

27 May 2016

NSX Announcement

Bendigo Telco Limited (NSX:BCT) (**Bendigo Telco**) is pleased to announce that it has entered into a number of conditional binding contracts with Vicwest Community Telco Limited (**Vicwest**), Bendigo and Adelaide Bank Limited (**Bendigo Bank**) and others to effect a number of simultaneous and inter-conditional transactions.

The primary transactions comprise:

- The merger of Bendigo Telco and Vicwest via a scrip-for-scrip scheme of arrangement between Vicwest and its shareholders pursuant to Part 5.1 of the Corporations Act.

If the Scheme is approved, Vicwest Shareholders will receive one share in Bendigo Telco for every 2.074 shares in Vicwest, and Vicwest will become a wholly owned subsidiary of Bendigo Telco.

- The sale of certain assets and liabilities of the managed telco business of Community Telco Australia Pty Ltd's (**CTA**) (a wholly owned subsidiary of Bendigo Bank) to Bendigo Telco, and the issue of 500,000 shares in Bendigo Telco to CTA as consideration for that sale.

If the above transactions proceed:

- Bendigo Bank will provide a new credit facility to Bendigo Telco, which will use those funds to assist its then wholly-owned subsidiary Vicwest to repay its \$3.8 million debt to Bendigo Bank and for working capital; and
- Bendigo Telco will also enter into a managed wide area network services agreement under which it will supply wide area network services and certain related services to Bendigo Bank over a five year term commencing on 1 January 2017.

A more detailed summary of the terms of the transactions is attached.

It is expected that the above transactions will create a merged group with an enhanced scale and balance sheet to pursue growth opportunities in the highly-competitive telecommunications industry. The merged group will be better positioned for future growth by having greater scale and ability to obtain capital to pursue new projects. In addition, the merged group is anticipated to generate significant value for shareholders and the local communities in which the merged group will operate.

The Board of the merged group will be comprised of 8 directors, with two each from Vicwest and Bendigo Bank, and four continuing directors from Bendigo Telco. Jeff Jordan (CEO of Bendigo Telco) will continue as CEO of the merged group and Vicwest staff will continue in agreed roles, including the current CEO of Vicwest, Geoff Hutchinson.

A scheme meeting of Vicwest Shareholders is to be held to vote on the Scheme. Vicwest will distribute a scheme booklet to its shareholders in due course.

Vicwest's independent Directors unanimously recommend that Vicwest Shareholders vote in favour of the Scheme, in the absence of any superior proposal and subject to the Independent Expert opining that the Scheme is in the best interests of Vicwest Shareholders.

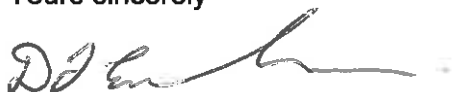
Bendigo Telco will also hold an extraordinary general meeting to obtain the approval of Bendigo Telco Shareholders in respect of a number of components of the transactions. Bendigo Telco will distribute a notice of general meeting to its shareholders in due course.

Bendigo Telco's independent Directors unanimously recommend that Bendigo Telco Shareholders vote in favour of the resolutions to be put to Bendigo Telco Shareholders at its extraordinary general meeting.

Subject to the conditions of the transactions being satisfied, the implementation date will be in the third quarter of 2016.

On behalf of the Bendigo Telco Board, we look forward to seeing you at our shareholder meetings.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Don Erskine', followed by a horizontal line.

Mr Don Erskine
Chairman of Bendigo Telco Limited

SUMMARY OF THE TRANSACTIONS

Today, Bendigo Telco, Vicwest and Bendigo Bank entered into a transaction framework agreement (TFA). Pursuant to the TFA, the parties have agreed to proceed with, and assist one another to, implement the proposed transactions pursuant to which:

- Bendigo Telco will acquire the entire issued share capital of Vicwest in accordance with the Merger Implementation Deed (summarised below);
- Bendigo Bank will procure that CTA sells certain assets and liabilities of its managed telco business to Bendigo Telco pursuant to the Business Sale Agreement (summarised below);
- Bendigo Bank will advance a loan of \$3.8 million to Bendigo Telco pursuant to the Loan Agreement (summarised below); and
- each party will enter into, or procure the entry into, certain contractual arrangements, including the entry by Bendigo Bank and Bendigo Telco into a new managed wide area network services agreement under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank over a five year term commencing on 1 January 2017,

(together the **Transactions**).

The Transactions are inter-conditional and will occur simultaneously. In order for the Transactions to proceed, a number of conditions must be satisfied or waived (if applicable), including (without limitation):

- Vicwest Shareholders agreeing to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- Bendigo Telco Shareholders approving certain resolutions regarding the Transactions (including the issue of Bendigo Telco Shares to CTA) by the requisite majorities under the Corporations Act, the Listing Rules and the constitution of Bendigo Telco;
- NSX providing approval for the official quotation of the New Bendigo Telco Shares, subject to customary conditions, including implementation of the Scheme;
- the representations and warranties given by Bendigo Telco and Vicwest remaining true and correct in all material respects;
- no Material Adverse Change occurring in relation to Bendigo Telco, Vicwest or CTA prior to the Second Court Date;
- no Prescribed Occurrence occurring (this covers matters such as changes to capital structure or business, insolvency events and various other prescribed events) in respect of Bendigo Telco or Vicwest prior to the Second Court Date; and
- the Court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon Bendigo Telco or Vicwest (acting reasonably).

Merger Implementation Deed

The merger implementation deed between Vicwest and Bendigo Telco (**MID**) sets out how Vicwest and Bendigo Telco will implement a merger under which Bendigo Telco will acquire all the shares in Vicwest by a scheme of arrangement under part 5.1 of the Corporations Act (**Scheme**).

The Scheme must be approved by Vicwest Shareholders and the Court.

If the Scheme proceeds:

- (a) each Vicwest Share will be transferred to Bendigo Telco;
- (b) Vicwest Shareholders will one Bendigo Telco Share for every 2.074 Vicwest Shares they hold; and
- (c) Vicwest will become a wholly owned subsidiary of Bendigo Telco.

Vicwest Shareholders will receive one fully paid ordinary share in the capital of Bendigo Telco (**Bendigo Telco Share**) for every 2.074 fully paid ordinary shares in Vicwest that they hold.

A full copy of the MID will be released by Bendigo Telco via an NSX announcement today.

Business Sale Agreement

Bendigo Telco will acquire CTA's managed telco business pursuant to the Business Sale Agreement, which includes the issue of Bendigo Telco Shares to CTA as consideration for that acquisition.

The key terms of the Business Sale Agreement are as follows:

- Bendigo Telco will acquire the following key assets associated with CTA's telecommunication services resupply business:
 - approximately 1,200 customer contracts; and
 - plant and equipment;
- Bendigo Telco will issue 500,000 Bendigo Telco Shares to CTA at an issue price of \$2.00 per share, valuing the transaction at \$1 million;
- Bendigo Telco will offer employment to 7 CTA employees on substantially the same terms as their current employment;
- CTA will supply to Bendigo Telco Optus post-paid mobile digital services on a wholesale basis for the duration of CTA's contractual arrangements with Optus; and
- Bendigo Telco will assume from CTA its minimum spend obligations to AAPT in respect of the customer contracts to be transferred to Bendigo Telco pursuant to the Business Sale Agreement.

The Business Sale Agreement contains customary warranties and representations from both CTA and Bendigo Telco.

Loan Agreement

Bendigo Bank has provided Vicwest financial accommodation in order to support Vicwest's business. This includes an interest free loan in the amount of \$3.8 million.

Bendigo Bank will provide a new loan facility in the amount of \$3.8 million to Bendigo Telco for the purpose of repaying the existing loan from Bendigo Bank to Vicwest, and for working capital.

The key terms of the loan facility are as follows:

- The facility is split into two types as follows:
 - \$1.5 million, which is interest only for the whole term; and
 - \$2.3 million, which is interest only for 12 months, followed by principal and interest for the remaining term.
- The term is 84 months from initial drawdown.
- The interest rate is the RBA cash rate. The interest rate will immediately convert to a market rate of interest if a person other than Bendigo Bank acquires a Relevant Interest in 20% or more of Bendigo Telco Shares or Bendigo Telco lists on the ASX or takes action to list on the ASX.
- The facility will be initially secured by a general security deed over all present and after acquired property of Bendigo Telco and BCT Shepparton Pty Ltd and a guarantee and indemnity from BCT Shepparton Pty Ltd. Within 21 days of the initial drawdown, similar security will be provided by Vicwest and its subsidiaries.