 Aug 20	20,570	139,484	14.7	59.0
6 months	14 Feb 20	13 Aug 20	34,659	139,482	24.8	49.7
1 year	14 Aug 19	13 Aug 20	57,069	139,453	40.9	40.9

⁹ Being the last trading day prior to the announcement of the Scheme.

¹⁰ Being the last trading day prior to the announcement of the Scheme.

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Note:

- 1 Excludes the block trade of 12.570 million shares which were sold by Smallco Investment Manager Limited on 3 August 2020 for \$12.515 million.
 - 2 Weighted average number of shares outstanding (WANOS) during relevant period.
 - 3 Number of shares traded during the period divided by WANOS.
 - 4 Implied annualised figure based upon implied level of liquidity for the period.
-

- 93 As indicated above, despite the significant proportion of shares which are closely held by a number of the Company's substantial shareholders, 3PL shares are relatively liquid.

IV Industry overview

Overview

- 94 3PL operates within the online K-12 segment of the global education industry, providing educational software programs that are designed for school-aged students. The Company's cloud-based SaaS products specialise in teaching mathematics, spelling, literacy, science and e-safety, and are marketed to schools and parents of school-aged students. 3PL is based in Australia, however its products are marketed and distributed globally.

Global education industry

- 95 Whilst education systems are structured differently from country to country, each system is generally divided into four levels of education, being pre-school, primary and secondary school (together referred to as "K-12"¹¹), and tertiary education. In most countries around the world, completion of primary school and partial completion of secondary school is compulsory, with most developed nations requiring the enrolment of children in school until the age of 16¹². The K-12 education segment is therefore a large and well-established part of the global education industry, and comprises both government and independently¹³ funded institutions.

K-12 education expenditure

- 96 K-12 education expenditure represents approximately 69% of all OECD educational expenditure, or 3.4% of the GDP for OECD countries¹⁴. The level of educational expenditure in each country varies based on a number of factors, including the country's school age population, number of enrolments and level of teachers' salaries. The table below shows the latest available data for expenditure per student on primary and secondary education, in addition to K-12 expenditure as a percentage of total GDP for each OECD country:

¹¹ Rather than split K-12 into primary (grades K-6 or K-7) and secondary (grades 6-12 or 7-12), some education systems split the segment into primary (grades K-5), middle (grades 6-8), and secondary school (grades 9-12).

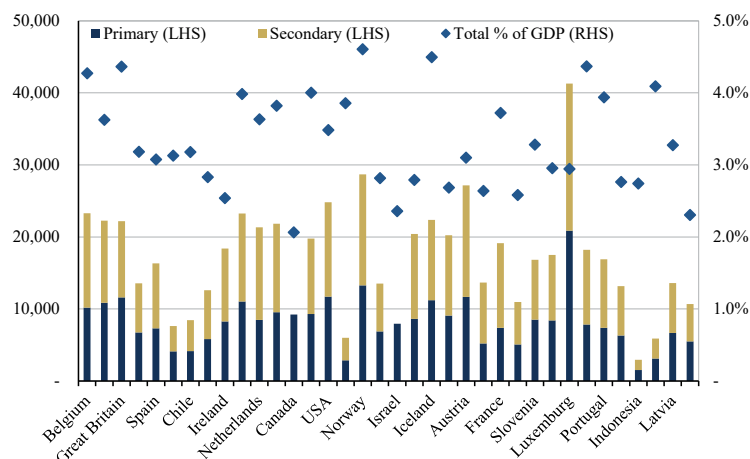
¹² Source: Organisation for Economic Co-Operation and Development (OECD) (2019): *Education at a Glance 2019: OECD Indicators* report.

¹³ Independent schools may also receive funding from governments.

¹⁴ Source: OECD (2019): *Education at a Glance 2019: OECD Indicators* report.

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Annual K-12 expenditure
\$US per student and % of GDP (year ended 31 December 2015)



Source: OECD (2020) *Education spending (indicator) data* (<https://data.oecd.org/eduresource/education-spending.htm>) accessed 19 August 2020.

- 97 As at 2016, the average cumulative expenditure per student from the age of 6 to 15 years old across OECD countries was approximately US\$93,000¹⁵. From the data collected for OECD countries in 2015, the average annual expenditure per primary and secondary student was US\$8,168 and US\$9,359 respectively¹⁶. Annual education expenditure has increased over time across OECD countries, with expenditure per student in non-tertiary educational institutions increasing by 5% on average from 2010 to 2016.

Markets in which 3PL operates

- 98 3PL primarily operates in Australia, NZ, UK, US and Canada¹⁷. The market for K-12 education in these countries is large, due to the size of the student population (which totals approximately 75 million students), above average expenditure on educational institutions relative to other OECD countries and high enrolment rates. A summary of the size, expenditure and enrolment rates for 3PL's key markets is provided in the table below:

¹⁵ Source: OECD (2019): *Education at a Glance 2019: OECD Indicators* report.

¹⁶ We note that the data reported by the OECD for 2016 group secondary school expenditure with post-secondary non-tertiary expenditure, therefore we have referred to 2015 data, which report primary and secondary school expenditure on a standalone basis.

¹⁷ The Middle East is expected to become more significant to 3PL's operations following the award of the NME contract on 23 June 2020.

Markets in which 3PL operates						
	Australia	NZ	UK	US	Canada	OECD average
Macroeconomic factors (2019)⁽¹⁾						
GDP ⁽²⁾ (\$US billion)	1,393	207	2,827	21,428	1,736	n/a
GDP per capita (US\$)	54,907	42,084	42,300	65,281	46,195	n/a
Population (m)	25.4	4.9	66.8	328.2	37.6	n/a
K-12 student population (m) ⁽³⁾	3.9	0.8	8.9	56.6	4.9	n/a
Enrolment (2019)⁽¹⁾						
Enrolment rate primary	96%	99%	99%	95%	100%	n/a
Enrolment rate secondary	92%	97%	97%	92%	100%	n/a
Expenditure per student (2015)⁽⁴⁾						
K-12 education expenditure (US\$)	21,849	18,232	22,199	24,811	9,249 ⁽⁵⁾	17,007
K-12 education expenditure / GDP	3.8%	4.4%	4.4%	3.5%	2.1% ⁽⁵⁾	3.3%

Note:

- 1 Source: United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics, accessed through The World Bank (data.worldbank.org) August 2020.
- 2 Gross domestic product (GDP).
- 3 Source: Australian Bureau of Statistics (ABS) 4221.0 Schools report for Australia data, School rolls report for NZ data, School Consensus report for UK data, EducationData.org for US data, Statista for Canada data. K-12 student population as of 2018 for Canada, being the latest available data.
- 4 Source: OECD (2020) *Education spending (indicator) data* (data.oecd.org/eduresource/education-spending.htm) accessed 19 August 2020.
- 5 Expenditure per student for Canada is for primary school only.

Online K-12 education market

- 99 The online K-12 education market comprises products and services that distribute educational content and related products such as content management and delivery platforms to K-12 students and teachers of K-12 students.
- 100 The transition from printed to digital K-12 educational resources has increased rapidly in recent years, with traditional classroom instruction being progressively supplemented by online and technology based education. This transition has accelerated more recently with the onset of the COVID-19 pandemic, as many countries around the world have increased efforts to utilise educational technologies to provide remote learning opportunities to students while schools are closed.
- 101 For developed nations where incomes and internet penetration rates are high, the most common method of delivering remote learning is through online platforms and televised broadcasting. Those countries which typically lack wide-spread connectivity instead rely on alternative remote learning delivery methods such as radio broadcasting.

Industry growth drivers

- 102 Whilst growth in the broader K-12 education segment primarily relies on public and private funding received as well as movements in K-12 student populations, online K-12 education growth is driven by additional factors, including:
 - (a) broadband penetration and bandwidth availability for schools and households
 - (b) the proliferation of computers and mobile devices such as tablets and phones; and
 - (c) the quality and uptake of online educational resources.

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Internet penetration and proliferation of devices

- 103 High speed internet is increasingly being viewed as an essential utility in most countries around the world, with governments rolling out programs to increase access to broadband services. Across OECD countries, the proportion of broadband connected households has grown substantially over the past decade, with the percentage of OECD households (by country average) with access to broadband increasing from 57.3% to 87.0% over the 10 years to 2019¹⁸.
- 104 In addition to rising internet penetration rates, the general availability of technologies used to access the internet has also been increasing around the world. The average percentage of households with basic access to a computer in OECD countries increased from 63.9% in 2007 to 78.8% in 2017¹⁸. Access to mobile devices has increased at a much faster rate, with the global penetration rate of mobile cellular subscriptions increasing from 50.3% in 2007 to over 100% in 2017¹⁹.

Availability and uptake of online resources

- 105 It has become increasingly important for students around the world to be able to access education from any location and at any time. Access to high quality resources and tools for collaboration helps drive up the rate of adoption of online education, as it makes it easier for teachers and parents of K-12 students to facilitate and deliver content. Widespread access to online education is more prevalent in high income countries, where government education expenditure is above the global average. There also tends to be better quality tools and platforms available in these countries, such as knowledge sharing portals, document and course management systems, and video conferencing capabilities. A summary of the leading government developed learning platforms is shown in the table below:

National learning platforms and tools		
Country	Platform	Description
UK	DfE Online Education Resources	<ul style="list-style-type: none"> The UK Government has brought together an initial list of online educational resources to help children to learn at home, offering a wide range of support and resources for pupils of all ages
Canada	Curriculum Nova Scotia	<ul style="list-style-type: none"> The official platform of Nova Scotia containing resources aligned with the curriculum in English and in French for K-12, organised by level and subject area
	LearnAlberta.ca	<ul style="list-style-type: none"> More than 4,000 digital resources in English and French aligned with Alberta's K-12 curriculum
	Quebec Open school	<ul style="list-style-type: none"> Quebec's official online learning platform for K-12 education levels, including resources in English and in French divided by subject area
NZ	Learning from home	<ul style="list-style-type: none"> Official platform of the NZ Ministry of Education for distance learning, offering resources by subject area in English
	Ki te Ao Mārama	<ul style="list-style-type: none"> Learning resources in Maori from pre-primary up to secondary levels

¹⁸ Source: OECD (2020) *ICT Access and Usage by Households and Individuals* data (stats.oecd.org) accessed 24 August 2020.

¹⁹ Source: UNESCO Institute for Statistics (2020), Mobile cellular subscriptions (per 100 people) data accessed through The World Bank (data.worldbank.org) August 2020.

National learning platforms and tools		
Country	Platform	Description
Singapore	Singapore Student Learning Space	<ul style="list-style-type: none"> E-learning portal that provides online learning material for students and supports teachers
Japan	Future Classroom	<ul style="list-style-type: none"> A collection of platforms pointing users to a variety of useful sites for teaching and learning
	MEXT	<ul style="list-style-type: none"> A platform to support e-learning by age, level of education and subject
Korea	Onschool	<ul style="list-style-type: none"> A portal providing learning materials for students and teachers for K-12 education levels
United Arab Emirates	Edushare	<ul style="list-style-type: none"> An electronic depository of content and videos, easily accessible to teachers
	Learning Mgt System	<ul style="list-style-type: none"> Allows students to access content for learning and communicate with teachers
	MOE Library	<ul style="list-style-type: none"> A platform allowing teachers and students to view and interact electronically and to download electronic copies of books

Source: UNESCO website (en.unesco.org) accessed August 2020.

- 106 The level of market maturity for online K-12 education varies across different regions, ranging from countries that are yet to develop online resources for students and teachers, to well-established publicly available platforms such as those outlined in the table above. Private sector online education providers are able to play a role in both markets, by providing online learning systems in regions where there are few or no public resources available, or through partnerships with governments to deliver their material through incumbent platforms.

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V Valuation methodology

Valuation approaches

- 107 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 108 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 109 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 110 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax and amortisation, EBIT, or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.
- 111 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no

longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 112 We have adopted the DCF approach as our primary valuation methodology to assess the value of the shares in 3PL. In our opinion this methodology is appropriate because:
- (a) 3PL has reliable recurring revenue streams in the form of monthly or annual licence fees for continued access to the software
 - (b) the combination of an “asset light” business model and high gross margins means that software companies such as 3PL have significant operating leverage, as profitability can increase materially as a result of higher sales. This arises due to the high gross margin on additional revenue (as the incremental costs to provide cloud based software to new customers are generally low).
- 113 We have also cross-checked our valuation by reference to multiples of ARR and the 3PL share price prior to the announcement of the Scheme (adjusted for a control premium).

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VI Valuation of 3PL

DCF approach

- 114 As set out in Section VI, we have adopted the DCF approach as our primary valuation methodology to assess the value of the shares in 3PL.
- 115 Under the DCF methodology the value of the 3PL business (on a cash and debt free basis) is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 116 Our DCF valuation is based on free cash flow projections derived by LEA having regard to, inter-alia, 3PL management budgets and forecasts and related discussions with 3PL management.
- 117 Whilst LEA believes the assumptions underlying the cash flow projections adopted for valuation purposes are reasonable and appropriate, it should be noted in respect of these projections that:
- (a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions, including the potential impact of COVID-19 on the business
 - (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
 - (c) future profits and cash flows are inherently uncertain
 - (d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which 3PL operates
 - (e) the achievability of the projections is not warranted or guaranteed by 3PL or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of 3PL and its management; and
 - (f) actual results may be significantly more or less favourable.
- 118 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments²⁰, capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.
- 119 We have adopted a valuation date of 30 September 2020. The free cash flow projections cover the period to 30 June 2030 (Forecast Period), together with the estimated capital value of the business at the end of that period.

²⁰ Also calculated on an ungeared basis.

120 As the detailed cash flow projections are commercially sensitive, they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

Key assumptions

- 121 Cloud based software businesses such as 3PL have a number of positive investment characteristics, including:
- (a) the ability to distribute their software to customers easily through the internet (without having to manufacture physical products such as CD-ROMs)
 - (b) efficiencies associated with offering standardised software to all users (e.g. substantially lower sales lead times and easier updates) compared to software which is required to be tailored to each customer
 - (c) the ability to provide real time software updates to all users at the same time
 - (d) high gross margins due to the above
 - (e) reliable recurring revenue streams in the form of monthly or annual licence fees for continued access to the software.
- 122 The combination of an “asset light” business model and high gross margins means that software companies such as 3PL have significant operating leverage, as profitability can increase materially as a result of higher sales. This arises due to the high gross margin on additional revenue (as the incremental costs to provide cloud based software to new customers are generally low).
- 123 It follows therefore that the value of 3PL is particularly sensitive to revenue growth and incremental profit margins (both of which are discussed below).

Sales growth rates

124 As shown below, revenue in the APAC and EMEA segments has declined in recent years, while revenue in the Americas segment has exhibited some (albeit modest) revenue growth:

3PL – revenue by segment			
Year ended 30 June	2018	2019	2020
	Actual	Actual	Actual
	A\$m	A\$m	A\$m
APAC	34.4	33.7	33.6
EMEA	13.0	12.2	12.2
Americas	7.5	8.0	9.1
Total revenue from contracts with customers	54.8	53.8	55.0

125 Further, the revenues shown above are stated in Australian dollars. Principally due to the decline in the respective AUD exchange rate over the period, revenue in constant currency terms has either been stable (Americas segment) or declined slightly (EMEA segment):

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3PL – revenue from contracts with customers				
Year ended 30 June		2018	2019	2020
EMEA	(£m)	7.5	6.7	6.3
Americas	(US\$m)	5.8	5.6	5.9

APAC segment

126 The revenue performance in the APAC segment in recent years has been adversely impacted by, inter-alia:

- (a) sales execution issues and customer experience issues (which have now been rectified) as 3PL migrated from the Flash to HTML platform (which was completed in FY19)
- (b) the decision to discontinue the Spellodrome and IntoScience software programs in FY19 (which had around 60,000 licenses).

127 Notwithstanding this recent performance, some future revenue growth is expected to arise from:

- (a) increased penetration of the Australasian market (management estimate that the Company's products are used in approximately 30% of Australian secondary schools and 60% of Australian primary schools)
- (b) revenue from 3PL's new Readwriter literacy offering, Readwriter Spelling (which was launched in November 2019)
- (c) sales into the Asian market (which is currently not a significant revenue contributor).

128 In 3PL's FY20 results announcement (on 14 August 2020), management advised that they expect single digit revenue and EBITDA growth in FY21 in the APAC segment.

129 Given recent performance and the size of 3PL's existing market share in Australia, we have assumed that future revenue growth in the APAC segment will be modest. For the purposes of our base case forecasts we have therefore adopted revenue growth in the APAC segment of 3% per annum over the Forecast Period (and have considered the sensitivity of value to this assumption).

EMEA segment

130 The large majority of revenue in the EMEA segment is derived from the UK. The UK market is highly competitive and churn rates are higher than in the APAC segment. UK revenue in the period from FY18 to 1HY19 was negatively impacted by the uncertainty created by Brexit and school funding reductions. However, performance improved significantly in 2HY20, with the launch of Readwriter Spelling contributing to the improved performance.

131 Revenue in FY18 was also adversely impacted by the consolidation of two educational bodies, resulting in the non-renewal of the Abu Dhabi Education Council contract.

132 However, revenue in FY21 is expected to increase significantly following the award of a one-year contract worth approximately US\$10 million with a NME in the Middle East²¹.

²¹ The NME contract was announced to the ASX on 23 June 2020.

Given the materiality of this NME contract, we have separately considered the value of this contract in paragraphs 158 to 168 below.

- 133 Excluding the NME contract, revenue growth in the EMEA segment is expected to be more modest, but higher than in the APAC region. This reflects, inter-alia, the larger size of the target market relative to 3PL's existing revenues in the region.
- 134 Excluding the NME contract, our base case forecasts assume that the EMEA segment will grow at 5% per annum over the Forecast Period²².

Americas segment

- 135 At the time of 3PL's initial public offering in 2014, the Americas region was expected to be a source of significant revenue and earnings growth. Whilst some growth has been achieved, the Americas segment has significantly underperformed these expectations.
- 136 3PL's current management have attributed this underperformance to (in part) the premature entry into the US market. In their view, in 2014 the product offering was not well aligned to the US curriculum, the product used old Flash technology, the sales model was inefficient and the Company's marketing effort was not attuned to digital (SaaS) inbound content marketing.
- 137 Following restructuring over the 2017 to 2019 period, management believe that these issues have been corrected. For example, following the migration to the HTML platform and the related creation of a curriculum content platform, 3PL is now able to more easily localise its product offering²³.
- 138 Whilst the number of licenses in the Americas segment as at 30 June 2020 was consistent with the number of licenses as at 30 June 2019 (and revenue in USD was higher in FY20), the impact of the COVID-19 pandemic negatively impacted revenue as budget uncertainties at schools delayed purchasing decisions.
- 139 On 14 August 2020, management stated (in the FY20 results announcement) that they expect continued market uncertainty in the US market due to these funding challenges. However, management also noted that 3PL had a strong pipeline of revenue opportunities²⁴, and that they expect licence revenue growth in FY21.
- 140 Based on the above and discussions with management, we have adopted (base case) revenue growth of 5% in FY21, increasing to 10% per annum over the subsequent five years, before falling to 7.5% per annum over the remainder of the Forecast Period²⁵. This relatively higher growth reflects the pipeline of revenue opportunities and the large target market relative to initial revenue levels. Sensitivity analysis around these base case assumptions is set out in paragraphs 154 to 157 below.

²² The sensitivity of value to this growth rate assumption has also been considered.

²³ For example, 3PL has recently created a Spanish version of Mathematics.

²⁴ These revenue opportunities are larger than at any time in the Company's history.

²⁵ We note that US schools often purchase 3PL products at a district level, so new contract wins / losses can have quite material impacts on revenue.

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EBITDA margins

141 As noted above, cloud based software companies such as 3PL are able to generate high profit margins on incremental sales due to the low costs of providing the software to new customers. This is evident from the following table which highlights the high EBITDA margin generated by 3PL before corporate costs and product development expenses²⁶:

3PL – underlying EBITDA⁽¹⁾			
Year ended 30 June	2018	2019	2020⁽²⁾
	\$m	\$m	\$m
APAC ⁽³⁾	27.0	25.9	25.1
EMEA ⁽³⁾	7.5	7.4	6.3
Americas ⁽³⁾	1.1	0.4	(0.5)
EBITDA before corporate and product development costs ⁽³⁾	35.6	33.7	30.9
Corporate costs	(13.3)	(12.1)	(13.9)
Product development costs (expensed)	(3.3)	(3.9)	(3.4)
Total EBITDA	19.0	17.7	13.6
EBITDA margins (before corporate and product development costs)⁽⁴⁾			
<i>APAC</i>	78.6%	76.9%	74.7%
<i>EMEA</i>	57.6%	60.8%	51.6%
<i>Americas</i>	14.7%	5.0%	(5.5%)
<i>Total</i>	64.9%	62.6%	56.2%

Note:

- 1 Rounding differences may exist.
- 2 The results for FY20 have been adjusted to exclude the impact of AASB 16 which was adopted from 1 July 2019.
- 3 EBITDA is also shown before inter-segment royalties and charges (which eliminate at group level).
- 4 EBITDA margin as a percentage of revenue.

142 As shown above:

- (a) corporate costs (and product development costs which have been expensed above the EBITDA line) have been relatively consistent over recent years
- (b) the EBITDA margin before corporate and product development costs is high (particularly in the APAC and EMEA segments)
- (c) the EBITDA margin in the Americas segment was negative in FY20 due to, inter-alia, increased investment in sales and marketing staff. However, EBITDA margins on incremental sales are also expected to be high, albeit lower than those expected (in the short to medium term) in the APAC and EMEA regions.

²⁶ As noted in Section III, approximately 25% of annual product development costs have been expensed in recent years. The remaining product development costs are capitalised and amortised over three years. This amortisation charge is not reflected in EBITDA.

- 143 For valuation purposes we have adopted incremental EBITDA margins (before corporate and product development costs) of 80% in the APAC segment, 70% in the EMEA segment (excluding the NME contract, which has been assessed separately) and 60% in the Americas segment²⁷.
- 144 The impact of our base case revenue growth and incremental EBITDA margin assumptions is that the overall EBITDA margin (before corporate and product development costs²⁸) increases slightly as shown below:

Overall EBITDA margin⁽¹⁾⁽²⁾			
Year ended 30 June	2020	2025	2030
	Actual	Base Case	Base Case
	%	forecast	forecast
	%	%	%
APAC	74.7	75.4	76.0
EMEA ⁽³⁾	57.3	60.1	62.2
Americas	(5.5)	17.4	33.6
Overall	57.5	60.1	61.9

Note:

- 1 Before corporate and product development costs (and inter-segment royalties and charges, which eliminate at group level).
- 2 Calculated as a percentage of revenue.
- 3 Calculated after adding back NME contract costs expensed in FY20 and foreign exchange losses.

- 145 As shown above, our base case forecasts assume that the EBITDA margins achieved in the Americas segment remain relatively low over the Forecast Period (albeit they represent a substantial improvement on current margins). These margins in the Americas segment are likely to be higher if 3PL can achieve substantially higher revenue growth than assumed. This potential is reflected in our sensitivity analysis, as additional revenue is projected to generate 60% EBITDA margins prior to corporate and product development costs.

Corporate costs

- 146 Corporate costs (which largely comprise employee costs, information technology and administration expenses) are shown (in aggregate) in paragraph 141 above. As these have been relatively consistent over recent years, we have assumed that these costs increase by 1% per annum (i.e. reflecting no real growth over and above current medium term inflation expectations²⁹).

²⁷ The relatively high incremental EBITDA margins adopted as compared to the FY20 results (particularly for the EMEA and Americas segments) reflect the significant operating leverage of the business and high gross margin on additional revenue (as the incremental costs to service new customers are relatively low).

²⁸ And before inter-segment royalties and charges (which eliminate at group level).

²⁹ Based upon the difference between medium term Commonwealth Government Bond (CGB) yields (which reflect inflationary expectations) and Commonwealth Government indexed bonds yields (which are quoted in real terms excluding inflation).

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Product development expenses

147 Total product development cash costs in recent years are shown below:

3PL – product development cash costs			
Year ended 30 June	2018	2019	2020
	\$m	\$m	\$m
Expensed	3.3	3.9	3.4
Capitalised ⁽¹⁾	9.7	8.9	10.6
Total product development cash costs	13.0	12.8	14.0
Breakdown of cash costs by:			
Mathletics	8.9	8.7	9.2
Literacy	1.9	2.0	2.3
Digital Systems	2.2	2.1	2.5
Total product development cash costs	13.0	12.8	14.0

Note:

1 These costs are subsequently amortised over three years.

148 As stated in Section III, 3PL has invested heavily in product development in recent periods, having finalised the migration of Mathletics from Flash to HTML in FY19 and completing the launch of its own literacy brand and product, Readwriter Spelling, in FY20. In addition, 3PL further enhanced its Mathletics product offering in FY20 with the launch of a Spanish version, as well as introducing more than 700 new problem solving and reasoning activities and over 30,000 new understanding, practicing and fluency activities.

149 Product development cash costs are expected to increase marginally in FY21 due to, inter-alia, development costs associated with features to open up new markets or expand opportunities within existing markets. However, product development costs are then forecast to decline slightly in FY22, reflecting:

- (a) the significant investment in the product offering made in recent years; and
- (b) the decision from May 2020 to outsource some product development to a lower cost external provider.

150 For valuation purposes, total product development (cash) costs are assumed to range between approximately \$13 million and \$14 million per annum during the Forecast Period (consistent with recent history). Due to the projected growth in sales revenue over the Forecast Period (discussed above), product development (cash) costs as a percentage of revenue reduces over the Forecast Period (from a relatively high 25% in FY20).

Other cash flow assumptions

151 Other cash flow assumptions adopted in our base case DCF are as follows:

- (a) capital expenditure (excluding product development) – \$0.25 million per annum (increasing at 1% per annum). This is consistent with the average spend over FY18 to FY20 (noting that the investment in software / digital systems is included in product development costs)

- (b) working capital – is not expected to be material. Consistent with annual subscription based companies generally, 3PL operates with a negative working capital position, which primarily reflects the receipt of cash in advance for its products and services which are typically delivered over a one year period
- (c) tax – an effective tax rate of 25% has been adopted reflecting the benefit of research and development tax credits in Australia and income tax losses in Canada and the US.

Discount rate

152 A post-tax discount rate of 11% per annum has been applied for the reasons set out in Appendix C. This discount rate has been applied to determine the present value of the future cash flows in the Forecast Period and the present value of the terminal value at the end of the Forecast Period.

Terminal value

153 A terminal value growth rate of 3% has been adopted at the end of the Forecast Period (FY30) reflecting the operating leverage arising from revenue growth due to the nature of the business (high gross margins / capital light business model). The application of this terminal value growth rate and the discount rate implies a free cash flow multiple (on a controlling interest basis) of 12.5 times the projected (after tax) free cash flow in FY31 (which we consider reasonable).

DCF valuation and sensitivity analysis

- 154 The base case assumptions set out above reflect the base case assumptions adopted in the financial model. There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.
- 155 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 156 In assessing our valuation range we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

3PL DCF valuation – sensitivity analysis			
Variable	Base Case assumption	Sensitivity	Value range
	%	%	\$m
Revenue growth – APAC segment (p.a.)	3	2.5 – 3.5	140 – 160
Revenue growth – EMEA segment (p.a.)	5	4 – 6	143 – 158
Revenue growth – Americas segment (p.a.)	10 ⁽¹⁾	8 – 12 ⁽¹⁾	140 – 161
Incremental EBITDA margin ⁽²⁾ :			
– APAC segment	80	70 – 90	143 – 157
– EMEA segment	70	60 – 80	145 – 154
– Americas segment	60	50 – 70	143 – 157
Product development costs (p.a.)	13 - 14	+/- 1%	141 – 158
Discount rate (% p.a.)	11	10.5 – 11.5	140 – 162
Terminal value (% p.a.)	3	2.5 – 3.5	144 – 157

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Note:

- 1 From FY22 for five years, before reducing by 2.5% for balance of Forecast Period (i.e. to 7.5% in base case scenario).
 - 2 On additional revenue above that achieved in FY20.
-

157 Having regard to the above, we have assessed the DCF value of 3PL's business (on a cash and debt free basis), and prior to attributing a separate value to the NME contract and potential extensions, at between \$140 million and \$160 million.

Value attributed to NME contract and opportunity

158 As stated above, on 23 June 2020 3PL announced that it had been awarded a one year contract worth approximately US\$10 million (in revenue) to provide Mathletics licenses and professional development services to a NME in the Middle East.

159 The revenue under the NME contract of some A\$14.0 million³⁰ (which is expected to be generated in FY21) is therefore very significant when compared with 3PL's FY20 contract revenue of approximately A\$55 million (shown in paragraph 124). Accordingly, in our opinion, it is appropriate to separately consider the value implications of the NME contract.

160 Whilst the terms of the NME contract (and 3PL's profit margins on the contract) are commercially sensitive and cannot be disclosed in our report, the expected profit margins on the NME contract are high. This is consistent with our observations above that cloud based software companies such as 3PL are able to generate high profit margins on incremental sales due to the low costs of providing the software to new customers. The NME contract is therefore expected to be a significant profit contributor in FY21.

161 However, due to the short term nature of the initial contract, any future value creation beyond the initial 12 month term is dependent the award of further contracts. In this regard, we note that 3PL's ASX announcement dated 23 June 2020 stated that *"there is potential for the agreement to be renewed and expanded after that time"*.

162 3PL management have confirmed that any future contract with the NME (should that occur) is likely to involve a rollout of Mathletics to a significantly larger number of students than the initial contract³¹, and is therefore likely to generate significantly higher revenues for 3PL. However, the award of a further contract is inherently uncertain at this stage, and is dependent on (inter-alia) positive engagement on the platform by schools, teachers and students and government policy.

163 Nonetheless, given the level of investment being made by the NME during the initial 12 month term, in our opinion, it is possible that further contracts with the NME will be awarded. Furthermore, in our opinion, it would be unlikely that organisations such as the NME would seek to tender the provision of educational services on an annual basis.

³⁰ Based on the AUD:USD exchange rate as at 15 October 2020 of A\$1.00 = US\$0.71.

³¹ We understand that 3PL is likely to be required to produce an Arabic version of Mathletics as part of any contract extension.

- 164 However, deriving the current value of this future potential is difficult because, even if a further NME contract is awarded, the future term of such a contract, and the future revenues and profit margins are inherently uncertain. As such, any DCF analysis on this opportunity would be largely speculative.
- 165 For the purposes of this report therefore, our assessment of the value of the NME contract (including the potential for further contracts and expansion of the services provided therein) has been based on the movement in the listed market price of 3PL shares in the period leading up to and after the ASX announcement on 23 June 2020 of the award of the NME contract³², which is summarised below:

3PL – share trading						
Period	Low	High	Close	VWAP⁽¹⁾	Value traded	
	\$	\$	\$	\$	\$m	
1 month prior to 22 June 2020 ⁽²⁾	0.72	0.77	0.75	0.76	3.0	
1 month post 23 June 2020	0.74	1.10	1.03	0.90	9.5	
23 June 2020 to 13 August 2020 ⁽³⁾	0.74	1.17	1.10	0.97	26.2	

Note

- 1 Volume weighted average price (VWAP).
- 2 Being the last trading day prior to the announcement of the NME contract award.
- 3 Being the last trading day prior to the announcement of the Scheme.

- 166 Due to the volatility in the 3PL share price over the periods above we have placed most reliance on the VWAPs shown above³³. These indicate that the announcement of the NME contract award had between a \$0.14 and \$0.21 per share positive impact on the listed market price of 3PL shares³⁴.
- 167 After adjusting for a premium for control of 30% to 35%³⁵ (which recognises that the listed market price reflects a minority or portfolio interest value reference point, rather than a controlling interest value), this share market trading implies a value for the NME contract (including the potential for further contracts and expansion of the services provided therein) of between \$25 million to \$40 million, as shown below:

³² We note that there does not appear to have been any material ASX announcements made by 3PL during these periods other than the announcement of the NME contract award on 23 June 2020.

³³ We consider that the level of share trading during the relevant periods is sufficient to be reliable for the purposes of our analysis.

³⁴ Relevant to our analysis, we note that over the period from 23 June 2020 to 13 August 2020, the S&P/ASX 200 Index increased by around 2.3%.

³⁵ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2018. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

B Independent Expert's Report continued

3PL – implied value of NME contract from share price movements			
		Low	High
Observed increase in VWAP post announcement of NME contract	\$/share	0.14	0.21
Control premium	%	30.0	35.0
Controlling interest value per share	\$	0.18	0.28
Number of shares on issue	million	139.5	139.5
Implied value of NME contract	A\$m	25.4	39.5

168 However, as the NME contract is currently only a one year contract, we consider that the high end of the above implied value range attributes a value to the NME contract that is too high. Accordingly, we have adopted a range of \$25 million to \$35 million for valuation purposes.

169 This valuation range represents some 1.8 to 2.5 times the expected revenue from the NME contract in FY21. In our opinion, this is not unreasonable given that:

- (a) the profit margin on the NME contract is expected to be high
- (b) in our opinion, there is a reasonable probability of some contract renewal
- (c) it is possible that any further contract (should that occur) will involve a rollout of Mathletics to a significantly larger number of students than the initial contract³⁶, and is therefore likely to generate significantly higher revenues for 3PL than expected in FY21.

Net cash

170 As at 30 June 2020, 3PL had net cash of approximately \$27 million. However, the cash balance varies throughout the year and generally increases following the start of the Australian school year (as licence income is received), before declining from mid-year until the school year commences again³⁷.

171 Due to this seasonality, we have adopted net cash for valuation purposes of \$18.0 million (which is broadly consistent with the average net cash balance during the year).

Other assets / (liabilities)

172 We are not aware of any other assets which are surplus to the business operations of 3PL, nor any other liabilities which should be deducted from our assessed business value.

Share capital

173 As at 9 September 2020, 3PL had 139.5 million fully paid ordinary shares on issue. In addition, the Company had approximately 0.642 million performance rights on issue (of which 0.427 million will be converted to ordinary shares prior to implementation of the Scheme³⁸) and 6.9 million options on issue at exercise prices ranging between \$1.42 to \$1.75:

³⁶ We understand that 3PL is likely to be required to produce an Arabic version of Mathletics as part of any contract extension.

³⁷ The APAC segment accounted for approximately 61% of revenue from contracts with customers in FY20.

³⁸ The remaining performance rights will lapse.

3PL – options on issue			
Number	Exercise price	Grant date	Expiry date
688,331	\$ 1.42	31 Aug 17	31 Aug 21
2,644,509	1.42	09 Nov 17	31 Aug 21
691,562	1.75	23 Aug 18	23 Aug 22
<u>2,867,647</u>	1.75	09 Nov 18	23 Aug 22
<u>6,892,049</u>			

- 174 Pursuant to the terms of the Scheme, we understand that all of the options will lapse (as they are “out of the money”).
- 175 For valuation purposes we have therefore adopted fully diluted shares on issue of 139.9 million.

Value of 3PL

- 176 Given the above, we have assessed the value of 100% of the equity in 3PL on a controlling interest basis as follows:

3PL – valuation summary			
	Paragraph	Low \$m	High \$m
Value of business (excluding NME contract)	157	140.0	160.0
Value of NME contract and potential for extensions	168	25.0	35.0
Net cash	171	18.0	18.0
Equity value – controlling interest basis		<u>183.0</u>	<u>213.0</u>
Fully diluted shares on issue (million) ⁽¹⁾		<u>139.9</u>	<u>139.9</u>
3PL value per share – controlling interest basis		<u>\$1.31</u>	<u>\$1.52</u>

Implied revenue multiple

- 177 Due to the high proportion of revenue generated from recurring income streams (such as monthly or annual licence fees), the value of software companies is also often assessed as a multiple of recurring or total revenue.
- 178 As most ASX listed software companies did not report their ARR as at 30 June 2020, but generally have a high proportion of recurring income, we have considered the value of 3PL as a multiple of total revenue.
- 179 Given the materiality and short term nature of the existing NME contract (which we have valued separately above), we have calculated the enterprise value (EV) to revenue multiple for 3PL based on our assessed valuation range for the 3PL business excluding any value attributed to the NME contract and opportunity. This multiple (based on the mid-point of our assessed range) is shown below:

B Independent Expert's Report continued

3PL – implied revenue multiple

	A\$m
Mid-point of valuation range ⁽¹⁾	150.0
FY21 revenue ⁽²⁾	57.0
EV / revenue multiple	<u>2.6</u>

Note:

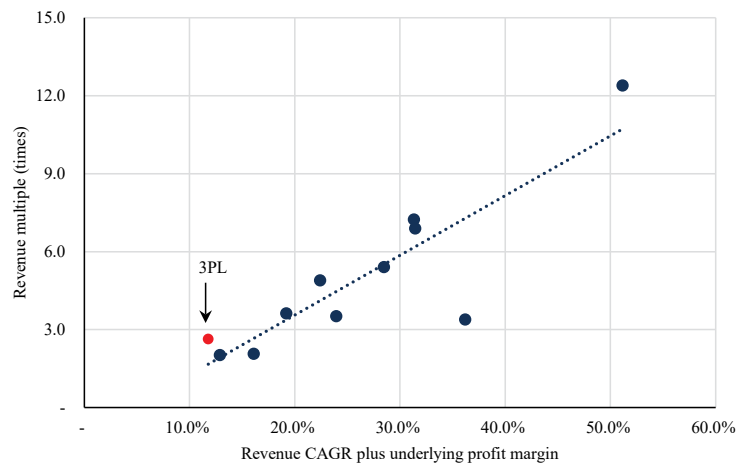
- 1 Excluding value attributed to NME contract and opportunity.
- 2 LEA base case forecast used in DCF valuation (excluding revenue from the NME contract).

- 180 There are many factors which can impact EV / revenue multiples. However, EV / revenue multiple differences between software companies often result from differences in (inter-alia):
- (a) the forecast revenue growth rate – as higher revenue growth (all other variables held constant) should result in a higher EV / revenue multiple compared to lower growth companies
 - (b) profit margins as a percentage of revenue – as companies generating higher profit margins per dollar of revenue should be valued higher than less profitable companies (all other variables held constant).
- 181 It should also be noted that some software companies trade on high revenue multiples even if they are not currently profitable. This is often because sales and marketing costs are elevated as the company focuses on growing its recurring customer base and revenue. Due to the high gross margins being generated, the market value of such companies reflects an expectation that high sales growth will result in high incremental profits as the business scales.
- 182 It is therefore important when considering revenue multiples for software companies to consider both the projected revenue growth and current profit margins. One common approach used by investment analysts which recognises the trade-off between current profitability and future revenue growth is referred to as the “Rule of 40”. In simple terms, the Rule of 40 states that a company’s revenue growth rate plus its profitability margin (as a percentage of revenue) should total more than 40%. It can also be used to rank software companies, as software companies with a higher combined score (i.e. projected revenue growth plus profit margin) should trade on higher revenue multiples.
- 183 Accordingly, we set out below for 3PL and selected ASX listed software companies with market capitalisations of less than A\$1 billion (being Hansen Technologies, Bravura Solutions, Jumbo Interactive, Integrated Research, Infomedia, MNF Group, Class Limited, Premium, Livetiles and Reckon)^{39 40}:
- (a) their respective FY21 revenue multiples (shown on the Y axis). For the purposes of this analysis, the market capitalisation of each ASX listed company has been increased to reflect a 32.5% premium for control (in order to estimate the controlling interest value of each company); and

³⁹ It should be noted that these companies do not provide educational software, and are therefore not directly comparable to 3PL.

⁴⁰ LEA also considered the revenue multiples for Whispir, Elmo Software and Livehire (but considered these outliers).

- (b) for each company, the sum of the projected compound annual growth rate (CAGR) in revenue (over the FY20 to FY23 period) and underlying profit margin (X axis).



Source: Bloomberg and listed company announcements.

- 184 As shown above, our valuation implies a relatively low FY21 revenue multiple for 3PL compared to the other ASX listed software companies. However, in our opinion, this is appropriate and reflects its modest expected revenue growth (in the absence of the NME contract) and relatively low combined score (i.e. projected revenue growth and current profit margin).

Comparison with share trading prior to announcement of Scheme

- 185 In order to cross-check our valuation of 3PL shares we have considered the listed market price of 3PL shares up to 13 August 2020 (being the last day of trading prior to the announcement of the Scheme), adjusted for a premium for control.
- 186 The VWAPs for 3PL shares in the one month period up to 13 August 2020, and in the period from 23 June 2020 (when 3PL announced the NME contract) up to 13 August 2020, were \$1.02 and \$0.97 respectively. Empirical evidence from research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover)⁴¹.

⁴¹ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2018. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

B Independent Expert's Report continued



187 Adding a 30% to 35% premium for control to these share prices would therefore result in a theoretical “control” value of \$1.26 to \$1.38 per share. While the high end of our assessed valuation range exceeds the high end of this theoretical “control” value, we note that it is not uncommon for premiums above 30% to 35% of the pre-bid market price to be paid, particularly in circumstances such as the proposed Scheme where the bidder (IXL) prima facie has the potential to generate significant operating synergies from an acquisition of the business operations of 3PL.

VII Evaluation of the Scheme

Summary of opinion

- 188 In our opinion the Scheme is fair and reasonable in the absence of a superior proposal.
- 189 Generally, in our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders taken as a whole. This is because if the Scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 190 We therefore consider that the Scheme is also “in the best interests” of 3PL shareholders taken as a whole.
- 191 Notwithstanding the above, as noted in paragraphs 201 to 208, we consider that an assessment of whether the Scheme is “in the best interests” of **individual** 3PL shareholders will primarily depend on the individual risk profile of 3PL shareholders regarding the potential future outcomes associated with the NME contract and other enterprise sales opportunities.
- 192 Further detail regarding the reasons for the above opinions is set out below.

Assessment of the Scheme

Value of 3PL

- 193 As set out in Section VI we have assessed the value of 3PL between \$1.31 and \$1.52 per share.

Value of Scheme Consideration

- 194 If the Scheme is approved and implemented, 3PL shareholders will receive \$1.35 cash for each 3PL share they hold on the Scheme Record Date.

Fairness

- 195 Pursuant to RG 111 the Scheme is “fair” if the value of the Scheme Consideration is equal to, or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scheme Consideration to value of 3PL			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Scheme Consideration	1.35	1.35	1.35
Value of 100% of 3PL	1.31	1.52	1.42
Extent to which the Scheme Consideration exceeds (or is less than) the value of 3PL	0.04	(0.17)	(0.07)

- 196 As the Scheme Consideration lies within (albeit at the lower end of) our assessed valuation range for 3PL shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to 3PL shareholders when assessed based on the guidelines set out in RG 111.

B Independent Expert's Report continued

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Reasonableness

197 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Scheme Consideration is also reasonable.

In the best interests

198 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.

199 Generally, in our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because, if the Scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.

200 We therefore consider that the Scheme is also “in the best interests” of 3PL shareholders taken as a whole.

201 Notwithstanding this opinion, we consider that an assessment of whether the Scheme is “in the best interests” of **individual** 3PL shareholders will primarily depend on the individual risk profile of 3PL shareholders regarding the potential future outcomes associated with the NME contract or other similar enterprise sales opportunities (discussed below).

202 As noted in Section V, on 23 June 2020, 3PL announced that it had been awarded a one year contract worth approximately US\$10 million (in revenue) to provide Mathletics licenses and professional development services to a NME in the Middle East.

203 The revenue under the NME contract of some A\$14.0 million⁴² (which is expected to be generated in FY21) is very significant when compared with 3PL's FY20 contract revenue of approximately A\$55 million.

204 Due to the short term nature of the initial NME contract, any future value creation beyond the initial 12 month term is dependent on the award of a further contract. In this regard, we note that 3PL's ASX announcement dated 23 June 2020 stated that “*there is potential for the agreement to be renewed and expanded after that time*”.

205 Further, 3PL management have advised that it is likely that any further contract (should that occur) will involve a rollout of Mathletics to a significantly larger number of students than the initial contract⁴³, and is therefore likely to generate significantly higher revenues for 3PL than expected in FY21.

206 Our valuation of 3PL shares above attributes a value to the NME contract and related future opportunities of between \$25 million and \$35 million, which implicitly includes some value for the possibility that 3PL may be awarded a further contract with the NME. Whilst our

⁴² Based on the AUD:USD exchange rate as at 15 October 2020 of A\$1.00 = US\$0.71.

⁴³ We understand that 3PL is likely to be required to produce an Arabic version of Mathletics as part of any contract extension.

value range exceeds the expected significant profit contribution from this contract in FY21⁴⁴, it also reflects the inherent uncertainty associated with whether a further contract will be awarded.

- 207 Accordingly, 3PL shareholders should note that the value of 3PL shares is likely to exceed our valuation range should 3PL successfully enter into further medium to long term contracts in future to provide its software and related services to the NME or as a result of other similar enterprise sales opportunities. Those 3PL shareholders who consider that this is likely, and are prepared to accept the significant risks associated with such further NME contracts, may therefore consider that the Scheme is not in their best interests.
- 208 In contrast, risk averse shareholders are likely to form the view that the Scheme is in their best interests because it provides a certain cash sum as consideration, which also reflects (in our view) some value for the possibility that further NME contracts may be secured and that the services provided under possible future contracts may be expanded.

Other matters

- 209 In assessing whether the Scheme is reasonable and in the best interests of 3PL shareholders LEA has also considered, in particular:
- (a) the extent to which a control premium is being paid to 3PL shareholders
 - (b) the extent to which 3PL shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (c) the listed market price of the shares in 3PL, both prior to and subsequent to the announcement of the proposed Scheme
 - (d) the likely market price of 3PL securities if the proposed Scheme is not approved
 - (e) the value of 3PL to an alternative offeror and the likelihood of a higher alternative offer being made for 3PL prior to the date of the Scheme meeting
 - (f) the advantages and disadvantages of the Scheme from the perspective of 3PL shareholders
 - (g) other qualitative and strategic issues associated with the Scheme.

210 These issues are discussed in detail below.

Extent to which a control premium is being paid

- 211 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares⁴⁵ three months prior to the announcement of the bid (assuming no

⁴⁴ Cloud based software companies such as 3PL are able to generate high profit margins on incremental sales due to the relatively low costs of providing the software to new customers.

⁴⁵ After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

B Independent Expert's Report continued

speculation of the takeover is reflected in the pre-bid price)⁴⁶. This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

212 We have calculated the premium implied by the Scheme Consideration by reference to the market prices of 3PL shares (as traded on the ASX) for periods up to and including 13 August 2020 (being the trading day prior to the announcement of the proposed Scheme).

213 As 3PL announced that it had been awarded the NME contract (which is a material contract) before ASX trading commenced on 23 June 2020, in our opinion, it is appropriate to consider the share trading and VWAP of 3PL shares following this announcement. No further market sensitive announcements were made by 3PL between 23 June 2020 and 13 August 2020.

214 On this basis, the implied offer premium relative to 3PL share prices up to 13 August 2020 is shown below:

Implied offer premium relative to recent 3PL share prices		
	3PL share price AS\$	Implied offer premium ⁽¹⁾ %
Scheme Consideration	1.35	
Closing share price on:		
13 August 2020 (the last trading day prior to the announcement of the proposed Scheme)	1.10	22.7
VWAP:		
1 month up to and including 13 August 2020	1.02	32.4
23 June 2020 up to and including 13 August 2020	0.97	39.2

215 In our opinion, more regard should be had to the VWAPs above rather than the share price on a single day. Having regard to the VWAPs, we note that the Scheme Consideration provides

⁴⁶ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2018. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

3PL shareholders with a premium that is consistent with observed premiums generally paid in comparable circumstances.

Extent to which 3PL shareholders are being paid a share of synergies

216 IXL has made the following statement in the Scheme Booklet:

“Following implementation of the Scheme, IXL intends to undertake a review of 3PL’s operations, assets and structure with a view to identifying potential areas where 3PL’s business can be enhanced with the support of, and as a member of, the IXL Group. In undertaking this review, IXL intends to explore potential efficiencies across 3PL’s business where it is commercially appropriate to do so. IXL does not believe that it has a reasonable basis to speculate as to what the value of these potential efficiencies (if any) is likely to be.”

217 Notwithstanding the above, we note that IXL provides an integrated digital learning platform that effectively supports personalised learning in mathematics, English, arts, science, social studies and Spanish to more than 10 million students around the world. Due to the complementary nature of the business operations of both IXL and 3PL, in our view, it is reasonable to assume that IXL will be able to generate meaningful synergies as a result of acquiring 3PL.

218 However, as noted above, the Scheme Consideration (whilst “fair” under RG 111) is towards the lower end of our standalone valuation range. Prima facie, this implies that 3PL shareholders are only receiving a relatively modest share of the potential synergy benefits likely to accrue to IXL from its proposed acquisition of 3PL.

Recent share prices subsequent to the announcement of the Scheme

219 Shareholders should note that 3PL shares have traded on the ASX in the range of \$1.21 to \$1.44 per share in the period since the Scheme was announced up to 16 October 2020. However, the high price of \$1.44 only occurred on 14 August 2020 (being the day of the announcement of the Scheme). Since that date up to 16 October 2020, 3PL shares have traded within a narrower range of between \$1.21 and \$1.345 per share. These recent share prices are lower than the Scheme Consideration and suggest that the market consensus view is that a superior offer or proposal is unlikely to emerge.

Likely price of 3PL shares if the Scheme is not implemented

220 If the Scheme is not implemented (and in the absence of a superior proposal) we expect that, at least in the short term, 3PL shares will trade at a significant discount to our valuation and the Scheme Consideration, due to the difference between the value of 3PL shares on a portfolio basis and their value on a 100% takeover basis. As stated above, the VWAP of 3PL shares in the one month period prior to the announcement of the Scheme was \$1.02 per share (some 24.4% lower than the Scheme Consideration).

221 If the Scheme is not implemented (and in the absence of a superior proposal) those 3PL shareholders who wish to sell their 3PL shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Scheme.

B Independent Expert's Report continued

Likelihood of an alternative offer

222 We have been advised by the Directors of 3PL that no formal alternative offers have been received subsequent to the announcement of the Scheme.

223 Nonetheless, there remains the possibility of a third party tabling an alternative proposal to acquire 3PL prior to the date of the Scheme meeting. However, as stated above, no alternative offer has been received since the date of the announcement of the Scheme.

Summary of opinion on the Scheme

224 We summarise below the likely advantages and disadvantages for 3PL shareholders if the Scheme proceeds.

Advantages

225 The Scheme has the following benefits for 3PL shareholders:

- (a) the Scheme Consideration of \$1.35 cash per share is consistent with (albeit at the lower end of) our assessed value range for 3PL shares on a 100% controlling interest basis
- (b) the Scheme Consideration represents a significant premium to the recent market prices of 3PL shares prior to the announcement of the Scheme. Furthermore, the premium is consistent with observed premiums generally paid to target company shareholders in comparable circumstances
- (c) if the Scheme does not proceed, and in the absence of a superior proposal or significant enterprise sales (such as the contract secured with the NME), the price of 3PL shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the portfolio nature of individual shareholdings.

Disadvantages

226 3PL shareholders should note that if the Scheme is implemented they will no longer hold an interest in 3PL. 3PL shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Scheme Consideration.

227 In this regard, 3PL shareholders should note that the value of 3PL shares is likely to exceed our valuation range should 3PL successfully enter into further medium to long term contracts in future to provide its software and related services to the NME, or as a result of other similar enterprise sales opportunities. Those 3PL shareholders who consider that this is likely, and are prepared to accept the significant risks associated with possible further contracts, may therefore consider that the Scheme is not in their best interests.

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to 3PL shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$90,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

B Independent Expert's Report continued

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Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 26 years and 34 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of 3PL to accompany the Scheme Booklet to be sent to 3PL shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of 3PL shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with 3PL or IXL prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, 3PL agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of 3PL which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

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Appendix C

Assessment of appropriate discount rate

- 1 The determination of the discount rate or cost of capital for an asset requires identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the asset.
- 2 The discount rate applied to the projected cash flows from an asset represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset.
- 3 Businesses are normally funded by a mix of debt and equity. The weighted average cost of capital (WACC) is a widely used and accepted basis to calculate the "representative" rate of returns required by debt and equity investors. The required rate of return for equity is frequently evaluated using the capital asset pricing model (CAPM) and the required rate of return for debt funding is determined having regard to various factors such as current borrowing costs and prevailing credit ratings. The cost of equity and the cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.
- 4 Consequently, we set out below an explanation of:
 - (a) the WACC and its elements (including the CAPM, its application in determining the cost of equity, the cost of debt and debt equity mix)
 - (b) our assessment of the appropriate parameters to be used in determining the discount rate to apply.

Weighted average cost of capital

- 5 The generally accepted WACC formula is the post-tax WACC, without adjustment for imputation⁴⁷ as shown below:

WACC formula

$$WACC = R_e \frac{E}{V} + R_d (1 - t) \frac{D}{V}$$

where:

R_e = expected equity investment return or cost of equity in nominal terms

R_d = interest rate on debt (pre-tax)

t = corporate tax rate

E = market value of equity

D = market value of debt

V = market value of debt plus equity

⁴⁷ Given free capital flows between developed countries and the small size of the Australian stock market (as a percentage of global markets), the cost of capital of listed companies (other than perhaps regulated infrastructure assets) should be assessed in a global context ignoring Australian imputation. This is the approach generally adopted by independent experts.

CAPM and the cost of equity

- 6 The CAPM stems from the theory that a prudent investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. The CAPM assumes that there is a positive relationship between risk and return. That is, rational investors are risk averse and demand higher returns for accepting higher levels of risk.
- 7 The CAPM is based on the concept of non-diversifiable risk and calculates the cost of equity as follows:

Cost of equity calculation

$$R_e = R_f + \beta_e [E(R_m) - R_f]$$

where:

- R_e = expected equity investment return or cost of equity in nominal terms
- R_f = risk-free rate of return
- $E(R_m)$ = expected market return
- $E(R_m) - R_f$ = market risk premium (MRP)
- β_e = equity beta

- 8 The individual components of the CAPM are discussed below.

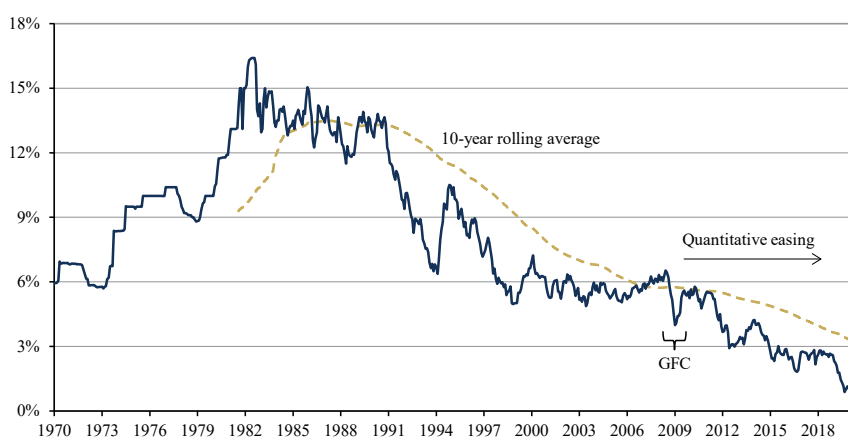
Risk-free rate

- 9 The risk-free rate is the theoretical rate of return on an investment with no risk of financial loss (provided the investment is held to maturity). It represents the return that an investor would expect to receive from a “completely” risk-free investment over a given period of time.
- 10 The risk-free rate is normally approximated by reference to a long-term government bond with a maturity equivalent to the timeframe over which the returns from the assets being valued are expected to be received. Typically in the Australian context, the yields on long-term Commonwealth Government Bonds (CGBs) are used as a proxy for the long-term risk-free rate.
- 11 However, when assessing the appropriate long-term risk-free rate for the purposes of calculating the cost of equity capital it should be noted that the yields currently prevailing on long-term CGBs are well below historical levels (as shown in the chart below):

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Australian government bond yield – nominal 10-year bonds
Monthly data, January 1970 to July 2020



Note: 20-year CGBs and 30-year CGBs were only issued in November 2013 and October 2016, respectively.
Source: Bloomberg.

- 12 In our view, the risk-free rate and the MRP should be assessed in conjunction with each other. This is because, inter alia, the historical MRP is based on the prevailing risk-free rate at the time and that rate varies. Accordingly, the application of current (very low) CGB yields and the long-term average MRP is inappropriate in the context of determining long-term required equity rates of return (discount rates).
- 13 To address this issue, two approaches are generally adopted:
- (a) **Method 1** – calculate WACC using the current CGB yield and an implied MRP that is higher than that derived from the long-term average of historical excess returns (i.e. the rate of return over and above the risk-free rate estimated by CGB yields⁴⁸)
 - (b) **Method 2** – calculate WACC using a “normalised” risk-free rate based on historical averages and an MRP that is based on the observed long-term average of historical excess returns.

⁴⁸ Given the very long-term nature of the measurement, the impact of quantitative easing and other post-global financial crisis (GFC) type government stimulus measures is significantly “averaged” out.

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- 14 Method 1 recognises the fact that current abnormally low interest rates coincide with heightened economic uncertainties⁴⁹ and/or increased investor risk aversion. However, this approach is difficult to apply in practice because it is difficult to reliably measure short-term changes in the ex-ante MRP.
- 15 We have therefore adopted the second approach, and have adopted a long-term risk-free rate in Australia of 3% per annum.
- 16 Our adopted risk-free rate is higher than the yield on the 31-year CGB of approximately 1.82% as at 27 August 2020⁵⁰. However, this is consistent with current market practice, which is to apply a normalised risk-free rate having regard to a mix of historical averages and current spot rates. (as evidenced by the table in paragraph 31 below).
- 17 We also note that corporate Australia has generally been reluctant to lower required rates of return notwithstanding the reduction in CGB yields. For example:
- (a) Wesfarmers CFO Anthony Gianotti stated in November 2019 that *“it was reluctant to ‘bank in’ historically low interest rates into its long-term investment view”*⁵¹
 - (b) Woodside Petroleum finance chief Sherry Duhe stated in November 2019 that *“it was too soon to start rethinking hurdle rates”*⁵²
 - (c) in October 2019, AGL Energy CFO Damien Nicks stated that AGL’s hurdle rates had not changed as a result of the recent reduction in government bond yields⁵³
 - (d) in October 2019, Lendlease Chairman Michael Ulmer said *“the company’s weighted average cost of capital was driven by equity and debt returns, and hadn’t changed in any way that ‘is significantly changing the ball game’”*⁵⁴.
- 18 We also note that investors have generally required a higher rate of return on CGBs relative to US Government bonds (30 year US Government Bonds yield approximately 1.5% per annum on 27 August 2020).
- 19 Whilst regulatory bodies in Australia generally favour the use of current CGB yields for the risk-free rate (rather than longer term averages or adjusted risk-free rates), it should be noted that these regulatory bodies are not assessing the appropriate risk-free rate in the context of the long-term rate of return required by debt and equity investors (but rather the risk-free rate

⁴⁹ This is particularly the case in Australia at the present time given that Australia’s economic growth is linked with China’s growth as it has been the engine of growth for Australia and the world during the post-GFC period. As the expectation of economic growth in China tapers off and the associated mining boom in Australia ceases, there are uncertainties as to what will drive domestic growth in Australia going forward. The ongoing uncertainty in regard to the Australian economy and the global economy, and highly expansionary monetary policy adopted in other developed economies, has contributed to both the Reserve Bank of Australia (RBA) maintaining the cash rate at record lows and the observed low CGB yields.

⁵⁰ The longest term CGB currently on issue. Source: Australian Financial Review, 28 August 2020.

⁵¹ Source: The Australian (8 November 2019) *Changing hurdle rates is ‘a danger’*.

⁵² Ibid.

⁵³ Source: The Australian Financial Review (30 October 2019) *CEOs blame investors, banks for high hurdle rates*.

⁵⁴ Ibid.

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likely to prevail over a relatively short five-year period, which is then subject to change depending on market conditions at that time). As a result, the risk-free rates adopted by regulatory authorities in Australia are therefore not necessarily the appropriate risk-free rates to adopt when determining the appropriate discount rate for a business.

Market risk premium

- 20 The MRP represents the additional return above the risk-free rate that investors require in order to invest in a well-diversified portfolio of equity securities (i.e. the equity market as a whole). Strictly speaking, the MRP is equal to the expected return from holding shares over and above the return from holding risk-free government securities. Since expected returns are generally not observable, a common method of estimating the MRP is to average realised (ex-post) returns over a long period.
- 21 In assessing the MRP, it is necessary to recognise that the MRP is a forward-looking concept. It is an expectation, which cannot be directly observed and needs to be estimated. We have also had regard to the MRP adopted by Australian Regulators, as discussed below.

MRP – historic excess returns

- 22 Various academic studies put the historical MRP of the Australian equity market in a wide range from 5% to 7% depending on the historical period chosen, whether the MRP is measured relative to bills or bonds, and whether an arithmetic or geometric mean is used. However, the risk-free rate of return that was used to derive the MRP in those studies was, on average, significantly above both current levels and the 3% risk-free rate adopted above. Because realised rates of return, especially for shares, are highly volatile over short periods, short-term average realised rates of return are unlikely to be a reliable estimate of the expected rate of return or MRP. Consequently the MRP should be measured over a long period of time. It should also be noted that the standard error of the estimate of the mean for longer periods is typically lower than the standard error of the mean where a shorter period is used. This supports more reliance being placed on the average MRP calculated over the longer term. However, some authors have raised concerns regarding the poor quality of the data available for periods prior to 1958.
- 23 A study of the MRP in Australia by Brailsford et al. analysed data for the period from 1883 to 2005 (inclusive), and this was later updated for the period 1883 to 2010⁵⁵.
- 24 In October 2015, the Australian Competition and Consumer Commission (ACCC) released their final decision regarding the prices that other operators pay to use Telstra's copper network to provide telecommunication services to consumers. In this final decision the ACCC adopted an MRP of 6%⁵⁶, having regard to empirical evidence on long-term average of historical excess returns published by Brailsford et al. and updated by the Australian Energy Regulator (AER), as well as survey evidence by market practitioners. The AER has since updated the data to the end of 2018 as shown below:

⁵⁵ Brailsford et al. (2012) *The historical equity risk premium in Australia: post-GFC and 128 years of data*.

⁵⁶ Source: ACCC (2015) *Public inquiry into final access determinations for fixed line services - Final Decision* pages 75-76.

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Australia's MRP – historical excess returns			
Sampling period	Years	Arithmetic average %	Geometric average %
1883 – 2018	136	6.2	4.9
1937 – 2018	82	5.9	4.1
1958 – 2018	61	6.4	4.1
1980 – 2018	39	6.2	4.1
1988 – 2018	31	5.8	4.3

Source: AER (2019) *Rate of return: annual update*.

- 25 The AER provides both arithmetic and geometric averages and comments that,
- “... we give more weight to the arithmetic average than the geometric, but use the geometric average to highlight when high returns over certain periods may be driven primarily by high volatility and to set a floor when viewing the range of potential results ... We consider using both together is more likely to lead to an unbiased estimate of the MRP than exclusive use of either method”⁵⁷.
- 26 A new set of Australian dividend yield data was released in 2019 by the RBA. The RBA data covers the period 1917 to 1979. When combined with data from Datastream for the period 1980 to 2019, the average MRP based on the RBA's data is around 4% based on the geometric mean and around 5% based on the arithmetic mean⁵⁸.
- 27 The returns calculated by the AER and the RBA do not included the impact of franking credits, which were introduced in Australia in July 1987. Bishop et al. (2018) have published MRP data for Australia including the impact of franking credits, as shown below:

Australia's MRP – historical excess returns			
Sampling period	Years	Excluding franking credits	Including franking credits
		%	%
1883 – 2017	135	6.5	6.9
1938 – 2017	80	5.7	6.2
1958 – 2017	60	6.0	6.9
1978 – 2017	40	6.6	7.8
1998 – 2017	20	5.4	6.7

Source: Bishop et al. (2018) *Market risk premium: Australian evidence*. Table 8.

- 28 Bishop et al. (2018) provide only the arithmetic average which, in their view, is more appropriate when considering expectations formed on historical data because it weights the inputs equally.

⁵⁷ Source: AER (2018) *Rate of return instrument – Explanatory statement* page 250.

⁵⁸ Source: RBA (2019) *A history of Australian equities* (Research Discussion Paper 2019-04).

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MRP – Survey data

- 29 Survey estimates explore investor expectations about the MRP. They achieve this by directly asking investors and market practitioners what their expectations are and/or what they apply in practice. The AER in its 2018 *Rate of return instrument – Explanatory statement*, reviewed evidence from relevant surveys. We have updated their results for two more recent surveys. The mean and median MRP across the more recent surveys is supportive of an MRP of 6.5% as indicated in the table below:

Australia's MRP – survey results				
Survey: Author and publication date	Survey date	Number of responses	Mean %	Median %
Fernandez et al. (2013)	May–Jun 12	73	5.9	6.0
KPMG (2013) ⁽¹⁾	na	19	na	6.0
Fernandez et al. (2013)	May–Jun 13	17	6.8	5.8
Asher and Hickling (2013)	Sep 13	46	4.8	5.0
Fernandez et al. (2014)	May–Jun 14	93	5.9	6.0
Asher and Hickling (2015)	Dec 14	27	4.4	4.6
Fernandez et al. (2015)	Mar–Apr 15	40	6.0	5.1
KPMG (2015) ⁽²⁾	na	27	na	6.0
Asher and Carruthers (2016)	Dec 15	29	4.9	na
Fernandez et al. (2016)	Apr 16	87	6.0	6.0
Carruthers (2017)	Nov 16	24	5.3	na
Fernandez et al. (2017)	Mar–Apr 17	26	7.3	7.6
KPMG (2017)	na	45	na	6.0
Fernandez et al. (2018)	Mar–Apr 18	74	6.6	7.1
KPMG (2018)	Jul–Sep 18	56	5.5	6.0 to < 6.5
Fernandez et al. (2019)	Feb–Mar 19	54	6.5	6.1
KPMG (2020)	Oct 19	59	5.9	na
Fernandez et al. (2020)	Feb–Mar 20	37	7.9	6.2

Note:

- 1 The survey had 23 participants, however only 19 specified the MRP they used.
 - 2 The survey had 29 participants, however it appears that only 27 specified the MRP they used.
- na – not available.

Source: AER (December 2018) *Rate of return instrument – Explanatory statement* page 271; Fernandez (2019) *Market risk premium and risk-free rate used for 69 countries in 2019*; KPMG (2018) *Valuation practices survey 2018*; KPMG (2020) *Valuation practices survey 2019*; Fernandez (2020) *Market risk premium and risk-free rate used for 81 countries in 2020*.

- 30 Having regard to all of the above, we have adopted a long-term MRP of 6.5%.

Total market return

- 31 Our risk-free rate and MRP implies a required total market rate of return of 9.5% per annum (being a risk-free rate of 3% plus an MRP of 6.5%). Given that the risk-free rate and MRP should be assessed in conjunction with each other, we set out below a summary of the required total market returns adopted by investment banks, stockbrokers and large corporate valuation companies:

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Risk-free rate and MRP – Australia				
Company	Report date	Risk-free rate %	MRP %	Total equity return %
BDO	Apr 20	1.5	6.0	7.5
Bell Potter	May 20	2.0	6.0	8.0
Citi	May 20	2.0	7.5	9.5
Credit Suisse	May 20	3.0	6.0	9.0
Goldman Sachs	May 20	3.5	6.0	9.5
Grant Samuel	Oct 19	4.0	6.0	10.0
Grant Thornton	Mar 20	3.0	5.5	8.5
JP Morgan	Apr 20	3.5	6.0	9.5
KPMG	Apr 20	3.1	6.0	9.1
Macquarie	May 20	2.3	5.0	7.3
Morgan Stanley	May 20	5.5	5.5	10.5
Morgans	May 20	3.0	6.0	9.0
PricewaterhouseCoopers Securities	Oct 19	3.75	6.0	9.75

Source: Selected independent expert reports and stockbroker analyst reports.

- 32 As indicated above:
- the majority of investment banks, stockbrokers and large corporate valuation companies apply a risk-free rate for valuation purposes that exceeds the current long term CGB yield
 - the required total market return implied by the variables adopted by the investment banks, stockbrokers and large corporate valuation companies is broadly consistent with our own assessment (albeit our own view is toward the high end of the range adopted by other valuers).
- 33 Whilst, prima-facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience, such investors have not reduced their required rates of return by the full extent of the fall in risk-free rates. Accordingly, in our opinion, it is appropriate to adopt an MRP of 6.5% (toward the upper end of the empirical studies) when used in conjunction with our risk-free rate of 3% per annum.
- 34 Given the above, we consider that the risk-free rate and MRP adopted by us is reasonable and appropriate in the context of long-term required returns / discount rate assessments.

Equity beta

Description

- 35 Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the expected return on the market as a whole. A beta greater than 1.0 suggests that an investment's returns are expected to be more volatile and risky than average (and accordingly a higher return than the market is required), whereas a beta less than 1.0 suggests that future returns will be less volatile and risky.

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- 36 Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies and relevant industry sectors and a qualitative assessment of the systematic risks of the subject business are also considered. The determination of the appropriate beta to apply is, therefore, ultimately a matter of judgement.
- 37 In determining the appropriate equity beta for 3PL, we have considered (inter-alia):
- (a) the risks faced by Australian software and services companies generally
 - (b) the risks associated with the business of 3PL
 - (c) the beta estimates for comparable software companies and the relevant sector; and
 - (d) the beta estimates for 3PL.

Risk factors of 3PL

- 38 We have considered the key business risks associated with 3PL which are summarised below⁵⁹:
- (a) market risks – the continual focus on product innovation and change required to keep pace with competitors and new entrants to the market. Consequently, continual investment in product development and software is required⁶⁰
 - (b) competition risks – it is a highly competitive industry, with a large number of online education participants targeting the school K-12 segment, many with significant resources and access to capital
 - (c) product risks – the Company has distribution rights to products owned by Blake ELearning Pty Limited (Reading Eggs, Reading Eggspress, Wordflyers or Mathseeds), but does not own the intellectual property rights to them. However, the contractual distribution rights enjoyed by the Company do not expire
 - (d) technology risks – the Company's technology platforms and systems might be disrupted by new technologies or potential obsolescence which may impact its reputation, ability to generate income and financial performance
 - (e) privacy and data security risks – as a technology-focused education business, compliance with privacy and data security legislation in relation to managing information security and safeguarding customer and student data remains a paramount key consideration and impacts the approach and decisions made by the Company. Data storage in this regard is taken very seriously by the Company and it places the highest priority on ensuring its security

⁵⁹ Source: 3PL 2020 Annual Report, page 4.

⁶⁰ The Company spent some \$14 million in product development and software in the year ended 30 June 2020 (representing some 25.5% of revenue), and a similar level of investment is expected to continue in order to ensure 3PL's products remain in demand. Source: 3PL Investor & Analyst Briefing for the year ended 30 June 2020, page 16.

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- (f) revenue risk – the global school K-12 market is driven by schools’ ability to fund the purchase of education technology for their students. Therefore, a significant decline in school funding in any market could result in reduced demand for the Company’s products (as evident by the recent performance in the Americas segment)
- (g) commercial contractual risk – during the year, the Company entered into an agreement with a NME customer in the Middle East region. As this is a material contract with a foreign owned government body, there are increased liability risks due to potential breach of contract, claims, disputes or litigation and increased business risk such as failure to build strong relationships or failure to meet contractual objectives
- (h) exchange rate risk – volatility in exchange rates can impact the Company’s ability to maintain or grow margins. However, to a significant extent the Company’s business currently enjoys natural hedges. Consequently, the 3PL Board is of the view that the exchange rate risk is mitigated by the Company’s natural hedges to an economically acceptable level.

Betas of comparable companies

39 In order to assess the appropriate equity beta for 3PL for the purposes of our calculations, we have also had regard to the equity betas of Australian software companies listed on the ASX compared with 3PL as shown below:

Listed company betas – software and services industry				
Company	Company type	MCap ⁽¹⁾ A\$bn	Rozetta Technology beta ⁽²⁾	Rozetta Technology r-squared ⁽³⁾
3PL	Online educational programs	0.1	0.93	0.06
Xero	Online accounting and business services platform	9.6	1.42	0.24
Wisetech Global	Cloud based software solutions	5.4	3.07	0.26
Altium	Software development for electronic products design	3.7	2.21	0.29
Technology One	Software provider	2.5	0.82	0.08
Appen	Language technology data and services	2.4	2.66	0.23
Iress	Financial services software	1.8	1.60	0.37
Bravura Solution	Administration and management software	0.9	1.18	0.11
Pushpay Holdings	Donor management system	0.9	0.92	0.05
Jumbo Interactive	Internet lottery business	0.6	1.59	0.10
Hansen Technologies	Billing systems software	0.6	0.85	0.05
Nearmap	Geospatial map technology	0.5	0.97	0.03
Infomedica	Technology services developer	0.5	0.80	0.07
Integrated Research	Systems and applications management software	0.4	0.77	0.04
MNF Group	Voice, data, and cloud based communication	0.4	0.54	0.03
Elmo Software	Cloud-based HR, payroll, rostering & attendance software	0.3	0.67	0.04
Vista Group Int'l	Film industry software solutions	0.2	1.14	0.11

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Listed company betas – software and services industry				
Company	Company type	MCap ⁽¹⁾ A\$bn	Rozetta Technology beta ⁽²⁾	Rozetta Technology r-squared ⁽³⁾
Serko	Travel and expense technology solutions	0.2	1.91	0.29
Livetiles Class	Global workplace software Cloud-based administration software solutions	0.1	1.12	0.03
Praemium	Scalable managed accounts technology	0.1	1.54	0.12
Reckon	Accounting / bookkeeping software solutions	0.1	2.37	0.19
Livehire ⁽⁴⁾	Cloud-based online human resources productivity platform	0.1	0.41	0.01
		-	1.72	0.16

Note:

- 1 Market capitalisation as at 31 March 2020.
- 2 The OLS beta as at 31 March 2020, being the most current data available from Rozetta as at the date of our analysis, based on 48 monthly returns unless noted otherwise. The share trading in March 2020 has been excluded from the analysis as it reflects the additional volatility caused by the COVID-19 pandemic.
- 3 The r-squared value measures (in simple terms) the reliability of the beta estimate, and ranges between zero (low reliability) and one (high reliability). A low r-squared value indicates that company specific factors (rather than the market return) is a key driver of the volatility of returns. As a result, more reliance is usually placed on sector or industry betas which tend to have a higher correlation with market returns (and are therefore a better measure of relative risk than company betas).
- 4 Market capitalisation of Livehire Ltd as at 31 March 2020 is \$35 million.
na – not available.

- 40 The above comparable betas vary widely which reflects differences in size, leverage, stage of development and operational risks. None of the other listed companies are directly comparable to 3PL and many are much larger in size. However, we note that the betas of these companies are generally around / greater than the average market beta of 1.0, indicating a similar / greater level of systematic risk for software and services operations generally.
- 41 It should be noted that as the equity beta is a function of both business risk and financial risk (being the level of financial leverage or gearing), the above equity betas are levered betas and theoretically would need to be adjusted to reflect the different levels of gearing. However, this adjustment is subject to considerable estimation error. For example, gearing ratios are normally calculated at a point in time and therefore may not reflect the target or optimal capital structures of comparable companies in the long run. In addition, gearing ratios typically change over time. Further, the practice of adjusting equity betas for the difference in financial leverage also gives a misleading impression that the process provides precise comparable beta estimates.
- 42 Nevertheless, we have considered the following in determining the appropriate equity betas for 3PL:

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- (a) the difference in gearing levels of comparable companies where these levels differ significantly
- (b) the current gearing levels of 3PL (which are nil) and the long-term gearing levels that we consider appropriate.

Historical betas of 3PL relative to sector beta

- 43 The table below shows the historical beta estimates of 3PL, and the betas for the Australian software and services industry:

Data period Ended	3PL		Software and services sector	
	beta ⁽¹⁾	r-squared ⁽¹⁾	beta ⁽¹⁾	r-squared ⁽¹⁾
31 March 2020 ⁽²⁾	0.93	0.06	1.53	0.63
31 March 2019	1.34	0.13	1.18	0.54
31 March 2018	1.70	0.19	1.03	0.51
31 March 2017	1.84	0.24	0.94	0.46

Note:

- 1 The ordinary least squares beta, based on 48 monthly returns.
- 2 Being the most current data available as at the date of our analysis, based on 48 monthly returns unless noted otherwise. The share trading in March 2020 has been excluded from the analysis as it reflects the additional volatility caused by the COVID-19 pandemic.

Source: Rozetta Technology.

- 44 The betas of individual stocks, including 3PL, are significantly less reliable than the beta of the software and services industry (as evidenced by the low r-squared values of individual companies). Accordingly, we believe most reliance should be placed on the industry or sector betas.
- 45 However, as noted above, the beta for the Australian software and services industry has also been highly volatile over recent years. Accordingly, we have also considered the following sector betas derived from the US market:

US sector betas – software			
	No. of companies in sector	Geared beta	Ungeared beta
Software (Entertainment)	86	1.29	1.25
Software (Internet)	30	1.67	1.45
Software (System & Application)	363	1.20	1.12

Source: pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html.

- 46 In our opinion, the US sector betas are likely to be more reliable measures of relative risk than the Australian industry betas due to (inter-alia) the greater size and liquidity of the US capital markets. As noted above the US sector betas for software (system and application) are

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derived from the market returns on 363 listed software companies, which reduces the impact of any one company's share price performance on the beta estimate.

Conclusion

- 47 Having regard to the above, and in particular the reliability of the beta estimates, the long-term beta estimates of the relevant sector / industry and the relative volatility of 3PL, we have adopted an equity beta of 1.15 to 1.25 for 3PL.

Gearing

- 48 The gearing level adopted should represent the level of debt that the asset can reasonably sustain and is not necessarily equivalent to the gearing level of the entity owning the asset. The factors that affect the "optimum" level of gearing will differ between assets. Generally, the major issues to address in determining this optimum level will include:
- (a) the variability in earnings stream
 - (b) working capital requirements
 - (c) the level of investment in tangible assets
 - (d) the nature and risk profile of the tangible assets.
- 49 In general, the lower the expected volatility of cash flows (i.e. risk), the higher the debt levels which can be supported (and vice versa). Furthermore, as the equity beta is a function of both business risk and financial risk (being the level of financial leverage or gearing), it is important to adopt in the WACC calculation a level of gearing which is consistent with the gearing ratios of the listed companies for which equity betas were used to assess the appropriate beta. If this is not done then, in theory, the equity beta would need to be adjusted to reflect the different level of gearing adopted. However, this adjustment is subject to considerable estimation error and is therefore not preferred. Consequently, when assessing the appropriate gearing level it is appropriate to consider the gearing levels of "comparable" listed companies over the period over which the beta estimates were calculated.
- 50 However, 3PL has operated with no net debt for some time, and as at 30 June 2020 had net cash of \$27.1 million⁶¹.
- 51 Accordingly, we have assumed that 3PL is fully funded by equity for the purposes of our weighted average cost of capital calculation.

⁶¹ 3PL had a \$10 million bank loan facility available of which nil was utilised as at 30 June 2020. Whilst this facility was due to expire on 30 July 2020, it has been extended to 30 August 2020. Source: 3PL 2020 Annual Report, pages 50 and 63.

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Calculation of nominal WACC

52 Based on the above, the discount rate range for 3PL is as follows:

Parameters	Low %	High %
Beta	1.15	1.25
MRP	6.5	6.5
Risk-free rate	3.0	3.0
Cost of equity	10.5	11.1
Additional risk premium	-	-
Adjusted cost of equity	10.5	11.1
WACC / discount rate (after tax) ⁽¹⁾	10.5	11.1

Note:

1 As 3PL has operated with no net debt for some time, the cost of equity is equivalent to the WACC.

Impact of COVID-19

53 The COVID-19 pandemic has had a significant adverse impact on business and equity values in the broader market. In particular:

- (a) the S&P/ASX 200 Index (which reached a record high on 20 February 2020) declined by 36.5% between 20 February 2020 and 23 March 2020⁶², and then partially rebounded. As at 25 August 2020, the net effect is that the S&P/ASX 200 Index is some 14% below its high on 20 February 2020
- (b) in response to the impact of COVID-19 and related social distancing / lock-down measures on the economy, the RBA lowered interest rates by 0.25% per annum on both 4 March 2020 and 20 March 2020, to a record low of 0.25% per annum
- (c) credit risk margins spiked during March 2020, and currently remain at elevated levels for most borrowers (offsetting the significant reduction in interest rates). However, total borrowing costs for highly rated borrowers are now lower than they were prior to the March 2020 sell-off in equities markets, but remain elevated for lower rated borrowers, as indicated below:

⁶² Following increasing global cases of COVID-19, the World Health Organisation labelled the outbreak as a pandemic on 11 March 2020. As governments around the world put in place social distancing and lock-down measures in an effort to contain the virus, global markets were declining rapidly.

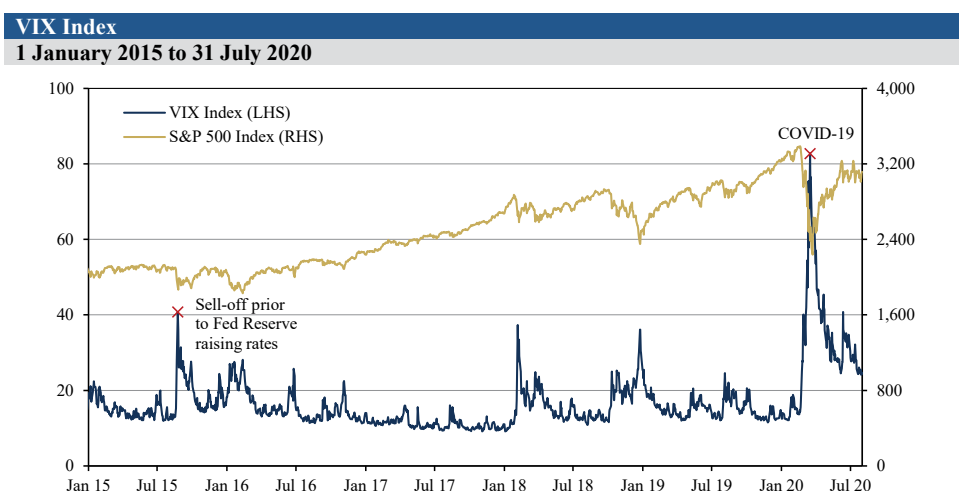
B Independent Expert's Report continued

Appendix C

Changes in corporate bond spreads in 2020									
S&P bond rating	US corporate bond yields			Spread over 10-year US Government bonds			Change in default spread		
	%			%			%		
	14 Feb	20 Mar	14 Aug	14 Feb	20 Mar	14 Aug	Mar vs Feb	Aug vs Mar	Aug vs Feb
AAA	2.28	2.35	1.45	0.69	1.43	0.74	0.74	(0.69)	0.05
AA	2.31	3.56	1.47	0.72	2.64	0.76	1.92	(1.88)	0.04
A	2.39	4.07	1.62	0.80	3.15	0.91	2.35	(2.24)	0.11
BBB	2.92	4.65	2.39	1.33	3.73	1.68	2.40	(2.05)	0.35
BB	3.52	8.37	4.13	1.93	7.45	3.42	5.52	(4.03)	1.49
B	4.99	11.66	5.82	3.40	10.74	5.11	7.34	(5.63)	1.71
CCC or lower	11.24	18.73	12.60	9.65	17.81	11.89	8.16	(5.92)	2.24

Source: Damodaran (Aug 2020) *A Viral Market Update XIII*.

- (d) the VIX index in the US (which is a measure of the market's expectation of 30-day forward-looking volatility) surged in March 2020, and remains at slightly elevated levels as shown below:



- (e) those companies with high or excessive debt levels and/or large capital expenditure commitments have also been more negatively impacted than those with minimal or conservative debt levels and low capital expenditure commitments.

54 The significant equity market volatility reflects, inter-alia, the inherent uncertainty associated with the size of the economic impact of COVID-19, changing expectations about the size and duration of quantitative easing and other government initiatives and the timing of any subsequent recovery. Some market participants believe a relatively quick “V” shaped recovery is likely, others believe the recovery is likely to be more of a “U” shape and some

Appendix C

consider that consumer confidence will take a long time to recover and that the downturn will be more prolonged.

- 55 Importantly, the impact of COVID-19 on value has varied materially across industries, with businesses adversely impacted by the social distancing / lock-down restrictions (such as travel related businesses) most affected. However, given the increase in the VIX Index (which remains at elevated levels) it is reasonable to assume that required rates of return have currently increased.
- 56 Accordingly, for the purposes of our calculations we have adopted a (post-tax) discount rate of 11% per annum (towards the high end of the discount rate range calculated above). This is broadly consistent with the post-tax discount rates adopted by 3PL in its impairment testing as at 30 June 2020 of 10.9% per annum (for the APAC segment) and 10.8% per annum (for the EMEA segment)⁶³.

⁶³ No discount rate was calculated by 3PL for impairment purposes for the Americas segment.

B Independent Expert's Report continued

Glossary

Term	Meaning
1HY	First half of financial year
2HY	Second half of financial year
3PL / the Company	3P Learning Limited
A\$ / AUD	Australian dollar
AASB 16	Australian Accounting Standard 16 – <i>Leases</i>
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AER	Australian Energy Regulator
AFCA	Australian Financial Complaints Authority
Agreement	Scheme Implementation Agreement between 3PL and IXL dated 14 August 2020
APAC	Asia Pacific
ARR	Annual recurring revenue
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
CAPM	Capital asset pricing model
CGB	Commonwealth Government bonds
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	Corporations Regulations 2001
COVID-19	2019 novel coronavirus
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
EMEA	Europe, Middle East and Africa
EV	Enterprise value
Exit ARPU	Exit average revenue per user
Forecast Period	30 September 2020 to 30 June 2030
FSG	Financial Services Guide
FY	Financial year
GDP	Gross domestic product
GFC	Global financial crisis
IER	Independent expert's report
IXL	IXL Australia Pty Ltd
LEA	LonerGAN Edwards & Associates Limited
Learmosity	Learmosity Holdings Limited
MRP	Market risk premium
NME	National Ministry of Education
NME contract	US\$10 million agreement with a National Ministry of Education in the Middle East announced on 23 June 2020
NPV	Net present value
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
RBA	Reserve Bank of Australia
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
SaaS	Software as a service
Scheme	Scheme of arrangement between 3PL and its shareholders to implement the proposed acquisition
Scheme Consideration	\$1.35 cash per 3PL share

Appendix D

Term	Meaning
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States of America
US\$ / USD	US dollar
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding



Annexure

C

Scheme
Implementation
Agreement

C Scheme Implementation Agreement

KING & WOOD
MALLESONS
金杜律师事务所

Scheme Implementation Agreement

Dated 14 August 2020

IXL Australia Pty Ltd (“**IXL**”)
IXL Learning, Inc. (“**IXL Guarantor**”)
3P Learning Limited (ACN 103 827 836) (“**3PL**”)

King & Wood Mallesons
Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.kwm.com
Ref: DLF:PS:SA

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C Scheme Implementation Agreement continued

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Scheme Implementation Agreement

Details

Parties

IXL	Name	IXL Australia Pty Ltd
	ACN	643 275 209
	Address	777 Mariners Island Blvd., Suite 600, San Mateo, California 94404
	Email	pmishkin@ixl.com
	Attention	Paul Mishkin
IXL Guarantor	Name	IXL Learning, Inc.
	Address	777 Mariners Island Blvd., Suite 600, San Mateo, California 94404
	Email	pmishkin@ixl.com
	Attention	Paul Mishkin
3PL	Name	3P Learning Limited
	ACN	103 827 836
	Address	Level 18, 124 Walker St, North Sydney, NSW 2060
	Email	Elizabeth.Wang@3plearning.com
	Attention	Elizabeth Wang

Governing law New South Wales, Australia

- Recitals**
- A** 3PL and IXL have agreed that 3PL will propose a members' scheme of arrangement under Part 5.1 of the Corporations Act pursuant to which IXL will acquire all of the 3PL Shares.
- B** 3PL and IXL have agreed to implement the Scheme on the terms and conditions of this document.
- C** The IXL Guarantor is a holding company of IXL and has agreed to guarantee the obligations and liabilities of IXL under this document.

Scheme Implementation Agreement

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

3PL Board means the board of directors of 3PL.

3PL Constitution means the constitution of 3PL.

3PL Data Room means the electronic data room operated by or on behalf of 3PL and hosted by Ansarada.

3PL Executives means Rebekah O'Flaherty, Tania Black, Simon Martin and Dimitri Aroney.

3PL Global Terms and Conditions means the Standard Purchase Terms and Conditions attached to the sample customer agreements made available to IXL prior to the date of this document and identified by 3PL as its "Global T&Cs".

3PL Group means 3PL and its Subsidiaries.

3PL Indemnified Parties means 3PL and its Representatives.

3PL Information means all information contained in the Scheme Booklet other than the IXL Information and the Independent Expert's Report.

3PL IP means all Intellectual Property Rights owned or purported to be owned by the 3PL Group.

3PL Prescribed Event means, except to the extent contemplated by this document or the Scheme or Disclosed (in the case of paragraphs (e), (f) and (l) below, only as Disclosed in Document 05.06.01 in the 3PL Data Room), any of the following events:

- (a) **(conversion)** 3PL converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** 3PL or another member of the 3PL Group resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares;
- (c) **(buy-back)** 3PL or another member of the 3PL Group:
 - (ii) enters into a buy-back agreement; or
 - (iii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** 3PL makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);

C Scheme Implementation Agreement continued

- (e) **(issuing or granting shares or options)** any member of the 3PL Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make an issue of or grant an option over shares,in each case to a person outside the 3PL Group, other than an issue of shares pursuant to the exercise of (or in satisfaction of) an Employee Option or Employee Share Right as permitted by clause 4.4;
- (f) **(securities or other instruments)** any member of the 3PL Group issues or agrees to issue securities or other instruments convertible into shares or debt securities (other than the type of securities described in paragraph (e) above) in each case to a person outside the 3PL Group;
- (g) **(constitution)** 3PL adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (h) **(disposals)** any member of the 3PL Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (i) **(acquisitions or disposals)** any member of the 3PL Group:
 - (ii) acquires or disposes of; or
 - (iii) agrees to acquire or dispose of,any business, entity, undertaking or material assets;
- (j) **(tenders)** any member of the 3PL Group offers, proposes, announces a bid or tenders for any business, assets, entity or undertaking the value of which exceeds \$5,000,000.00;
- (k) **(Encumbrances)** any member of the 3PL Group creates, or agrees to create, any Encumbrance over or declares itself the trustee of the whole or a substantial part of its business or property, other than a lien which arises by operation of law or legislation or arises in the ordinary course of the 3PL Group's business, provided that no liability secured by such lien is overdue for payment (unless contested in good faith);
- (l) **(employment arrangements)** any member of the 3PL Group:
 - (i) increases the remuneration of (including with regard to superannuation benefits) or benefits provided to or pay any bonus (other than in accordance with existing arrangements and in the ordinary course) or issues any securities or options to, or otherwise materially varies the employment agreements with, any of its directors or employees;
 - (ii) accelerates the rights of any of its directors or employees to benefits of any kind;
 - (iii) pays a director, executive or employee a termination or retention payment, but excluding any redundancy payment in connection with any redundancies of employees with a base salary of below \$200,000 made in the ordinary course and consistent with historical practices of the 3PL Group over the 24 month period preceding the date of this document;

- (iv) hires or terminates (other than for cause) any employees with a base salary of \$200,000 or higher;
- (m) **(commitments and settlements)** other than in connection with the replacement of distributors in the ordinary course and consistent with historical practices of the 3PL Group over the 24 month period preceding the date of this document, any Member of the 3PL Group:
 - (i) enters into any contract or commitment involving revenue or expenditure of more than \$1,000,000.00 over the term of the contract or commitment;
 - (ii) (without limiting the above) enters into any contract or commitment relating to the same matter or project involving revenue or expenditure which exceeds \$1,000,000.00 in aggregate over the term of the contracts or commitments;
 - (iii) terminates or amends in a material manner any contract material to the conduct of the 3PL Group's business or which involves revenue or expenditure of more than \$1,000,000.00 over the term of the contract;
 - (iv) waiving any material third party default; or
 - (v) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$500,000.00) less than the full compensation due to 3PL or a Subsidiary of 3PL;
- (n) **(Insolvency)** 3PL or any of its Related Bodies Corporate becomes Insolvent,

provided that a 3PL Prescribed Event listed in items (a) to (m) will not occur where 3PL has first consulted with IXL in relation to the event and IXL has approved the proposed event in writing.

3PL Representations and Warranties means the representations and warranties of 3PL set out in clause 12.1.

3PL Share means an ordinary fully paid share in the capital of 3PL.

3PL Shareholder means each person registered in the Register as a holder of 3PL Shares.

ACCC means the Australian Competition and Consumer Commission.

Agreed Form means a document that has been agreed by 3PL and IXL before the date of this document and has been initialled or acknowledged as agreed form by or on behalf of 3PL and IXL.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document.

ASX means ASX Limited or the market operated by it, as the context requires.

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Break Fee means \$1,900,685.00.

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Business Day means:

- (a) where that term is used in clause 9, a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales or San Francisco, USA; and
- (b) otherwise, a business day as defined in the Listing Rules.

Change of Control Requirements means the change of control or similar provisions in any Material Contract which may be triggered by the announcement or implementation of the Scheme.

Competing Proposal means any expression of interest, offer or proposal by any person or its associates (other than IXL or its Associates) to consider or enter into any proposal, transaction or arrangement (whether by way of a takeover bid, scheme of arrangement, capital reduction, buyback, sale, lease or assignment of assets, sale or issue of securities, joint venture, reverse takeover bid, dual listed company structure (or other synthetic merger), deed of company arrangement, debt for equity arrangement or otherwise) which is the same or similar in economic terms to the Scheme or any other proposed transaction within paragraphs (a) to (d) below, whether existing before, on or after the date of this document:

- (a) any person acquiring directly or indirectly an interest (including an economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) or Relevant Interest in 20% or more of the 3PL Shares (other than as custodian, nominee or bare trustee);
- (b) any person acquiring directly or indirectly (including by way of joint venture, alliance, dual listed company structure or otherwise) any interest in all or a substantial part of the business conducted by, or assets of, 3PL or its Subsidiaries;
- (c) any person acquiring "control" (as defined in section 50AA of the Corporations Act) of, or merging or amalgamating with, 3PL or any of its Subsidiaries, including by way of takeover bid, scheme of arrangement, dual listed company structure, or capital reduction; or
- (d) 3PL implementing any reorganisation of capital, dissolution or any proposal which affects, prejudices or jeopardises, or might reasonably be expected to affect, prejudice or jeopardise, the completion of the Scheme (except as previously announced prior to the date of this document).

Conditions Precedent means the conditions precedent set out in clause 3.1.

Confidentiality Agreement means the Confidentiality Agreement between 3PL and IXL Learning, Inc. dated 18 May 2020.

Controller has the meaning it has in the Corporations Act.

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

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

Costs includes costs, charges and expenses, including those incurred in connection with advisers and any legal costs on a full indemnity basis.

Court means the Supreme Court of New South Wales, or another court of competent jurisdiction under the Corporations Act agreed by the parties.

Deed Poll means a deed poll substantially in the form of Annexure B to this document.

Details means the section of this document headed “Details”.

Disclosed means fairly disclosed:

- (a) in the 3PL Data Room, including all written answers given to written questions submitted by IXL or its Representatives via the 3PL Data Room, as at 5:00pm on the date prior to the date of this document;
- (b) by 3PL in writing to IXL prior to the date of this document that IXL has confirmed in writing has been fairly disclosed for the purposes of this definition; or
- (c) in any announcement made by 3PL on ASX in the 36 months prior to the date of this document.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Employee Option means an option to receive a 3PL Share issued under the 3P Learning Equity Incentive Plan operated by the 3PL Group.

Employee Share Right means:

- (a) a right to a 3PL Share issued under the 3P Learning Equity Incentive Plan operated by the 3PL Group; or
- (b) a right to a 3PL Share issued under the New 3P Learning Equity Incentive Plan operated by the 3PL Group.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any “security interest” as defined in sections 12(1) or 12(2) of the PPSA or any agreement to create any of them or allow them to exist.

End Date means the date which is 6 months after the date of this document or another date as is agreed by IXL and 3PL.

Exclusivity Agreement means the letter agreement dated 24 July 2020 between IXL Learning, Inc. and 3PL.

Exclusivity Period means the period from and including the date of this document to the earlier of:

- (a) the termination of this document in accordance with its terms; and
- (b) the End Date.

FIRB Act means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

C Scheme Implementation Agreement continued

First Court Date means the first day on which an application made to the Court, in accordance with clause 5.2(h), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Implementation Date means the 5th Business Day following the Record Date.

Incoming Directors means Paul Mishkin, Jennifer Gu and Tony Bancroft.

Independent Expert means the independent expert approved by IXL and appointed by 3PL under clause 5.2(c).

Independent Expert's Report means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether in the Independent Expert's opinion the Scheme is in the best interests of 3PL Shareholders.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;
- (c) it is subject to any arrangement (including a deed of company arrangement or scheme of arrangement), assignment, moratorium, compromise or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document);
- (d) an application or order has been made (and in the case of an application which is disputed by the person, it is not stayed, withdrawn or dismissed within 14 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of the things described in any of the above paragraphs;
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject);
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to any of the things described in the above paragraphs happens in connection with that person under the law of any jurisdiction.

Intellectual Property Rights means all intellectual property rights, including all current and future registered and unregistered rights in respect of copyright, designs, circuit layouts, trademarks, know-how, confidential information, patents, inventions, discoveries, business names and domain names and all other intellectual property as defined in article 2 of the convention establishing the World Intellectual Property Organisation 1967.

IXL Board means the board of directors of IXL.

IXL Group means IXL and its Subsidiaries.

IXL Indemnified Parties means IXL and its Representatives.

IXL Information means the information regarding IXL as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. IXL Information does not include information about the 3PL Group (except to the extent it relates to any statement of intention relating to the 3PL Group following the Effective Date).

IXL Knowledge Parties means Paul Mishkin, Rich Yang, Joseph Zhou.

IXL Representations and Warranties means the representations and warranties of IXL set out in clause 12.3.

Listing Rules means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Material Adverse Effect means a Specified Event which has, has had, or is reasonably expected to have, the effect of:

- (a) the value of the consolidated net assets of the 3PL Group (taken as a whole) being reduced by at least \$2,500,000.00 against what it would reasonably have been expected to have been but for such Specified Event; or
- (b) the value of the consolidated EBITDA of the 3PL Group being reduced by at least \$1,500,000 against what it would reasonably have been expected to have been but for such Specified Event,

but does not include:

- (c) any matter Disclosed;
- (d) any matter, event or circumstance arising from changes in general economic or political conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets, the securities market in general or law;
- (e) any change in taxation, foreign exchange rates or interest rates;
- (f) any change in generally accepted accounting principles or the interpretation of them;
- (g) any change occurring directly or indirectly as a result of any matter, event or circumstance required or permitted by this document, the Scheme or the transactions contemplated by them; or
- (h) any change occurring with the prior written consent of IXL,

but in the case of paragraphs (d) to (f) above, excluding any event, condition, occurrence, change, matter or circumstance which has a disproportionate effect on the 3PL Group, taken as a whole, compared to other participants in the industry in which the 3PL Group operates.

Material Contract means a contract or commitment (or any series of related contracts or commitments):

- (a) requiring total payments in excess of \$250,000;

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- (b) evidencing indebtedness for money borrowed in excess of \$200,000.00 or any other loan or advance to any person, other than ordinary advances for travel expenses or resulting from the extension or renewal of facilities existing as at the date of this document;
- (c) under which the 3PL Group is a guarantor or indemnitor of indebtedness of any other person, but excluding another member of the 3PL Group;
- (d) (i) relating to the acquisition, issuance, registration, sale, or transfer of any securities, (ii) providing any person with any pre-emptive right, right of participation, right of maintenance, or any similar right with respect to any securities, or (iii) providing any member of the 3PL Group with any right of first refusal with respect to, or right to repurchase or redeem, any securities, except for contracts evidencing Employee Options or Employee Share Rights;
- (e) giving rise to exposure, in relation to foreign currency hedging arrangements of or in excess of \$1,000,000.00;
- (f) for the employment of any person whose base compensation (including superannuation benefits) is in excess of \$200,000.00;
- (g) concerning the use and/or sale of the 3PL Group's software or other intellectual property of the 3PL Group, including licenses of the 3PL Group's intellectual property to customers or other third parties and any reseller or distribution agreements, in each case where those contracts or commitments:
 - (i) are on terms other than the 3PL Global Terms and Conditions; and
 - (ii) are reasonably expected to contribute at least \$250,000 to the 3PL Group's revenue during any financial year;
- (h) under which any member of the 3PL Group receives a license or other right to use any intellectual property of any third party, other than "click-wrap" and "shrink-wrap" licenses and licenses of commercially available off-the-shelf software, in each case, for the internal use of the 3PL Group with one-time or annual fees of less than \$100,000.00;
- (i) the grant of rights to produce, license, market, or sell 3PL Group's products to any other person that limit 3PL Group's exclusive right to develop, distribute, market or sell any of its products;
- (j) containing a covenant not to compete granted by any member of the 3PL Group in favour of a third party that materially prohibits or restricts any member of the 3PL Group from engaging in business anywhere in the world; or
- (k) which is entered into other than in the ordinary course of business and which may otherwise be expected to be material to the operations of the 3PL Group.

New 3P Learning Equity Incentive Plan means the FY21 3P Equity Incentive Plan also known as the FY21 3PEP Plan.

Outgoing Directors means Samuel Weiss, Roger Amos, Claire Hatton and Mark Lamont.

PPSA means the *Personal Property Securities Act 2009* (Cth).

PPS Register means the register established under section 147 of the PPSA.

Record Date means 5.00pm on the 2nd Business Day following the Effective Date or such another date as 3PL and IXL agree.

Register means the share register of 3PL and **Registry** has a corresponding meaning.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Approval means any approval of a Regulatory Authority to the Scheme or any aspect of it which IXL, acting reasonably, determines is necessary or desirable to implement the Scheme.

Regulatory Authority includes:

- (a) ASX, ACCC, ASIC and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Interest has the meaning it has in sections 608 and 609 of the Corporations Act.

Representative means, in relation to a party:

- (a) a Related Body Corporate; and
- (b) an Authorised Officer, director, officer, employee, agent, auditor, financier, adviser, partner, consultant, joint venturer, contractor or sub-contractor of the party or of a Related Body Corporate of that party.

Reverse Break Fee means \$1,900,685.00.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act under which all the 3PL Shares will be transferred to IXL substantially in the form of Annexure A together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to 3PL Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act and notices of meeting and proxy forms.

Scheme Consideration means the consideration payable by IXL for the transfer of 3PL Shares held by a Scheme Participant to IXL, being, in respect of each 3PL Share, \$1.35.

Scheme Meeting means the meeting to be convened by the Court at which 3PL Shareholders will vote on the Scheme.

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Scheme Participants means each person who is a 3PL Shareholder at the Record Date.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Specified Event means an event, condition, occurrence, change, matter or circumstances that:

- (a) occurs after the date of this document;
- (b) occurs before the date of this document but is only announced or publicly disclosed after the date of this document; or
- (c) will or is likely to occur after the date of this document and which has not been publicly announced prior to the date of this document.

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and
- (b) is part of a consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares or would be, if the first entity was required to prepare consolidated financial statements.

A trust may be a subsidiary (and an entity may be a subsidiary of a trust) if it would have been a subsidiary under this definition if that trust were a body corporate. For these purposes, a unit or other beneficial interest in a trust is to be regarded as a share.

Superior Proposal means a publicly announced Competing Proposal which the 3PL Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed in a timely manner taking into account all aspects of the Competing Proposal;
- (b) reasonably likely to be implemented within 6 months, having regard to the proponents and conditionality of the Competing Proposal; and
- (c) if implemented substantially in accordance with its terms, more favourable to 3PL Shareholders than the Scheme, taking into account all terms and conditions of the Competing Proposal.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) paid, payable or assessed as being payable by any authority together with any fines, penalties and interest in connection with them.

Timetable means the timetable set out in Schedule 1 subject to any amendments agreed by the parties in writing.

Transaction Implementation Committee means a committee to be made up of:

- (a) one or more representatives from each of 3PL and IXL;

- (b) one or more representatives from one or more legal and financial advisers of 3PL and IXL; and
- (c) anyone else the parties may agree from time to time.

Treasurer means the Treasurer of Australia.

Voting Eligibility Date means the time and date for determining eligibility to vote at the Scheme Meeting.

Voting Power has the meaning given in section 610 of the Corporations Act.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney, Australia time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to "**law**" includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to "**regulations**" includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (m) a reference to a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;
- (n) headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this document;

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- (o) if an act under this document to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day;
- (p) if a day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day; and
- (q) if a period of time dates from a given day or the day of an act or event, it is to be calculated exclusive of that day.

2 Agreement to propose and implement Scheme

2.1 3PL to propose Scheme

3PL agrees to propose the Scheme on and subject to the terms and conditions of this document.

2.2 Agreement to implement Scheme

The parties agree to implement the Scheme on the terms and conditions of this document.

3 Conditions Precedent

3.1 Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of the parties to complete the implementation of the Scheme (including the obligations of IXL under clause 5.3 are not binding, until each of the following Conditions Precedent are satisfied or waived to the extent and in the manner set out in this clause.

Condition Precedent	Party entitled to benefit	Party responsible
<p>(a) (FIRB approval) before 5.00pm on the Business Day before the Second Court Date either:</p> <ul style="list-style-type: none"> (i) the Treasurer (or the Treasurer's delegate) has provided a written no objections notification to the Scheme either without conditions or with conditions acceptable to IXL (acting reasonably); or (ii) following notice of the proposed Scheme having been given by IXL to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired. 	Cannot be waived	IXL
<p>(b) (Independent Expert) the Independent Expert issues an Independent Expert's Report which concludes that the Scheme is in the best interests of 3PL Shareholders before the time when the</p>	3PL	Both

Condition Precedent		Party entitled to benefit	Party responsible
	Scheme Booklet is registered with ASIC and the Independent Expert does not publicly withdraw, qualify or change that opinion at any time prior to 8.00am on the Second Court Date.		
(c)	(Shareholder approval) 3PL Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.	Cannot be waived	3PL
(d)	(Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	Cannot be waived	3PL
(e)	(Regulatory intervention) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and none of those things is in effect as at 8.00am on the Second Court Date.	Both	Both
(f)	(No 3PL Prescribed Event) no 3PL Prescribed Event occurs between the date of this document and 8.00am on the Second Court Date.	IXL	3PL
(g)	(No Material Adverse Effect) no Material Adverse Effect occurs between the date of this document and 8.00am on the Second Court Date.	IXL	3PL
(h)	(3PL Representations and Warranties) the 3PL Representations and Warranties are true and correct in all material respects at all times between the date of this document and as at 8.00am on the Second Court Date, except where expressed to be operative at another date.	IXL	3PL
(i)	(IXL Representations and Warranties) the IXL Representations and Warranties are true and correct in all material respects at all times between the date of this document and as at 8.00am on the Second Court Date, except where expressed to be operative at another date.	3PL	IXL

3.2 Reasonable endeavours

Each of 3PL and IXL agree to use all reasonable endeavours to procure that:

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- (a) each of the Conditions Precedent for which it is a party responsible (as noted in clause 3.1):
 - (i) is satisfied as soon as practicable after the date of this document; and
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence that would prevent the Condition Precedent for which it is a party responsible being satisfied.

3.3 Regulatory matters

Without limiting clause 3.2:

- (a) **(applying for FIRB approval)** IXL must promptly apply for approval under the FIRB Act contemplated by the Condition Precedent in clause 3.1(a) and provide 3PL with a copy of that application (provided that any commercially sensitive information may be redacted from the copy provided);
- (b) **(Regulatory Approvals process)** each party must take all steps it is responsible for as part of the Regulatory Approval process, including responding to requests for information at the earliest practicable time;
- (c) **(representation)** each party has the right to be represented and make submissions at any meeting with any Regulatory Authority relating to a Regulatory Approval;
- (d) **(consultation)** each party must consult with the other party in advance in relation to all communications (whether written or oral, and whether direct or via a Representative) with any Regulatory Authority relating to any Regulatory Approval and:
 - (i) provide the other party with drafts of any material written communications to be sent to a Regulatory Authority and make any amendments as the other party reasonably requires; and
 - (ii) provide copies of any material written communications sent to or received from a Regulatory Authority to the other party promptly upon despatch or receipt (as the case may be),

in each case to the extent it is reasonable to do so.

For the avoidance of doubt, neither party is required to disclose commercially sensitive information in relation to the application for a Regulatory Approval to the other party and the party applying for a Regulatory Approval may withhold or redact information or documents from the other party if and to the extent that they are either confidential to a third party or commercially sensitive and confidential to the applicant.

3.4 Conditional approvals

Any approvals required under the Conditions Precedent must be obtained either on an unconditional basis or subject to conditions that are acceptable to IXL (acting reasonably), provided that the parties acknowledge that the tax conditions published at the date of this document in Attachment B to Guidance Note 47 issued by FIRB are accepted if imposed on the no objections notifications.

3.5 Waiver of Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by the party or parties entitled to the benefit of that Condition Precedent as noted in clause 3.1 and will be effective only to the extent specifically set out in that waiver.
- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.5 may do so in its absolute discretion.
- (c) If either 3PL or IXL waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause 3.5, then:
 - (i) subject to clause 3.5(c)(ii), that waiver precludes that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
 - (ii) if the waiver of the Condition Precedent is itself conditional and the other party:
 - (A) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with clause 3.5(c)(i); or
 - (B) does not accept the condition, the Condition Precedent has not been waived.
- (d) A waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:
 - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent arising from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.6 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a Condition Precedent and must keep the other party informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent which it is responsible for satisfying;
- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent which it is responsible for satisfying, or of any event which will prevent the Condition Precedent being satisfied;
- (c) **(notice of waiver)** upon receipt of a notice given under clause 3.6(b), give written notice to the other party as soon as possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question; and
- (d) **(Second Court Date)** where it considers that a Condition Precedent (which the other party is responsible for satisfying) may not be satisfied

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by the Second Court Date promptly give the other party notice of that view.

3.7 Deferral of Second Court Date

- (a) If a Condition Precedent (other than a Condition Precedent in clause 3.1(c)) is not satisfied by the time and date specified for that Condition Precedent (and has not been waived in accordance with this document), then unless there is no reasonable prospect that the Condition Precedent will be satisfied before the End Date, 3PL must make an application to defer the Second Court Date until a time (being no later than the Business Day before the End Date) reasonably required to enable the relevant Condition Precedent to be satisfied.
- (b) If the Condition Precedent in clause 3.1(c) is not satisfied only because of a failure to obtain the majority required by section 411(4)(a)(ii)(A) of the Corporations Act, then either party may by written notice to the other within 3 Business Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that section provided the party has in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable.

3.8 Consultation on failure of Condition Precedent

If:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or
- (c) the Scheme has not become Effective by the End Date,

the parties must consult in good faith with a view to determine whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or
- (f) to extend the End Date.

3.9 Failure to agree

If the parties are unable to reach agreement under clause 3.8 within 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (a) subject to clause 3.9(b), either party may terminate this document (and that termination will be in accordance with clause 13.1(g)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and that termination will be in accordance with clause 13.1(g)(ii)),

in each case before 8.00am on the Second Court Date.

A party will not be entitled to terminate this document under this clause if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of a breach of this document by that party or a deliberate act or omission of that party.

4 Outline of Scheme

4.1 Scheme

3PL must propose a scheme of arrangement under which:

- (a) all the 3PL Shares held by Scheme Participants at the Record Date will be transferred to IXL; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration.

4.2 Scheme Consideration

Subject to and in accordance with this document and the Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each 3PL Share held by that Scheme Participant.

4.3 Payment of Scheme Consideration

Subject to this document and the Scheme, IXL undertakes to 3PL (in its own right and separately as trustee or nominee of each Scheme Participant) that, in consideration of the transfer to IXL of each 3PL Share held by a Scheme Participant, IXL will, on the Implementation Date:

- (a) accept that transfer; and
- (b) pay or procure the payment of the Scheme Consideration in accordance with the Scheme.

Where the calculation of the Scheme Consideration to be provided to a Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest cent.

4.4 Employee incentives

- (a) 3PL must ensure that, by no later than the Effective Date, there are no outstanding Employee Options or Employee Share Rights.
- (b) In order to comply with its obligation under clause 4.4(a), 3PL must:
 - (i) cause some or all of the outstanding Employee Options and Employee Share Rights to vest in accordance with their terms and, following vesting, cause the relevant number of 3PL Shares to be transferred or issued (as applicable) to the relevant former holder in sufficient time to allow the relevant former holders of the relevant Employee Options and Employee Share Rights (as applicable) to participate in the Scheme; and
 - (ii) take any action as may be necessary to cancel any outstanding Employee Options and Employee Share Rights which it does not cause to vest in accordance with clause 4.4(b)(i) (if any).

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4.5 No amendment to the Scheme without consent

3PL must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of IXL (not to be unreasonably withheld or delayed).

5 Implementation

5.1 General obligations

3PL and IXL must each:

- (a) use all reasonable endeavours and commit necessary resources (including management and corporate relations resources and the resources of external advisers); and
- (b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party (including by attending meetings and by providing information),

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable.

5.2 3PL's obligations

3PL must take all reasonable steps to implement the Scheme on a basis consistent with this document as soon as reasonably practicable and must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in a form agreed between 3PL and IXL (on the basis of statements made to 3PL by each member of the 3PL Board) that:
 - (i) the 3PL Board intends to unanimously recommend to Scheme Participants that the Scheme be approved; and
 - (ii) each 3PL Board member who has a Relevant Interest in 3PL Shares, intends to vote, or cause to be voted, those 3PL Shares in favour of the Scheme,

subject to:

- (iii) the Independent Expert concluding, and continuing to conclude, that the Scheme is in the best interests of 3PL Shareholders; and
- (iv) there being no Superior Proposal;
- (b) **(preparation of Scheme Booklet)** subject to clause 5.2(e)(i), as soon as practicable after the date of this document, prepare and despatch the Scheme Booklet:
 - (i) in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules; and
 - (ii) which includes a statement by the 3PL Board:
 - (A) unanimously recommending that 3PL Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the

- best interests of 3PL Shareholders and there being no Superior Proposal; and
- (B) that each 3PL Board member who has a Relevant Interest in 3PL Shares intends to vote, or cause to be voted, those 3PL Shares in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of 3PL Shareholders and there being no Superior Proposal;
- (c) **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare its report for the Scheme Booklet as soon as practicable (and any update to the report);
- (d) **(section 411(17)(b) statement)** apply to ASIC for a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (e) **(consultation with IXL)** consult with IXL as to the content and presentation of:
- (i) the Scheme Booklet, which includes:
- (A) allowing IXL a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet (accepting that any review of the Independent Expert's Report is limited to review for factual accuracy of those parts that include information relating to IXL);
- (B) taking any reasonable comments made by IXL into account in good faith when producing a revised draft of the Scheme Booklet;
- (C) providing to IXL a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act is finalised; and
- (D) obtaining IXL's consent to the inclusion of the IXL Information (including in respect of the form and context in which the IXL Information appears in the Scheme Booklet); and
- (ii) documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating processes, affidavits, submissions and draft minutes of Court orders), and consider in good faith any comments on, or suggested amendments to, those documents from IXL prior to filing those documents with the Court;
- (f) **(lodgement of Regulator's Draft)**
- (i) no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet ("**Regulator's Draft**") to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the Regulator's Draft to IXL immediately thereafter; and

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- (ii) keep IXL reasonably informed of any material issues raised by ASIC in relation to the Regulator's Draft and, where practical to do so, consult with IXL in good faith prior to taking any steps or actions to address those material issues (provided that, where those issues relate to IXL Information, 3PL must not take any steps to address them without IXL's prior written consent, not to be unreasonably withheld);
- (g) **(supplementary disclosure)** if, after despatch of the Scheme Booklet, 3PL becomes aware:
 - (i) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
 - (ii) of information that is required to be disclosed to 3PL Shareholders under any applicable law but was not included in the Scheme Booklet,

promptly consult with IXL in good faith as to the need for, and the form of, any supplementary disclosure to 3PL Shareholders, and make any disclosure that 3PL considers reasonably necessary in the circumstances, having regard to applicable laws and to ensure that there would be no breach of clause 12.1(g) if it applied as at the date that information arose;
- (h) **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing 3PL to convene the Scheme Meeting;
- (i) **(send Scheme Booklet)** send the Scheme Booklet to 3PL Shareholders as soon as practicable after the Court orders 3PL to convene the Scheme Meeting;
- (j) **(Scheme Meeting)** convene the Scheme Meeting to agree to the Scheme in accordance with any orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (k) **(director's voting)** use its reasonable endeavours to procure that each member of the 3PL Board votes, or causes to be voted, any 3PL Shares in which they have a Relevant Interest in favour of the Scheme, subject to the Independent Expert continuing to conclude that the relevant Scheme is in the best interests of the 3PL Shareholders and there being no Superior Proposal;
- (l) **(Register changes)** inform IXL as soon as practicable and in any event within 2 Business Days of any changes to the Register involving a 3PL Shareholder increasing its Voting Power in 3PL Shares by 1% or more;
- (m) **(Registry details)** subject to the terms of the Scheme, provide:
 - (i) all necessary information about the 3PL Shareholders which IXL requires in order to solicit votes at the Scheme Meeting; and
 - (ii) all necessary directions to the Registry promptly to provide any information that IXL requires in relation to the Register, including any sub-register, and where requested by IXL, 3PL must procure whatever information to be provided in the electronic form as is reasonably requested by IXL;
- (n) **(proxy solicitation)** if requested by IXL, retain a proxy solicitation services firm to assist 3PL with the solicitation of votes at the Scheme

Meeting and provide IXL with copies of or access to information regarding the Scheme Meeting generated by that firm, including promptly advising IXL, at times that IXL may reasonably request and at least on a daily basis on each of the last 5 Business Days prior to the date of the Scheme Meeting, as to the aggregate tally of the votes received by 3PL in respect of the Scheme;

- (o) **(Compliance with laws)** do everything reasonably within its power to ensure that the Scheme is effected in accordance with all applicable laws and regulations;
- (p) **(Court approval)** subject to all Conditions Precedent, other than paragraph (d) in clause 3.1 being satisfied or waived in accordance with this document, apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;
- (q) **(Conditions Precedent certificate)** at the hearing on the Second Court Date, provide to the Court (through its counsel):
 - (i) a certificate signed by one of its directors and made in accordance with a resolution of its board confirming (in respect of matters within 3PL's knowledge) whether or not the Conditions Precedent for which it is responsible, as noted in clause 3.1 (other than paragraph (d)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to IXL by 5.00pm on the Business Day prior to the Second Court Date; and
 - (ii) any certificate provided to it by IXL under clause 5.3(f);
- (r) **(lodge copy of Court order)** lodge with ASIC an office copy of the Court order approving the Scheme as approved by the 3PL Shareholders at the Scheme Meeting in accordance with section 411(10) of the Corporations Act on the day after that office copy is received (or any later date agreed in writing by IXL);
- (s) **(Register)** close the Register as at the Record Date to determine the identity of Scheme Participants and their entitlements to Scheme Consideration;
- (t) **(instruments of transfer)** subject to IXL satisfying its obligations under clause 4.3, on the Implementation Date:
 - (i) execute proper instruments of transfer and effect the transfer of 3PL Shares to IXL in accordance with the Scheme; and
 - (ii) register all transfers of 3PL Shares held by Scheme Participants to IXL;
- (u) **(Suspension of trading)** apply to ASX to suspend trading in 3PL Shares with effect from the close of trading on the Effective Date;
- (v) **(listing)** take all reasonable steps to maintain 3PL's listing on ASX, notwithstanding any suspension of the quotation of 3PL Shares, up to and including the Implementation Date, including making appropriate applications to ASX and ASIC, and take any action as reasonably requested by IXL to obtain the approval of ASX to the de-listing of 3PL following implementation of the Scheme; and
- (w) **(other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

C Scheme Implementation Agreement continued

5.3 IXL's obligations

IXL must take all reasonable steps to assist 3PL to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(IXL Information)**
 - (i) prepare and promptly provide to 3PL for inclusion in the Scheme Booklet the IXL Information (in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules) and consent to the inclusion of that information in the Scheme Booklet;
 - (ii) provide 3PL with drafts of the IXL Information in a timely manner and take into account in good faith all reasonable comments from 3PL and its Representatives on those drafts, provided that such comments are provided to IXL in a timely manner; and
 - (iii) as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, subject to clause 5.2(e)(i)(A) and (B), confirm in writing to 3PL that it consents to the inclusion of the IXL Information included in the Scheme Booklet as being in a form appropriate for despatch to 3PL Shareholders, subject to approval of the Court;
- (b) **(further IXL Information)** promptly:
 - (i) advise 3PL in writing if it becomes aware:
 - (A) of information which should have been but was not included in the IXL Information in the Scheme Booklet (including if known at the time), and promptly provide 3PL with the omitted information; or
 - (B) that the IXL Information in the Scheme Booklet is misleading or deceptive in any material respect (whether by omission or otherwise), and promptly provide IXL with any information required to correct the misleading or deceptive statements; and
 - (ii) provide to 3PL any further or new IXL Information as may arise after the Scheme Booklet has been sent to 3PL Shareholders and until the date of the Scheme Meeting as may be necessary to ensure that the IXL Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission) and to ensure that there would be no breach of clause 12.4(g) if it applied as at the date on which the further or new IXL Information arose;
- (c) **(assistance with Scheme Booklet and Court documents)** provide any assistance or information reasonably requested by 3PL or its Representatives in connection with the preparation of the Scheme Booklet (including any supplementary disclosure to 3PL Shareholders) or any Court documents, including reviewing the drafts of the Scheme Booklet prepared by 3PL and providing reasonable comments in a timely manner on those drafts;
- (d) **(Independent Expert information)** provide any assistance or information reasonably requested by 3PL or its Representatives, or by

the Independent Expert in connection with the preparation of the Independent Expert's Report;

- (e) **(Deed Poll)** prior to the Scheme Booklet being despatched to 3PL Shareholders, sign and deliver the Deed Poll;
- (f) **(Conditions Precedent certificate)** before 8.00am on the Second Court Date, provide to 3PL for provision to the Court at the hearing on that date a certificate signed by one of its directors and made in accordance with a resolution of its board confirming (in respect of matters within IXL's knowledge) whether or not the Conditions Precedent for which IXL is responsible, as noted in clause 3.1 (other than paragraph (d)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to 3PL by 5.00pm on the Business Day prior to the Second Court Date;
- (g) **(Share transfer)** if the Scheme becomes Effective, accept a transfer of the 3PL Shares as contemplated by clause 4.3(a);
- (h) **(Scheme Consideration)** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4.3(b) and the terms of the Scheme; and
- (i) **(promote the Scheme)** participate in efforts reasonably requested by 3PL to promote the merits of the Scheme and the Scheme Consideration, including, subject to applicable law and regulatory requirements, meeting with key 3PL Shareholders at the reasonable request of 3PL.

5.4 Scheme Booklet responsibility statement

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties, will contain words to the effect of:

- (a) 3PL has prepared, and is responsible for, the content of the Scheme Booklet other than, to the maximum extent permitted by law, the IXL Information, the Independent Expert's Report or any other report or letter issued to 3PL by a third party; and
- (b) IXL has prepared, and is responsible for, the IXL Information in the Scheme Booklet (and no other part of the Scheme Booklet) and that 3PL and its directors and officers do not assume any responsibility for the accuracy or completeness of the sections of the Scheme Booklet that IXL has prepared and has responsibility for.

5.5 Disagreement on content of Scheme Booklet

If IXL and 3PL disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to the form or content of the IXL Information contained in the Scheme Booklet, 3PL will make any amendments as IXL reasonably requires; and
- (b) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the 3PL Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

C Scheme Implementation Agreement continued

5.6 Verification

Each party must undertake appropriate verification processes for the information supplied by that party in the Scheme Booklet.

5.7 Conduct of Court proceeding

3PL and IXL are entitled to separate representation at all Court proceedings relating to the Scheme. This document does not give 3PL or IXL any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent. 3PL and IXL must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this document.

5.8 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, IXL and 3PL must appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) an independent senior counsel of the New South Wales bar advises that, in their opinion, an appeal would have no reasonable prospect of success before the End Date,

in which case either party may terminate this document in accordance with clause 13.1(g)(iii).

5.9 Transaction Implementation Committee

- (a) The parties must establish a Transaction Implementation Committee as soon as reasonably practical after the date of this document. The role of the Transaction Implementation Committee will be to act as a forum for consultation and planning by the parties to:
 - (i) facilitate satisfaction of the Conditions Precedent;
 - (ii) produce the Scheme Booklet;
 - (iii) implement the Scheme; and
 - (iv) subject to clause 5.10, ensure the smooth transition of the management of the business and affairs of the 3PL Group to IXL following the implementation of the Scheme.
- (b) The Transaction Implementation Committee will meet in person or by telephone as and when deemed necessary from the date of this document until the Scheme is fully implemented.
- (c) The Transaction Implementation Committee will consider all matters relevant to ensuring that the Scheme becomes Effective, including the following:
 - (i) the structure and timing for accomplishing the Scheme in accordance with the Timetable; and
 - (ii) communication strategies, including with any Regulatory Authority, 3PL employees, 3PL Shareholders and the media.
- (d) Notwithstanding the above:

- (i) each party may act in its own interests; and
- (ii) each member of the Transaction Implementation Committee may act in the interests of the party they represent in participating in the Transaction Implementation Committee.

5.10 No partnership or joint venture

Subject to this document, nothing in this clause requires either party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date. The parties agree that nothing in this document constitutes the relationship of a partnership or a joint venture between the parties.

6 3PL Board recommendation

6.1 Best endeavours

3PL must use its best endeavours to procure that none of its directors withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or
- (b) the Independent Expert concludes in the Independent Expert's Report (or any update or variation to that report) that the Scheme is not in the best interests of 3PL Shareholders.

6.2 Withdrawal or change of recommendation

Without limiting clause 9, if a member of the 3PL Board proposes to withdraw or change its recommendation:

- (a) 3PL must notify IXL in writing as soon as reasonably practicable and in any event within 1 Business Day; and
- (b) the parties must consult in good faith for 2 Business Days after the date on which the notification in sub clause (a) is given to consider and determine whether the recommendation in place at the time can be maintained. The recommendation cannot be withdrawn or changed until the end of the consultation period.

7 Personnel

7.1 Release of IXL and IXL directors and officers

- (a) Subject to the Corporations Act, 3PL releases its rights, and agrees with IXL that it will not make a claim, against any IXL Indemnified Party (other than IXL and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:
 - (i) any breach of any representations and warranties of IXL or any other member of the IXL Group in this document; or
 - (ii) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the IXL Indemnified Party has not acted in good faith or has engaged in wilful misconduct, gross negligence or fraud. Nothing in this clause 7.1 limits 3PL's rights to terminate this document under clause 13.1.

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- (b) IXL receives and holds the benefit of this clause to the extent it relates to each IXL Indemnified Party on behalf of each of them.

7.2 Release of 3PL and 3PL directors and officers

- (a) Subject to the Corporations Act, IXL releases its rights, and agrees with 3PL that it will not make a claim, against any 3PL Indemnified Party (other than 3PL and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:
 - (i) any breach of any representations and warranties of 3PL or any other member of the 3PL Group in this document; or
 - (ii) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the 3PL Indemnified Party has not acted in good faith or has engaged in wilful misconduct, gross negligence or fraud. Nothing in this clause 7.2 limits IXL's rights to terminate this document under clause 13.1.

- (b) 3PL receives and holds the benefit of this clause to the extent it relates to each 3PL Indemnified Party on behalf of each of them.

7.3 Appointment/retirement of 3PL directors

On the Implementation Date, but subject to the Scheme Consideration having been paid to the Scheme Participants and receipt by 3PL of signed consents to act, 3PL must use its reasonable endeavours to:

- (a) cause the appointment of each Incoming Director to the 3PL Board; and
- (b) procure that each of the Outgoing Directors retire from the 3PL Board and provide written notice to the effect that they have no claim outstanding for loss of office, remuneration or otherwise against 3PL,

in each case, in accordance with the 3PL Constitution, the Corporations Act and the Listing Rules.

7.4 Directors' and officers' insurance

Subject to the Scheme becoming Effective and subject to the Corporations Act and clause 7.5, IXL undertakes in favour of 3PL and each other person who is a 3PL Indemnified Party that it will:

- (a) for a period of 7 years from the Implementation Date, ensure that the constitutions of 3PL and each other member of the 3PL Group continue to contain the rules that are contained in those constitutions at the date of this document that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the IXL Group; and
- (b) procure that 3PL and each other member of the 3PL Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and without limiting the foregoing, ensure that the directors' and officers' run-off insurance cover for those directors and officers is maintained, subject to clause 7.5, for a period of 7 years from the retirement date of each director and officer.

7.5 Period of undertaking

The undertakings contained in clause 7.4 are given:

- (a) subject to any Corporations Act restriction or any restriction in the law of a jurisdiction in which an entity is incorporated, and will be read down accordingly; and
- (b) until the earlier of the end of the relevant period specified in that clause or the relevant member of the 3PL Group ceasing to be part of the IXL Group.

7.6 Benefit of undertaking for 3PL Group

3PL acknowledges that it receives and holds the benefit of clause 7.4 to the extent it relates to each director and officer of a member of the 3PL Group on behalf of each of them.

7.7 IXL acknowledgement regarding insurance

IXL acknowledges that, notwithstanding any other provision of this document, 3PL may, prior to the Implementation Date, enter into arrangements to secure directors and officers run-off insurance for up to a period of 7 years, subject to such the terms of that run-off insurance being acceptable to IXL (acting reasonably), and that any actions to facilitate that insurance or in connection therewith will not be a 3PL Prescribed Event or breach any provision of this document.

8 Conduct of business

8.1 Overview

From the date of this document up to and including the Implementation Date, 3PL must, and must cause each member of the 3PL Group to, conduct its business:

- (a) in the usual and ordinary course;
- (b) in the manner as previously conducted in the 12 months prior to the date of this document and in accordance with strategy approved by the 3PL Board prior to the date of this document as Disclosed to IXL; and
- (c) in accordance with all applicable laws in all material respects,

and must reasonably consult with IXL on the manner of conduct of the business.

8.2 Specific obligations

Without limiting clause 8.1 and other than with the prior approval of IXL (which approval must not be unreasonably withheld or delayed) or as required by this document, 3PL must, during the period contemplated by clause 8.1, use all reasonable endeavours to ensure that 3PL and each member of the 3PL Group:

- (a) **(business and assets)** maintains the condition of its business and assets;
- (b) **(officers and employees)** keeps available the services of:
 - (i) its officers; and
 - (ii) employees with a base salary of \$200,000 or higher,

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provided that nothing in this clause 8.2 restricts any member of the 3PL Group from implementing any redundancies of employees with a base salary of below \$200,000 in the ordinary course and in a manner consistent with historical practices of the 3PL Group over the 24 month period preceding the date of this document;

- (c) **(relationships)** preserves its relationships with customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings; and
- (d) **(cash)** ensures there is no material decrease in the amount of cash in 3PL other than as:
 - (i) used in the ordinary course of business and consistent with forecast cash utilisation; or
 - (ii) a result of reasonable costs incurred directly in relation to the transactions contemplated by the Scheme.

8.3 Prohibited actions

Other than with the prior approval of IXL or as required by this document, 3PL must not, and must ensure that each member of the 3PL Group does not, during the period referred to in clause 8.1:

- (a) **(Material Contracts)** enter into, amend, modify, accelerate or terminate a Material Contract;
- (b) **(competition)** enter into any contract or commitment restraining any member of the 3PL Group from competing with any person or conducting activities in any market;
- (c) **(share capital)** issue, deliver, sell, pledge, or otherwise encumber any of its share capital, any other equity or voting interests or any securities convertible into, or exchangeable for, or any options, warrants, calls, or rights to acquire or receive, any such shares, interests, or securities or any share appreciation rights, phantom share awards, or other rights that are linked in any way to the price of 3PL Shares or the value of 3PL or any part thereof (other than the issuance of 3PL Shares as permitted by clause 4.4);
- (d) **(indebtedness)** repurchase, prepay, or incur any indebtedness or guarantee any indebtedness of another person, in each case, in excess of \$200,000.00 and excluding indebtedness resulting from the extension or renewal of facilities existing as at the date of this document, or issue or sell any debt securities or options, warrants, calls, or other rights to acquire any debt securities of any member of the 3PL Group, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain the financial condition of another person, or enter into any arrangement having the economic effect of any of the foregoing;
- (e) **(loans)** make any loans, advances, or capital contributions to, or investments in, any other person, other than a member of the 3PL Group;
- (f) **(derivative instruments)** enter into any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments;

- (g) **(related party transactions)** enter into any transaction with any related party of 3PL as defined in section 228 of the Corporations Act which requires 3PL shareholder approval under section 208 of the Corporations Act;
- (h) **(acquisitions or disposals)** acquire or dispose of (or agree to acquire or dispose of) any business, entity, undertaking or material assets;
- (i) **(capital expenditures)** make any capital expenditures, or incur any obligations or liabilities in connection therewith, except pursuant to existing contracts or that, in the aggregate, would not exceed:
 - (i) in the case of property, plant and equipment, \$500,000.00 during any fiscal quarter and
 - (ii) in any other case, \$1,000,000.00 during any fiscal quarter;
- (j) **(leases)** enter into, amend, or terminate any lease of real property (excluding any sub-lease) (whether as a lessor or lessee) or fail to exercise any right to renew any lease of real property, except:
 - (i) in the ordinary course of business consistent with past practice;
 - (ii) if the financial commitment for any new lease is below \$500,000.00; or
 - (iii) if a terminated lease is replaced with an appropriate lease;
- (k) **(assets)** grant a license in, or otherwise subject to any Encumbrance or otherwise dispose of any of its material properties or assets, other than the granting of non-exclusive licenses in the ordinary course of business consistent with past practice;
- (l) **(accounting policies)** change any accounting policy applied by a member of the 3PL Group to report their financial position other than any change required by a change in accounting standards;
- (m) **(tax)** settle or compromise or make any concessions in relation to any Tax claims, liabilities or disputes or make any election in relation to Tax, or otherwise engage in any transaction, act or event which gives rise to any Tax liability which is outside the ordinary course of business as it was conducted prior to the date of this document;
- (n) **(legal proceedings)** (i) settle any legal proceedings, claim, investigation, arbitration or other like proceedings where the amount claimed exceeds \$500,000.00, (ii) waive, release, grant, or transfer any right of material value other than in the ordinary course of business consistent with past practice, or (iii) commence any legal proceeding, claim or arbitration;
- (o) **(employment agreements)** increase the remuneration of (including with regard to superannuation benefits) or benefits provided to or pay any bonus (other than in accordance with existing arrangements and in the ordinary course) or issue any securities or options to, or otherwise materially vary the employment agreements with, any of its directors or employees;
- (p) **(accelerate rights)** accelerate the rights of any of its directors or employees to benefits of any kind;
- (q) **(termination payments)** pay a director, executive or employee a termination or retention payment, but excluding any redundancy

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payment in connection with any redundancies of employees with a base salary of below \$200,000 made in the ordinary course and consistent with historical practices of the 3PL Group over the 24 month period preceding the date of this document;

- (r) **(employees)** hire or terminate (other than for cause) any director, executive or employee with a base salary of \$200,000 or higher;
- (s) **(adviser arrangements)** amend in any material respect any arrangement with its advisers in respect of the transactions contemplated by this document;
- (t) **(dividends)** (i) announce, declare, determine or pay any dividends, (ii) split, combine, or reclassify any of its share capital or other equity or voting interests, or issue or authorize the issuance of any other securities in respect of, in lieu of, or in substitution for shares of its share capital or other equity or voting interests, (iii) purchase, redeem, or otherwise acquire any share capital or any other securities of any member of the 3PL Group or any options, warrants, calls, or rights to acquire any such shares or other securities (including any Employee Options) or (iv) take any action that would result in any change of any term (including any conversion price thereof) of any debt security of any member of the 3PL Group;
- (u) **(intellectual property)** sell, license, transfer, assign, abandon, dedicate to the public, permit to lapse or otherwise dispose of any intellectual property assets that are material to the business of any member of the 3PL Group, except for non-exclusive licenses of the 3PL Group's commercial software offerings to customers in the ordinary course of business;
- (v) **(information technology)** take any action in respect of its information technology systems which would have a material impact on those systems; or
- (w) **(agree)** agree to do any of the matters set out above.

8.4 Exceptions to conduct of business provisions

Nothing in this clause 8 restricts the ability of 3PL to take any action which:

- (a) is expressly required or permitted by this document or the terms of the Scheme;
- (b) is required by law, the rules of a recognised stock exchange or Regulatory Authority;
- (c) has been Disclosed to IXL (in the case of clause 8.3(c) and 8.3(q), only as Disclosed in Document 05.06.01 in the 3PL Data Room);
- (d) has been agreed to in writing by IXL (acting reasonably, provided that any request for consent made by 3PL is in writing and includes reasonable details of the matter (including any material terms));
- (e) is undertaken in connection with the replacement of its distributors in the ordinary course and consistent with historical practices of the 3PL Group over the 24 month period preceding the date of this document; or
- (f) ensures that directors' and officers' run-off insurance cover for the directors and officers of 3PL and each member of the 3PL Group is maintained in accordance with clause 7.7.

8.5 Access to people and 3PL Information

Between the date of this document and the Implementation Date, 3PL must:

- (a) as soon as reasonably practicable, provide IXL and its officers and advisers with any documents, records, and other information reasonably requested by them for the purposes set out in clause 8.5(b) (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws, or where 3PL reasonably considers that the provision of such documents, records or other information would result in the loss of legal professional privilege); and
- (b) upon reasonable notice, provide IXL and its officers and advisers with reasonable access to 3PL's executive officers, key management personnel and advisers which IXL reasonably requires for the sole purposes of:
 - (i) understanding 3PL's financial position (including its cash flow and working capital position), trading performance and management control systems;
 - (ii) implementing the Scheme;
 - (iii) preparing for carrying on the business of 3PL following implementation of the Scheme; and
 - (iv) any other purpose which is agreed in writing between the parties,

provided it does not place an unreasonable burden on the ability of 3PL to run its business.

8.6 Change of Control

As soon as practicable after the date of this document, the parties must:

- (a) seek to identify any change of control or similar provisions in any Material Contract which may be triggered by the implementation of the Scheme (**Change of Control Requirements**); and
- (b) use all reasonable endeavours to obtain any consents required in accordance with the terms of any identified Change of Control Requirements, and, to promptly seek those consents as soon as practicable and in any event before the Second Court Date.

9 Exclusivity

9.1 No-shop

During the Exclusivity Period, 3PL must ensure that neither it nor any of its Representatives directly or indirectly, except with the prior written consent of IXL:

- (a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- (b) communicates any intention to do any of the foregoing,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Proposal.

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9.2 No-talk

Subject to clause 9.4, during the Exclusivity Period, except with the prior written consent of IXL, 3PL must not, and must ensure that its Representatives do not, directly or indirectly:

- (a) negotiate or enter into, a Competing Proposal; or
- (b) participate in or resume (where discussions have ceased under clause 9.9) negotiations or discussions in relation to, or which may reasonably be expected to lead to, a Competing Proposal,

even if the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by 3PL or any of its Representatives or the person has publicly announced the Competing Proposal or any offer, proposal or expression of interest from any person in relation to a Competing Proposal.

9.3 Due diligence information

(a) Subject to clause 9.4, during the Exclusivity Period, except with the prior written consent of IXL, 3PL must not, and must ensure that its Representatives do not, directly or indirectly:

- (i) solicit, invite, initiate, encourage, facilitate or permit any other person other than IXL to undertake due diligence investigations on 3PL or any of its Related Bodies Corporate or any of their respective businesses or operations, in connection with the person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
- (ii) make available to any other person, or permit any other person to receive, other than IXL (in the course of due diligence investigations or otherwise), any non-public information relating to 3PL or any of its Related Bodies Corporate or any of their respective businesses or operations, in connection with the person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

(b) 3PL must not, during the Exclusivity Period, provide access to due diligence information to any person who has not agreed to a standstill on terms no more favourable to that person than those applicable to IXL under the Exclusivity Agreement.

9.4 Fiduciary exception

Clauses 9.2, 9.3 and 9.6 do not apply to the extent that they restrict 3PL or the 3PL Board from taking or refusing to take any action with respect to a genuine Competing Proposal (which was not solicited, invited, encouraged or initiated by 3PL in contravention of clause 9.1) provided that the 3PL Board has determined, in good faith and acting reasonably that:

- (a) after consultation with its financial advisors, that Competing Proposal is, or could reasonably be expected to become, a Superior Proposal; and
- (b) after receiving a written legal opinion from Gadens or another leading commercial law firm or senior counsel (who is a reputable adviser experienced in transactions of this nature) that compliance with clauses 9.2, 9.3 or 9.6 (as applicable) without relying on this clause 9.4 would be reasonably likely to constitute a breach of the 3PL Board's fiduciary or statutory obligations.

9.5 Further exceptions

Nothing in this document prevents 3PL from:

- (a) continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to its business generally; or
- (b) taking any action in good faith to comply with its continuous disclosure obligations.

9.6 Notice of approaches

- (a) Subject to clause 9.4, during the Exclusivity Period, 3PL must promptly (and in any event, within 48 hours) inform IXL in writing if it or any of its Representatives:
 - (i) receives any unsolicited approach with respect to any Competing Proposal and must disclose to IXL all material details of the Competing Proposal, including details of the proposed bidder or acquirer;
 - (ii) receives any request for information relating to 3PL or any of its Related Bodies Corporate or any of their respective businesses or operations or any request for access to any non-public information of 3PL or any of its Related Bodies Corporate or any of their respective businesses or operations, which 3PL has reasonable grounds to suspect may relate to a current or future Competing Proposal; and
 - (iii) provides any information relating to 3PL or any of its Related Bodies Corporate or any of their respective businesses or operations to any person in connection with or for the purposes of a current or future Competing Proposal.
- (b) A notice given under clause 9.6(a) must be accompanied by all material details of the relevant event, including (as the case may be):
 - (i) the identity of the person who made the relevant approach, inquiry or proposal to initiate discussions or negotiations referred to in paragraph 9.6(a)(i), or who made the relevant request for information referred to in paragraph 9.6(a)(ii); and
 - (ii) the material terms and conditions (including price, conditions precedent, timetable and break or reimbursement fee (if any), or any other similar terms) of any Competing Proposal or any proposed Competing Proposal (to the extent known).
- (c) During the Exclusivity Period, 3PL must promptly provide IXL with:
 - (i) in the case of written materials, a copy of; or
 - (ii) in any other case, a written statement of,

any non-public information relating to 3PL, its Related Bodies Corporate, or any of their respective businesses and operations made available or received by any person in connection with the person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal and which differs materially from, or is more extensive than, the information which may have been provided to IXL.

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9.7 Matching right

- (a) Without limiting clauses 9.1 and 9.2, during the Exclusivity Period, 3PL:
- (i) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a third party, 3PL or both proposes or propose to undertake or give effect to an actual, anticipated, proposed or potential Competing Proposal; and
 - (ii) must use its best endeavours to procure that none of the members of the 3PL Board publicly recommend an actual, anticipated, proposed or potential Competing Proposal (or recommend against the Scheme),
- unless:
- (iii) the 3PL Board acting in good faith and in order to satisfy what the 3PL Board considers to be its statutory or fiduciary duties (having received a written opinion from a leading commercial law firm or senior counsel who is a reputable adviser experienced in transactions of this nature), determines that the Competing Proposal would be or would be likely to be an actual, anticipated, proposed or potential Superior Proposal;
 - (iv) 3PL has provided IXL with the material terms and conditions of the actual, anticipated, proposed or potential Competing Proposal, including price and the identity of the third party making the actual, anticipated, proposed or potential Competing Proposal;
 - (v) 3PL has given IXL at least 3 Business Days after the date of the provision of the information referred to in clause 9.7(a)(iv) to provide a matching or superior proposal to the terms of the actual, anticipated, proposed or potential Competing Proposal; and
 - (vi) IXL has not provided 3PL with a matching or superior proposal to the terms of the actual, anticipated, proposed or potential Competing Proposal by the expiry of the 3 Business Day period referred to in clause 9.7(a)(v).
- (b) 3PL acknowledges and agrees that each successive modification of any actual, anticipated, proposed or potential Competing Proposal will constitute a new actual, anticipated, proposed or potential Competing Proposal for the purposes of the requirements under clause 9.6 and clause 9.7 and accordingly, during the Exclusivity Period, 3PL must comply with clause 9.6 and clauses 9.7(a)(i) and 9.7(a)(ii) in respect of any new actual, anticipated, proposed or potential Competing Proposal unless clauses 9.7(a)(iii) to 9.7(a)(vi) apply.

9.8 IXL counterproposal

If IXL proposes to 3PL a new proposal that constitutes a matching or superior proposal to the Competing Proposal (“**Counterproposal**”) by the expiry of the 3 Business Day period referred to in clause 9.7(a)(v), during the Exclusivity Period, 3PL must procure that the 3PL Board consider the Counterproposal and if the 3PL Board, acting reasonably and in good faith, determines that the Counterproposal would provide an equivalent or superior outcome for 3PL Shareholders as a whole compared with the Competing Proposal, taking into account all of the terms and conditions of the Counterproposal, then:

- (a) 3PL and IXL must use their best endeavours to agree the amendments to this document and, if applicable, the Scheme and Deed Poll that are reasonably necessary to reflect the Counterproposal and to implement the Counterproposal, in each case as soon as reasonably practicable; and
- (b) 3PL must use its best endeavours to procure that each of the directors of 3PL continues to recommend the Scheme (as modified by the Counterproposal) to 3PL Shareholders.

9.9 No existing discussions

- (a) During the Exclusivity Period, 3PL must, and must procure that each of its Representatives:
 - (i) cease any discussions or negotiations existing as at the date of this document relating to any actual, anticipated, proposed or potential Competing Proposal;
 - (ii) cease the provision of any due diligence access and the making available of any non-public information in relation to 3PL and its business to any third party, where the due diligence access and provision of non-public information was for the purposes of, or related to, a potential Competing Proposal; and
 - (iii) require any third party to whom non-public information has been provided or made available to immediately return or destroy that non-public information in accordance with, and subject to, any agreed terms of confidentiality, where the information was provided or made available for the purposes of, or related to, a potential Competing Proposal.
- (b) During the Exclusivity Period, 3PL agrees not to waive, and to enforce in full, any standstill obligations of any party, except in relation to a Competing Proposal where IXL has failed to provide a matching or superior proposal, which failure satisfies clause 9.7(a)(vi).

9.10 Legal advice

3PL acknowledges that it has received legal advice on this document, including the operation and effect of the exclusivity arrangements set out in this clause 9.

10 Break Fee

10.1 Background

This clause has been agreed in circumstances where:

- (a) IXL and 3PL believe that the Scheme will provide significant benefits to IXL, 3PL and their respective shareholders, and IXL and 3PL acknowledge that, if they enter into this document and the Scheme is subsequently not implemented, IXL will incur significant costs, including those set out in clause 10.5;
- (b) IXL requested that provision be made for the Break Fee, without which IXL would not have entered into this document;
- (c) both the IXL Board and 3PL Board believe that it is appropriate for both parties to agree to the payment referred to in this clause to secure IXL's participation in the Scheme; and

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- (d) both parties have received legal advice on this document and the operation of this clause.

10.2 Payment by 3PL to IXL

3PL agrees to pay the Break Fee to IXL without withholding or set off if the Scheme does not proceed because:

- (a) **(Competing Proposal)** on or before the earlier to occur of the End Date and the date this document is validly terminated in accordance with its terms, a Competing Proposal is announced and within 12 months of the date of such announcement, the third party who announced or made the Competing Proposal (or any of its Associates):
 - (i) completes or otherwise implements a Competing Proposal of a kind referred to in paragraphs (b) or (c) of the definition of 'Competing Proposal'; or
 - (ii) otherwise acquires all or a majority of the 3PL Shares or control (as defined in section 50AA of the Corporations Act) of 3PL;
- (b) **(change of recommendation)** any member of the 3PL Board fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not in the best interests of 3PL Shareholders (other than where a Competing Proposal has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document); or
- (c) **(termination)** IXL validly terminates this document in accordance with clause 13.1(c).

10.3 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event in clause 10.2, if the Scheme becomes Effective:

- (a) no amount is payable by 3PL under clause 10.2; and
- (b) if any amount has already been paid under clause 10.2 it must be refunded by IXL.

10.4 Timing of payment

- (a) A demand by IXL for payment of the Break Fee under clause 10.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of IXL into which 3PL must pay the Break Fee.

- (b) 3PL must pay the Break Fee to IXL under clause 10.2 without withholding or set off within 10 Business Days of receipt by 3PL of a valid demand for payment from IXL under clause 10.4(a).

10.5 Nature of payment

The Break Fee is an amount to compensate IXL for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of IXL's management from conducting IXL's business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by IXL in pursuing the Scheme or in not pursuing alternative acquisitions or strategic initiatives which IXL could have developed to further its business and objectives; and
- (f) damage to IXL's reputation associated with a failed transaction and the implications of that damage to IXL's business.

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the amount payable under clause 10.2.

10.6 Reduction in amount payable

- (a) The Break Fee is reduced by an amount equal to the amount which is recovered by IXL as a result of a claim against 3PL pursuant to any other remedies available to IXL under this document including pursuant to clause 12.1.
- (b) Where the Break Fee has already been paid, IXL must, within 2 Business Days of the event contemplated by clause 10.6(a) which would have reduced the amount payable, refund an amount to 3PL which is equivalent to that calculated under clause 10.6(a).

10.7 3PL limitation of liability

Notwithstanding any other provision of this document but subject to clause 10.8:

- (a) the maximum liability of 3PL to IXL under or in connection with this document including in respect of any breach of this document will be the Break Fee; and
- (b) the payment by 3PL of the Break Fee represents the sole and absolute amount of liability of 3PL under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by 3PL in connection with this document.

10.8 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the amount payable under clause 10.2:

- (a) is unlawful or would if performed be, unlawful;
- (b) involves a breach of the duties of the 3PL Board; or

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- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then 3PL's obligation to pay the applicable amount or part of the amount payable under clause 10.2 does not apply and if IXL has received any part of the payment due under clause 10.2 it must refund it within 5 Business Days of final determination.

The parties must not make or cause or permit to be made any application to a Court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in this clause 10.7.

11 Reverse Break Fee

11.1 Background

This clause has been agreed in circumstances where:

- (a) IXL and 3PL believe that the Scheme will provide significant benefits to IXL, 3PL and their respective shareholders, and IXL and 3PL acknowledge that, if they enter into this document and the Scheme is subsequently not implemented, 3PL and 3PL Shareholders will incur significant costs including those set out in clause 11.5;
- (b) 3PL requested that provision be made for the payment of the Reverse Break Fee, without which 3PL would not have entered into this document;
- (c) both the IXL Board and 3PL Board believe that it is appropriate for both parties to agree to the payment referred to in this clause to secure 3PL's participation in the Scheme; and
- (d) both parties have received legal advice on this document and the operation of this clause.

11.2 Payment by IXL to 3PL

IXL agrees to pay the Reverse Break Fee to 3PL without withholding or set off if the Scheme does not proceed because:

- (a) **(material breach)** 3PL validly terminates this document in accordance with clause 13.1(c); or
- (b) **(failure to pay Scheme Consideration)** IXL does not pay the aggregate Scheme Consideration in accordance with the terms and conditions of this document, the Scheme and the Deed Poll.

11.3 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event in clause 11.2, if the Scheme becomes Effective:

- (a) no amount is payable by IXL under clause 11.2; and
- (b) if any amount has already been paid under clause 11.2 it must be refunded by 3PL.

11.4 Timing of payment

- (a) A demand by 3PL for payment of the Reverse Break Fee under clause 11.2 must:

- (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of 3PL into which IXL must pay the Reverse Break Fee.
- (b) IXL must pay the Reverse Break Fee to 3PL without withholding or set off within 10 Business Days of receipt by IXL of a valid demand for payment from 3PL under clause 11.4(a).

11.5 Nature of payment

The Reverse Break Fee is an amount to compensate 3PL for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of 3PL's management from conducting 3PL's business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by 3PL in pursuing the Scheme or in not pursuing strategic initiatives which 3PL could have developed to further its business and objectives; and
- (f) damage to 3PL's reputation associated with a failed transaction and the implications of that damage to 3PL's business.

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the amount payable under clause 11.2.

11.6 Reduction in amount payable

- (a) The Reverse Break Fee is reduced by an amount equal to the amount which is recovered by 3PL as a result of a claim against IXL pursuant to any other remedies available to 3PL under this document including pursuant to clause 12.3.
- (b) Where the Reverse Break Fee has already been paid, 3PL must, within 2 Business Days of the event contemplated by clause 11.6(a) which would have reduced the amount payable, refund an amount to IXL which is equivalent to that calculated under clause 11.6(a).

11.7 IXL's limitation of liability

Notwithstanding any other provision of this document:

- (a) the maximum liability of IXL to 3PL under or in connection with this document including in respect of any breach of this document will be the Reverse Break Fee; and
- (b) the payment by IXL of the Reverse Break Fee represents the sole and absolute liability of IXL under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will

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payable by IXL under or in connection with this document. Nothing in this clause limits IXL's liability under the Deed Poll.

12 Representations and warranties

12.1 3PL's representations and warranties

Subject to clause 12.3, 3PL represents and warrants to IXL (on its own behalf and separately as trustee or nominee for each of the IXL directors) that each of the following statements is true and correct as at the date of this document and as at 8.00am on the Second Court Date:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation and remains in good standing thereunder;
- (b) **(power)** it has all power and authority necessary to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document does not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded; or
 - (ii) any law binding on or applicable to it or its assets;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms;
- (f) **(reliance)** the 3PL Information contained in the Scheme Booklet will be included in good faith and on the understanding that IXL and its directors will rely on that information for the purposes of considering and approving the IXL Information in the Scheme Booklet before it is despatched, approving the entry into the Deed Poll and implementing the Scheme;
- (g) **(3PL Information)** the 3PL Information provided in accordance with this document and included in the Scheme Booklet as at the date of the Scheme Booklet will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC;
- (h) **(Disclosed information)** 3PL has acted in good faith and with reasonable skill and care in collating and preparing the information disclosed in the 3PL Data Room and responding to written requests for information submitted by IXL or its Representatives in connection with IXL's due diligence process;
- (i) **(disclosure)** 3PL has provided to IXL all information known to it (having made reasonable enquiries) as at the date of this document regarding matters affecting or relating to it:

- (i) which is not already in the public domain; and
 - (ii) the disclosure of which might reasonably be expected to have resulted in IXL not entering into this document at all or only entering into this document on materially different terms;
- (j) **(continuous disclosure)** 3PL is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the carve-out in Listing Rule 3.1A to withhold any information from disclosure (other than the transaction contemplated by this document);
- (k) **(complete and accurate)**: all the information provided to IXL by or on behalf of 3PL in connection with this document, whether in the 3PL Data Room or otherwise, is complete and accurate in all material respects and is not misleading in any material respect, whether by way of omission or otherwise;
- (l) **(Material Contracts)** for each Material Contract, either:
- (i) a true and complete copy of that Material Contract is contained in the 3PL Data Room; or
 - (ii) a summary of that Material Contract is contained in publicly available information and that summary is accurate in all material respects and is not misleading in any material respect, whether by way of omission or otherwise;
- (m) **(compliance)** the 3PL Group has complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign governmental agencies having jurisdiction over it and has all licenses, permits and franchises necessary for it to conduct its respective businesses as presently being conducted;
- (n) **(opinions)** any statement of opinion or belief contained in the 3PL Information is honestly held and there are reasonable grounds for holding the opinion or belief;
- (o) **(provision of information to Independent Expert)** all information provided by or on behalf of 3PL to the Independent Expert to enable the Independent Expert's Report to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report;
- (p) **(no default)** neither 3PL nor any of its Subsidiaries is in default under any Material Contract nor has anything occurred which is or would with the giving of notice or lapse of time constitute an event of default, prepayment event or similar event, or give another party a termination right or right to accelerate any right or obligation, under a Material Contract;
- (q) **(securities)** 3PL's issued securities as at the date of this document are:
- (i) 139,484,170 3PL Shares;
 - (ii) 7,771,539 Employee Options; and
 - (iii) 1,168,769 Employee Share Rights,
- all material details of which (including employee allocations, vesting entitlements and corresponding loan balances) have been Disclosed to

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IXL and other than as Disclosed it has not issued or granted or agreed to issue or grant any other securities, options, warrants, performance rights or other instruments which are still outstanding, and which may convert into 3PL Shares (whether or not subject to conditions) and it is not under any obligation to issue or grant, and no person has any right to call for the issue or grant of, any 3PL Shares, options, warrants, performance rights or other securities or instruments in 3PL (whether or not subject to conditions);

- (r) **(New 3P Learning Equity Incentive Plan)** 3PL will only issue 527,009 Employee Share Rights under the New 3P Learning Equity Incentive Plan and will cash settle these Employee Share Rights prior to the Effective Date in accordance with the terms of the New 3P Learning Equity Incentive Plan;
- (s) **(no Encumbrances)** there are no Encumbrances over all or any of its assets or revenues;
- (t) **(litigation or regulatory investigation)** there is no material litigation or regulatory investigation commenced or threatened against any member of the 3PL Group of any nature;
- (u) **(regulatory approvals)** so far as the 3PL Board and 3PL Executives are aware after making due enquiries, no Regulatory Approval is required to be obtained by the 3PL Group in order for it to execute, deliver and perform this document, other than those approvals set out in clause 3.1, and so far as the 3PL Board and 3PL Executives are aware after making due enquiries, as at the date of this document, no regulatory action of any nature has been taken that would prevent or restrict its ability to fulfil its obligations under this document;
- (v) **(Insolvency event)** no member of the 3PL Group is Insolvent;
- (w) **(3PL Shares not indirect Australian real property interests)** the relevant 3PL Shares held by each Scheme Participant are not, and until (and including) the Implementation Date will not be, indirect Australian real property interests within the meaning of Division 855 of the Tax Act for the Scheme Participant; and
- (x) **(intellectual property):**
 - (i) a member of the 3PL Group is the sole and exclusive owner of all right, title and interest in and to the 3PL IP free and clear of all Encumbrances;
 - (ii) a member of the 3PL Group is the sole and exclusive owner of, or has a valid and enforceable right to use, all Intellectual Property Rights necessary for the 3PL Group to conduct its business as currently conducted;
 - (iii) no member of the 3PL Group has received notice from any person alleging that the business of the 3PL Group infringes or otherwise violates any Intellectual Property Rights of a third party; and
 - (iv) so far as the 3PL Board and 3PL Executives are aware after making due enquiries, no person has infringed or otherwise violated the 3PL IP.

12.2 3PL's indemnity

Subject to clause 10.7 and clause 12.3, 3PL indemnifies the IXL Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 12.1 not being true and correct in all respects.

12.3 Qualifications on 3PL's representations and warranties

3PL representations and warranties in clause 12.1 and the indemnity in clause 12.2 are each subject to matters that:

- (a) other than in the case of the warranty in clause 12.1(r), have been Disclosed and, in the case of the warranty 12.1(q), only as Disclosed in Document 05.06.01 in the 3PL Data Room); or
- (b) would have been disclosed to IXL had IXL conducted searches 10 Business Days before the date of this document of the public records maintained by:
 - (i) ASIC;
 - (ii) the High Court of Australia, Federal Court of Australia and the Supreme Court of Victoria, New South Wales, South Australia, Western Australia and Queensland;
 - (iii) the PPS Register; or
 - (iv) IP Australia; or
- (c) as at the date of this document are within the actual knowledge of the IXL Knowledge Parties.

12.4 IXL's representations and warranties

Subject to clause 12.6, IXL represents and warrants to 3PL (on its own behalf and separately as trustee or nominee for each of the 3PL directors) that each of the following statements is true and correct as at the date of this document and as at 5.00pm on the Business Day immediately prior to the Second Court Date:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation and remains in good standing thereunder;
- (b) **(power)** it has all power and authority necessary to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document does not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded; or
 - (ii) any law binding on or applicable to it or its assets;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms;

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- (f) **(reliance)** the IXL Information provided to 3PL for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that 3PL and its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the Corporations Act;
- (g) **(IXL Information)** the IXL Information provided in accordance with this document and included in the Scheme Booklet, as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC;
- (h) **(compliance)** the IXL Group has complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign governmental agencies having jurisdiction over it and has all material licenses, permits and franchises necessary for it to conduct its businesses as presently being conducted;
- (i) **(opinions)** any statement of opinion or belief contained in the IXL Information is honestly held and there are reasonable grounds for holding the opinion or belief;
- (j) **(no dealing with 3PL Shareholders)** neither it nor any of its associates has any agreement, arrangement or understanding with any 3PL Shareholder under which that 3PL Shareholder (or an associate of that 3PL Shareholder) would be entitled to receive consideration for their 3PL Shares different from the Scheme Consideration or under which the 3PL Shareholder agrees to vote in favour of the Scheme or against any Competing Proposal;
- (k) **(reasonable basis)** it has a reasonable basis to expect that it will, by the Implementation Date, have available to it sufficient cash amounts (whether from internal cash reserves or external funding arrangements, including equity and debt financing or a combination of both) to satisfy IXL's obligations to pay the Scheme Consideration in accordance with its obligations under this document, the Scheme and the Deed Poll;
- (l) **(provision of information to Independent Expert)** all information provided by or on behalf of IXL to the Independent Expert to enable the Independent Expert's Report to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report;
- (m) **(regulatory approvals)** so far as the IXL Knowledge Parties are aware after making due enquiries, no Regulatory Approval is required to be obtained by IXL in order for it to execute, deliver and perform this document, other than those approvals set out in clause 3.1, and so far as the IXL Knowledge Parties are aware after making due enquiries, as at the date of this document, no regulatory action of any nature has been taken that would prevent or restrict its ability to fulfil its obligations under this document; and
- (n) **(Insolvency event)** no member of the IXL Group is Insolvent.

12.5 IXL's indemnity

Subject to clause 11.7 and clause 12.6, IXL indemnifies the 3PL Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the

representations and warranties in clause 12.3 not being true and correct in all respects.

12.6 Qualifications on IXL's representations and warranties

IXL's representations and warranties in clause 12.4 and the indemnity in clause 12.5 are each subject to matters that, as at the date of this document, are within the actual knowledge of 3PL or any of 3PL's Representatives who have been directly involved in the assessment and/or negotiation of the transactions contemplated by this document before the date of this document.

13 Termination

13.1 Termination events

This document may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective on or before the End Date;
- (b) **(lack of support)** by IXL at any time prior to 8.00am on the Second Court Date if any member of the 3PL Board changes its recommendation to the Scheme Participants that they vote in favour of the resolution to approve the Scheme, including any adverse modification to its recommendation, or otherwise makes a public statement indicating that it no longer supports the Scheme;
- (c) **(material breach)** by either IXL or 3PL at any time prior to 8.00am on the Second Court Date, if the other is in material breach of a term of this document (including any representation and warranty not being true and correct), taken in the context of the Scheme as a whole, provided that IXL or 3PL (as the case may be) has, if practicable, given notice to the other setting out the relevant circumstances and the breach:
 - (i) is not capable of being remedied; or
 - (ii) is capable of being remedied, but has not been remedied to the satisfaction of IXL or 3PL (as the case may be) within 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time the notice is given;
- (d) **(Material Adverse Effect)** by IXL at any time prior to 8.00am on the Second Court Date, if a Material Adverse Effect occurs;
- (e) **(competing interest)** by IXL at any time prior to the Voting Eligibility Date, if a person (other than IXL or its Associates or any person that holds a Relevant Interest in more than 20% of the 3PL Shares on the date of this document) acquires a Relevant Interest in more than 20% of the 3PL Shares;
- (f) **(Competing Proposal)** by 3PL at any time prior to 8.00 am on the Second Court Date if the 3PL Board determines that a Competing Proposal that was not solicited, invited, encouraged or initiated in breach of clause 9.1 is a Superior Proposal;
- (g) **(consultation or appeal failure)** in accordance with and pursuant to:
 - (i) clause 3.9(a);
 - (ii) clause 3.9(b); or
 - (iii) clause 5.8; or

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(h) **(agreement)** if agreed to in writing by IXL and 3PL.

13.2 Termination

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document.

13.3 Effect of Termination

If this document is terminated by either party, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in this clause and in clauses 7.1, 7.2, 10.2, 11.2 and 14 to 21 (inclusive) will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this document.

13.4 Damages

Subject to the limitations in clause 10 and clause 11, and in addition to the right of termination under clause 13.1, where there is no appropriate remedy for the breach in this document (other than termination), the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

14 IXL Guarantor

14.1 Guarantee

In consideration of 3PL entering into this document with IXL at the request of the IXL Guarantor, the IXL Guarantor irrevocably and unconditionally guarantees to 3PL the due and punctual performance of all present and future obligations and the payment of all present and future liabilities of IXL under this document and must on demand by 3PL perform such obligations or pay such liabilities in the manner specified in this document if IXL fails to do so on the due date.

14.2 Indemnity

As a separate and independent obligation from that contained in clause 14.1, the IXL Guarantor must pay to 3PL on demand the amount of any Losses suffered or incurred by 3PL arising out of or in connection with any failure of IXL or the IXL Guarantor to perform any obligation or pay any liability under this document on the due date.

14.3 Nature and preservation of liability

The IXL Guarantor acknowledges and agrees that each of its obligations under this clause 14:

- (a) is a principal and continuing obligation and will not be affected by any principle of law or equity which might otherwise reduce or limit in any way the liability of the IXL Guarantor under this clause 14; and
- (b) continues notwithstanding any amendment of this document or any waiver, consent or notice given under this document by any party to another.

14.4 Maximum liability

The IXL Guarantor's liability under this clause 14 in respect of any claim against IXL will not exceed IXL's liability in respect of that claim.

15 Public announcements

15.1 Public announcement of Scheme

Immediately after signing this document, 3PL and IXL must issue a joint public announcement of the proposed Scheme in the Agreed Form.

15.2 Required disclosure

Where a party is required by any applicable law or any Listing Rule to make any announcement or make any disclosure in connection with the Scheme, it must use all reasonable endeavours, to the extent possible, to consult with the other party prior to making the relevant disclosure.

15.3 Other announcements

Subject to clauses 15.1 and 15.2, no party may make any public announcement or disclosure in connection with the Scheme (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide that approval as soon as practicable.

16 Confidential Information

16.1 Confidentiality agreement

Each party acknowledges and agrees that it continues to be bound by the Confidentiality Agreement in respect of all information received by it from the other party on, before or after the date of this document.

16.2 Survival of obligations

The rights and obligations of the parties to the Confidentiality Agreement survive termination (for whatever reason) of this document.

17 Notices and other communications

17.1 Form

Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an Authorised Officer of the sender.

All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).

Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

17.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details;
- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details; or
- (c) sent by email to the address referred to in the Details,

and in each case with a copy to:

C Scheme Implementation Agreement continued

- (d) for 3PL, Gadens in accordance with the following:

Address: Level 20, MLC Centre, 19 Martin Place, Sydney, NSW, Australia 2000

Email: Matt.Egerton-Warburton@gadens.com and Jol.Rogers@gadens.com

For the attention of: Matt Egerton-Warburton and Jol Rogers

- (e) for IXL, each of:

- (i) Latham & Watkins in accordance with the following:

Address: 200 Clarendon Street, Boston, MA 02116 USA

Email: evan.smith@lw.com

For the attention of: Evan G. Smith

- (ii) King & Wood Mallesons in accordance with the following:

Address: King & Wood Mallesons, Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney New South Wales

Email: David.Friedlander@au.kwm.com and Paul.Schroder@au.kwm.com

For the attention of: David Friedlander and Paul Schroder

If the intended recipient has notified the other party of any changes to its contact details, then communications must be sent to the changed contact details.

17.3 When effective

Communications take effect from the time they are received or taken to be received under clause 17.4 ("When taken to be received") (whichever happens first) unless a later time is specified in the communication.

17.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another);
- (b) if sent by email:
- (i) when the sender receives an automated message confirming delivery; or
- (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

17.5 Receipt outside business hours

Despite anything else in this clause 17, if communications are received or taken to be received under clause 17.4 ("When taken to be received") after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at

9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

18 GST

18.1 Definitions and interpretation

For the purposes of this clause:

- (a) “**GST Act**” means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth);
- (b) a term which has a defined meaning in the GST Act has the same meaning when used in this clause, unless the contrary intention appears; and
- (c) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as if it were a separate supply.

18.2 GST exclusive

Unless this document expressly states otherwise, all consideration to be provided under this document is exclusive of GST.

18.3 Payment of GST

- (a) If GST is payable, or notionally payable, on a supply in connection with this document, the party providing the consideration for the supply agrees to pay to the supplier an additional amount equal to the amount of GST payable on that supply (“**GST Amount**”).
- (b) Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time as the GST-exclusive consideration for the supply, or the first part of the GST-exclusive consideration for the supply (as the case may be), is payable or is to be provided.
- (c) This clause does not apply to the extent that the consideration for the supply is expressly stated to include GST or the supply is subject to a reverse-charge.

18.4 Adjustment events

If an adjustment event arises for a supply made in connection with this document, the GST Amount must be recalculated to reflect that adjustment. The supplier or the recipient (as the case may be) agrees to make any payments necessary to reflect the adjustment and the supplier agrees to issue an adjustment note.

18.5 Reimbursements

Any payment, indemnity, reimbursement or similar obligation that is required to be made in connection with this document which is calculated by reference to an amount paid by another party must be reduced by the amount of any input tax credits which the other party (or the representative member of any GST group of which the other party is a member) is entitled. If the reduced payment is consideration for a taxable supply, clause 18.3 will apply to the reduced payment.

C Scheme Implementation Agreement continued

19 Costs

19.1 Costs

The parties agree to pay their own Costs in connection with the preparation, negotiation, execution and completion of this document, except for amounts covered by clause 19.2 ("Stamp duty and registration fees").

19.2 Stamp duty and registration fees

IXL:

- (a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of those amounts); and
- (b) indemnifies 3PL against, and agrees to reimburse and compensate it for, any liability in respect of stamp duty under clause 19.2(a).

IXL agrees to pay amounts due to 3PL under this clause within 3 Business Days of demand from 3PL.

However, IXL need not pay, reimburse or indemnify against any fees, fines, penalties or interest to the extent they have been imposed because of delay caused by 3PL or a 3PL Indemnified Party.

20 General

20.1 Variation and waiver

A provision of this document, or right, power or remedy created under it, may not be varied or waived except in writing signed by the party to be bound.

20.2 Consents, approvals or waivers

By giving any approval, consent or waiver a party does not give any representation or warranty as to any circumstance in connection with the subject matter of the consent, approval or waiver.

20.3 Discretion in exercising rights

Unless this document expressly states otherwise, a party may exercise a right, power or remedy or give or refuse its consent, approval or a waiver in connection with this document in its absolute discretion (including by imposing conditions).

20.4 Partial exercising of rights

Unless this document expressly states otherwise, if a party does not exercise a right, power or remedy in connection with this document fully or at a given time, they may still exercise it later.

20.5 Conflict of interest

Each party may exercise their rights, powers and remedies in connection with this document even if this involves a conflict of duty or they have a personal interest in their exercise.

20.6 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

20.7 Indemnities and reimbursement obligations

Any indemnity, reimbursement or similar obligation in this document.

- (a) is a continuing obligation despite the satisfaction of any payment or other obligation in connection with this document, any settlement or any other thing;
- (b) is independent of any other obligations under this document; and
- (c) continues after this document, or any obligation arising under it, ends.

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity in connection with this document.

20.8 Inconsistent law

To the extent the law permits, this document prevails to the extent it is inconsistent with any law.

20.9 Supervening law

Any present or future law which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

20.10 Counterparts

This document may consist of a number of copies, each signed by one or more parties to it. If so, the signed copies are treated as making up a single document and the date on which the last counterpart is executed is the date of the document.

20.11 Entire agreement

This document constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

20.12 Further steps

Each party agrees to do anything (such as obtaining consents, signing and producing documents, producing receipts and getting documents completed and signed), which the other party asks and considers necessary to:

- (a) bind the party and any other person intended to be bound under this document; or
- (b) show whether the party is complying with this document.

20.13 No liability for loss

Unless this document expressly states otherwise, a party is not liable for any loss, liability or costs arising in connection with the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right, power or remedy in connection with this document.

20.14 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that

C Scheme Implementation Agreement continued

provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

20.15 Rules of construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

20.16 Assignment

A party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of the other party.

20.17 Enforceability

For the purpose of this document:

- (a) 3PL is taken to be acting as agent and trustee on behalf of and for the benefit of all 3PL Indemnified Parties; and
- (b) IXL is taken to be acting as agent and trustee on behalf of and for the benefit of all IXL Indemnified Parties,

and all of those persons are to this extent taken to be parties to this document.

20.18 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document;
- (b) it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document; and
- (c) clauses 20.18(a) and 20.18(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX.

21 Governing law

21.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

21.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address for service of notices under clause 17.2 or with its process agent.

EXECUTED as an agreement

Scheme Implementation Agreement

Schedule 1 Timetable (clause 5.1)

Event	Date
Lodge Scheme Booklet with ASIC and ASX	28 September 2020
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC	29 September 2020
First Court Date	20 October 2020
Printing and despatch of Scheme Booklet	21 October 2020
Scheme Meeting held	20 November 2020
Second Court Date	23 November 2020
Lodge Court order with ASIC (Effective Date)	24 November 2020
Record Date	26 November 2020
Implementation Date	3 December 2020

C Scheme Implementation Agreement continued


Scheme Implementation Agreement

Signing page


DATED: 14 August 2020

IXL

EXECUTED by IXL AUSTRALIA PTY LTD in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

DocuSigned by:

Signature of director

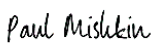
PAUL MISHKIN
Name of director (block letters)

DocuSigned by:

Signature of director

JENNIFER GU
Name of director (block letters)

IXL GUARANTOR

EXECUTED by IXL LEARNING, INC.

DocuSigned by:

Name PAUL MISHKIN

Title CHIEF EXECUTIVE OFFICER

C Scheme Implementation Agreement continued

Scheme Implementation Agreement

Annexure A Scheme of Arrangement

Not reproduced here - please see Annexure D of this Scheme Booklet

Scheme Implementation Agreement

Annexure B Deed Poll

Not reproduced here - please see Annexure E of this Scheme Booklet



Annexure

D

**Scheme of
Arrangement**

D Scheme of Arrangement

Scheme of Arrangement

3P Learning Limited

Scheme Participants

gadens

Level 13, Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia

T +61 3 9252 2555
F +61 3 9252 2500

Ref JDR:SOW:22007535

D Scheme of Arrangement continued

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Scheme of Arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Parties

1. 3P Learning Limited ACN 103 827 836 of Level 18, 124 Walker Street, North Sydney, New South Wales 2060 (**3PL**)
2. Each holder of Scheme Shares as at the Record Date (**Scheme Participants**)

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

3PL Group means 3PL and its Subsidiaries;

3PL Share Register means the register of members of 3PL maintained by or on behalf of 3PL in accordance with the Corporations Act;

3PL Share Registry means Link Market Services Limited ABN 54 083 214 537;

3PL Share means a fully paid ordinary share in the capital of 3PL;

3PL Shareholders means each person who is registered in the 3PL Share Register as a holder of 3PL Shares;

Accrued Interest has the meaning given to that term in clause 5.2(a);

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691 or, where the context requires, the financial market operated by it;

Business Day means a business day as defined in the Listing Rules;

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Ltd;

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

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed in writing by 3PL and IXL;

Cut-Off Time means 8.00am on the Second Court Date;

D Scheme of Arrangement continued

Deed Poll means the Deed Poll dated 12 October 2020 executed by IXL and IXL Learning, Inc. in favour of the Scheme Participants pursuant to which IXL covenants in favour of each Scheme Participant to perform the obligations attributable to IXL under this Scheme, including to provide the Scheme Consideration in accordance with this Scheme;

Effective means the time at which the Scheme Order take effect pursuant to section 411(10) of the Corporations Act;

Effective Date means the date on which the Scheme becomes Effective;

Employee Option means an option to receive a 3PL Share issued under the 3P Learning Equity Incentive Plan operated by the 3PL Group;

Employee Share Right means:

- (a) a right to a 3PL Share issued under the 3P Learning Equity Incentive Plan operated by the 3PL Group; or
- (b) a right to a 3PL Share issued under the New 3P Learning Equity Incentive Plan operated by the 3PL Group;

End Date means the date which is 6 months after the date of the Scheme Implementation Agreement or another date as IXL and 3PL agree in writing;

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel);

Implementation Date means the 5th Business Day after the Record Date or such other date after the Record Date agreed to in writing between 3PL and IXL;

IXL means IXL Australia Pty Ltd;

Listing Rules means the Listing Rules of the ASX;

New 3P Learning Equity Incentive Plan means the FY21 3P Equity Incentive Plan also known as the FY21 3PEP Plan;

Record Date means 5.00pm on the date that is 2 Business Days after the Effective Date, or such other date as may be agreed in writing between IXL and 3PL or as may be required by ASX;

Registered Address means, in relation to a 3PL Shareholder, the address shown in the 3PL Share Register as at the Record Date;

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between 3PL and the Scheme Participants, subject to any alterations or conditions agreed to in writing by IXL and 3PL or any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by IXL and 3PL;

Scheme Consideration for each Scheme Share held by a Scheme Participant as at the Record Date, an amount of \$1.35, subject to the terms of this Scheme;

Scheme Implementation Agreement means the scheme implementation agreement between IXL, IXL Learning, Inc. and 3PL dated 14 August 2020 pursuant to which 3PL

agreed to propose the Scheme to 3PL Shareholders, and each of IXL and 3PL agreed to take certain steps to give effect to the Scheme;

Scheme Meeting means the meeting of 3PL Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme;

Scheme Order means the order of the Court made for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme;

Scheme Participant means a 3PL Shareholder as at the Record Date;

Scheme Shares means all of the 3PL Shares on issue as at the Record Date;

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares;

Second Court Date means the first day of the Second Court Hearing or, if the Second Court Hearing is adjourned for any reason, the first day on which the adjourned application is heard;

Second Court Hearing means the hearing of the application made to the court for the Scheme Order;

Separate Account has the meaning given to that term in clause 5.2(c);

Settlement Rules means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd;

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and
 - (b) is part of a consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares or would be, if the first entity was required to prepare consolidated financial statements.
- A trust may be a subsidiary (and an entity may be a subsidiary of a trust) if it would have been a subsidiary under this definition if that trust were a body corporate. For these purposes, a unit or other beneficial interest in a trust is to be regarded as a share.

Trust Account means an Australian dollar denominated trust account operated by 3PL as trustee for the benefit of the Scheme Participants.

1.2 Interpretation

In this Scheme, unless the context requires otherwise:

- (a) clause and subclause headings are for reference purposes only;
- (b) the singular includes the plural and vice versa;
- (c) words denoting any gender include all genders;
- (d) a reference to a person includes any other entity recognised by law and vice versa;
- (e) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

D Scheme of Arrangement continued

- (f) any reference to a party to this document includes its successors and permitted assigns;
- (g) any reference to any agreement or document includes that agreement or document as amended at any time;
- (h) the use of the word **includes** or **including** is not to be taken as limiting the meaning of the words preceding it;
- (i) the expression **at any time** includes reference to past, present and future time and performing any action from time to time;
- (j) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
- (k) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day;
- (l) a reference to a time of day is a reference to Sydney time;
- (m) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (n) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day; and
- (o) an agreement, representation or warranty by two or more persons binds them jointly and severally and is for the benefit of them jointly and severally.

2. Preliminary

2.1 3PL

- (a) 3PL is a public company limited by shares, incorporated in Australia and registered in New South Wales.
- (b) 3PL is admitted to the official list of ASX and 3PL Shares are quoted for trading on ASX.
- (c) As at 21 October 2020, 3PL's issued securities are:
 - (i) 139,484,170 3PL Shares;
 - (ii) 3,559,209 Employee Options; and
 - (iii) 641,760 Employee Share Rights.

2.2 IXL

IXL is:

- (a) a proprietary company limited by shares;
- (b) incorporated in Australia and registered in New South Wales.

2.3 General

- (a) 3PL and IXL have agreed by executing the Scheme Implementation Agreement to implement this Scheme.

- (b) This Scheme attributes actions to IXL but does not itself impose any obligations on it to perform those actions. IXL has executed the Deed Poll for the purposes of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide (or procure the provision of) the Scheme Consideration. IXL Learning, Inc. has executed the Deed Poll for the purpose of undertaking in favour of each Scheme Participant to procure that all obligations of IXL under the Deed Poll and this Scheme are met.

2.4 Summary of the Scheme

If the Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to IXL, 3PL will procure IXL to provide the Scheme Consideration to 3PL on behalf of each Scheme Participant in accordance with clause 5.2 of this Scheme;
- (b) all of the Scheme Shares, together with the rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to IXL; and
- (c) 3PL will enter the name of IXL in the 3PL Share Register in respect of all Scheme Shares transferred to IXL in accordance with this Scheme with the result that IXL will hold all 3PL Shares.

3. Conditions

3.1 Condition precedent

- (a) The Scheme is conditional on, and will not become Effective until, the satisfaction of each of the following conditions precedent:
 - (i) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement (other than the condition precedent in clause 3.1(d) of the Scheme Implementation Agreement relating to Court approval of the Scheme) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by the Cut Off Time;
 - (ii) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms as at the Cut Off Time;
 - (iii) the Court having approved the Scheme pursuant to section 411(4)(b) of the Corporations Act, without modification or with modifications which are acceptable to both 3PL and IXL;
 - (iv) such other conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to IXL and 3PL being satisfied; and
 - (v) the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) approving this Scheme coming into effect pursuant to section 411(10) of the Corporations Act on or before the End Date.
- (b) The satisfaction of the conditions referred to in clause 3.1(a) of this Scheme is a condition precedent to the operation of clauses 4 and 5.

D Scheme of Arrangement continued

3.2 Certificate

- (a) 3PL and IXL must each provide to the Court, on the Second Court Date, a certificate, or such other evidence as the Court may request, confirming (in respect of matters within their knowledge) whether or not the conditions precedent in clauses 3.1(a)(i) and 3.1(a)(ii) above have been satisfied or waived as at the Cut Off Time.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that the conditions precedent in clauses 3.1(a)(i) and 3.1(a)(ii) above were satisfied, waived or taken to be waived.

3.3 Effective Date

Subject to clause 3.4, this Scheme takes effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

3.4 Termination and End Date

Without limiting any rights under the Scheme Implementation Agreement, if:

- (a) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms before the Scheme becomes Effective; or
- (b) the Effective Date has not occurred on or before the End Date,

then the Scheme will lapse and each of IXL and 3PL are released from any further obligation to take steps to implement the Scheme.

4. Implementation

4.1 Lodgement of Court order

Following the approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, 3PL will, as soon as possible and in any event by no later than 5.00pm on the first Business Day after the Court approves the Scheme, lodge with ASIC an office copy of the Scheme Order in accordance with section 411(10) of the Corporations Act.

4.2 Transfer of Scheme Shares held by Scheme Participants

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clause 5.2(a):

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to IXL without the need for any further act by any Scheme Participant (other than acts performed by 3PL or its officers as agent and attorney of the Scheme Participants under clause 8.6 or otherwise), by:
 - (i) 3PL delivering to IXL a duly completed and executed Scheme Transfer to transfer all the Scheme Shares to IXL executed on behalf of the Scheme Participants; and
 - (ii) IXL duly executing such Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to 3PL for registration; and

- (b) immediately after receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), 3PL must enter, or procure the entry of, the name of IXL in the 3PL Share Register in respect of the Scheme Shares transferred to IXL in accordance with this Scheme.

5. Scheme Consideration

5.1 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to IXL of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares.

5.2 Provision of Scheme Consideration

- (a) IXL must, by no later than one Business Day before the Implementation Date, deposit (or procure the deposit) in cleared funds into the Trust Account an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants, such amount to be held by 3PL on trust for Scheme Participants for the purposes of paying the Scheme Consideration to the Scheme Participants in accordance with clause 5.2(b) (except that any interest on the amount deposited (less bank fees and other charges) (**Accrued Interest**) will be for the account of IXL).
- (b) On the Implementation Date and subject to receipt of the Scheme Consideration from or on behalf of IXL in accordance with clause 5.2(a), 3PL must pay (or procure payment) to each Scheme Participant from the Trust Account an amount equal to the Scheme Consideration for each Scheme Share transferred to IXL on the Implementation Date by that Scheme Participant, which obligation will be satisfied by 3PL:
 - (i) where a Scheme Participant has, before the Record Date, made an election in accordance with the requirements of the 3PL Share Register to receive dividend payments from 3PL by electronic funds transfer to a bank account nominated by the Scheme Participant, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Participant by an appropriate authority from the Scheme Participant to 3PL; or
 - (iii) dispatching, or procuring the dispatch of, a cheque drawn on an Australian bank in Australian currency for the relevant amount to the Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the 3PL Share Register is outside Australia, by pre-paid airmail post) to their Registered Address as at the Record Date, such cheque being drawn in the name of the Scheme Participant (or in the case of joint holders, in accordance with clause 5.3).
- (c) In the event that:
 - (i) either:
 - (A) a Scheme Participant does not have a Registered Address; or

D Scheme of Arrangement continued

- (B) 3PL as trustee for the Scheme Participants believes that a Scheme Participant is not known at the Scheme Participant's Registered Address,

and no account has been notified in accordance with clause 5.2(b)(i) or clause 5.2(b)(ii) or a deposit into such account is rejected or refunded; or

- (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.5(a),

3PL as the trustee for the Scheme Participants may credit the amount payable to the relevant Scheme Participant to a separate bank account of 3PL (**Separate Account**) to be held until the Scheme Participant claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Participant claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW).

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW), 3PL must hold the amount on trust for the relevant Scheme Participant, but any interest or other benefit accruing from the amount will be to the benefit of IXL. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Participant when credited to the Separate Account or Trust Account (as applicable). 3PL must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (d) To the extent that there is a surplus in the amount held by 3PL as the trustee for the Scheme Participants in the Trust Account, that surplus may be paid by 3PL as the trustee for the Scheme Participants to IXL following the satisfaction of 3PL's obligations as the trustee for the Scheme Participants under this clause 5.2.
- (e) 3PL must pay any Accrued Interest to any account nominated by IXL following satisfaction of 3PL's obligations under clause 5.2(b).

5.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of 3PL, either to the holder whose name appears first in the 3PL Share Register as at the Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme will be forwarded, at the sole discretion of 3PL, either to the holder whose name first appears in the 3PL Share Register as at the Record Date or to the joint holders.

5.4 Fractional entitlements

Where the calculation of aggregate amount of the Scheme Consideration to be provided to a Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.5 Unclaimed monies

- (a) 3PL may cancel a cheque sent under this clause 5 if the cheque:
 - (i) is returned to 3PL; or

- (ii) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, upon request in writing from a Scheme Participant to 3PL (or the 3PL Share Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), 3PL must reissue a cheque that was previously cancelled under clause 5.5(a).
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of IXL.

5.6 Order of a court or Government Agency

If:

- (a) written notice is given to 3PL (or the 3PL Share Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that requires payment to a third party of a sum in respect of such Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant by 3PL in accordance with this clause 5, then 3PL may procure that payment is made in accordance with that order or direction; or
- (b) written notice is given to 3PL (or the 3PL Share Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that prevents 3PL from making a payment to a particular Scheme Participant in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, 3PL may retain an amount equal to the number of Scheme Shares held by the Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by 3PL (or the 3PL Share Registry) will constitute the full discharge of 3PL's obligations under clause 5.2(b) with respect to the amount so paid or retained until, in the case of clause 5.6(b), it is no longer required to be retained.

6. Dealings in Scheme Shares

6.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares or other alterations to the 3PL Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the 3PL Share Register as the holder of the relevant Scheme Shares at or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received at or before the Record Date at the place where the 3PL Share Register is kept,

and 3PL will not accept for registration, nor recognise for any purpose (except a transfer to IXL under this Scheme and any subsequent transfer by IXL or its successors in title), any

D Scheme of Arrangement continued

transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) **(Register of transfers):** 3PL must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) on or before the Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires 3PL to register a transfer that would result in a 3PL Shareholder holding a parcel of 3PL Shares that is less than a 'marketable parcel' (as that term is defined in the Settlement Rules).
- (b) **(No registration after Record Date):** 3PL will not accept for registration or recognise for any purpose any transmission or transfer in respect of 3PL Shares received after the Record Date, other than to IXL in accordance with this Scheme and any subsequent transfer by IXL or its successors in title.
- (c) **(Maintenance of the 3PL Share Register):** For the purposes of determining entitlements to the Scheme Consideration, 3PL must maintain the 3PL Share Register in accordance with the provisions of this clause 6 until the Scheme Consideration has been delivered to the Scheme Participants and IXL has been entered in the 3PL Share Register as the holder of all the Scheme Shares. The 3PL Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) **(No disposal after Record Date):** From the Record Date until registration of IXL in respect of all Scheme Shares under clause 4, no Scheme Participant may dispose or otherwise deal with 3PL Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and 3PL will be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Record Date):** All statements of holding for 3PL Shares (other than statements of holding in favour of IXL) will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of IXL and its successors in title). From the Record Date, each entry current at that date on the 3PL Share Register (other than entries in respect of IXL or its successors in title) will cease to have effect except as evidence of an entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.
- (f) **(Provision of Scheme Participant details):** As soon as practicable after the Record Date and in any event within 2 Business Days after the Record Date, 3PL will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant as shown in the 3PL Share Register on the Record Date are available to IXL in the form IXL reasonably requires.

7. Quotation of Shares

- (a) 3PL will apply to ASX to suspend trading on the ASX in 3PL Shares with effect from the close of trading on the Effective Date.
- (b) On the date after the Implementation Date to be determined by IXL, and only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(b), 3PL will apply:
 - (i) for termination of the official quotation of 3PL Shares on ASX; and
 - (ii) to have itself removed from the official list of ASX.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) 3PL may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which IXL has consented in writing; and
- (b) each Scheme Participant agrees to any such alterations or conditions to which counsel for 3PL has consented.

8.2 Binding effect of Scheme

This Scheme binds 3PL and all Scheme Participants (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or who voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of 3PL.

8.3 Scheme Participants' agreements and acknowledgements

Each Scheme Participant:

- (a) agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares in accordance with this Scheme;
- (b) agrees to any variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
- (c) agrees to, on the direction of IXL, destroy any holding statements or share certificates relating to their Scheme Shares; and
- (d) acknowledges and agrees that this Scheme binds 3PL and all Scheme Participants (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting),

without the need for any further act by the Scheme Participant.

8.4 Warranties by Scheme Participants

- (a) Each Scheme Participant warrants to IXL and is deemed to have authorised 3PL as agent and attorney for the Scheme Participant by virtue of this clause 8.4(a) to warrant to IXL, that as at the Implementation Date:
 - (i) all of its Scheme Shares which are transferred to IXL under this Scheme, including any rights and entitlements attaching to those Scheme Shares, will, at the time of transfer, be free from all mortgages, charges, liens, assignments, encumbrances, title retentions, preferential rights or trust arrangements, claims, covenants, profit a prendre, easements, pledges, or any other security interests or arrangements (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and any other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
 - (ii) all of its Scheme Shares which are transferred to IXL under this Scheme will, on the date on which they are transferred to IXL, be fully paid;
 - (iii) it has full power and capacity to transfer its Scheme Shares to IXL together with any rights attaching to those Scheme Shares; and

D Scheme of Arrangement continued

- (iv) it has no existing right to be issued any 3PL Shares, options exercisable into 3PL Shares, convertible notes convertible into 3PL Shares or any other securities issued by 3PL.
- (b) 3PL undertakes that it will provide the warranties in clause 8.4(a) to IXL as agent and attorney of each Scheme Participant on the Implementation Date.

8.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to IXL, vest in IXL free from all mortgages, charges, liens, assignments, encumbrances, title retentions, preferential rights or trust arrangements, claims, covenants, profit a prendre, easements, pledges, or any other security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration for the Scheme Shares in accordance with clause 5.2 of this Scheme, on and from the Implementation Date, IXL will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by 3PL of IXL in the 3PL Share Register as the holder of the Scheme Shares.

8.6 Authority given to 3PL

- (a) Each Scheme Participant, without the need for any further act, irrevocably appoints 3PL and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purposes of:
 - (i) enforcing the Deed Poll against IXL and IXL Learning, Inc., and 3PL undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against IXL and IXL Learning, Inc. on behalf of and as agent and attorney for each Scheme Participant; and
 - (ii) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

and 3PL accepts such appointment. 3PL, as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.6 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.7 Appointment of IXL as sole proxy

On the provision of the Scheme Consideration for the Scheme Shares in accordance with clause 5.2 of this Scheme and until 3PL registers IXL as the holder of all Scheme Shares in the 3PL Share Register, each Scheme Participant:

- (a) irrevocably appoints IXL as its attorney and agent (and directs IXL in such capacity) to appoint an officer or agent nominated by IXL as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of 3PL, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution;
- (b) undertakes not to attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolution

(whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);

- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as IXL reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), IXL and an officer or agent nominated by IXL under clause 8.7(a) may act in the best interests of IXL as the intended registered holder of Scheme Shares.

9. General

9.1 Further assurances

- (a) 3PL must do (on its own behalf and on behalf of each Scheme Participant) anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Participant consents to 3PL doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (c) Each Scheme Participant acknowledges and agrees that this Scheme binds 3PL and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of 3PL.

9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to 3PL, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at 3PL's registered office or at the office of the 3PL Share Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Scheme Participant will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Governing law and jurisdiction

- (a) This Scheme is governed by and construed under New South Wales law.
- (b) The parties irrevocably, generally and unconditionally submit to the non-exclusive jurisdiction of any court of the place specified in clause 9.3(a) in relation to both itself and its property and waive any claim or objection based on absence of jurisdiction or inconvenient forum.

9.4 Variations, alterations and conditions

3PL may, with the consent of IXL, consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

9.5 No liability when acting in good faith

Neither 3PL nor IXL, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

D Scheme of Arrangement continued

9.6 Stamp duty

IXL will pay all stamp duty (including any related fines, penalties and interest) in respect of or in connection with this Scheme.



Annexure
E
Deed Poll

Deed Poll

IXL Australia Pty Ltd

IXL Learning, Inc.

gadens

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447 Collins Street
Melbourne VIC 3000
Australia

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Ref JDR:SOW:22007535

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Deed Poll

Parties

1. IXL Australia Pty Ltd of c/- IXL Learning, Inc., 777 Mariners Island Blvd., Suite 600, San Mateo, CA 94404 (**IXL**)
2. IXL Learning, Inc. of 777 Mariners Island Blvd., Suite 600, San Mateo, CA 94404 (**IXL Guarantor**)

In favour of each person registered as a holder of 3PL Shares as at the Record Date (**Scheme Participants**)

Background

- A. 3PL, IXL and the IXL Guarantor entered into the Scheme Implementation Agreement under which 3PL agreed, subject to the satisfaction or waiver of certain conditions, to propose the Scheme to the Scheme Participants.
- B. Under the Scheme Implementation Agreement, IXL agreed to make this Deed Poll.
- C. IXL is making this Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations under the Scheme.
- D. The IXL Guarantor is a holding company of IXL and is entering into this deed poll to guarantee the obligations and liabilities of IXL under this deed poll and the Scheme.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this Deed Poll, unless the context requires otherwise:

Deed Poll means this deed poll including any recitals, any schedules and any annexures;

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing 3PL to convene the Scheme Meeting is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard);

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between 3PL and the Scheme Participants, subject to any alterations or conditions agreed to in writing by IXL and 3PL or any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by IXL and 3PL;

Scheme Implementation Agreement means the scheme implementation agreement between IXL, the IXL Guarantor and 3PL dated 14 August 2020 pursuant to which 3PL agreed to propose the Scheme to 3PL Shareholders, and each of IXL and 3PL agreed to take certain steps to give effect to the Scheme; and

Terms defined in the Scheme have the same meanings in this Deed Poll.

1.2 Interpretation

Clause 1.2 of the Scheme applies to the interpretation of this Deed Poll, except that references to "this Scheme" are to be read as references to "this Deed Poll".

1.3 Nature of Deed Poll

The parties acknowledge and agree that:

- (a) this Deed Poll may be relied upon and enforced by any Scheme Participants in accordance with its terms even though the Scheme Participants are not party to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints 3PL and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against the parties.

2. Conditions precedent and termination

2.1 Conditions

The obligations of the parties under this Deed Poll are subject to the Scheme becoming Effective.

2.2 Termination

If:

- (a) the Scheme has not become Effective on or before the End Date or any later date as the Court, with the consent of IXL and 3PL, may order; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms,

then this Deed Poll and the obligations of the parties under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect unless the parties and 3PL agree in writing.

2.3 Consequences of termination

If this Deed Poll is terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) the parties are released from their obligations to further perform this Deed Poll, except those obligations contained in clause 6; and
- (b) each Scheme Participant retains any rights, powers or remedies it has against the parties in respect of any breach of this Deed Poll by the parties which occurred before termination of this Deed Poll.

3. Scheme Consideration

- (a) Subject to clause 2, IXL undertakes in favour of each Scheme Participant to:

E Deed Poll continued

- (i) deposit, or procure the deposit of, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account in cleared funds on the date that is one Business Day before the Implementation Date;
 - (ii) undertake or procure the undertaking of all other actions attributed to IXL under the Scheme, as if named as a party to the Scheme,
- in each case, subject to and in accordance with the terms of the Scheme.
- (b) Subject to clause 2, the IXL Guarantor undertakes in favour of each Scheme Participant to procure that all obligations of IXL under this Deed Poll and the Scheme are met.

4. Representations and warranties

Each party represents and warrants in favour of each Scheme Participant that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transaction contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (d) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets (or any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in this paragraph);
- (e) this Deed Poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (f) this Deed Poll does not conflict with or result in the breach of, or any default under:
 - (i) any provision of its constituent documents; or
 - (ii) any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5. Continuing obligations

This Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the parties have fully performed their obligations under this Deed Poll; or
- (b) the earlier termination of this Deed Poll under clause 2.2.

6. Stamp duty

IXL must:

- (a) pay or procure the payment of all stamp duty and any related fines, penalties, interest in respect of or in connection with this Deed Poll, the performance of this Deed Poll, or any instruments entered into under this Deed Poll and in respect of a transaction effected by or made under the Scheme and this Deed Poll, including the transfer by the Scheme Participants of Scheme Shares to IXL under the Scheme; and
- (b) indemnify each Scheme Participant on demand against any liability arising from its failure to comply with clause 6(a).

7. Notices

- (a) Any notice or communication in respect of this Deed Poll (**Notice**) may be served by delivery in person, by post or by email to the address or email address of a party specified in this Deed Poll or most recently notified by a party to the sender.
- (b) Any Notice to a party must be in writing and signed by either:
 - (i) the sender or, if a corporate party, an authorised officer of the sender; or
 - (ii) the party's solicitor.
- (c) A Notice:
 - (i) if delivered in person, will be deemed served upon delivery;
 - (ii) if posted, will be deemed served 2 Business Days after posting; and
 - (iii) if sent by email, will be deemed served that day unless the sender receives an automated message generated by the recipient's mail server (**Failure Message**) that the email has not been delivered within two hours. For the avoidance of doubt any response generated by or at the instigation of the recipient (including an 'out of office' message) will not be a Failure Message,

but if the delivery or receipt is on a day which is not a Business Day or is after 5.00pm (addressee's time), it is deemed to have been served at 9.00am on the next Business Day.

- (d) The address for service for Notices of IXL is:
Attention: Paul Mishkin
Address: c/- IXL Learning, Inc., 777 Mariners Island Blvd., Suite 600
San Mateo, CA 94404
Email: pmishkin@ixl.com,

and the address for service for Notices of the IXL Guarantor is:

Attention: Paul Mishkin
Address: 777 Mariners Island Blvd., Suite 600, San Mateo, CA 94404
Email: pmishkin@ixl.com,

and, in each case, with a copy to each of:

E Deed Poll continued

- (i) Latham & Watkins in accordance with the following:

Address: 200 Clarendon Street, Boston, MA 02116 USA

Email: evan.smith@lw.com

For the attention of: Evan G. Smith

- (ii) King & Wood Mallesons in accordance with the following:

Address: King & Wood Mallesons, Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney New South Wales

Email: David.Friedlander@au.kwm.com and Paul.Schroder@au.kwm.com

For the attention of: David Friedlander and Paul Schroder

8. General provisions

8.1 Variation

This Deed Poll cannot be varied, altered or amended unless:

- (a) if before the First Court Date, the variation, alteration or amendment is agreed to in writing by 3PL and IXL; and
- (b) if on or after the First Court Date, the variation, alteration or amendment is agreed to in writing by 3PL and IXL and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event the parties must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

8.2 Assignment

The rights and obligations of each Scheme Participant and the parties under this Deed Poll are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt, or purport, to do so without the prior written consent of the parties and 3PL.

8.3 Further assurances

The parties must execute any document and perform any action necessary (on their own behalf and on behalf of each Scheme Participant) to give full effect to this Deed Poll and the transactions contemplated by it.

8.4 Governing law and jurisdiction

- (a) This Deed Poll is governed by and construed under the laws of New South Wales.
- (b) Any legal action in relation to this Deed Poll against a party or its property may be brought in any court of competent jurisdiction of New South Wales.
- (c) By execution of this Deed Poll, the parties irrevocably, generally and unconditionally submit to the exclusive jurisdiction of any court specified in this clause and any courts of appeal from them in relation to both itself and its property.

- (d) The parties irrevocably waive any objection to the venue of any legal process in any court referred to in this clause and agree not to make any application to stay proceedings on the basis that the process has been brought in an inconvenient forum.

8.5 Waivers

- (a) A Scheme Participant waives a right under this Deed Poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) A failure, delay, relaxation or indulgence by a Scheme Participant in exercising any power or right conferred on that party by this Deed Poll does not operate as a waiver of the power or right.
- (c) A single or partial exercise of the power or right does not preclude a further exercise of it or the exercise of any other power or right under this Deed Poll.
- (d) A waiver of a breach does not operate as a waiver of any other breach.

8.6 Remedies

The rights, powers and remedies of the parties and the Scheme Participants under this Deed Poll are cumulative and are in addition to, and do not exclude any other rights, powers and remedies provided by law.

8.7 Severability

Any clause of this Deed Poll which is invalid in any jurisdiction, is invalid in that jurisdiction to that extent, without invalidating or affecting the remaining clauses of this Deed Poll or the validity of that clause in any other jurisdiction.


E Deed Poll continued

Signing page

Executed as a deed poll.

Dated 12 October 2020

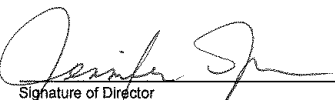
Executed by IXL AUSTRALIA PTY LTD ACN
643 275 209 under section 127 of the
Corporations Act by its duly authorised officers:



Signature of Director

PAUL MISHKIN

Name of Director
(Block Letters)




Signature of Director

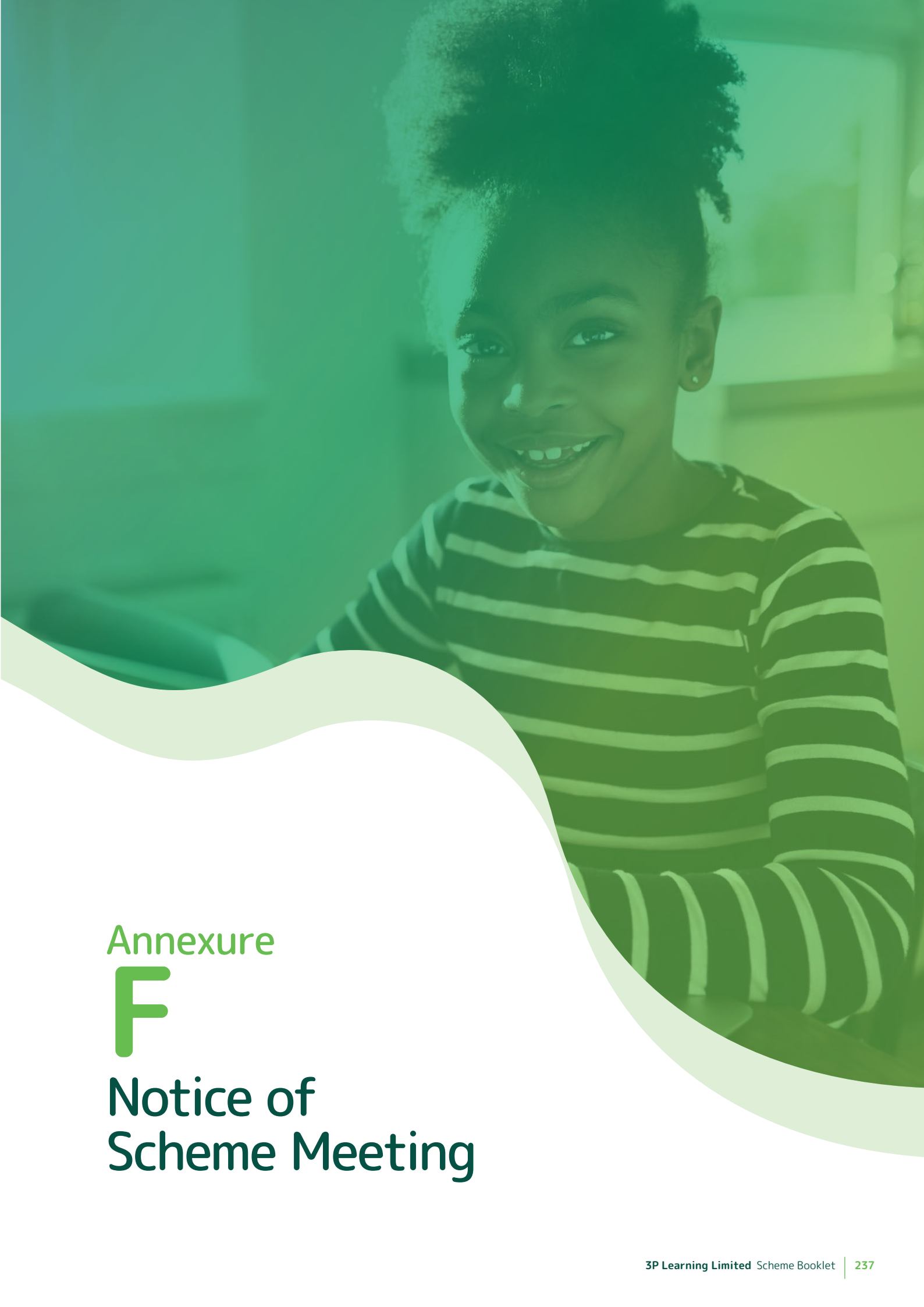
JENNIFER GU

Name of Director
(Block Letters)

EXECUTED by IXL LEARNING, INC.


PAUL MISHKIN
.....
Name

CEO
.....
Title



Annexure

F

Notice of Scheme Meeting

F Notice of Scheme Meeting

3P Learning Limited

ACN 103 827 836

Notice is hereby given that by an order of the Supreme Court of New South Wales made on Tuesday, 20 October 2020 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares in 3P Learning Limited ACN 103 827 836 (**3PL**) will be held on Friday, 20 November 2020 at 11.00am (AEDT) virtually through an online platform at <https://agmlive.link/3PLSM20>.

Important information regarding participation at the Scheme Meeting in light of COVID-19

In order to minimise the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination⁴ regarding electronic shareholder meetings, the Scheme Meeting is scheduled to be held virtually. 3PL Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical meeting.

3PL Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Scheme Meeting through an online platform at <https://agmlive.link/3PLSM20>. The online platform enables participants to view the Scheme Meeting live, vote on the resolution contained in this Notice of Meeting in real time and ask questions online. Further details are provided in the explanatory notes to this Notice of Meeting and the 3PL Online Platform Guide.

The 3PL Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The 3PL Online Platform Guide will be released to the ASX and is also available at <https://www.3plearning.com/investors/scheme2020/>.

3PL Shareholders are encouraged to consider lodging a direct vote or appointing a proxy to attend and vote at the Scheme Meeting via the online platform on their behalf in the event they are not able to participate in the virtual Scheme Meeting. Further details on how to lodge a direct vote and appoint a proxy are provided in the explanatory notes to this Notice of Meeting.

If it becomes necessary to make further alternative arrangements for holding the Scheme Meeting, we will ensure 3PL Shareholders are given as much notice as possible.

Any changes to the dates and the conduct of the Scheme Meeting will be announced by 3PL to the ASX.

Purpose of meeting

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without any modifications, alterations or conditions agreed in writing between 3PL and IXL and approved by the Court or any modifications, alterations or conditions as are thought just by the Court to which 3PL and IXL agree in writing) to be made between 3PL and 3PL's ordinary shareholders (**Scheme**), to effect the acquisition of 3PL by IXL.

To enable you to make an informed voting decision, further information about the Scheme is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the *Corporations Act*) which, together with this Notice of Meeting, forms part of this Scheme Booklet.

⁴ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 3) 2020* (and any extension of such Determination), which modifies the relevant provisions of the *Corporations Act* to permit shareholder meetings to be held electronically without persons being physically present in the same place.

Business of the meeting

Resolution – Approval of the Scheme of Arrangement

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth):

- (a) the scheme of arrangement proposed between 3P Learning Limited and the holders of its fully paid ordinary shares (**Scheme**), the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Meeting forms part) is approved (with or without any modifications, alterations or conditions agreed in writing between 3PL and IXL and approved by the Court or any modifications, alterations or conditions as thought just by the Court to which 3PL and IXL agree in writing); and*
- (b) the directors of 3PL are authorised, subject to the terms of the Scheme Implementation Agreement:*
 - (i) to agree to any modifications, alterations or conditions with IXL;*
 - (ii) to agree to any modifications, alterations or conditions as are thought just by the Court; and*
 - (iii) subject to approval of the Scheme by the Court, to implement the Scheme with any such modifications, alterations or conditions.”*

By order of the Board



Jia Chen Wang
Company Secretary

21 October 2020

F Notice of Scheme Meeting continued

Explanatory notes

This Notice of Meeting relates to the Scheme and should be read in conjunction with the balance of the Scheme Booklet. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme, including the information prescribed by the Corporations Act and the Corporations Regulations.

1. Terminology

Capitalised terms used in this Notice of Meeting but not defined in it have the same meaning as set out in the Glossary of Terms in Section 10 of the Scheme Booklet, unless the context requires otherwise.

2. Quorum

The constitution of 3PL provides that the quorum for a meeting of 3PL is 3 members (in person or by proxy, attorney or representative).

3. Chairman

The Court has directed that Sam Weiss act as chairman of the Scheme Meeting or, failing him, Roger Amos.

4. Requisite Majorities

The Scheme can only proceed if, at the Scheme Meeting, the Scheme is approved by 3PL Shareholders. For this to occur, the Scheme Resolution must be approved by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of 3PL Shareholders present and voting at the Scheme Meeting (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually); and
- (b) at least 75% of the votes cast on the Scheme Resolution by 3PL Shareholders (whether virtually or by direct vote or by appointing a proxy, attorney or corporate representative to attend and vote at the Scheme Meeting virtually).

5. Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without any modifications or conditions ordered by the Court) must be approved by an order of the Court. If the Scheme Resolution is passed at the Scheme Meeting by the Requisite Majorities and the conditions precedent in the Scheme of Arrangement are satisfied or waived (if applicable), 3PL intends to apply to the Court for the necessary orders to approve the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the Court Order must be lodged with ASIC.

6. Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, 3PL Shares will be taken to be held by the persons who are registered as 3PL Shareholders at 7:00pm (AEDT) on Wednesday, 18 November 2020. Only those holders of 3PL Shares entered in the 3PL Register at that time will be entitled to attend and vote at the Scheme Meeting. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

7. Voting at the meeting

In order to minimise the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination⁵ regarding electronic shareholder meetings, the Scheme Meeting is scheduled to be held virtually. 3PL Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical meeting.

If you are eligible to vote at the Scheme Meeting, you may:

- lodge a direct vote in advance of the Scheme Meeting;
- vote during the Scheme Meeting via the online platform using the instructions below;
- appoint one or two proxies to attend the virtual Scheme Meeting via the online platform and vote online at the Scheme Meeting on your behalf (if you would like to appoint more than one proxy please contact the 3PL Share Registry on +61 1800 218 694);
- appoint an attorney to attend the virtual Scheme Meeting via the online platform and vote online at the Scheme Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend the virtual Scheme Meeting via the online platform and vote online at the Scheme Meeting on your behalf.

Voting will be conducted by poll.

(a) Jointly held 3PL Shares

Where there are joint registered holders of any 3PL Shares, only one of them may vote at the Scheme Meeting.

If more than one of the joint holders of any 3PL Shares attempts to vote online at the Scheme Meeting, only the vote of the holder whose name stands first in the 3PL Register in respect of the jointly held 3PL Shares will be counted.

(b) How to participate in the Scheme Meeting

The Scheme Meeting will be held virtually.

3PL Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Scheme Meeting through an online platform at <https://agmlive.link/3PLSM20>. The online platform enables participants to view the Scheme Meeting live, vote on the resolution contained in this Notice of Meeting in real time and ask questions online.

The 3PL Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The 3PL Online Platform Guide will be released to the ASX and is also available at <https://www.3plearning.com/investors/scheme2020/>.

We recommend logging into the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meeting using the instructions below:

- enter the link <https://agmlive.link/3PLSM20> into your web browser on an online device;
- if you are a 3PL Shareholder, you will need your Shareholder Number and postcode; and
- if you are a proxyholder, you will need your Proxy Number issued by the 3PL Share Registry.

Online voting will be open between the commencement of the Scheme Meeting at 11.00am (AEDT) on 20 November 2020 and the time at which the Chair announces the closure of voting.

⁵ See paragraph 5 of *Corporations (Coronavirus Economic Response) Determination (No. 3) 2020* (and any extension of such Determination), which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.

F Notice of Scheme Meeting continued

(c) Voting by proxy

If you wish to appoint a proxy or you are unable to attend the Scheme Meeting via the online platform you may appoint one or two proxies to attend and vote at the Scheme Meeting on your behalf. You may do this online at www.linkmarketservices.com.au or, if you have received a hardcopy voting form, by following the instructions on the personalised voting form.

A proxy need not be a 3PL Shareholder and may be an individual or a body corporate. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy, as discussed below.

If you do not instruct your proxy on how to vote, your proxy may vote as they see fit at the Scheme Meeting.

The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. If you would like to do so please contact the 3PL Share Registry on +61 1800 218 694.

If a proxy appointment is signed by a 3PL Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman of the Scheme Meeting will act as proxy. Proxy appointments in favour of the Chairman of the Scheme Meeting, the company secretary or any 3PL Director which do not contain a direction will be voted in favour of the Scheme at the Scheme Meeting.

If you choose to appoint a proxy to attend and vote on your behalf at the Scheme Meeting, you may still attend and participate in the Scheme Meeting via the online platform but you will not be entitled to vote at the Scheme Meeting unless you have revoked your proxy instructions in the manner outlined below.

Proxy instructions validly received will remain valid, and votes cast by the proxy at the Scheme Meeting in accordance with the instructions will be valid, unless you revoke your proxy instructions via the online platform prior to the commencement of the Scheme Meeting or otherwise provide notice of the revocation of your proxy instructions to the 3PL Share Registry so they are received by no later than 11.00am (AEDT) on Wednesday, 18 November 2020 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

Proxy instructions can be revoked by notice to the 3PL Share Registry, provided that the revocation of the instructions is received by the 3PL Share Registry by the times and dates stated above, by sending a letter to the 3PL Share Registry which:

- sets out your registered name, address, the details of the Scheme Meeting for which you wish to revoke your proxy and the statement 'I wish to revoke my proxy'; and
- is signed in accordance with the signing instructions set out in the voting form.

If you wish to amend your proxy, you may lodge a replacement proxy online at www.linkmarketservices.com.au by following the instructions below:

- select 'Investor Login' and in the 'Single Holding' section enter 3P Learning Limited or the ASX code 3PL in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN), postcode and security code which is shown on the screen and click 'Login'; and
- select the 'Voting' tab and then follow the prompts,

or by contacting the 3PL Share Registry on +61 1800 218 694,

(in each case, provided that the replacement proxy instructions are received by the 3PL Share Registry by no later than 11.00am (AEDT) on Wednesday, 18 November 2020 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

(d) Direct voting

You may also vote directly on the Scheme Resolution without attending the Scheme Meeting via the online platform. You may do this online at www.linkmarketservices.com.au or, if you received a hardcopy voting form, by following the instructions on the voting form.

If you lodge a direct vote, you are voting directly and are not appointing a third party, such as a proxy, to act on your behalf. Even if you plan to attend the Scheme Meeting virtually, you are still encouraged to lodge a direct vote (or a directed proxy) in advance of the Scheme Meeting so that your votes can still be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the Scheme Meeting).

Your direct vote does not preclude you from attending the Scheme Meeting via the online platform. However, your attendance will have the effect of cancelling your direct vote.

(e) Lodging your voting form

If you wish to lodge your direct vote or appoint a proxy online at www.linkmarketservices.com.au you should follow the instructions below:

- select 'Investor Login' and in the 'Single Holding' section enter 3P Learning Limited or the ASX code 3PL in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN), postcode and security code which is shown on the screen and click 'Login'; and
- select the 'Voting' tab and then follow the prompts. You will be taken to have signed your voting form if you lodge it in accordance with the instructions given on the website.

For those 3PL Shareholders who are submitting a hardcopy voting form rather than using the online voting facility, the completed voting form may be lodged:

- by mailing the completed voting form to the 3PL Share Registry at 3P Learning Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235; or
- by faxing the completed voting form to the 3PL Share Registry on +61 2 9287 0309.

Voting forms must be received by the 3PL Share Registry or lodged online by no later than 11.00am (AEDT) on Wednesday, 18 November 2020 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

If a voting form is completed, whether using a hardcopy voting form or using the online voting facility, under power of attorney or other authority, the original or certified copy of the power of attorney or other authority must accompany the completed voting form or be mailed or faxed per the details above, unless the power of attorney or other authority has previously been given to the 3PL Share Registry.

Any faxed voting form:

- must be in legible writing; and
- will be regarded as received by the addressee at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5:00pm on a Business Day in the place of receipt, when that communication will be regarded as received at 9:00am on the next Business Day.

F Notice of Scheme Meeting continued

(f) Voting by attorney

You may appoint an attorney to attend and vote at the Scheme Meeting via the online platform on your behalf.

If you choose to appoint an attorney to attend and vote at the Scheme Meeting on your behalf, you may still attend and participate in the Scheme Meeting via the online platform but you will not be entitled to vote at the Scheme Meeting unless you have revoked the appointment of the attorney as set out below.

If you wish to appoint an attorney to attend and vote at the Scheme Meeting on your behalf the original or a certified copy of the power of attorney under which the attorney has been appointed must be received by the 3PL Share Registry no later than 11.00am (AEDT) on Wednesday, 18 November 2020 (or if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). The authority may be:

- mailed to the 3PL Share Registry at 3P Learning Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235; or
- faxed to the 3PL Share Registry on +61 2 9287 0309.

Attorney appointments of which notice has been validly received will remain valid, and votes cast by the attorney at the Scheme Meeting will be valid, unless notice of the revocation of the appointment is received by the 3PL Share Registry by 11.00am (AEDT) on Wednesday, 18 November 2020 (or if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

Attorney appointments can be revoked, provided that the revocation of the appointment is received by the 3PL Share Registry by the times and dates stated above, by sending a letter to the 3PL Share Registry which:

- sets out your registered name, address, the details of the Scheme Meeting for which you wish to revoke your appointment and the statement 'I wish to revoke my power of attorney; and
- is signed in accordance with the signing instructions set out in the voting form.

A validly appointed attorney wishing to attend and vote at the Scheme Meeting via the online platform will require your name, Shareholder Number and postcode in order to access the online platform.

(g) Voting by corporate representative

If you are a body corporate, you may appoint a corporate representative to attend and vote at the Scheme Meeting via the online platform on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative must provide written evidence of their appointment to the 3PL Share Registry (which would include an 'Appointment of Corporate Representative Form' which can be downloaded from https://www.linkmarketservices.com.au/corporate/forms/holding-management/App_Corp_Rep_140312.pdf) which must be received by the 3PL Share Registry by no later than 11.00am (AEDT) on Wednesday, 18 November 2020 (or if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting). Evidence may be:

- provided to the 3PL Share Registry via email at vote@linkmarketservices.com.au;
- mailed to the 3PL Share Registry at 3P Learning Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235; or
- faxed to the 3PL Share Registry on +61 2 9287 0309.

A validly appointed corporate representative wishing to attend and vote at the Scheme Meeting via the online platform will require your name, Shareholder Number and postcode in order to access the online platform.

Corporate directory

Company

3P Learning Limited ACN 103 827 836

Level 18, 124 Walker Street
North Sydney NSW 2060

Telephone: 1300 850 331

<http://www.3plearning.com>

Directors

Mr Sam Weiss – Non-executive Chairman

Ms Rebekah O’Flaherty – Managing Director

Mr Roger Amos – Non-executive Director

Ms Claire Hatton – Non-executive Director

Mr Mark Lamont – Non-executive Director

Company Secretary

Ms Jia Chen Wang

3PL Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

Legal Adviser

Gadens

Level 13, Collins Arch
447 Collins Street
Melbourne VIC 3000

Financial Adviser

Allier Capital

Level 7, 2 Bligh Street
Sydney NSW 2000

3PL Shareholder Information Line

+61 1800 218 694

9:00am to 5:00pm (Sydney time)
Monday to Friday

