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www.e-cademy.net

E-cademy Holdings Limited

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Facsimile: (+64 4)494-5267

Postal Address:
PO Box 10-900
Wellington, New Zealand

WITH COMPLIMENTS

Dear Kerry

Attached is a copy of the documents posted to Shareholders today for your records. Thanks for your's and the Panel Members help last week with the exemption.

Can you please call me tomorrow to discuss the Parliamentary clearance process.

Yours faithfully
E-CADEMY HOLDINGS LIMITED

Nicholas Stolp
Company Secretary

E-cademy Holdings Limited

e-mail: nstolp@paradise.net.nz
Telephone:(+64 4)494-5266
Facsimile: (+64 4)494-5267

Postal Address:
PO Box 10-900
Wellington, New Zealand

20 November 2001

Dear Shareholder

The Board invites you to attend a Meeting of Shareholders at 11am on 5 December 2001 to decide upon matters in the attached Notice of Meeting.

Please make use of the "Investor and Shareholder" section of our web site to keep up-to-date with our announcements to the New Zealand Stock Exchange or to the media on major issues affecting the Company, by going to:

www.e-cademy.net

If you wish to advise us of a change of address please complete the section below and return it to the address indicated.

Yours faithfully

Nick Stolp
Company Secretary

E-CADEMY HOLDINGS LIMITED– CHANGE OF ADDRESS

Please advise any change in your address by completing the following section and returning it to: **E-CADEMY HOLDINGS LIMITED, Level 13, Forsyth Barr House, 45 Johnston Street, PO Box 10-900, Wellington, New Zealand.**

Shareholder(s) Name: ______________________________

My New Address is: ______________________________

____

My Old Address was:

____

Signature: ____________________ Date: ____________________

E-CADEMY HOLDINGS LIMITED
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

E-cademy Holdings Limited ("E-cademy" or the "Company") gives you notice of a special meeting of shareholders to be held at the Knox Room, First Floor, 545 Parnell Rd, Auckland on Wednesday 5 December 2001 commencing at 11 am.

The business of the special meeting will be:

Approval of Issue of Shares

1. To consider and, if thought fit, to pass the following ordinary resolution:

   "Subject to resolutions 2 and 3 being passed, that the issue of 280 million ordinary shares in the Company to Beconwood Securities Pty Limited or its nominee Beconwood Superannuation Pty Limited, on the terms set out in the Explanatory Notes be approved."

Approval of Grant of Options

2. To consider and, if thought fit, to pass the following ordinary resolution:

   "Subject to resolutions 1 and 3 being passed, that the grant of 280 million share options in the Company to Beconwood Securities Pty Limited or its nominee Beconwood Superannuation Pty Limited, on the terms set out in the Explanatory Notes be approved."

Approval of Issue of Shares on the exercise of Options

3. To consider and, if thought fit, to pass the following ordinary resolution:

   "Subject to resolutions 1 and 2 being passed, that the issue of 280 million ordinary shares on the exercise of the 280 million options in the Company to Beconwood Securities Pty Limited or its nominee Beconwood Superannuation Pty Limited, on the terms set out in the Explanatory Notes be approved."

Explanatory notes

Explanatory Notes for the resolutions are set out on the following pages.

Independent advisers report

The report of the independent appraisers and advisers, PricewaterhouseCoopers New Zealand, is attached to the Notice of Meeting in compliance with the Takeovers Code and the New Zealand Stock Exchange Listing Rules.

Directors' recommendation

As required by the Takeovers Code, the independent directors recommend you vote in favour of all three resolutions in order to keep the Company financially viable until it is able to generate enough revenue to maintain itself. The directors that have an interest in the transaction, Paul Choiselat and Darron Passlow, are unable to make a recommendation due to their interest.

Takeovers Code
The directors believe that the allotments of shares under resolution 1 and resolution 3, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code. A statement by the proposed allottee (Beconwood Securities Pty Limited and its nominee Beconwood Superannuation Pty Limited (together "Beconwood")) is attached to the Notice of Meeting as required by rule 16(g) of the Takeovers Code.

Takeovers Panel Exemption
The Takeovers Panel has granted an exemption from rules 16(b) and (d) of the Takeovers Code for E-cademy and from rule 7(d) for Beconwood on terms and conditions that have been complied with in this notice of meeting and also on the condition that there is no change in the effective control of Beconwood between the date of the meeting at which E-cademy shareholders approve the allotment of voting securities pursuant to the exercise of the options under resolution 3, and the date on which any allotment of voting securities is made to Beconwood by E-cademy upon the exercise of any option.

Proxies and representatives
You may exercise your right to vote at the meeting either by being present in person or by appointing a proxy to attend and vote in your place. A proxy need not be a shareholder of the Company. A body corporate shareholder may appoint a representative to attend the meeting on its behalf.

A proxy form is attached to this notice. If you wish to vote by proxy you must complete the form and produce it to the Company at its registered office, Level 13, Forsyth Barr House, 45 Johnston Street, Wellington so as to ensure that it is received at least 48 hours before the meeting.

By order of the Board.

Nick Stolp
Company Secretary

20 November 2001

EXPLANATORY NOTES

Introduction

As part of an agreement by E-cademy Holdings Limited ("E-cademy" or the "Company") to issue shares and grant options to Matrix IP Pty Limited ("Matrix") signed on 29 May 2001, Matrix agreed to provide or procure up to a $200,000 loan facility for the Company on certain conditions. The share issue and grant of options to Matrix was approved by shareholders on 4 July 2001.

To fulfil the part of the agreement relating to the loan facility, Matrix has procured Melbourne based investor Beconwood Securities Pty Limited ("BSPL") to provide the Company with an unsecured loan of up to $120,000 at no interest that is repayable by 28 February 2002. Also subject to shareholder approval, an equity and option placement will be made to BSPL or its nominee, in exchange for $253,000 (or 0.090357 cents per share), the issue of 280 million ordinary shares and the grant of 280 million ordinary share options with an exercise price of 0.091cents each, exercisable at any time within 18 months after issue.

On 8 November 2001, BSPL advised the Company that it had nominated Beconwood Superannuation Pty Limited ("BSUPL") as the subscriber for 145 million of the shares and 145 million of the options (and therefore 145 million of the shares to be issued on exercise of the options) under its conditional agreement. BSUPL would be acquiring these shares in its capacity as Trustee of the Wylage Superannuation Fund, the members of which are Paul G Choiselat and Lynette A Choiselat. Under the Takeovers Code these persons may be regarded as "associates" and under the New Zealand Stock Exchange Listing Rules may be regarded as "Associated Persons" for the purposes of those requirements.

The proposed share issue, option grant, and issue of shares on the exercise of options (if that occurs) detailed below, require shareholder approval by ordinary resolution. At the date of this notice the Company has 348,500,000 shares on issue, 100,000,000 options are held by Matrix Global Training Pty Limited and employees hold 2,500,000 options granted under the employee option share scheme.

Paul Choiselat and his Associated Persons (as defined in Listing Rule 1.3.1) will not be eligible to vote in favour of resolutions 1 to 3 because of their personal interest in the matters covered by those resolutions.

Resolution 1: Approval for Issue of Shares

The Company proposes to issue 280 million ordinary shares ("Shares") (being 44.55% of the voting shares of E-cademy after the issue) for $253,000 (equating to 0.090357 cents per share) payable in cleared funds on allotment, subject to shareholder approval under Listing Rules 7.3.1, 9.2, and equivalent provisions in the Company's constitution, under Rule 7(d) of the Takeovers Code and subject to all regulatory body approvals. Of the Shares, it is proposed that 135 million ordinary shares will be issued to BSPL and 145 million shares will be issued to BSPL's nominee Beconwood Superannuation Pty Limited ("BSUPL"). Any new ordinary shares issued under this resolution will rank equally in all respects with the existing ordinary shares of the Company. The Shares would be issued as soon as practical after shareholder approval, and in any event within 5 business days of the receipt of cleared funds. The reasons for this allotment are detailed below. The following table shows the percentage of voting securities of the company that BSPL and BSUPL will hold on issue of the Shares.

Shares issued to BSPL (m)	% Shares held on issue	Shares issued to BSUPL (m)	% Shares held on issue
135	21.48%	145	23.07%

Listing Rule 7.3.1 requires that the terms and conditions of the proposal to issue new Equity Securities be approved by ordinary resolution of the holders of shares in the Company. Listing Rule 9.2 requires that where an Issuer proposes entering into a Material Transaction with a Related Party, the transaction must be approved by ordinary resolution of the holders of shares in the Company. The proposed issue of shares under resolution 1 to BSPL and its nominee BSUPL, both Related Parties of the Company, is a Material Transaction for the purposes of the Listing Rules. Rule 7(d) of the Takeovers Code allows a person to take an allotment of voting securities which increases their voting rights in a code company if the allotment of voting securities is approved by an ordinary resolution of the holders of shares in the Company.

Resolution 2: Approval For Grant Of Options

Subject to resolution 1 being passed, the Company proposes to grant up to 280 million options ("Options") to BSPL or its nominee subject to shareholder approval under Listing Rules 7.3.1, 9.2, and equivalent provisions in the Company's constitution, and subject to all regulatory body approvals. Of the Options, it is proposed that 135 million options will be issued to BSPL and 145 million options will be issued to BSPL's nominee BSUPL. The Options would be granted as soon as practical after shareholder approval, and in any event within 5 business days of the receipt of cleared funds for the shares issued under resolution 1.

The 280 million options will be granted at the exercise price of 0.091 cents each, and be exercisable at any time within 18 months of issue (subject to the other terms set out below and any requirements of law).

No consideration would be payable for the Options when granted. The exercise price will be payable in cash in cleared funds on exercise.

The other terms and conditions of the proposed grant of Options are:

(a) Any Options that have not been exercised at expiry of the applicable option period (as set out above) shall lapse and accordingly may not be accumulated.
(b) The Shares issued upon the exercise of an Option shall be credited as fully paid and shall rank equally in all respects with shares on issue at the relevant exercise date (except for any dividend in respect of which the record date occurred prior to the exercise date).
(c) The Options are not transferable unless the board of Directors determines, in extraordinary circumstances, otherwise (at its complete discretion) and will not be listed on the New Zealand Stock Exchange or any other Stock Exchange.
(d) On any consolidation, subdivision or other reconstruction of Shares the exercise price of the Options will be adjusted in proportion to the reconstruction.
(e) On exercise, Options will rank for any bonus issue made since the date of grant.

(f) On any pro-rata cash issue of shares the exercise price of the Options will be adjusted in proportion to the dilutive effect (if any) of the issue in accordance with a formula prescribed by the Listing Rules.

(g) In any compulsory acquisition of the Company's Shares under the Company's constitution or under a Takeovers Code made under the Takeovers Act 1993, any Options shall become immediately exercisable notwithstanding any other term. If the Options are not exercised within 10 working days of notice to the holders of the compulsory acquisition, they will lapse.

Resolution 3: Approval for Issue of Shares on the Exercise of Options
Subject to resolutions 1 and 2 being passed, the Company seeks approval for the issue of ordinary shares on the exercise of the Options by BSPL and BSUPL at any time within 18 months from the date of the grant of the Options subject to shareholder approval under Listing Rules 7.3.1, 9.2, and equivalent provisions in the Company's constitution, under Rule 7(d) of the Takeovers Code and subject to all regulatory body approvals. Any new ordinary shares issued under this resolution will rank equally in all respects with the existing ordinary shares of the Company. Shares would be issued on exercise of the Options within 5 business days of the receipt of cleared funds.

The maximum number of shares that could be allotted to BSPL and BSUPL on the exercise of the Options is 280 million ordinary shares. This represents 30.82% of the aggregate of all the Company's existing voting securities (including shares, but not options) and all the voting securities being allotted (This includes the shares proposed to be issued under resolution 1). The following table shows the percentage of voting securities of the Company that BSPL and BSUPL will hold if the share issue proposed under resolution 1 occurs and the Options under this resolution are exercised, and assuming no other shares are issued (including shares, but not options).

Shares issued to BSPL plus those issued under Resolution 1 (m)	**% Shares held on issue**	**Shares issued to BSUPL plus those issued under Resolution 1 (m)**	**% Shares held on issue**
270	29.72%	290	31.92%

The 280 million options will be granted at the exercise price of 0.091 cents each, and be exercisable at any time within 18 months of being granted (subject to the other terms set out in resolution 2 and any requirements of law).

No consideration would be payable for the Options when granted. The exercise price is payable in cash in cleared funds at the time of exercise (ie. between the date of the grant of the Options and the date 18 months thereafter).

The terms and conditions of the Options are as set out in resolution 2, and the reasons for this allotment are detailed below.

Loan facility
As part of the overall arrangements involved in BSPL agreeing to subscribe for the Shares and Options, BSPL has agreed to provide the Company, under the agreement the Company had with MatrixIP Pty Limited to provide or procure up to a $200,000 loan facility for the Company subject to certain conditions, with an unsecured loan of up to $120,000 at no interest that is repayable by 28 February 2002.

The principal terms of the loan facility are:

1. Until the end of the shareholders meeting to be called to consider the Equity and Options placements described above, Beconwood will lend, on an unsecured basis, up to NZD$120,000 ("Loan") to E-cademy Holdings Limited with no interest.

2. If the shareholders do not approve the Equity and Options placements described above by passing an ordinary resolution by 31 December 2001:

   a The Loan will become secured over the assets of E-cademy Holdings Limited via a debenture as soon as practicable after the meeting and in any event no later than 15 business days after the shareholders meeting is held. The debenture will take the form normally used by a New Zealand bank in the circumstances,

   b The Loan will accrue interest at the rate of 12% from the date of the first draw down of the loan. Interest will be calculated on the month end balance of any principal and accrued interest owing, and

   c The Loan and any accrued interest will be repayable by 28 February 2002.

The Company is required to repay the Loan from the funds of the Equity placement as part of the settlement of that placement.

The directors of the Company believe that as the loan is unsecured and bears no interest unless the shareholders do not approve the Equity and Options placement, the terms are more favourable to the Company than the original terms of the loan facility to be provided or procured by MatrixIP Pty Limited allowed.

Reasons for the Allotments and financial impact on the Company
As previously disclosed to the market the Board had been looking for a financially strong strategic partner to ensure the long-term viability of the business. As a result, several transactions with MatrixIP Pty Limited were approved by E-cademy's shareholders in July 2001.

Since the last quarter of 2000 the Company has focused its sales efforts in the corporate learning market. The Company has a number of quality customers including Butterworths, APM Training Institute, ACNielsen, and McGrath Real Estate. However sales and commission revenue have been slower than expected.

Consequently, the Board has approved a new business plan that is expected to expand the customer base and further reduces operational costs. This plan is now being implemented. The Board believes that with this plan the long-term viability of the Company will improve, provided it secures sufficient funding now.

The loan and equity funds from BSPL are needed to enable the Company to generate enough revenue to maintain itself.

As an associate of MatrixIP Pty Limited, BSPL supports MatrixIP Pty Limited's objective stated in July of developing a successful online learning group mainly in the corporate and tertiary sectors.

The forecast financial position of the Company and its subsidiaries ("Group") as at 31 December 2001 (with and without the BSPL transaction) is set out below in the Unaudited Pro Forma Statement of Financial Position.

E-CADEMY HOLDINGS LIMITED AND SUBSIDIARIES
UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION

	Notes	With BSPL 31 December 2001 $000	Without BSPL 31 December 2001 $000
Assets			
Current Assets	2	305	20
Investments		8	0
Intangible assets		2	0
Non-current assets	3	388	20
Total Assets		**703**	**40**
Liabilities			
Current Liabilities	4	140	290
Long-term liabilities		1	1
Total Liabilities		**141**	**191**
Net Assets/(Liabilities)		**562**	**(251)**
Equity			
Share Capital	5	7,287	7,034
Reserves		85	85
Retained earnings		(5,863)	(5,863)
Current year deficit	6	(947)	(1,507)
Total Equity		**562**	**(251)**

Notes to the Unaudited Pro Forma Statement of Financial Position

1 **General**
With the BSPL transaction the Directors believe that the Company and Group will continue to be a going concern. Assets, liabilities and equity in this column of the Unaudited Pro Forma Statement of Financial Position reflect their value on this basis.

Without the BSPL transaction the Directors believe that the Company and Group would not continue to be a going concern. Assets, liabilities and equity in this column of the Unaudited Pro Forma Statement of Financial Position have been written down to reflect their reduced value on this basis. The result is a position of negative equity.

The full reason for the transaction with BSPL is detailed earlier in the explanatory notes.

2 **Current assets**
Current assets comprise Receivables, Bonds and Cash.

With the BSPL transaction, the Company will receive $253,000 of cash. Part of this cash would have been spent on operations up to 31 December 2001 and repayment of the loan. Receivables and Bonds are valued on the basis the company is a going concern. The terms of the loan that will be repaid are detailed later in the explanatory notes.

Without the BSPL transaction Receivables and Bonds have been written down to values the Directors believe are recoverable given the assumption that the Company and Group would no longer be a going concern. Receivables would be written down from $50,000 to nil and Bonds from $122,000 to $20,000.

3 **Non-current assets**

Non-current assets comprise fixed assets and capitalised software development costs.

With the BSPL transaction non-current assets are valued in line with the current accounting policy, based on the Directors' belief that the Company and Group will continue to be a going concern.

Without the BSPL transaction non-current assets are valued based on the Directors' belief that the Company and Group would not continue to be a going concern and therefore would be written down from $388,000 to $20,000.

4 **Current liabilities**

Current liabilities comprise trade creditors, accruals, employee entitlements and unearned income.

Without the approval of the Equity and Options placements no equity funds will be injected. It is assumed that the cash received from the loan of $120,000 would be fully spent. Creditors would increase because of extra costs related to looking for another source of equity or winding up. The loan of $120,000 would still remain to be repaid by 28 February 2002.

5 **Share capital**

With the BSPL transaction, $253,000 will be paid for the 280 million shares issued. The details of the placement are included later in the explanatory notes.

The principal terms of the Options for ordinary shares that will be granted are detailed later in the explanatory notes.

6 **Current year deficit**

With the BSPL transaction the current year deficit is forecast to be $947,000.

Without the BSPL transaction the current year deficit would materially increase by incurring extra costs and the write down of the value of current assets, non-current assets, intangibles and investments as follows:

Extra costs	$30,000
Receivables	$50,000
Bonds	$102,000
Non-current Assets	$368,000
Intangibles	$2,000
Investments	$8,000

The current year deficit forecast would therefore increase from $947,000 to $1,507,000.

Independent Report in Relation to Proposed Allotment of Shares and Options by E-cademy Holdings Limited to Beconwood Securities Pty Limited

(Pursuant to Rule 18 of the Takeovers Code and Rule 6.2.2 of the New Zealand Stock Exchange Listing Rules)

20 November 2001

PRICEWATERHOUSECOOPERS

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PRICEWATERHOUSECOOPERS

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New Zealand
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The Independent Directors
E-cademy Holdings Limited
P O Box 10-900
WELLINGTON

20 November 2001

Independent Report in Relation to the Proposed Allotment of Shares and Options by E-cademy Holdings Limited to Beconwood Securities Pty Limited

1 Introduction and Background

1.1 Introduction

On 19 October 2001, E-cademy Holdings Limited ("E-cademy" or "the Company") announced its intention to make a placement of shares and options to Beconwood Securities Pty Limited and/or its nominee Beconwood Superannuation Pty Limited (collectively referred to as "Beconwood"), being companies associated with E-cademy's major shareholder, Matrix Global Training Pty Limited ("Matrix"). In terms of the requirements of the Takeovers Code ("the Code") and the New Zealand Stock Exchange ("NZSE") Listing Rules ("the Listing Rules"), the Independent Directors of E-cademy are required to provide independent reports for the benefit of shareholders in E-cademy not associated with Matrix or Beconwood, assessing the proposed transaction.

1.2 Background

E-cademy is a relatively small listed company seeking to exploit commercial opportunities in the e-learning area through application of its "Learning Management System". At this stage E-cademy operates solely in Australia although the Company is administered from New Zealand. The Company's cash resources are insufficient to fund continued operations in their present form, and accordingly E-cademy is seeking to raise additional capital amounting to $253,000. Without a further injection of funds, E-cademy will be unable to continue trading for much longer given current levels of expenditure and commitments.

1.3 Proposed Terms of Capital Raising

The proposed capital raising is summarised as follows:

- Issue 280 million Ordinary Shares in E-cademy to Beconwood at an issue price of approximately 0.09 cents per share, resulting in total subscription proceeds of $253,000;
- Issue of 280 million options by E-cademy to Beconwood, with an exercise price of 0.091 cents, exerciseable at any time within 18 months of the issue date; and
- The proposed capital raising is subject to shareholder approval (with Matrix being unable to vote), and satisfaction of all applicable regulatory requirements.

Further details of the capital raising including the terms and conditions attaching to the new shares and options to be issued to Beconwood are contained in the Company's Notice of Meeting dated 20 November 2001, which is being sent to all shareholders in conjunction with this Report.

It is intended that the proceeds of the share placement will be applied, in part, to repay a short-term loan of up to $120,000 raised by E-cademy pursuant to a loan facility agreement dated 29 May 2001. This funding was procured by Matrix to be provided by Beconwood as originally contemplated in the agreement with Matrix.

Funding provided by Beconwood has been advanced initially on an unsecured basis, however, in the event that the proposed capital raising is not approved by 31 December 2001, then the advances will be secured by way of a debenture, and will accrue interest at the rate of 12% from date of original draw-down. Any advances made to E-cademy together with accrued interest will be repayable by 28 February 2002.

If the proposed capital raising is approved, then advances made by Beconwood to the Company will be repaid out of the subscription proceeds, and will not bear interest. In effect, Beconwood is providing interim loan funding to E-cademy until such time as the capital raising is approved by shareholders. However, if shareholders do not approve the capital raising, then the advances will become interest-bearing and will be secured by way of a debenture, with repayment due on or before 28 February 2002.

1.4 Relationship Between E-cademy, Matrix and Beconwood

Matrix is the controlling shareholder in E-cademy, owning 200 million shares, equating to 57.4% of the capital currently on issue. In addition, Matrix holds 100 million options to acquire further shares (on a 1:1 basis) in the Company.

Beconwood, as the lender and proposed investor under the capital raising, is an Australian company associated with Matrix. Beconwood owns 25% of Matrix's issued capital. Mr Paul Choiselat is a Director of E-cademy and a Director of and shareholder in Beconwood.

Beconwood Securities Pty Limited ("Beconwood Securities") was originally announced as the party that Matrix had procured to advance funds to E-cademy and subsequently subscribe for the placement of shares and accompanying options. Beconwood Securities has since advised the Company that it has nominated its associated entity, Beconwood Superannuation Pty Limited ("Beconwood Superannution") as the subscriber for 145 million of the shares and also 145 million of the options. Beconwood Superannuation will be acquiring its share and options in its capacity as a Trustee of the Wylage Superannuation Fund, the members of whom are Paul and Lynette Choiselat, being the sole shareholders of Beconwood Securities.

1.5 Requirements Under the Takeovers Code

Matrix holds more than 50% of the voting securities in E-cademy and therefore under Rule 7(d) of the Code, it may only increase its percentage holding if the proposed capital raising is approved by an ordinary resolution of shareholders not associated with Matrix or Beconwood ("the Non-Associated Shareholders"). Further, Rule 16(h) requires that the notice of meeting containing the proposed resolution in respect of an allotment of securities under Rule 7(d) be accompanied by a report from an independent adviser assessing *the merits of the proposed allotment*, having regard to the interests of the Non-Associated Shareholders.

The Takeovers Panel has granted an exemption from Rules 16(b) and (d) of the Code for E-cademy and from Rule 7(d) for Beconwood on terms and conditions that have been complied with as part of the Notice of Meeting. A further condition of the exemption is that there is no change in the effective control of Beconwood between the date of the meeting at which E-cademy shareholders approve the resolution on the allotment of voting securities pursuant to the exercise of the options, and the date on which any allotment of voting securities is made to Beconwood by E-cademy upon the exercise of any option.

The Takeovers Panel has approved our appointment as the independent adviser to prepare the report.

1.6 Requirements Under the Listing Rules

Matrix and Beconwood are Associated Persons as defined by the Listing Rules. Therefore under Listing Rule 7.5 the issue of securities to Beconwood must be approved by an ordinary resolution of E-cademy's Non-Associated Shareholders.

Pursuant to Listing Rule 6.2.2, the notice of meeting to consider the resolution to approve the issue of securities to Beconwood must be accompanied by an Appraisal Report stating whether or not the terms of the proposed capital raising are *fair to the Non-Associated Shareholders of E-cademy.*

The NZSE's Market Surveillance Panel ("the NZSE Panel") has approved our appointment to prepare the Appraisal Report.

1.7 Purpose of the Report

The purpose of this Report is to provide E-cademy's Non-Associated Shareholders with the requisite advice and opinions in respect of the merits of the proposed allotment (as required under the Code) and whether the proposed capital raising is fair (as required under the Listing Rules). In so doing, our Report is intended to assist shareholders in forming their own opinions as to whether or not they should vote in favour of the resolution to approve the proposed capital raising.

We note that each shareholder's circumstances and investment objectives will be different. It is therefore not possible to prescribe or advise what action an individual shareholder should take in response to the proposed capital raising. Our advice will necessarily be general in nature and is intended to assist each shareholder to form their own opinion as to what action they should take in the circumstances.

1.8 Information

The sources of information which we have access to and have relied upon are listed in Appendix 1.

1.9 Declarations, Qualifications, Disclaimer and Restrictions

This Report should be read in conjunction with the statements and declarations set out in Appendix 2, regarding our independence, qualifications, restrictions on the use of this Report, reliance on information, a general disclaimer, and the indemnity.

1.10 Note

All monetary amounts in this report are expressed in New Zealand currency and are stated exclusive of Goods and Services Tax ("GST"), unless indicated to the contrary. Generally references to "year" should be taken as referring to E-cademy's financial year ending on 31 March. For example, references to the 2001 year refer to the financial year ended 31 March 2001, and references to the 2002 year refer to the current year ending 31 March 2002.

2 Conclusions and Opinions

2.1 Conclusions

E-cademy is proposing to issue 280 million new ordinary shares to Beconwood at an issue price of approximately 0.09 cents per share (raising $253,000) and as part of the same transaction will also issue 280 million options to Beconwood with an exercise price of 0.091 cents, exerciseable at any time within 18 months of issue.

To analyse the proposed capital raising and its effect for shareholders it is necessary to consider the consequences of the share issue in conjunction with the option issue as both issues are linked.

As at 30 September 2001, E-cademy had net tangible assets ("NTA") of $327,000 based on its unaudited financial statements. Deduction of estimated operating losses for October and November 2001, amounting to $202,000, results in a revised NTA for the Company of $125,000. This translates into an NTA per issued share of 0.036 cents.

The gross proceeds from the share issue to Beconwood are $253,000. We have valued the options being issued to Beconwood at approximately $43,000 and have offset this value against the gross proceeds, producing a net figure of $210,000, being representative of the net economic benefit to E-cademy's shareholders from the capital raising.

$210,000 translates into an effective net consideration per share issued of 0.075 cents. This consideration exceeds our NTA-based assessment of E-cademy's current market value per share.

We note that the Company's volume weighted average share price over the 20 trading days prior to 19 October 2001 was 0.58 cents, which is substantially above the NTA per share.

The Company's shares are relatively infrequently traded and most shareholders do not have marketable parcels or cannot trade their shares economically given transaction costs.

On balance, we do not believe that the sharemarket's pricing of E-cademy's shares provides a reliable indicator as to their true market value for the purpose of our analysis. In particular, we do not believe that large parcels of shares could be traded at current market prices, given our understanding of the Company's financial position and prospects

Following the share issue Beconwood will become the largest shareholder in E-cademy with 44.6%, and will also have additional influence through its 25% ownership of the second largest shareholder Matrix (which will have a diluted 31.8% shareholding). If Beconwood exercises its options, it will gain outright control of E-cademy by virtue of having a 61.6% direct ownership interest.

The issue of shares to Beconwood has the effect of changing the identity of E-cademy's largest shareholder and will probably shift control of the Company from Matrix (in which Beconwood has significant influence but not control) in favour of Beconwood. However, we do not consider this is likely to have any value impact for the Non-Associated Shareholders in E-cademy.

The over-riding feature of E-cademy's current situation is a need for additional funding in order to sustain the Company's operations. We do not believe that the Company is in a position to raise debt finance, and therefore must look to equity funding, either from its existing shareholders or new investors.

E-cademy has failed to achieve its forecasts as set out in its Listing Profile, and consequently the opportunities associated with its technology platform and proprietary Learning Management System ("LMS") remain commercially unproven.

The Company's immediate outlook in terms of operations for the balance of the current financial year indicate continuing cash operating losses. In the absence of a capital injection, we believe the Company may have little alternative but to cease trading, in which case asset write-downs will be required and closure costs will be incurred, depressing the likely return to shareholders below our NTA-based assessment of current fair market value.

2.2 Opinion Under the Listing Rules

Based on the information we have reviewed and our analysis, as summarised in this Report, we consider that the consideration to be received from, and the terms and conditions associated with the proposed capital raising involving the issue of shares and options by E-cademy to Beconwood are fair to the Non-Associated Shareholders.

In our opinion, the information to be provided to E-cademy shareholders, including the Notice of Meeting and this Report, is sufficient to enable the Non-Associated Shareholders to understand all relevant factors in making an informed decision in relation to the proposed capital raising. We have obtained all information which we believe is desirable for the purpose of preparing our Report, including all relevant information which is or should be known to any Director or made available to the Directors.

2.3 Opinion Under the Takeovers Code

We have considered the merits of the proposed allotment of shares and options to Beconwood, and in this regard conclude that:

- the consideration to be received from Beconwood and the terms and conditions associated with the proposed capital raising are fair to the Non-Associated Shareholders;
- the change in the identity of E-cademy's largest shareholder and the likelihood that control will shift from Matrix to Beconwood are unlikely to have any value impact for the Non-Associated Shareholders;
- in the absence of a capital injection the Company has little alternative but to cease trading, with consequential adverse effects on the value of existing shareholders' investment; and
- we are not aware of any other realistic alternative to the proposed capital raising presently available to E-cademy.

3 E-cademy - Current Position and Prospects

3.1 Nature of Business

The Company was established on 17 February 2000 via an in specie distribution of 24.6 million shares by Heritage Gold NZ Limited, and its shares began trading on the NZSE on 18 April 2000.

The principal activity of E-cademy Holdings Limited and Group is selling eLearning services related to its Learning Management System ("LMS"). E-cademy's core competency is solving end-to-end 'eLearning' needs for organisations and course providers through its custom LMS design and consultancy services. eLearning is increasingly being adopted as a method to facilitate learning through the use of web browsers to access instruction and course material which is delivered either via the internet or through a computer network.

E-cademy's custom LMS allows synchronous (live) and asynchronous (stored) delivery of instruction and course material coupled with the ability of participants to interact with the wider audience. Information that can be delivered is by audio, text, flash video, and picture mediums. The system allows content to be 'authored' remotely via web-based authoring tools and has database management and administrative functions which enables customers to reduce their infrastructure requirements.

The Company's customers comprise organisations that need to train their own staff and/or customers; and course providers, training institutes and universities that are switching or improving delivery methods.

E-cademy is presently a small business with operations in Sydney and with administrative support provided from New Zealand. Since its initial listing in 2000, the composition of E-cademy's management has significantly changed. The Managing Director, Sales & Marketing Director, and Technical Director all departed the Company following Matrix's allotment of equity in July 2001, adding to the difficult situation the Company was in up to July 2001. This, coupled with the downturn in the technology sector generally, and the enquiry by the Takeovers Panel (refer next section), has contributed to the Company's inability to achieve its planned level of sales revenue and growth targets.

3.2 Historical Overview

17 February 2000	Heritage Gold NZ Limited issued 24.6 million shares in the Company to its shareholders by way of an in specie distribution.
14 April 2000	E-cademy Listing Profile released by organising broker DF Mainland Securities Limited.
17 April 2000	E-cademy acquired all the shares in E-cademy Pty Limited ("E-cademy Australia") for a consideration of A$3.08M. The purchase price was satisfied by the issue of 48.9 million ordinary shares. The vendors of E-cademy Australia were A3 Pty Limited and Montague One Pty Limited, being companies associated with two of E-cademy's founding directors (who have since resigned).
17 April 2000	E-cademy issued 4.6 million ordinary shares to Baroda Hill Investments Limited, a company associated with E-cademy's former Managing Director.
17 April 2000	E-cademy placed 40.0 million ordinary shares at NZ 9.0 cents per share via a private placement to clients of Barton Capital Corporation Pty Limited, raising NZ$3.6M.
18 April 2000	E-cademy shares listed on the NZSE.
10 August 2000	The intellectual property of the Group was transferred from E-cademy Australia to Interactive Learning Networks NZ Limited, a wholly-owned subsidiary of E-cademy.
28 September 2000	At inaugural meeting shareholders approve an employee share option plan at exercise dates from 1 July 2001 to 30 June 2005 at strike prices of 12 to 48 cents each.
31 March 2001	Directors' write-off the residual $2.576M of goodwill associated with the Company's investment in E-cademy Australia.
31 May 2001	E-cademy enters into a conditional agreement with Matrix to make a placement of shares and options. In particular: • Issue of 200 million ordinary shares for $400,000; • $200,000 secured loan facility; • Issue of 50 million options at an exercise price of 2 cents, exerciseable within 3 years of issue; and • Issue of 50 million options at an exercise price of 4 cents, exerciseable within 5 years of issue.

3 July 2001	Cube Capital Limited, a small New Zealand listed company now associated with E-cademy's former Managing Director, presents an offer to E-cademy as an alternative to the Matrix proposal involving: • Issue of 158,333,333 ordinary shares at 0.3 cents representing a $475,000 cash injection; • Immediate loan of $100,000 secured by debenture at 4% above the 90 day bank bill rate; • $200,000 loan facility available for a 3 year term at 4% above the 90 day bank bill rate and secured by debenture; • 50 million options at 2.5 cents exerciseable before 31 August 2004; and • 50 million options at 4.5 cents exerciseable before 31 August 2006.
4 July 2001	At a Special Meeting, shareholders approve capital raising and financing transactions with Matrix.
4 July 2001	Alexander Roche and John Varnay resign as Directors as a part of the Matrix transaction.
28 August 2001	Wayne Johnson resigns as Director as a part of the Matrix transaction.
19 October 2001	E-cademy enters into a conditional agreement with Beconwood for a loan and equity and options placement.

Source: E-cademy Annual Reports and Bloomberg

3.3 Ownership: Shares and Options

E-cademy's ownership is summarised in the tables below:

	As at 1 August 2001		As at 26 June 2001	
	Number of Shares	%	Number of Shares	%
Matrix Global Training Pty Ltd #	200,000,000	57.39	0	0
Coromandel Gold Ltd #	30,412,487	8.73	30,412,487	20.48
Montagua One Pty Ltd	24,795,116	7.11	24,795,116	16.70
A3 Pty Ltd	24,096,884	6.91	24,071,884	16.21
So Co Ltd	6,666,667	1.91	6,666,667	4.49
Cavastowe Pty Ltd	3,450,000	0.99	3,450,000	2.32
Peter Robert Atkinson	2,767,187	0.79	2,767,187	1.86
Wayne Breeze	2,745,000	0.79	2,745,000	1.49
Baroda Hill Investments Ltd	2,317,000	0.67	4,170,000	2.81
Bruce Young and Trevor Davies	2,000,000	0.57	2,000,000	1.35
Total "Top 10" Shareholders	299,250,341	85.87	101,078,341	68.07
Balance (approximately 1,054 shareholders) (1,039 at 26 June 2001)	49,249,659	14.13	47,421,659	31.93
TOTAL	**348,500,000**	**100.0**	**148,500,000**	**100.0**

Source: E-cademy Annual Report and Datex.

Note: # Indicates that a shareholder also has Board representation at the date of this report.

Number of Shares Held	As at 26 June 2001		
	Number of Shareholders	Shares	% of Total Capital
1 – 1000	114	71,592	0.048
1001-5000	404	1,109,542	0.747
5,001-10,000	181	1,403,536	0.945
10,001-100,000	251	8,845,582	5.957
100,001 and over	99	137,069,748	92.303
TOTAL	**1,049**	**148,500,000**	**100.00**

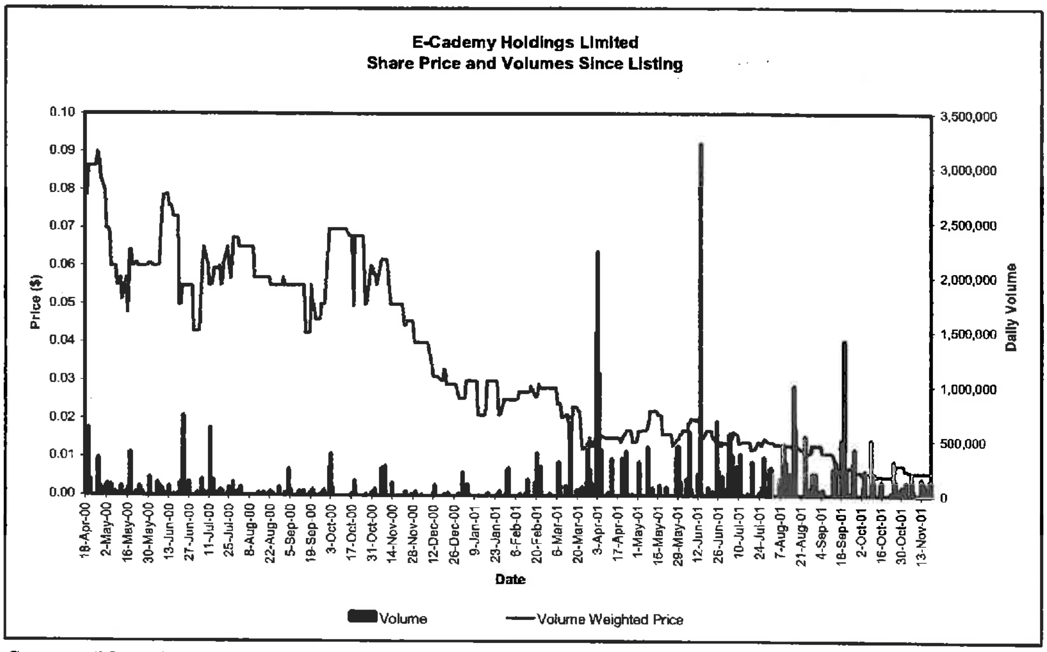
Source: E-cademy Annual Report .

In addition to its issued share capital, E-cademy has the following options on issue:

- 50 million options held by Matrix, exerciseable on or before May 2004 at 2 cents;
- 50 million options held by Matrix, exerciseable on or before May 2006 at 4 cents.
- 2,500,000 options held by employees as at 31 October 2001, exerciseable during periods prior to 30 June 2005 at prices ranging between 12 and 48 cents.

3.4 Share Price/Trading Volume

E-cademy's share price and trading volumes since its listing on 18 April 2000 until 20 November 2001 are depicted in the following graph:



Source: Bloomberg.

The volume weighted average price of E-cademy shares over the period since listing was 3.41 cents, and over the 20 trading days prior to 19 October was 0.58 cents. The last share trade occurred on 16 November (138,235 shares) at 0.6 cents.

3.5 Financial Position

E-cademy's financial position as at 31 March 2001 and 30 September 2001 is set out below:

E-cademy Statement of Financial Position	31 March 2001 Audited $000	30 Sept 2001 Unaudited $000
Current Assets		
Cash	184	88
Receivables	128	113
Investments	110	130
Total Current Assets	422	331
Current Liabilities		
Payables and Accruals	70	109
Borrowings	2	2
Other Current Liabilities	77	66
Total Current Liabilities	149	177
Working Capital	**273**	**156**
Non Current Assets		
Fixed Assets	204	162
Intangible Assets, Including Capitalised Software Development	389	300
Other	0	12
Total Non-Current Assets	593	474
Non-Current Liabilities		
Borrowings	3	1
Net Assets	**863**	**627**
Share Capital	6,634	7,034
Reserves	92	85
Accumulated Deficit	(5,863)	(6,492)
Shareholders' Funds	**863**	**627**
Shareholders' Funds per Share (cents)	0.248	0.180
Shareholders' Funds per Share (fully diluted[1]) (cents)	0.861	0.809
Net Tangible Assets per Share (cents)	0.136	0.094
Net Tangible Assets per Share (fully diluted[1]) (cents)	0.775	0.742

Source: E-cademy 2001 Annual Report and audited accounts at 31 March 2001 and unaudited management accounts at 30 September 2001.

Note: (1) Diluted for the exercise of 100 million options currently outstanding, comprising 50 million options exerciseable at 2 cents each and 50 million options exerciseable at 4 cents each.

Key points to note in respect of E-cademy's financial position are:

- Despite projecting pro forma consolidated net assets of approximately $6.9M as at 14 April 2000 in its Listing Profile, incorporating the issue of shares to the vendors of E-cademy Australia and the placement of 40 million shares, the Company's shareholders' funds have been substantially eroded through the write-off of the investment in the Australian company, accelerated amortisation of software development costs, and a combination of below forecast revenues and operating and overhead expenses;
- E-cademy found itself in need of further funding in mid-2001, and raised $400,000 from Matrix through the issue of 200 million new shares;
- The Company's reserves have subsequently been further depleted through on-going operating losses and other expenses, leaving the Company with shareholders' funds of $627,000 at 30 September 2001, including a balance of capitalised software development costs amounting to $298,000 as at 30 September 2001.

As at 30 September 2001 E-cademy had shareholders' funds equating to 0.18 cents per share, but after excluding capitalised software development costs, the Company's net tangible assets ("NTA") per share reduce to 0.094 cents per share.

In the table above we have also shown the fully diluted financial position, allowing for the potential exercise of the 100 million options issued to Matrix resulting in a total cash injection of $3M to the Company. The exercise of these options would significantly boost shareholders' funds and NTA per share. However, at the present time, and notwithstanding E-cademy's traded share price, we consider these options are not "in the money" and given the significant disparity between the exercise price and NTA, we have not incorporated them further in our analysis.

3.6 Financial Performance

Set out in the table below is E-cademy's audited financial performance for the year ended 31 March 2001, being the Company's first year of trading:

E-cademy Statement of Financial Performance	31 March 2001 Audited $000
Operating Revenue	
Sales Revenue	250
Interest	70
Total Operating Revenue	**320**
Operating Expenses	2,133
Operating Deficit	**(1,813)**
Abnormal Item - Goodwill write off	**2,576**
EBITDA[1]	**(4,389)**
Depreciation	262
Amortisation	1,211
EBIT[2]	**(5,862)**
Interest Expense	1
Tax	-
Net Profit/(Loss)After Tax	**(5,863)**

Source *E-cademy 2001 Annual Report and Audited Accounts.*
Note: *(1) EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation.*
(2) EBIT is Earnings Before Interest and Tax.

The actual results achieved in the 2001 year fell well short of the forecast contained in the Company's Listing Profile due to:

- Sales revenue of only $250,000 against a forecast of $1,058M;
- Depreciation and amortisation charges being increased in line with a change in accounting policy;
- The remaining goodwill associated with the Company's Australian subsidiary being written off, amounting to $2.576M; and
- The operating loss before interest, tax, depreciation and amortisation was $1.813M compared to a forecast loss of $1.707M.

The total loss for the initial trading period to 31 March 2001 of $5.863M compares to a forecast deficit of $2.625M in the Listing Profile. The Listing Profile did not anticipate the goodwill write off or the change in depreciation and amortisation accounting policies noted earlier.

Management accounts showing the unaudited trading performance for the six months to 30 September 2001, and management's forecast for the six months to 31 March 2002 are summarised below:

E-cademy Statement of Financial Performance	6 Months to 30 Sept 2001 Unaudited $000	Forecast 6 Months to 31 March 2002 $000	Actual + Forecast Year Ending 31 March 2002 $000
Operating Revenue			
Sales Revenue	126	460	586
Cost of Goods Sold	98	206	304
Gross Margin	**28**	**254**	**282**
Gross Margin %	*22.2%*	*55.2%*	*48.1%*
Other Income	12	-	12
Total Income	**40**	**254**	**294**
Expenses			
General & Administrative	160	94	254
Sales & Marketing	1	18	19
Operating	312	372 (1)	684
Employment	193	133	326
Other Expenses	1	31	32
Total Expenses	**667**	**648**	**1,315**
Return from Associates	(2)	-	(2)
Net Profit / Loss	**(629)**	**(394)**	**(1,023)**

Source: E-cademy Management

Note: (1) Adjusted for depreciation of $30,000 per month and estimated costs of $38,000 associated with the Beconwood capital raising transaction.

Key points regarding E-cademy's current year financial performance are:

- Revenues during the first six months are still insignificant;
- Management forecast substantial revenue growth (265%) in the second-half-year, with the gross margin also increasing to approximately 55%; however
- the Company remains in a loss making situation, notwithstanding this anticipated improvement in projected trading performance.

The combination of actual performance during the first-half of the year and forecast performance for the second-half indicates a projected total loss for the 2002 year of \$1.023M, which compares to a projected deficit of \$191,000 set out in the Listing Profile. The key driver of this shortfall in performance is the Company's failure to achieve its revenue targets, with projected 2002 revenues amounting to \$586,000 against a forecast of \$4.633M contained in the Listing Profile.

In summary, E-cademy has, for various reasons, failed to achieve its forecast operating and financial performance as set out in its Listing Profile, and in so doing, has exhausted its available financial resources.

During the current year the Company has been adversely affected by the inquiries undertaken by the Takeovers Panel in relation to the Company's earlier placement of capital to Matrix. Whilst the Company was found to have not breached any of the applicable regulations, these inquiries resulted in considerable cost and diversion of management attention.

The three key executive directors associated with the Company's establishment also left the Company mid-year, following the placement of capital to Matrix. These departures further disrupted the Company's business development plans to move forward from the difficult position it already found itself in leading up to the placement of capital to Matrix.

3.7 Future Outlook

E-cademy's management have forecast that in the 2003 financial year the Company will achieve a small operating profit before tax of approximately \$230,000. However, given the historical performance of the Company and the current and projected economic environment, this forecast is subject to substantial risk around the ability to generate the necessary revenues to achieve what is essentially a breakeven result.

The Company will continue to minimise costs, although given the size of its current operations, many of these are fixed. Despite the reduction in cash outgoings, E-cademy requires additional funding to secure its ongoing viability and cash flow over the next 6 months, by which time the Company expects to commence generating positive operating cash flows.

3.8 Market Position

High level research into the eLearning market in the United States ("US") indicates that adoption of eLearning is occurring across most sectors, with academic, corporate, and government organisations leading the trend. IDC, a leading US IT market research company, estimate that in 2000 the US eLearning industry was approximately US$2.3 billion and is expected to exceed US$18 billion in 2005.

Standardisation and convergence of eLearning technologies and products is the most significant trend and is likely to be followed by market consolidation as eLearning companies pursue market share and branding strategies. As products become less differentiated, it is anticipated that commoditisation will occur in the industry and as a result, companies will begin to focus on price as a key driver of sales growth.

E-cademy currently possesses an established electronic delivery platform in the form of its LMS. However, it is also apparent that there are other organisations with a similar business model, and with an ability to compete effectively with E-cademy.

With standardisation and convergence of eLearning technologies over time, E-cademy's current competitive position will erode unless issues such as "speed to market", and the resources and affiliations necessary to achieve market penetration and acceptance of its LMS are achieved. E-cademy's lack of financial resources and limited staffing may compromise the Company's ability to pursue its strategic objectives.

We understand from the directors that these issues have been considered and incorporated in the new business plan recently implemented.

4 *Valuation of E-cademy*

4.1 Overview

Given the nature of E-cademy's business and its current financial position and absence of earnings, valuation of the Company using conventional earnings-based valuation techniques such as discounted cash flows ("DCF") or capitalisation of earnings will not provide any meaningful assessment of the Company's current fair market value, which we define as:

> *"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer, and a knowledgeable, willing but not anxious seller, both acting at arms-length."*

Instead, we believe E-cademy's current value is best estimated by reference to its NTA. We have also considered the relevance of the sharemarket's pricing of the Company's shares.

Our use of an NTA-based approach to assessing the value of E-cademy implicitly assumes no current value recognition in respect of the Company's intangible assets, principally its capitalised software development costs associated with its LMS. We believe this is an appropriate treatment to adopt at the present time given the lack of proven commercialisation of this technology, and the existence of competitors within the same area with alternative product offerings.

4.2 NTA Analysis

In considering the Company's NTA, we have taken into account a number of specific factors, namely:

- We have relied on the Company's unaudited statement of financial position as at 30 September 2001 as a starting point;
- E-cademy carries capitalised software development costs amounting to $298,000 at 30 September 2001 within its financial statements. For the reasons set out above, we have not attributed any value to this intangible item. If the Company was no longer a going concern, it is also likely that no value would be realised in respect of this item;
- The Company's other major non-cash asset reflected in its financial statements comprises office furniture and equipment, with a net book value of $163,000 as 30 September 2001. Under a realisation scenario, these assets are unlikely to realise book value, although for the purpose of our analysis we have adopted net book value;

- Off-setting these factors is the existence of the Company's technology platform and proprietary LMS, and the accumulated know-how that the Company has gained regarding its attempts to commercialise and market its system;
- In its relatively short history, E-cademy has endured a number of set-backs, and as a corporate entity, and there remains a risk, however remote, of contingencies associated with past events; and
- E-cademy is forecasting continuing losses, with four out of the six months in the second-half of the 2002 financial year expected to produce cash operating losses, meaning that NTA will decline further after 30 September 2001 before any improvement is anticipated.

There is also a real prospect that the Company will need to raise additional funding to secure its long-term future, in the event that the current fundraising proves inadequate. The next round of capital raising is likely to have a further diluting effect on existing shareholders' interests.

On balance, we have adopted as our valuation an assessment of E-cademy's current NTA assuming it remains a going concern. Although for this purpose capitalised software development costs and other intangibles are excluded we have not written-down the value of other assets that would not be expected to realise book value under a realisation scenario. We have also not allowed for any closure costs that would be incurred under a realisation scenario.

As at 30 September 2001, E-cademy had an NTA of $327,000 based on its unaudited financial statements. To more accurately assess current NTA we have deducted estimated operating losses for the months of October and November 2001, amounting to $202,000 resulting in a revised NTA for the Company of $125,000.

This translates into an NTA per issued share of 0.036 cents.

4.3 Sharemarket Pricing

We note that the Company's volume weighted average share price over the 20 trading days prior to 19 October 2001 was 0.58 cents, which is substantially above the current NTA per share.

However, caution is required when considering the sharemarket's pricing of E-cademy's shares. We note that most shareholders cannot trade their shares economically, as the realisable value of their shareholding will be substantially eroded by minimum brokerage charges. For instance, a shareholder with 10,000 shares who achieves a price of 0.5 cents per share would gross $50, with a likely minimum brokerage of at least $25 to be deducted, leaving net proceeds of approximately $25. Only approximately 350 shareholders hold more than 10,000 shares in the Company. Approximately half the Company's shareholders have less than 5,000 shares, and for these shareholders it is likely that minimum brokerage costs would equal or exceed total sale proceeds.

We also note that the Company's shares are infrequently traded. On 37 days out of the last 90 days no shares were traded.

It is also likely that some share trading is explained by parties adopting a speculative approach, in the hope that the Company will be transformed with a substantial value gain accruing to shareholders as has occurred with other listed shell companies in the New Zealand market.

On balance, we do not believe that the sharemarket's pricing of E-cademy's shares provides a reliable indicator as to their true market value for the purpose of our analysis. In particular, we do not believe that large parcels of shares could be traded at current market prices, given our understanding of the Company's financial position and prospects.

5 *Analysis of Proposed Capital Raising Transaction*

5.1 Overview

E-cademy is proposing to issue 280 million ordinary shares to Beconwood at an issue price of approximately 0.09 cents per share (raising $253,000) and as part of the same transaction will also issue 280 million options to Beconwood with an exercise price of 0.091 cents, exerciseable at any time within 18 months. We are required to assess whether this proposed capital raising is *fair* under the Listing Rules; and to assess the merits of the proposed issue of ordinary shares under the Code.

In order to analyse the proposed capital raising and assess whether it is fair we have compared the issue price and terms associated with the issue of the shares and options to Beconwood against our assessed current value of E-cademy and its existing shares.

Similarly, central to our assessment of the merits of the proposed share issue is a comparison of the issue price for the new shares being placed with Beconwood against our assessed value of E-cademy currently.

We have examined the effect of the proposed capital raising on the ownership and control of E-cademy, and have taken into account the Company's circumstances generally, including the consequences for the Company if further capital is not forthcoming shortly.

5.2 Analysis of Share Issue to Beconwood

The shares being issued to Beconwood are priced at approximately 0.09 cents per share, resulting in an aggregate cash injection to the Company of $253,000 (before deduction of costs associated with the capital raising).

As the share issue price exceeds our NTA-based assessment of the Company's current value per share, we believe that the share issue to Beconwood, if viewed in isolation, is fair as it will have a positive effect on the overall value of the Company and the value per share. However, as the issue of shares is linked to the issue of options, the share issue cannot be considered independently of the issue of the options.

5.3 Analysis of Option Issue to Beconwood

The 280 million options being issued to Beconwood as part consideration for the share placement have an exercise price of 0.091 cents each, and can be exercised at any time within 18 months of issue.

Full details of the terms pertaining to the option are set out in the Notice of Meeting. We note that the options being issued to Beconwood are not transferable unless the Company's Board approves the transfer, in extraordinary circumstances.

The options could be viewed as being "in the money" at the time of issue if E-cademy's share price remains at current levels (exceeding 0.5 cents per share), notwithstanding our NTA-based value assessment of less than 0.1 cents per share. However, irrespective of the relationship between the option exercise price and the current market pricing of E-cademy shares, the options provide value to Beconwood now. Beconwood gains an ability to subscribe for shares in E-cademy at a fixed exercise price at a future date of its choosing within 18 months of the options being issued. Therefore, Beconwood will be able to take advantage of any increase in E-cademy's value above the exercise price, but in the event that the Company's value declines below the exercise price, Beconwood will not exercise the option and will not be required to make any further cash outlay.

The conventional method of valuing most options utilizes an approach known as the Black & Scholes option pricing formula. The key inputs driving value under this approach are the exercise price, the period until the exercise date, and the estimated volatility of the underlying share.

In this instance, we examined the observed market trading of E-cademy's shares since its listing last year to estimate volatility, however this provides only limited guidance given the short period since listing, and the limited trading activity. We also examined the share trading performance and volatility measures for a selection of listed US companies engaged in the eLearning business, and on the basis of these comparisons, estimated E-cademy's share price volatility as being approximately 100%.

We have also adjusted the options for the diluting effect the exercise of these options will have on the Company's capital structure.

Using this approach we have valued the 280 million options to be issued to Beconwood as having an aggregate current value of approximately $43,000. The option valuation incorporates the Beconwood share issue proceeds. For the purpose of assessing the fairness of the share and option issue to Beconwood (as required under the Listing Rules), we have subtracted the value of the options being issued to Beconwood from the gross subscription proceeds payable under the share issue, to assess the net capital contribution arising from the issue of the combined shares and options.

Similarly for the purpose of assessing the merits of the share issue to Beconwood, we have taken into account the value of the options which must be offset against the gross subscription proceeds, in order to assess the net economic benefit for E-cademy's shareholders arising from the share issue.

5.4 Overall Analysis of Share and Option Issue

The gross proceeds from the share issue to Beconwood are $253,000. We have valued the options being issued to Beconwood at approximately $43,000 and have offset this value against the gross proceeds, producing a net figure of approximately $210,000, being representative of the net economic benefit to E-cademy's shareholders from the capital raising.

$210,000 translates into a consideration per share issued of 0.075 cents. This consideration exceeds our NTA-based assessment of E-cademy's current market value per share.

5.5 Effect of Capital Raising on Control of E-cademy

Presently, E-cademy's major shareholder is Matrix, with effective control of the Company through its 57.4% shareholding. No other shareholder has more than a 10% interest in the Company.

The ownership profile of E-cademy immediately following the issue of the 280 million shares to Beconwood and following the future exercise of the 280 million options (without taking into account any other options that may be exercised at that time or any other share issues) will appear as follows:

Shareholder	Ownership at Present %	Ownership Following Share Issue %	Ownership Following Exercise of Options %
Beconwood	-	44.6	61.6
Matrix	57.4	31.8	22.0
Other "Top 10" Shareholders	28.4	15.8	10.9
Balance	14.1	7.8	5.5
Total	**100.0**	**100.0**	**100.0**

Note (1): It is proposed that Beconwood Securities will subscribe for 135 million ordinary shares and be granted 135 million options and Beconwood Superannuation will subscribe for 145 million shares and be granted 145 million options. These securities have been consolidated in the table.

It is apparent that Beconwood will become the single largest shareholder in the Company, and will also have additional influence through its 25% ownership of the second largest shareholder, Matrix, with the Matrix shareholding being diluted from its present 57.4% interest to 31.8% immediately following the share issue.

If Beconwood exercises its options, it will obtain outright control of E-cademy through its 61.6% interest, together with influence over the 22% shareholding held by Matrix.

The issue of shares to Beconwood has the effect of changing the identity of the major shareholder in E-cademy from Matrix (in which Beconwood has significant influence but not control) in favour of Beconwood. However, we do not believe there is any value impact for the Non-Associated Shareholders in E-cademy as a consequence of this occurring. Whilst Matrix presently has more than 50% ownership and therefore greater influence over the Company than Beconwood will have with its 44.6% shareholding immediately following the share issue, we nonetheless believe that Beconwood is likely to have a controlling interest, in terms of any potential requirement for a shareholder vote by way of ordinary resolution requiring a 50% majority of those voting. We further note that in combination, Beconwood and Matrix will collectively own 76.4% of the Company's capital, and would therefore have the ability to pass special resolutions (providing neither was an interested party). Similarly, if the options are exercised, then Beconwood and Matrix will have a combined interest of 83.7% in the Company.

We note that the terms pertaining to the issue of options to Beconwood stipulate that the options are not transferable unless the Board determines, in extraordinary circumstances, otherwise. The options will not be listed on any stock exchange. We further note that the terms of the exemption granted by the Takeovers Panel only apply if there is no change in the effective control of Beconwood between the date of the meeting at which shareholders approve the allotment of shares pursuant to the exercise of the options, and the date on which any allotment of voting securities is made to Beconwood by E-cademy upon the exercise of any option. This means that if control of Beconwood (and therefore potentially control of E-cademy) was to change then the issue of shares to Beconwood on the exercise of the options would require shareholder approval.

On balance, we do not believe that the change in the identity of E-cademy's largest shareholder, the likely change in control from Matrix to Beconwood (recognising that these companies are associated in any event), and taking into account the recently introduced Code, should have a detrimental value impact for the Non-Associated Shareholders in this instance.

5.6 Other Relevant Considerations

In assessing the fairness of the capital raising and the merits of the share issue, we have addressed several other relevant considerations.

The over-riding feature of E-cademy's current situation is a need for additional cash funding to sustain the Company's operations. We do not believe that the Company is in a position to raise debt finance, and therefore must look to equity funding, either from its existing shareholders or new investors.

E-cademy has failed to achieve its forecasts as set out in its Listing Profile, and consequently the opportunities associated with its technology platform and proprietary LMS remain commercially unproven.

The Company's immediate outlook in terms of operations for the balance of the current financial year indicate continuing cash operating losses.

In the absence of a capital injection, we believe the Company may have little alternative but to cease trading, in which case asset write-downs will be required and closure costs will be incurred, depressing the likely return to shareholders below our NTA-based assessment of current fair market value.

We understand that E-cademy's Directors have considered alternative sources of investment for the Company. They have advised that they do not believe that the Company is in a position to obtain funding from any other source within the time-frame required, given all the circumstances.

One alternative considered by the directors was for the Company to undertake a pro rata rights issue, thereby providing an opportunity for all shareholders to invest on an equivalent basis. However, the directors believe, and we concur, that any such issue would need to be priced at a significant discount to the prevailing market price, and even then is likely to receive a low take-up from existing shareholders, most of whom do not have marketable parcels. Given the Company's need for funding certainty, any rights issue would need to be underwritten, most probably by an existing shareholder or related party, with the prospect that the underwriter would be required to take-up a substantial shortfall. Therefore, any such rights issue would have a similar outcome to the proposed placement to Beconwood, but most probably at a greater cost.

Clearly, Beconwood will secure a significant proportion of any "upside" in E-cademy's fortunes, through its ability to exercise the options proposed to be issued to it. Nonetheless, we regard this as a realistic price that the Company must incur in order to raise the capital it is seeking, given the circumstances.

Yours faithfully
PricewaterhouseCoopers

David Bridgman
Partner
Financial Advisory Services

Eric Lucas
Partner
Financial Advisory Services

Appendix 1 – Sources of Information

1. E-cademy's Listing Profile dated 14 April;
2. E-cademy's 2000 and 2001 audited financial statements and Annual Reports;
3. E-cademy's un-audited management accounts to 30 September 2001;
4. E-cademy's management forecasts from 1 October 2001 to 31 March 2003;
5. Minutes from recent E-cademy Board meetings;
6. Discussions with Nicholas Stolp, E-cademy's Company Secretary, and Keith Jackson, one of E-cademy's Independent Directors;
7. Other publicly available information from E-cademy;
8. Company and comparable company data from Bloomberg;
9. Company data from Datex; and
10. Other publicly available information

Appendix 2 – Restrictions and Declarations

Declarations

This Report has been prepared by PricewaterhouseCoopers at the request of the Independent Directors of E-cademy, to fulfil the reporting requirements under the Takeovers Code (Rule 16) and the Listing Rules (Rule 6.2.2) in relation to the proposed capital raising involving the allotment of ordinary shares and options by E-cademy to Beconwood.

This Report should not be used for any other purpose.

This Report is provided for the benefit of the Non-Associated Shareholders of E-cademy (being those shareholders other than Matrix or Beconwood or any parties associated with them). PricewaterhouseCoopers consents to the distribution of this Report to the shareholders of E-cademy.

Qualifications

This Report has been prepared by the Corporate Finance division of PricewaterhouseCoopers, which provides advice on mergers, acquisitions and divestments, valuations, independent experts reports and appraisals, financial investigations and strategic corporate advice.

The Partners responsible for this Report are David Bridgman (MCom, LLB, CA), and Eric Lucas (BA, CA). Both have considerable experience in corporate advisory matters, valuations, and the preparation of independent appraisal reports.

Independence

We consider ourselves to be independent in terms of the Takeover Panel's policy for the appointment of independent advisors and under the NZSE Listing Rules. Our appointment has been approved by the Takeovers Panel and the NZSE Market Surveillance Panel.

As at the date of issuing this Report neither PricewaterhouseCoopers nor any personnel involved in the preparation of this Report:

(a) have had, or will have, any relationship with the parties to the proposed transaction except as disclosed below;

(b) will receive any fees for the preparation of this Report contingent on the success or implementation of the proposed transaction; and

(c) have had any involvement in the formulation of the proposed transaction.

PricewaterhouseCoopers confirms that it has no conflict of interest that could affect our ability to provide an unbiased report.

Disclaimer and Restrictions on Scope of Our Work

The statements and opinions expressed in this Report are based on information available as at the date of the Report.

In preparing this Report, we have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of E-cademy. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

In forming our opinion, we have relied on forecasts and assumptions prepared by E-cademy management, about future events which by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.

The statements and opinions expressed in this Report have been made in good faith and on the basis that all relevant information for the purposes of preparing this Report has been provided by E-cademy management and Directors and that all such information is true and accurate in all material aspects and not misleading by reason of omission or otherwise. Accordingly, neither PricewaterhouseCoopers not its partners, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this Report resulting directly or indirectly from any such circumstances or from any assumptions upon which this Report is based proving unjustified.

Our opinion has been arrived at based on economic, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.

Advance drafts of this Report were provided to E-cademy's Independent Directors, solely for the purpose of verifying factual matters contained in the Report. Minor changes were made to the drafting of the Report as a result of the circulation of the draft Report. However, there was no alteration to any part of the substance of this Report, including the methodology, valuations or conclusions as a result of issuing these drafts.

Indemnity

E-cademy has agreed that to the extent permitted by law, it will indemnify PricewaterhouseCoopers and its partners, employees and consultants in respect of any liability suffered or incurred as a result of or in connection with the preparation of the Report. This indemnity will not apply in respect of any negligence, wilful misconduct or breach of law. E-cademy has also agreed to indemnify PricewaterhouseCoopers and its partners and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where PricewaterhouseCoopers or its employees and officers are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, PricewaterhouseCoopers shall reimburse such costs.

FAXED

BECONWOOD

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Mr Nick Stolp
Company Secretary
E-cademy Holdings Limited
P O Box 10-900
Wellington

FACSIMILE: 0011-64-9-9529 5358

12th November 2001

Dear Nick

RE: STATEMENT BY BECONWOOD SECURITIES PTY LTD ("BSPL") AND STATEMENT BY BECONWOOD SUPERANNUATION PTY LTD ("BSUPL") UNDER RULE 16(g)

BSPL and BSUPL refer to Rule 16(g) of the Takeovers Code. BSPL states that it has entered into an agreement to nominate BSUPL to take an allotment of 145,000,000 of the shares to be issued and to take a grant of 145,000,000 of the options to be granted.

Apart from this nomination neither BSPL nor BSUPL have entered into or intend to enter into any agreement or arrangement (whether legally enforceable or not) with any other person in relation to the allotment, holding or control of the voting securities to be allotted, or in relation to the exercise of voting rights in the code company.

Yours sincerely

P G CHOISELAT
Director

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E-CADEMY HOLDINGS LIMITED ("the Company")
PROXY FORM

Refer to the "Notes" below to ensure this proxy form is completed correctly. If it is not completed correctly or not received in time, your proxy will be invalid and not counted.

SECTION 1: SHAREHOLDER DETAILS (PLEASE PRINT CLEARLY)

Full Name:..

Full address:...

If shares are held jointly, enter details of other joint holders:

Full name:..

Full address:...

SECTION 2: APPOINTMENT OF PROXY (This section must be completed)

I appoint: Full name:*...

Full address: ....

as my proxy to exercise my vote at the meeting of the shareholders of the Company to be held on 5 December 2001, 11 am., at the Knox Room, First Floor, 545 Parnell Road, Auckland, New Zealand and at any adjournment of that meeting. If the person I have appointed is unable to be my proxy then I appoint

Full name:..

Full address:...

I acknowledge that the Company may rely on the vote or action of my proxy as being my vote or action, whether or not the proxy is acting in accordance with the instructions in Section 3 of this form.

SECTION 3: VOTING INSTRUCTIONS

I direct my proxy to vote in the following manner: *(Tick the box that applies)*

	For	**Against**
(1) Approval of Issue of Shares	☐	☐
(2) Approval of Grant of Options	☐	☐
(3) Approval of Issue of Shares on exercise of Options	☐	☐

SIGNED BY EACH SHAREHOLDER NAMED IN SECTION 1

Date:

________________________ ________________________

Notes

1 As a shareholder you may attend the meeting and vote, or you may appoint a proxy to attend the meeting. A proxy need not be a shareholder of the Company. ***The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose, if so indicated in section 2 above.**

2 If you are joint holders of shares each of you must sign this proxy form. If you are a company: this proxy form must be signed on behalf of the company by a person acting under the company's express or implied authority.

3 **For this proxy form to be valid, you must complete SECTIONS 1, 2 and 3, sign it and produce it to the Company at least 48 hours before the time for holding the meeting.** You can produce it to the Company by:

- Delivering it to the Company's registered office at Level 13, Forsyth Barr House, 45 Johnston Street, Wellington, New Zealand; or
- Posting it to the Company at PO Box 10-900, Wellington, New Zealand; or
- Faxing it to the Company at its facsimile number: (+64 4) 494-5267,

in each case so that it is received at least 48 hours before the time for holding the meeting.

4 If you return this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit.