

28 March 2013

The Manager
Company Announcements Office - Melbourne
Australian Securities Exchange
Level 4
North Tower, Rialto
525 Collins Street
Melbourne, VIC 3000

ELECTRONIC LODGEMENT

Dear Sir/Madam,

Off-market takeover bid by M2 Telecommunications Group Ltd (M2) to acquire all the fully paid ordinary shares in Eftel Limited (Offer)

M2 is pleased to announce that it has today lodged its Bidder's Statement in respect of the Offer with the Australian Securities and Investments Commission. The Bidder's Statement was also served on Eftel Limited (**Eftel**) today.

In accordance with item 5 of section 633(1) of the *Corporations Act 2001* (Cth), we enclose a copy of M2's Bidder's Statement dated 28 March 2013.

In accordance with section 633(4) of the *Corporations Act 2001* (Cth), we advise that the date for determining holders of Eftel shares who are to receive a copy of the bidder's Statement is 7.00pm (Melbourne time) on 28 March 2013.

Yours faithfully,



Kellie Dean
Company Secretary
M2 Telecommunications Group Ltd

enclosure

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.



Bidder's Statement

ACCEPT OFFER

by
M2 Telecommunications Group Ltd
ABN 74 091 575 021
to acquire all of your shares in
Eftel Limited
ABN 47 073 238 178
for one M2 Telecommunications Group Ltd Share for
every 12.3376 Eftel Limited Shares you hold or \$0.3581 in cash
for each Eftel Limited Share you hold

The Directors of Eftel Limited
UNANIMOUSLY RECOMMENDED you **ACCEPT**
the Offer, in the absence of a Superior Proposal

Financial Adviser

Legal Adviser

**Goldman
Sachs**

MinterEllison |
LAWYERS

Important Information

Bidder's Statement

The offer described in this Bidder's Statement is given by M2 Telecommunications Group Ltd ABN 74 091 575 021 (**M2** or **Bidder**) to Eftel Limited ABN 47 073 238 178 (**Eftel**) under Part 6.5 of the Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the offer to acquire your Eftel Shares (**Offer**).

You should read this Bidder's Statement in its entirety. This Bidder's Statement is dated 28 March 2013 and includes an offer dated 28 March 2013 in Appendix 1 paragraph 1.

Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are defined in Section 9.1 along with certain rules of interpretation which apply to this Bidder's Statement.

ASIC and ASX disclaimer

A copy of this Bidder's Statement was lodged with ASIC and filed with ASX on 28 March 2013. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Bidder's Statement or the merits of the investment to which this Bidder's Statement relates.

No account of personal circumstances

This Bidder's Statement does not take into account your individual investment objectives, financial situation or particular needs. You should seek independent financial and taxation advice before deciding whether or not to accept the Offer. M2 is not licensed to provide financial advice in relation to M2 Shares, Eftel Shares or any other financial products. No cooling off regime applies to the acquisition of M2 Shares under the Offer (whether the regime is provided for by the law or otherwise).

Risk of investment

An investment in M2 Shares is subject to known and unknown risks, many of which are beyond M2's control, including the possible loss of income or capital invested. Please refer to Section 7 for a non-exhaustive summary of the risks associated with investing in M2 Shares. M2 does not guarantee or give any assurance about any particular rate of return or the performance of M2 Shares, the performance of any of its subsidiaries or the performance of the Expanded M2 Group nor does M2 guarantee or give any assurance about the repayment of capital from any investment or any particular tax treatment.

Forward looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. The forward looking statements in this Bidder's Statement reflect views held only as at the date before this Bidder's Statement. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which M2 and Eftel operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of M2 or its officers, or any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law. You are cautioned not to place reliance on any forward looking statement.

Expanded M2 Group information

The information in this Bidder's Statement concerning Dodo, Eftel, Eftel Shares and the assets and liabilities, financial position and performance, profits and losses and prospects of Dodo and Eftel, has been prepared by M2 using publicly available information and certain non-public material provided by Dodo and Eftel, which has not been independently verified by M2. Accordingly, subject to the Corporations Act, none of M2 or any of its officers, or any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty, express or implied in relation to, or assumes any responsibility for, the accuracy or completeness of such information. The information on the Expanded M2 Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on Dodo and Eftel, has also been prepared using publicly available information and certain non-public material provided by Dodo and Eftel, which has not been independently verified by M2. Accordingly, information in relation to the Expanded M2 Group is subject to the foregoing disclaimer to that extent. Further information relating to Eftel's business may be included in the Target's Statement which Eftel must provide to Eftel Shareholders in response to this Bidder's Statement.

Privacy statement

M2 and Link Market Services Limited (**Registry**) have collected your personal information from the register of Eftel Shareholders for the purpose of making the Offer and, if accepted, administering your holding of Eftel Shares. M2 and the Registry may disclose your personal information to their related bodies corporate and external service providers for the purpose of making the Offer and, if accepted, administering your holding of Eftel Shares. M2 and the Registry may also be required to disclose such information to regulators such as ASIC. If you would like details of personal information about you held by M2 or the Registry, please contact them on the addresses set out in the Corporate Directory contained in this Bidder's Statement.

Foreign jurisdictions

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may result in a violation of applicable securities laws. No action has been taken to register or qualify M2 or M2 Shares under the Offer outside Australia or New Zealand. M2 Shares have not been and will not be registered under the US Securities Act of 1933 (Securities Act), as amended, or under the securities laws of any jurisdiction of the US, and therefore may not be offered or sold in the US or to, or for the account or benefit of, a US person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable US state securities laws.

Financial data and rounding

All dollar values are in Australian dollars (\$) unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Bidder's Statement are subject to the effect of rounding.

Websites

References in this Bidder's Statement to the website of M2 (www.m2.com.au/investor-centre) and to Eftel's website (www.eftel.com) are for your reference only. Information contained in or otherwise accessible from those websites are not part of this Bidder's Statement.

Share registry for the Offer

Link Market Services Limited
Level 1, 333 Collins Street, Melbourne,
Victoria, 3000.

Key Dates

Date of announcement	18 March 2013
Bidder's Statement lodged with ASIC, ASX and served on Eftel	28 March 2013
Offer opens	5 April 2013
Offer closes (unless extended*)	5.00pm (AEST) 6 May 2013

* The closing date for the Offer may be extended as permitted by the Corporations Act.

How to Accept

You may only accept the Offer in respect of all your Eftel Shares. To accept the Offer, you should proceed as follows:

1.	Read	Read this document in full. Also read the Target's Statement prepared by Eftel which accompanies this Bidder's Statement.															
2.	Consult	Consult your legal, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer.															
3.	Complete or instruct	<p><i>Issuer Sponsored Holdings</i></p> <p>If your Eftel Shares are held in an Issuer Sponsored Holding (in which case your Shareholder Reference Number is prefixed with 'I'), to accept the Offer in respect of those Eftel Shares you must complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it (using the enclosed reply-paid envelope if you wish) together with all documents required by the instructions on it, so that they are received at the address given on the Acceptance Form before the end of the Offer Period.</p> <p><i>CHESS Holdings</i></p> <p>If your Eftel Shares are held in a CHESS Holding (in which case your Holder Identification Number is prefixed with 'X'), to accept the Offer in respect of those Eftel Shares you must do one of the following:</p> <p>(i) instruct your Controlling Participant (usually your stockbroker) to initiate acceptance of the Offer on your behalf, so as to be effective before the end of the Offer Period. However, if you are the Controlling Participant in respect of your Eftel Shares, to accept the Offer you must initiate acceptance of the Offer before the end of the Offer Period; or</p> <p>(ii) complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it (using the enclosed reply-paid envelope if you wish) together with all other documents required by those instructions on it, so that they are received at the address given on the Acceptance Form in sufficient time for your Controlling Participant to act on your instruction before the end of the Offer Period.</p>															
4.	Post	<p>Post your completed Acceptance Form in the enclosed reply paid envelope to:</p> <table border="0"> <tr> <td><i>Mailing Address</i></td> <td>or</td> <td><i>Hand Delivery</i></td> </tr> <tr> <td>Link Market Services Limited</td> <td></td> <td>Link Market Services Limited</td> </tr> <tr> <td>Eftel Limited Takeover</td> <td></td> <td>Eftel Limited Takeover</td> </tr> <tr> <td>Locked Bag A14</td> <td></td> <td>1A Homebush Bay Drive</td> </tr> <tr> <td>Sydney South, NSW, 1235</td> <td></td> <td>Rhodes, NSW, 2138</td> </tr> </table> <p>Acceptance Forms must be received in sufficient time for your instruction to be processed by 5.00pm (AEST) on 6 May 2013, unless the Offer is extended or withdrawn as permitted by the Corporations Act.</p>	<i>Mailing Address</i>	or	<i>Hand Delivery</i>	Link Market Services Limited		Link Market Services Limited	Eftel Limited Takeover		Eftel Limited Takeover	Locked Bag A14		1A Homebush Bay Drive	Sydney South, NSW, 1235		Rhodes, NSW, 2138
<i>Mailing Address</i>	or	<i>Hand Delivery</i>															
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Letter from the Chairman of M2



28 March 2013

Dear Eftel Shareholder,

On behalf of the directors of M2 Telecommunications Group Ltd (**M2**), I am pleased to present you with an offer (**Offer**) to acquire all of your shares in Eftel Limited (**Eftel**).

M2 is offering you the opportunity to elect to receive either:

- (a) one share in M2 (**M2 Share**) for every 12.3376 of your Eftel Shares, in which case you need to make an all shares election (**'All Shares' Election**); or
- (b) \$0.3581 cash for each of your Eftel Shares, in which case you need to make an all cash election (**'All Cash' Election**).

The Offer represents a premium of:

- 30.2% based on Eftel's closing share price on 13 March 2013 (**Premium Reference Date**);¹
- 18.0% based on Eftel's 10 day Volume Weighted Average Share Price (**VWAP**) to the Premium Reference Date; and
- 17.2% based on Eftel's 30 day VWAP to the Premium Reference Date.

We believe that this is a very attractive offer for Eftel Shareholders. The ability to choose consideration in the form of M2 Shares or cash provides you with additional flexibility. If you make an 'All Shares' Election this will allow you to retain an ongoing exposure to the businesses of Eftel and to share in the expected benefits of being a shareholder in the Expanded M2 Group.

Alternatively, if you make an 'All Cash' Election, this provides an opportunity to realise full and certain value for your entire Eftel Shareholding with no transaction costs.

Importantly, the Offer is subject to a limited number of Conditions, including a minimum 90% acceptance condition.

The Eftel Directors unanimously recommend that you accept the Offer for all of your Eftel Shares, in the absence of a Superior Proposal.

Mr Larry Kestelman, a Director of Eftel, and his associates control approximately 79% of Eftel Shares on issue. Mr Kestelman has publicly stated that he intends to accept the Offer and make an 'All Shares' Election for all of the Eftel Shares he controls in the absence of a Superior Proposal. Each other Eftel Director has also publicly stated that he intends to accept the Offer and to make an 'All Shares' Election for all of the Eftel Shares they control, in the absence of a Superior Proposal. Collectively, Mr Larry Kestelman, his associates and the other Eftel Directors and their associated entities control approximately 88% of all Eftel Shares on issue.

How to accept the Offer

The Offer is open for your acceptance until 5.00pm (AEST) on 6 May 2013, unless it is extended or withdrawn in accordance with the Corporations Act. To accept the Offer, you must follow the instructions on the accompanying Acceptance Form.

This Bidder's Statement sets out full details of the Offer, its terms, conditions, benefits and risks. If you have any questions about the Offer, you should contact your legal, financial or other professional adviser. You should seek independent financial and taxation advice before deciding whether or not to accept the Offer and which form of Offer Consideration you elect to receive.

On behalf of M2, I recommend the Offer to you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Craig Farrow'.

Craig Farrow

Chairman
M2 Telecommunications Group Ltd

¹ M2 considers that the closing price of Eftel Shares on 13 March 2013 provides the most accurate reference to the underlying share price of Eftel prior to the announcement of the Offer on 18 March 2013. The closing price of Eftel Shares on 14 March 2013 (being the last trading date prior to Eftel seeking a trading halt in its shares) exhibited in M2's view abnormal price and volume patterns.

Summary of the Offer

Set out below are summary answers to some key questions that Eftel Shareholders may have in relation to the Offer. This information is a summary only and should be read together with all sections of this Bidder's Statement and Eftel's Target's Statement.

Capitalised terms not otherwise defined have the meanings given in Section 9 of this Bidder's Statement.

The Offer	M2 is offering to acquire all of your Eftel Shares.
Offer closing date	The Offer is scheduled to close at 5.00pm (AEST) on 6 May 2013 unless the Offer is extended or withdrawn.
Offer Consideration	<p>The Offer Consideration comprises either:</p> <ul style="list-style-type: none"> • one M2 Share for every 12.3376 Eftel Shares; or • \$0.3581 cash for each Eftel Share held. <p>Eftel Shareholders who wish to accept the Offer must make either an 'All Shares' Election or an 'All Cash' Election. You cannot elect to receive a combination of M2 Shares and cash as Offer Consideration.</p> <p>If you accept the Offer but do not make any election, you will be deemed to have made an 'All Cash' Election.</p>
Conditions to the Offer	<p>The Offer remains subject to the following Conditions:</p> <ul style="list-style-type: none"> • no Eftel Material Adverse Change; • no Eftel Prescribed Occurrences; • acceptance by holders of 90% of all outstanding Eftel Shares; and • no regulatory intervention. <p>These Conditions are set out in full in Appendix 2 to this Bidder's Statement.</p>
Fees	No brokerage or stamp duty will be payable by you on acceptance of the Offer unless you are an Ineligible Foreign Shareholder who makes an 'All Shares' Election. If your Eftel Shares are registered in a CHESS Holding or you hold your Eftel Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker), or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.

Why You Should Accept the Offer

- 1.** The Offer represents an attractive premium for your Eftel Shares irrespective of whether you make an 'All Shares' Election or an 'All Cash' Election
- 2.** If you make an 'All Shares' Election:
 - you will retain an ongoing interest (through your shareholding in M2) in Eftel's businesses
 - you will have the opportunity to participate in the upside associated with M2's current business and proposed acquisition of Dodo
 - M2 has the scale, financial strength and management expertise to manage your continuing investment in the Eftel businesses
 - you will benefit from the increased liquidity and scale of M2
 - you will be eligible to receive any final dividend paid by M2 for the year ending 30 June 2013
 - you will not incur any transaction costs²
 - you may be eligible for tax rollover concessions
- 3.** If you make an 'All Cash' Election you will realise a full and certain value for your Eftel shareholding including an attractive premium, with no transaction costs³
- 4.** The Offer is unanimously recommended by the Eftel Directors, in the absence of a Superior Proposal. Additionally the Eftel Directors intend to accept the Offer for all of the Eftel Shares they control, in the absence of a Superior Proposal. Their acceptances would equate to approximately 88% of all of the Eftel shares on issue
- 5.** The Offer is the only offer available for all of your Eftel Shares
- 6.** Eftel's share price may fall if the Offer is not successful and there is no Superior Proposal

Following is a detailed explanation of these reasons.

² If you are an Ineligible Foreign Shareholder and make an 'All Shares' Election, you will not be directly issued M2 Shares. The M2 Shares to which you would otherwise be entitled will be issued to, and sold by, a Sale Nominee and the proceeds will be provided to you net of the costs of sale, which may include brokerage.

³ If your Eftel Shares are registered in a CHESS Holding or you hold your Eftel Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker), or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.

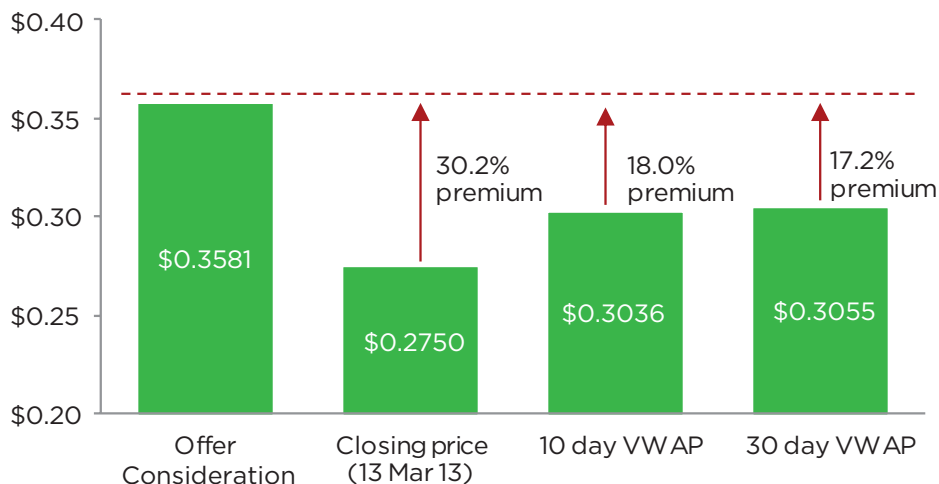
Why You Should Accept the Offer

1. The Offer represents an attractive premium for your Eftel Shares

If you make either an 'All Shares' Election or an 'All Cash' Election and the Offer is declared unconditional you will receive a premium of:⁴

- 30.2% based on Eftel's closing share price on 13 March 2013 (**Premium Reference Date**);
- 18.0% based on Eftel's 10 day VWAP to the Premium Reference Date; and
- 17.2% based on Eftel's 30 day VWAP to the Premium Reference Date.

Figure 1: Premium analysis



Source: IRESS. VWAP calculated by assuming cumulative volume and cumulative value.

Note: M2 considers that the closing price of Eftel Shares on 13 March 2013 provides the most accurate reference to the underlying share price of Eftel prior to the announcement of the Offer on 18 March 2013. The closing price of Eftel Shares on 14 March 2013 (being the last trading date prior to Eftel seeking a trading halt in its shares) exhibited in M2's view abnormal price and volume patterns.

2. M2 has the scale, financial strength and management expertise to enhance the value of your continued investment in Eftel's assets

Eftel Shareholders who accept the Offer by making an 'All Shares' Election will continue to retain an interest in Eftel's businesses through a shareholding in M2 and will therefore be in a position to benefit from the scale and financial capacity offered by M2.

M2's strong balance sheet and current operating cash flow will be available to support the development of Eftel's businesses.

M2 has a management team with a solid track record and proven experience in the telecommunications industry.

The M2 management team has demonstrated its ability to manage and integrate acquisitions of other telecommunications companies, such as the 2012 acquisition of Primus Telecom Holdings Pty Ltd.

As disclosed in this Bidder's Statement, the Dodo Acquisition is expected to add a significant retail customer base to the M2 businesses, provide additional scale and access to the growing consumer telecommunications market.

Accordingly, the Offer provides Eftel Shareholders who make an 'All Shares' Election with the benefit of owning shares in a significant telecommunications company with increased diversification, scale and liquidity, which should enhance the value of your continuing investment in Eftel.

⁴ The 'All Shares' Election Offer Consideration is based on the 'All Cash' Election Offer Consideration of \$0.3581 divided by M2's 30 calendar day VWAP to 14 March 2013.

Figure 2: Overview of the Expanded M2 Group business portfolio



3. Benefit from increased liquidity and scale

The Expanded M2 Group is expected to have an estimated market capitalisation of approximately \$878 million,⁵ positioning it as one of the larger independent telecommunications companies in the Australian market.

The additional scale should provide the Expanded M2 Group with more visibility among the investor community and more liquidity than Eftel on a stand-alone basis.

M2 Shares already enjoy significant liquidity, with over \$2.0 million of aggregate average daily trading value on the ASX (based on trading over the last 12 months),⁶ which compares to an average daily trading value of approximately \$2,000 for Eftel Shares on ASX (over the same period).⁷ Accordingly, the Offer provides Eftel Shareholders who make an 'All Shares' Election with a deeper pool of investors and, if you choose to sell your M2 shareholding, you may find it easier to trade your M2 Shares due to their greater liquidity than if you held Eftel Shares of the same value.

4. Participate in any final dividend M2 declares for the year ending 30 June 2013

Eftel Shareholders who accept the Offer and make an 'All Shares' Election will be eligible to receive any final dividend paid by M2 for the year ending 30 June 2013, noting that there is no assurance that any such dividend will be declared or paid. Eftel Shareholders would need to continue to hold the M2 Shares they receive under the Offer until the record date for any final dividend that M2 declares. Typically, M2 declares a final dividend in August for the end of the preceding financial year.

M2's current dividend policy is to pay an interim and final dividend for each financial year equal in aggregate to 70% of M2's net profit after tax. M2 also has a dividend reinvestment plan which allows M2 Shareholders with a registered address in Australia or New Zealand to elect to reinvest all or part of their dividends in additional M2 Shares at a discount to the prevailing market price and free of brokerage, commission or other transaction costs.

⁵ Based on the cumulative total of M2 shares on issue following completion of the Offer and the Dodo Acquisition assuming a maximum of 19.2 million M2 Shares are issued under the Offer and the Dodo Acquisition and the closing price of M2 Shares on 27 March 2013.

⁶ M2 average daily trading value across all available trading days for the 12 months prior to 15 March 2013 (being the last trading day prior to the announcement of the Offer).

⁷ Eftel average daily trading value across all available trading days for the 12 months to 13 March 2013. M2 considers that the closing share price of Eftel shares on 13 March 2013 provides the most accurate reference to the underlying share price of Eftel prior to the announcement of the Offer on 18 March 2013.

Why You Should Accept the Offer

5. Eftel shareholders may be eligible for tax rollover relief

Provided the pre-conditions for scrip for scrip rollover relief are satisfied, including that M2 acquires 80% or more of the Eftel Shares, Australian tax resident Eftel Shareholders who accept the Offer by making an 'All Shares' Election and who would otherwise derive a capital gain in respect of the exchange of Eftel Shares for M2 Shares should be entitled to choose scrip for scrip rollover relief.

The effect of choosing scrip for scrip rollover relief would be that the capital gain arising from the exchange of the Eftel Shares for M2 Shares would effectively be disregarded for Australian CGT purposes until a later CGT Event happens in respect of the M2 Shares acquired. However, for Australian tax residents making an 'All Cash' Election and making a capital gain, the amount of the capital gain (after applying any capital losses and the CGT Discount, if available) should be included in the taxpayer's assessable income.

Please refer to Section 6 of this Bidder's Statement for a general summary of Australian tax considerations for Eftel Shareholders.

6. 'All Cash' Election provides an opportunity to realise full and certain value

Eftel Shareholders who accept the Offer and make an 'All Cash' Election will have an opportunity to realise full and certain value for their entire Eftel Shareholding, with no transaction costs and no exposure to the potential risks outlined in Section 7 associated with an investment in the Expanded M2 Group. Eftel Shareholders who accept the Offer by making an 'All Cash' Election will be paid on the earlier of within one month after the Offer becomes or is declared unconditional or within 21 days after the end of the Offer Period.

7. The Offer is unanimously recommended by the Eftel Directors and they intend to accept the Offer in respect of all the Eftel Shares they control, in the absence of a Superior Proposal

The Eftel Directors unanimously recommend that Eftel Shareholders **ACCEPT** the Offer in the absence of a Superior Proposal.

Mr Larry Kestelman, a Director of Eftel, and his associates control approximately 79% of Eftel Shares on issue. Mr Kestelman has publicly stated that he intends to accept the Offer and to make an 'All Shares' Election for all of the Eftel Shares he controls, in the absence of a Superior Proposal.

Each other Eftel Director has also publicly stated that they intend to accept the Offer and make an 'All Shares' Election in respect of all of the Eftel Shares they control, in the absence of a Superior Proposal.

Collectively, Mr Larry Kestelman, his associates, the other Eftel Directors and their associated entities control approximately 88% of all Eftel Shares on issue.

8. The Offer is the only offer available for your Eftel Shares

Since the Offer was announced on 18 March 2013 and up to the date of this Bidder's Statement, no Superior Proposal has been announced by Eftel. Accordingly, as at the date of this Bidder's Statement, the Offer by M2 is the only offer for your Eftel Shares. The Bid Implementation Agreement (see Section 8.1) prohibits Eftel from soliciting Competing Proposals until 30 June 2013. M2 also has a right under the Bid Implementation Agreement to match an unsolicited Competing Proposal if one is received by Eftel. Further, if an unsolicited Competing Proposal emerges, M2 may at its election exercise the call option granted to it by an entity controlled by Mr Larry Kestelman over a 19.9% parcel of Eftel Shares. The full terms of the Pre-Bid Call Option Deed are annexed to a notice of initial substantial holder that M2 filed with ASX on 18 March 2013.

9. Eftel's share price may fall if the Offer is not successful

If the Offer is not successful and no Superior Proposal emerges, the market price of Eftel Share on ASX may fall significantly to levels prior to 13 March 2013 (being the last trading day before Eftel sought a trading halt in its shares).

Figure 3: The share price performance of Eftel over the last 12 months to 13 March 2013



Key Questions

Set out below are summary answers to some key questions that Eftel Shareholders may have in relation to the Offer. This information is a summary only and should be read together with all sections of this Bidder's Statement and Eftel's Target's Statement.

Question	Answer
1. What is the Offer?	M2 is offering to acquire all of your Eftel Shares.
2. Who is making the Offer?	<p>The Bidder is M2.</p> <p>M2 is an Australian and New Zealand telecommunications provider to business and retail customers incorporated in Australia and listed on ASX. As at the last recorded sale price prior to the date of this Bidder's Statement, M2 has a market capitalisation of approximately \$783 million.</p> <p>Further information about M2 is provided in Section 4 of this Bidder's Statement and on M2's website at www.m2.com.au/investor-centre</p>
3. What is the Offer Consideration?	<p>The Offer Consideration comprises either:</p> <ul style="list-style-type: none"> • one M2 Share for every 12.3376 Eftel Shares held; or • \$0.3581 cash for each Eftel Share held. <p>If you wish to accept the Offer, you must make either an 'All Shares' Election or an 'All Cash' Election. You cannot elect to receive a combination of M2 Shares and cash as Offer Consideration.</p> <p>If you accept the Offer but do not make any election, you will be deemed to have made an 'All Cash' Election.</p>
4. What choices do I have?	<p>As an Eftel Shareholder, you have the following choices:</p> <ul style="list-style-type: none"> • accept the Offer for all of your Eftel Shares and elect to receive consideration in M2 shares or cash; • sell your Eftel Shares (unless you have previously accepted the Offer); or • do nothing.
5. What is the Eftel Directors' recommendation in relation to the Offer?	The Eftel Directors unanimously recommend that all Eftel Shareholders accept the Offer, in the absence of a Superior Proposal.
6. What are the intentions of the Eftel Directors in relation to their own shares?	The Eftel Directors intend to accept the Offer by making an 'All Shares' Election in respect of all the Eftel Shares they control, in the absence of a Superior Proposal.
7. How do I accept the Offer?	<p>To accept the Offer, complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope to the address on the form so that it is received before the end of the Offer Period. If your Eftel Shares are held in CHES (Holder Identification Number prefixed with 'X'), you can also accept the Offer by directly instructing your Controlling Participant (usually your stockbroker) to accept the Offer on your behalf.</p> <p>You may only accept the Offer for all of your Eftel Shares. Acceptances must be received before the end of the Offer Period at 5.00pm (AEST) on 6 May 2013, unless the Offer is extended or withdrawn.</p> <p>See Appendix 1 paragraph 6 to this Bidder's Statement and the Acceptance Form for further details on how to accept the Offer.</p>
8. If I accept the Offer, when will I receive my new M2 Shares or cash?	<p>If you accept the Offer in accordance with the instructions contained in the Offer and on the Acceptance Form, subject to the Conditions being fulfilled or waived by M2, the Offer Consideration will be provided to you on or before the earlier of:</p> <ul style="list-style-type: none"> • the day that is one month after the date you accept the Offer or, if at the time of your acceptance the Offer is subject to a Condition, one month after the Offer becomes or is declared unconditional; and • the day that is 21 days after the end of the Offer Period.

Question	Answer
<p>9. What happens if I do not accept the Offer?</p>	<p>If you do not accept the Offer and M2 acquires a relevant interest in at least 90% of Eftel Shares and the Conditions of the Offer are satisfied or waived, M2 intends to proceed to compulsory acquisition of your Eftel Shares. If M2 becomes entitled to proceed with compulsory acquisition of your Eftel Shares, you may make either an 'All Shares' Election or an 'All Cash' Election. If you do not make an election, you will be deemed to have made an 'All Cash' Election.</p> <p>If you do not accept the Offer and M2 does not acquire an interest in at least 90% of Eftel Shares or not all of the Conditions of the Offer are satisfied or waived, you will remain an Eftel Shareholder. M2's intentions if it gains effective control of Eftel, but does not acquire an interest in at least 90% of Eftel Shares, are described in Section 3.4 of this Bidder's Statement.</p>
<p>10. When does the Offer close?</p>	<p>The Offer is open for acceptance from 5 April 2013 and is scheduled to close at 5.00pm (AEST) on 6 May 2013, unless the Offer is extended or withdrawn. This is the current deadline for your acceptance of the Offer.</p> <p>Your completed Acceptance Form or an acceptance through your Controlling Participant must be received by M2's registry by this deadline.</p> <p>However, the Offer Period may be extended as permitted or required by the Corporations Act.</p>
<p>11. Can M2 extend the Offer Period?</p>	<p>Yes, the Offer Period can be extended at the discretion of M2 in accordance with the Corporations Act. If the Offer is extended, an announcement will be made to ASX.</p>
<p>12. Can I sell my Eftel Shares on market?</p>	<p>Yes, you can sell your Eftel Shares on market, however, you may incur brokerage costs in doing so.</p> <p>If you have already accepted the Offer, you will be unable to settle any subsequent sale of your Eftel Shares, subject to you being entitled to withdraw your acceptance. You can only withdraw your acceptance of the Offer in limited circumstances.⁸</p>
<p>13. Can I accept the Offer for only some of my Eftel Shares?</p>	<p>No, you can only accept the Offer in relation to <u>all</u> of your Eftel Shares.</p>
<p>14. Can I accept the Offer and elect to receive a combination of cash and M2 Shares?</p>	<p>No, you can only accept the Offer for <i>either</i> cash or M2 Shares. You cannot elect to receive a combination of both.</p>
<p>15. What if I am a foreign Eftel Shareholder?</p>	<p>If your address on the Eftel register of members is in a jurisdiction other than Australia and its external territories or New Zealand you will be an Ineligible Foreign Shareholder.</p> <p>If you are an Ineligible Foreign Shareholder, you will not be entitled to receive M2 Shares as a result of accepting the Offer and making an 'All Shares' Election. The M2 Shares that Ineligible Foreign Shareholders would otherwise be entitled to receive as a consequence of making an 'All Shares' Election will be issued to and sold by the Sale Nominee and those Ineligible Foreign Shareholders will be paid the net cash proceeds from that sale. See Appendix 1 paragraph 18 for further details.</p>
<p>16. What if I only hold a small parcel of Eftel Shares?</p>	<p>You will be treated like any other holder of Eftel Shares and may make either an 'All Shares' Election or an 'All Cash' Election.</p>

⁸ See Appendix 1, paragraph 14(d) for further details.

Key Questions

Question	Answer
<p>17. What are the tax implications of accepting the Offer?</p>	<p>You should consult your financial, tax or other professional adviser on the tax implications of accepting the Offer in light of your own particular circumstances. However, Section 6 of this Bidder's Statement contains a general summary of the major likely Australian tax consequences for Eftel Shareholders who accept the Offer.</p>
<p>18. Do I pay brokerage or stamp duty if I accept?</p>	<p>You will not pay stamp duty on the disposal of your Eftel Shares if you accept the Offer.</p> <p>If you are registered with an Issuer Sponsored Holding in your name (i.e. your Shareholder Reference Number is prefixed with 'I'), and you deliver them directly to M2, you will not incur any brokerage in connection with your acceptance of the Offer.</p> <p>If your Eftel Shares are registered in a CHESS Holding (i.e. your Holder Identification Number as shown on the Acceptance Form is prefixed with 'X'), or if you are a beneficial owner whose Eftel Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with the acceptance of the Offer.</p> <p>If you are an Ineligible Foreign Shareholder and choose an 'All Shares' Election, the cash proceeds that you will receive following sale by the Sale Nominee of the M2 Shares that you would otherwise be entitled to receive under the Offer will be net of transaction costs.</p>
<p>19. What are the Conditions of the Offer?</p>	<p>The Offer remains subject to the following four Conditions:</p> <ul style="list-style-type: none"> • no Eftel Material Adverse Change; and • no Eftel Prescribed Occurrence; • acceptance by holders of 90% of all outstanding Eftel Shares; and • no regulatory intervention. <p>These Conditions are set out in full in Appendix 2 to this Bidder's Statement.</p>
<p>20. What happens if the Conditions are not satisfied or waived?</p>	<p>If the Conditions are not satisfied or waived before the end of the Offer Period, the Offer will lapse and any acceptances of the Offer will be void.</p> <p>You will continue to hold your Eftel Shares and be free to deal with your Eftel Shares as if the Offer had not been made.</p>

1. Profile of M2

1.1 Overview of M2

Established in 1999, M2 is one of Australia's leading telecommunication service providers, supplying a broad range of telecommunications products and services to both the retail and wholesale markets. Headquartered in Melbourne, M2 employs approximately 950 people across Australia and New Zealand.

M2 has consistently delivered growth in profit year-on-year since listing on ASX in 2004 (ASX: MTU).

As at 27 March 2013, M2 had a market capitalisation of approximately \$783 million.

1.2 Businesses

M2's retail division targets the small to medium business market under the Commander brand while maintaining its residential customer base under the iPrimus brand. M2 offers a full suite of traditional and next generation telecommunications services including fixed line voice services, 3G mobile, mobile broadband, ADSL2 broadband, hosted/managed data services and IP/hosted voice solutions. M2's wholesale division provides wholesale fixed line, mobile and data telecommunications services to small and medium-sized telecommunications service providers and internet service providers.

1.3 The Dodo Acquisition

On 18 March 2013, M2 announced the acquisition of Dodo for \$203.9 million on a debt-free and cash-free basis. Dodo is a privately owned telecommunications company founded in 2001 by directors Mr Larry Kestelman and Mr Michael Slepoy. Dodo is focused principally on the residential market in Australia and offers a range of competitively priced products and services including broadband, home phone, mobile wireless broadband and mobile services, in addition to other essential services including electricity, gas and insurance.

Please refer to Sections 4.2, 4.3, 4.5, 4.6, 4.7, 7.3, 8.2 and 8.5 for further information in relation to the Dodo Acquisition, including the material terms and conditions for the Dodo Acquisition, the expected impact of the Dodo Acquisition on M2, the potential risks for M2 of proceeding with the Dodo Acquisition and other related matters.

1.4 M2 Board

(a) Craig Farrow

Non-Executive Chairman of the Board

Craig holds a Bachelor of Economics degree from the University of Adelaide together with a Diploma of Financial Services and is a Fellow of the Institute of Chartered Accountants Australia and the Australian Institute of Company Directors.

He is Managing Partner of Brentnalls SA, Chartered Accountants and former National Chairman of the Brentnalls National Affiliation of Accounting firms. Craig is the Chairman of AIRR Holdings Limited. In addition, Craig is a director or board adviser to several private consulting and trading enterprises.

Craig was the 2012 President of the Institute of Chartered Accountants Australia, having served on the National Board from 2008 to 2012. Formerly National Chairman of the Institute of Chartered Accountant's Public Practice Advisory Committee, Craig is also highly awarded, including being a Fellow of the Governor's Leadership Foundation and receiving the Institute of Chartered Accountants 1999 National President's Award for services to the Institute and the profession. He continues his service to the profession as Chair of CAANZ, the collaboration between ICAA and NZICA.

(b) Vaughan Bowen

Executive Director

Vaughan co-founded M2 in late 1999. He was appointed managing director following incorporation, and has successfully steered M2 from a start-up technology enterprise to its current position as a fast-growing and profitable national telecommunications company. Vaughan transitioned from the Managing Director/Chief Executive Officer role into the role of Executive Director on 28th October 2011.

Vaughan holds a Bachelor of Commerce degree (UNSW), is a member of the Australian Institute of Company Directors, was named as a finalist in the Entrepreneur of the Year Southern Region in 2004 and 2009 and in 2012 was awarded ACOMMS Communications Ambassador.

Over nearly 12 years of leading M2, Vaughan's innovative approach to branding, sales, alliance marketing and his proven ability to successfully execute complementary acquisitions has provided M2 with a considerable competitive advantage and a respected position in the telecommunications industry. As Executive Director, Vaughan's focus is on strategic acquisition opportunities, whilst remaining involved with the management of supplier and market relationships.

1. Profile of M2

(c) John Hynd

Non-Executive Director

John holds a Bachelor of Laws degree from the University of Adelaide, is a Fellow of the Taxation Institute of Australia, a member of the Intellectual Property Society of Australia and New Zealand, a member of the Advisers Group with Family Business Australia and a former member of the Law Council of the Law Society of South Australia.

John specialises in intellectual property legal affairs, with a particular focus on technology industries. John's empathy for technology, coupled with a methodical legal/commercial approach to intellectual property, licensing and channel/distribution agreements, has provided the Company with valuable assistance in its strategic planning.

(d) Michael Simmons

Non-Executive Director

Michael brings to the board considerable experience in the telecommunications sector, having previously held the position of Chief Executive Officer of ASX-listed SP Telemedia Limited (SPT and now known as TPG Telecom Limited) group since its listing in 2001. Prior to listing the SPT Group was a wholly owned subsidiary of the Washington H.Soul Pattinson Limited controlled NBN Television Group.

Michael served in executive roles for nearly 26 years within the SPT/NBN Group of Companies, including as Chief Financial Officer and Chief Executive Officer. During 2008 following the acquisition of TPG Telecom Pty Ltd Michael left the SPT Group to become the Managing Director of TERRiA, a telecommunications consortium of infrastructure based telecommunications carriers, formed to bid for the contract to build the National Broadband Network (NBN).

Michael holds a Bachelor of Commerce from Newcastle University. He is a Fellow of CPA Australia, an Associate Member of the Chartered Institute of Chartered Secretaries and Administrators.

(e) David Rampa

Non-Executive Director

David was appointed as a non-executive Director of M2 on 21 December 2012. He has extensive telecommunications industry experience, having held senior executive positions with both Telstra and SingTel Optus, where he was the Director of the Wholesale Division. During David's tenure at both Telstra and SingTel Optus he also acted as the Deputy Chairman of SPAN (Service Providers Association Network), a pre-eminent industry body. In that role, David promoted and further developed the Australian telecommunications industry.

In his most recent role before returning to Australia, David spent time working in investment banking based in New York for Aleutian Capital Group, gaining valuable insight into the United States of America's telecommunications and IT industries. While in the United States of America, David also served the Australian business community as the President of ANZACC (Australian, New Zealand, and American Chamber of Commerce) Midwest.

Since returning to Australia, David has joined Atmail Holdings as its Chief Operating Officer. Atmail Holdings is a leading Australian technology company providing email and unified communications solutions, both on premise and via cloud, to telecommunications and internet service providers globally. David also currently sits on the Advisory Board of Rock Star Music Inc., a New York based online music creation, Electronic Dance Music (EDM) streaming, and social networking platform.

David holds a Bachelor of Business from the Queensland University of Technology and is a Fellow of the Australian Institute of Company Directors.

1.5 Directors' interests

As at 27 March 2013, being the last trading day prior to the date of this Bidder's Statement, the M2 Directors have the following relevant interests in M2 Shares and M2 Options.

Name of director	Number of M2 Shares beneficially owned, or controlled or directed, directly or indirectly ⁹	Number of M2 Options
Craig Farrow, Chairman and Non-Executive Director	603,583	nil
Vaughan Bowen, Executive Director	6,042,420	nil
Michael Simmons, Non-Executive Director	11,988	nil
David Rampa, Non-Executive Director	nil	nil
John Hynd, Non-Executive Director	2,333,000	nil

1.6 Directors' fees and benefits

The non-executive directors of M2 are entitled to remuneration for their role as directors of M2 comprising payments of directors' fees. The current aggregate remuneration for M2 non-executive directors is set at \$850,000 per annum. Non-executive directors including the Chairman are not entitled to retirement or termination benefits.

Mr Vaughan Bowen is an employee of M2 and is paid a salary by M2. He is also entitled to participate in M2's short term incentive plan and its Executive Management Team Share Option Plan, full details of which are provided in M2's 2012 Annual Report.

1.7 Corporate governance

M2 recognises that good corporate governance plays an important role in its overall success and in enhancing shareholder value. Accordingly, M2 has adopted certain corporate governance practices which are reflective of its commitment to good corporate governance and of the recommended corporate governance guidelines by the ASX Corporate Governance Council.

1.8 Basis of preparation of historical financial information

The M2 historical financial information as set out in Sections 1.9 and 1.10 below is presented in Australian dollars and comprises:

- the historical statement of comprehensive income of M2 from its audited financial statements for the year ended 30 June 2012 and auditor reviewed accounts for the half year ended 31 December 2012; and
- the historical consolidated balance sheet of M2 from its auditor reviewed accounts for the half year ended 31 December 2012.

The M2 historical financial information below relates to M2 on a stand-alone basis and, accordingly, does not reflect any impact of the Dodo Acquisition or the Eftel Offer. It is presented in abbreviated form and does not contain all of the disclosures required in a financial report prepared for Australian statutory reporting purposes. The audited full financial statements for the year ended 30 June 2012 and the auditor reviewed accounts for the six month period ended 31 December 2012, including the notes thereto (**Financial Statements**) can be obtained from M2's profile at www.asx.com.au or at M2's website at www.m2.com.au/investor-centre.

The M2 historical financial information has been prepared in accordance with Australian Generally Accepted Accounting Principles (**Australian GAAP**) and the accounting policies as set out in the M2 Annual Report for the year ended 30 June 2012.

The M2 historical financial information included in Sections 1.9 and 1.10 should be read in conjunction with the other information contained within this Section 1, the M2 Financial Statements referred to above, the risk factors in Section 7 and the other information contained in this Bidder's Statement.

⁹ The information with respect to the M2 Shares beneficially owned, or controlled or directed, directly or indirectly, by the directors of M2 has been obtained from public information.

1. Profile of M2

1.9 Summary historical statement of comprehensive income

The summarised historical statement of comprehensive income of M2 shown below has been extracted from its audited financial statements for the year ended 30 June 2012 and auditor reviewed accounts for the half year ended 31 December 2012.

\$000	Half year 31-Dec-12	Year end 30-Jun-12
Revenue	305,150	393,468
Cost of Sales	(189,405)	(265,159)
Gross profit	115,745	128,309
Other income	3,001	5,047
Employee benefits expenses	(38,093)	(45,395)
Depreciation and amortisation	(14,560)	(10,187)
Share based payments	(279)	(425)
Other expenses	(25,315)	(27,547)
Financing costs	(5,554)	(2,792)
Profit before income tax	34,945	47,010
Income tax expense	(10,511)	(14,047)
Profit after tax	24,434	32,963
Net profit and total comprehensive income for the period	24,434	32,963
Net profit/(loss) and total comprehensive income for the period is attributable to:		
- Non-controlling interest	(216)	(66)
- Owners of the parent	24,650	33,029
	24,434	32,963
Earnings per share for profit attributable to the ordinary equity of the holders of the parent:		
- Basic earnings per share (cents)	15.70	25.84
- Diluted earnings per share (cents)	15.49	25.31

1.10 Summary historical consolidated balance sheet

The summarised historical consolidated balance sheet of M2 shown below has been extracted from its auditor reviewed accounts for the half year ended 31 December 2012.

\$000	31-Dec-12
ASSETS	
Current Assets	
Cash and cash equivalents	29,629
Trade receivables	63,840
Inventories	820
Other current assets	15,567
Total Current Assets	109,856
Non-Current Assets	
Other receivables	-
Plant and equipment	55,145
Intangible assets and goodwill	293,752
Deferred income tax asset	8,488
Other non-current assets	5,759
Investments in associates	3,529
Total Non-Current Assets	366,673
TOTAL ASSETS	476,529
LIABILITIES	
Current Liabilities	
Trade and other payables	77,369
Interest-bearing loans and borrowings	22,518
Deferred consideration	-
Income tax payable	20,844
Provisions	11,210
Total Current Liabilities	131,941
Non-Current Liabilities	
Interest-bearing loans and borrowings	123,285
Deferred tax liability	14,774
Provisions	1,955
Other non-current liabilities	1,205
Total Non-Current Liabilities	141,219
TOTAL LIABILITIES	273,160
NET ASSETS	203,369
EQUITY	
Contributed equity	155,166
Reserves	601
Retained earnings	47,929
Parent interests	203,696
Non-controlling interests	(327)
TOTAL EQUITY	203,369

1. Profile of M2

1.11 Management comments on historical results

(a) Operations

Business acquisitions over the 12 months to 31 December 2012 contributed positively to growth in both revenue and earnings. Most notable is the Primus business which was acquired on 1 June 2012, where a full six months of operations have been included for 1H13. The Primus business continues to perform in line with expectations and its integration into the broader M2 Group continues to provide greater scale and synergies.

(b) Revenue

Revenue of \$393.5 million was recorded in FY12, a decrease of 8% on the previous corresponding period, due to the elimination of high volume, low margin revenue associated with the Edirect acquisition.

Revenue of \$305.2 million was recorded in 1H13, an increase of 65% on the previous corresponding period.

(c) EBITDA

EBITDA of \$60.1 million was recorded in FY12, an increase of 24% on the previous corresponding period, giving an EBITDA margin of 15%. This was achieved through continual focus on internal business improvements, favorable supplier arrangements and the realization of synergies from earlier acquisitions.

EBITDA of \$55.1 million was recorded in 1H13, an increase of 99% on the previous corresponding period.

(d) NPAT

NPAT of \$33.0 million was recorded in FY12, an increase of 20% on the previous corresponding period.

NPAT of \$24.7 million was recorded in 1H13, an increase of 47% on the previous corresponding period.

(e) Dividends

An interim dividend of 10 cents per share, fully franked, was declared on 25 February 2013 for the half year ended 31 December 2013 maintaining Board policy at 70% of NPAT.

(f) Total assets

Total assets increased to \$476.5 million in the six months to 31 December 2012.

(g) Total liabilities

Total liabilities decreased to \$273.2 million in the six months to 31 December 2012.

(h) Net debt

Net debt decreased to \$116.2 million in the six months to 31 December 2012.

1.12 Material changes in M2 financial position since last published accounts

There are no material changes in M2's financial position since 31 December 2012, being the date of M2's half year results for the half year ended 31 December 2012.

1.13 Overview of M2 capital structure

Type	Number outstanding
Ordinary shares	158,559,583
Options (MTUAM) (various exercise prices and expiry dates)	460,000
Options (various exercise prices and expiry dates)	1,166,668

1.14 Summary of rights attaching to M2 Shares

As at the date of this Bidder's Statement, M2 had a total of 158,559,583 M2 Shares on issue. The rights attaching to M2 Shares arise from a combination of M2's constitution and applicable general law.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of M2 Shareholders.

(a) Reports and notices

Holders of M2 Shares are entitled to receive all notices, reports, financial statements and accounts and other documents required to be furnished to shareholders under applicable law.

(b) General meetings

Holders of M2 Shares are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of M2.

(c) Voting

On a show of hands, every person present at a meeting who is a M2 Shareholder, proxy, attorney or representative has one vote. On a poll, each M2 Shareholder is entitled to one vote for every M2 Share held as at the voting entitlement date for such meeting.

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at the present time there are none), at a general meeting of M2, every M2 Shareholder present in person, or by proxy, attorney or representative may vote by a show of hands except where a poll is validly demanded. Voting may occur by means of a telephonic, electronic or other communication facility if such a facility is made available by M2.

(d) Dividends

The directors may declare and authorise the distribution from the profits of M2 of dividends, to be distributed to shareholders according to their rights and interests. The directors may determine the property to constitute the dividend, fix the time for distribution and establish a dividend reinvestment plan. Each holder of M2 Shares is entitled to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of M2, any such dividends declared by M2.

(e) Transfer of shares

Generally, shares in M2 are freely transferable, subject to formal requirements and to the registration of the transfer not resulting in a contravention of or failure to observe the provisions of applicable law. Applicable securities laws and rules of the ASX may also impose hold periods on such shares.

(f) Directors

M2 must have a minimum of three directors and a maximum of 8 directors. One third of the directors must retire every year at M2's annual general meeting and retiring directors are eligible for re-election.

1.15 Recent M2 Share price performance

The last recorded sale price for M2 Shares on ASX on 27 March 2013, being the last trading day prior to the date of this Bidder's Statement, was \$4.94.

The last recorded sale price of M2 Shares on ASX on 15 March 2013, being the last trading day before the Announcement Date, was \$4.64.

During the three months ended 27 March 2013, being the last trading day prior to the date of this Bidder's Statement:

- (a) the highest recorded sale price for M2 Shares on ASX was \$5.10 on 19 March 2013; and
- (b) the lowest recorded sale price for M2 Shares on ASX was \$4.01 on 10 January 2013.

None of the above prices should be taken as a forecast that the M2 Shares will trade at any particular price.

1.16 Dividends

The payment of dividends is at the discretion of M2's board of directors after taking into account many factors, including M2's operating results, financial condition and current and anticipated cash needs. M2's current dividend policy is to pay an interim and final dividend for each financial year equal in aggregate to 70% of M2's net profit after tax. M2 also has a dividend reinvestment plan which allows M2 Shareholders with a registered address in Australia or New Zealand to elect to reinvest all or part of their dividends in additional M2 Shares at a discount to the prevailing market price and free of brokerage, commission or other transaction costs. Eftel Shareholders who make an 'All Shares' Election will not be eligible to receive the interim dividend declared by M2 on 25 February 2013, as the record date for that interim dividend has already passed. Eftel Shareholders who make an 'All Shares' Election will be eligible to receive any final dividend declared by M2 for the year ending 30 June 2013, noting that there is no assurance that any such dividend will be declared.

1.17 M2 substantial shareholders

To the best of the knowledge of M2 Directors and executive officers as at the date of this Bidder's Statement, no person or company owns, or controls or directs, directly or indirectly, more than 5% of the outstanding M2 Shares except as follows:

Name of Holder	Common shares beneficially owned, controlled or directed, directly or indirectly	Approximate percentage of outstanding common shares
Hunter Hall Investment Management	10,770,672	6.82%
National Australia Bank	10,082,178	6.43%

1. Profile of M2

1.18 Continuously disclosing entity

As a company with Shares quoted on ASX, M2 is a 'disclosing entity' under the Corporations Act and is therefore subject to regular reporting and disclosure obligations. Among other things, these obligations require M2 to immediately notify ASX of any information of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of M2 Shares, subject to certain exceptions.

All of M2's material announcements are available from www.m2.com.au/investor-centre and www.asx.com.au. It is intended that further announcements concerning developments at M2 will continue to be made on such websites after the date of this Bidder's Statement.

Historical ASX announcements as well as half year and annual financial results (and accompanying releases) and management's presentations of these results are also available from the ASX and M2 websites.

M2 will provide, free of charge, to any Eftel Shareholder who requests it before the end of the Offer Period, a copy of:

- (a) the financial report of M2 for the financial year ended 30 June 2012 (being the annual financial report most recently lodged with ASIC by M2 before the date of this Bidder's Statement); and
- (b) any of the announcements to ASX which are listed in the table below.

Requests for free copies of these documents may be made by contacting M2.

1.19 Recent M2 announcements

The table below sets out the announcements made to ASX by M2 over the period between 18 September 2012 (being the date of lodgement of M2's Annual Report for the period ended 30 June 2012) and the date of this Bidder's Statement. This information may be relevant to your assessment of the Offer. Copies of these announcements are available at www.asx.com.au.

Date	Event
18 September 2012	Notice of General Meeting/Proxy Form
18 September 2012	Annual Report to shareholders
5 October 2012	Appendix 3B – exercise of options
10 October 2012	Change in substantial holding from NAB
10 October 2012	Change in substantial holding for MTU
12 October 2012	Appendix 3B – exercise of options
16 October 2012	Dividend Reinvestment Plan Allocation Price
26 October 2012	Chairman's Address to Shareholders
26 October 2012	CEO AGM Presentation
26 October 2012	Results of Meetings
30 October 2012	Appendix 3B – DRP Issue
15 November 2012	Investor Day Presentation
16 November 2012	Change in Director's Interest notice
23 November 2012	Appendix 3B – exercise of options
7 December 2012	Appendix 3B – exercise of options
11 December 2012	Change in substantial holding from HHL
11 December 2012	Change in substantial holding for MTU
21 December 2012	Appointment of new Non Executive Director
21 December 2012	Appendix 3X
18 January 2013	Appendix 3B – exercise of options
12 February 2013	Appendix 3B – exercise of options
18 February 2013	Change in substantial holding from HHL
18 February 2013	Change in substantial holding for MTU
25 February 2013	Half Yearly Report and Appointment of new Non Executive
25 February 2013	M2 delivers 99% growth in EBITDA
25 February 2013	Investor Presentation
25 February 2013	BRR Interview with CEO – 1H13 Results
18 March 2013	Investor Presentation
18 March 2013	Acquisition of Dodo and off-market takeover of Eftel
18 March 2013	Becoming a substantial holder for EFT
18 March 2013	BRR Interview with the CEO
22 March 2013	Appendix 3B – exercise of options
26 March 2013	Becoming a substantial holder from MQG
27 March 2013	Ceasing to be a substantial holder from MQG

2. Profile of Eftel

2.1 Disclaimer

The information in this Section 2 concerning Eftel has been prepared based on a review of publicly available information and certain non-public material provided by Eftel which has not been independently verified by M2. M2 and its directors, officers and advisers do not make any representation or warranty, express or implied in relation to, or assume any responsibility for, the accuracy or completeness of such information.

The information on Eftel in this Bidder's Statement should not be considered comprehensive. Further information relating to Eftel's business or Eftel's Shares is included in Eftel's Target's Statement in response to the Offer. Eftel's Target's Statement accompanies this Bidder's Statement.

2.2 Overview of Eftel

Established in 1999, Eftel operates as a telecommunications carrier and internet service provider in Australia, servicing wholesale, corporate, government, and retail customers. Services provided include broadband, dial-up, and Ethernet broadband internet, webhosting and domain services, voice over broadband and telephone services. Eftel is listed on ASX (ASX: EFT).

2.3 Businesses

Eftel's retail division is a Top 10 internet service provider offering a full suite of consumer internet products, while the wholesale division services a large proportion of Australia's service providers, enabling them access to a very broad gateway of services via Eftel's extensive carrier partner network. Eftel's corporate division offers tailored solutions to business and government clients throughout Australia. Eftel's newest division, Engin, is one of Australia's leading providers of voice over broadband.

2.4 Eftel Board

The current members of the Eftel Board are set out in the table below. Further information on each member of the Eftel Board is provided in the Target's Statement.

Name	Position
Stephe Wilks	Non-Executive Chairman
Scott Stavretis	Managing Director / Chief Executive Officer
Simon Ehrenfeld	Non-Executive Director
Ilario Faenza	Non-Executive Director
Larry Kestelman	Non-Executive Director
Ryan O'Hare	Non-Executive Director

M2's proposed changes to the Eftel Board on acquisition of 90% or more of the Eftel Shares or on acquisition of control but less than 90% of the Eftel Shares is set out in Section 3.

2.5 Eftel historical financial information

Details of Eftel's historical financial information are provided in the Target's Statement that accompanies this Bidder's Statement.

2.6 Eftel Shares on issue

According to documents lodged by Eftel with ASX, as at the date of this Bidder's Statement, the total number of Eftel Shares on issue is 107,506,425. Eftel has no other securities on issue.

Eftel Shares are quoted on ASX and may be freely traded.

2.7 Publicly available information

As a company with shares quoted on ASX, Eftel is a 'disclosing entity' under the Corporations Act and subject to regular reporting and disclosure obligations. Among other things, these obligations require Eftel to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the financial market operated by ASX. In particular, Eftel must immediately notify ASX of any information of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of Eftel Shares, subject to certain exceptions. Announcements made by Eftel to ASX are available from the ASX website at www.asx.com.au.

3. M2's intentions in relation to Eftel

3.1 Introduction

This Section sets out M2's intentions, on the basis of the facts and information concerning Eftel which are known to M2, in relation to:

- the continuation of the business of Eftel;
- any major changes to be made to the business of Eftel, including any redeployment of its fixed assets; and
- the future employment of the present employees of Eftel.

3.2 Pre-Offer review

M2 has reviewed information that has been publicly released by Eftel concerning its current activities and its plans for the future. M2 has also had access to certain other non-public information concerning Eftel and its businesses (see further Section 7.4(c)) and the opportunity to have limited discussions with Eftel in relation to its business. M2 may have access to further non-public information concerning Eftel and its businesses during the Offer Period. However, M2 does not currently possess all material information necessary to assess the operational, commercial, taxation and financial implications of different integration and operating possibilities. Consequently, final decisions on these matters have not been made.

Following the close of the Offer, M2 will conduct a full review of the operations, assets, structure and employees of Eftel in light of the further information concerning the operations, assets, businesses, structure and employees of Eftel that it expects will then be available to it. Final decisions will only be reached after that review and in light of all material facts and circumstances. Accordingly, statements set out in this Section 3 are statements of current intention only, which may change as new information becomes available or circumstances change. The statements in this Section 3 should be read in this context.

3.3 Intentions for Eftel as a wholly owned controlled entity

This Section 3.3 describes M2's intentions if M2 and its Associates acquire a relevant interest in 90% or more of the Shares, and M2 becomes entitled to proceed to compulsory acquisition of outstanding Eftel Shares in accordance with Part 6A.1 of the Corporations Act.

In those circumstances, M2's current intentions are as follows.

(a) Corporate matters

M2 intends to:

- (i) proceed with compulsory acquisition of the outstanding Shares in accordance with the provisions of Part 6A.1 of the Corporations Act;
- (ii) arrange for Eftel to be removed from the official list of ASX; and
- (iii) reconstitute the Eftel Board with nominees of M2. Those nominees have not yet been identified by M2. A final decision on the selection of M2's nominees will be made in light of the circumstances at the relevant time.

(b) General operational review

If M2 acquires all of the Eftel Shares, M2 intends to conduct a thorough and broad based general review of Eftel's corporate structure, assets, businesses, personnel and operations. This review will apply quantitative and qualitative factors to measure performance and areas for improvement.

While M2 does not have any specific intentions in relation to this review or its outcomes, its current expectation is that the review will focus on identifying opportunities to realise costs savings and synergies in relation to:

- (i) minimising duplication in areas including corporate head office costs;
- (ii) the common activities undertaken by M2 and Eftel which might allow, or result in, some consolidation, redeployment, disposal and more effective utilisation of Eftel's assets; and
- (iii) improving capital management through the implementation of common systems across the businesses of Eftel and M2.

(c) Impact on employees

M2 views Eftel's workforce as an important asset of its business and believes that Eftel employees will benefit from:

- (i) the application of M2's business and human resources systems; and
- (ii) the advantages that are expected to flow from Eftel having access to additional capital and being part of a larger enterprise.

If M2 acquires control of Eftel, M2 intends to offer certain Eftel executives management positions within the combined M2 and Eftel businesses. However, it is likely that the elimination of duplicated functions across the combined M2 and Eftel businesses will result in some positions becoming redundant. It would be M2's intention to endeavour to identify suitable alternative roles for affected Eftel employees.

However, this may not be feasible in all cases. In those circumstances, the relevant Eftel employees would receive redundancy payments and other benefits in accordance with their contractual and other legal entitlements and, where required, under consideration of the rights of the employee representatives. M2 is not in a position at this time to determine how many Eftel employees may be affected in this way, nor the full nature and timing of any such redundancies. M2 will not be in that position until it has conducted the detailed review referred to in Section 2.

3.4 Intentions for Eftel as a part owned entity

The Offer is subject to a 90% minimum acceptance condition. However, if this Condition is waived by M2 or the Offer is declared unconditional, it is possible that M2 will not become entitled to proceed to compulsory acquisition of remaining Eftel Shares under the Corporations Act.

This Section 3.4 sets out M2's intentions if it gains effective control of Eftel but does not become entitled to compulsory acquire the outstanding Eftel Shares.

(a) General intentions

It is the present intention of M2 that it would, through its nominees on the Eftel Board, attempt to procure that Eftel implements strategies to achieve the objectives and goals outlined in Section 3.3, to the extent possible and appropriate.

(b) Corporate matters

(i) ASX Listing

It is the present intention of M2 to seek to retain the listing of Eftel on ASX, subject to the satisfaction of the ongoing requirements under the ASX Listing Rules to maintain a listing, including the requirement that there be a sufficient spread of shareholders to ensure an orderly and liquid market for Eftel Shares. Under the ASX Listing Rules, if Eftel fails to comply with the spread requirements, ASX may suspend or end quotation of Eftel Shares.

(ii) Eftel Board

Under the terms of the Bid Implementation Agreement, Eftel has agreed that, on M2 obtaining a relevant interest in at least 50.1% of the Eftel Shares and the Offer becoming unconditional, Eftel will, as soon as practicable, cause the appointment of such number of persons nominated by M2 to the Eftel Board and the board of directors of each subsidiary of Eftel, in each case to give M2 control of the relevant board. Subject to the Corporations Act and Eftel's constitution, M2 intends to replace the members of the Eftel Board with M2 nominees (who have not yet been identified) and an appropriate number of non-M2 nominees to represent minority shareholders.

(c) Limitation on intentions

If M2 acquires control of Eftel but Eftel does not become a wholly owned indirect subsidiary of M2 and minority Eftel Shareholders exist, M2 intends that the M2 nominees appointed to the Eftel Board will act in accordance with their fiduciary duties at all times and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

The requirement to have regard to fiduciary duties in the context of a partly owned company and the possible requirement for minority Eftel Shareholder approval may prevent achievement of the intentions and objectives set out above.

3.5 Intentions generally

Subject to the matters described above in this Section 3 and elsewhere in this Bidder's Statement and, in particular, the completion of the strategic review of Eftel operations, it is the intention of M2, on the basis of the facts and information concerning Eftel that are known to it at the date of this Bidder's Statement, that:

- (a) the business of Eftel will be conducted in substantially the same manner as at the date of this Bidder's Statement;
- (b) there will be no major changes to the business of Eftel or the deployment of Eftel's assets; and
- (c) the employment of Eftel's present employees will be continued.

4. Profile of Expanded M2 Group

4.1 Introduction

The profile of the Expanded M2 Group will vary depending on the outcome of the Offer. The description in this Section 4 assumes that Eftel is a 100% wholly owned subsidiary of M2. If M2 is not entitled to compulsorily acquire Eftel Shares, some of the benefits that would otherwise accrue to M2 if Eftel were to become a wholly owned subsidiary of M2 may not be realised.

This Section 4 is relevant only to those Eftel Shareholders who make an 'All Shares' Election. Eftel Shareholders who make an 'All Cash' Election will have no future economic interest in M2 or the Expanded M2 Group.

4.2 Dodo Acquisition

On 18 March 2013, M2 announced the acquisition of Dodo for \$203.9 million on a debt-free and cash-free basis. Dodo is a privately owned telecommunications company founded in 2001 by directors Mr Larry Kestelman and Mr Michael Slepoy. Dodo is focused principally on the residential market in Australia and offers a range of competitively priced products and services including broadband, home phone, mobile wireless broadband and mobile services, in addition to other essential services including electricity, gas and insurance.

Dodo's power and gas business was launched in 2011, offering electricity principally to residential customers in Victoria. Since then, the business has expanded its electricity offering into New South Wales and Queensland and more recently has started offering gas to customers in Victoria. Dodo has obtained licences to retail both electricity and gas in Victoria, New South Wales, Queensland, South Australia and the ACT. Dodo offers its insurance product as an authorised representative of A&G Insurance Services ('AGIS') and arranges the issue of policies on behalf of AGIS. The acquisition of Dodo will be funded through a combination of cash and scrip. The Dodo acquisition is expected to close in early May 2013. Please refer to Section 8.2 for further details regarding the Dodo Acquisition.

The acquisition of Dodo is independent of, and not conditional on the acquisition of Eftel (and vice versa).

4.3 Expanded M2 Group overview

The acquisition of Eftel and Dodo will create a larger, growth oriented group with a larger business base and improved geographic and risk diversification than M2, Eftel and Dodo individually.

Eftel and Dodo will become wholly owned subsidiaries of M2. The Expanded M2 Group will have a strong portfolio of businesses at various stages of development, including business activities related to telecommunications services, power and gas services, and insurance. The Expanded M2 Group will also have a strong pipeline of organic growth opportunities and an enhanced platform to consider other value accretive opportunities that may arise in the future.

If the Offer is successful, the acquisition of Eftel and Dodo by M2 will result in the creation of a leading independent Australian telecommunications group with a highly experienced board and management. Eftel Shareholders will also benefit from M2's inclusion in the S&P/ASX 200 index which provides additional liquidity and broader interest in the Expanded M2 Group.

Some of the key expected features of the acquisitions of Eftel and Dodo by M2 will be:

- (a) Eftel and Dodo will become wholly owned subsidiaries of M2;
- (b) M2 will maintain its listing on ASX but Eftel will be delisted from ASX;
- (c) there will be no changes to M2's existing board of directors;
- (d) there will be no material changes to M2's executive management, other than the possible addition of certain management personnel from Dodo and Eftel - M2's executive management team comprises a blend of telecommunications, corporate and financial experience;
- (e) the Expanded M2 Group will have an estimated combined market capitalisation of approximately \$878 million;¹⁰
- (f) the Expanded M2 Group will have a portfolio of businesses including, telecommunications services, power and gas services, and insurance; and
- (g) the Expanded M2 Group has the potential to realise synergies including reduction of overall corporate, ASX and listing costs, potential consolidation of premises, potential efficiencies from consolidation of networks, IT infrastructure and applications, and procurement benefits through enhanced scale.

¹⁰ Based on (a) the closing price of M2 Shares on 27 March 2013 and (b) the cumulative total of M2 Shares on issue following completion of the Offer and the Dodo Acquisition, assuming a maximum of 19.2 million M2 Shares are issued under the Offer and the Dodo Acquisition.

4.4 Expanded M2 Group directors

If the Offer is successful, it is proposed that there will be no changes to the board of directors of M2. Background details and the qualifications of the current board of directors of M2 are set out in Section 1.3 of this Bidder's Statement.

If the Offer is successful, M2 intends to replace members of the Eftel board of directors with nominees of M2. Those nominees have not yet been identified by M2. Final decisions on the selection of M2's nominees to the Eftel Board will be made in light of the circumstances at the relevant time.

4.5 Expanded M2 Group historical pro forma financial information

(a) Introduction

This Section 4.5 provides an overview of the pro forma balance sheet of M2 as at 31 December 2012 to show the effect of 100% ownership of Eftel and Dodo (**Expanded M2 Group Pro Forma Consolidated Balance Sheet**).

The Expanded M2 Group Pro Forma Balance Sheet is indicative only. The M2 Directors have drawn their conclusions based on the facts known and other information publicly available as at the date of this Bidder's Statement. If the facts, circumstances, assumptions or other information should prove different to that described, the conclusions may change accordingly.

This Section 4.5 should be read in conjunction with the underlying financial information from which it was derived (to the extent it is publicly available), the risk factors set out in Section 7, the accounting policies of M2 (as detailed in its audited consolidated financial statements for the year ended 30 June 2012 and the reviewed consolidated half year financial report for the six months ended 31 December 2012) and other information contained within this Bidder's Statement.

(b) Basis of preparation of pro forma consolidated balance sheet

The Expanded M2 Group Pro Forma Consolidated Balance Sheet set out in this Section 4.5 has been prepared for illustrative purposes only and on the assumption that the acquisition of Eftel and Dodo both occurred on 31 December 2012.

For the purposes of preparing the Expanded M2 Group Pro Forma Balance Sheet, M2 has utilised:

- the auditor reviewed balance sheet of M2 as at 31 December 2012;
- the reviewed balance sheet of Eftel as at 31 December 2012; and
- the unaudited management balance sheet of Dodo as at 31 December 2012 (**Dodo 31 December 2012 balance sheet**).

The following points should be noted in relation to the Dodo 31 December 2012 balance sheet:

- The Dodo 31 December 2012 balance sheet is based on accounts prepared by Dodo's management for the relevant Dodo entities that comprise Dodo Australia Holdings Pty Ltd. Those accounts have not been subject to any audit review process or any other independent review process.
- The Dodo 31 December 2012 balance sheet includes pro forma adjustments to exclude assets and liabilities of Dodo that will not be transferred to M2 as part of the Dodo Acquisition.
- The Dodo 31 December 2012 balance sheet also includes pro forma consolidation adjustments to eliminate investments and intercompany receivables and payables (including with Eftel).

4. Profile of Expanded M2 Group

(c) Expanded M2 Group Pro Forma Consolidated Balance Sheet

\$M's – as at 31 December 2012	Pro Forma Dodo	Pro Forma Eftel	Reported M2	Consolidated pre- adjustments	Pro Forma adjust- ments	Pro Forma Consoli- dated
Cash & deposits	\$7.8	\$3.4	\$29.6	\$40.8	(5.5)	\$35.3
Trade and other debtors	\$19.6	\$7.0	\$63.8	\$90.5	-	\$90.5
Other current assets	\$21.7	\$0.7	\$16.4	\$38.8	-	\$38.8
Goodwill/intangibles	\$0.0	\$0.0	\$293.8	\$293.8	\$294.2	\$588.0
Other non-current assets	\$4.9	\$6.7	\$72.9	\$84.5	-	\$84.5
Total assets	\$54.1	\$17.8	\$476.5	\$548.4	\$288.7	\$837.1
Borrowings (current)	\$0.0	\$2.0	\$22.5	\$24.5	\$8.0	\$32.5
Trade and other creditors	\$47.5	\$8.3	\$77.4	\$133.2	-	\$133.2
Other current liabilities	\$47.1	\$4.8	\$32.1	\$84.0	-	\$84.0
Borrowings (non-current)	\$0.0	\$7.0	\$123.3	\$130.3	\$161.0	\$291.3
Other non-current liabilities	\$0.4	\$1.0	\$17.9	\$19.3	-	\$19.3
Total liabilities	\$95.0	\$23.1	\$273.2	\$391.3	\$169.0	\$560.3
Net assets	(\$40.9)	(\$5.3)	\$203.4	\$157.1	\$119.8	\$276.9
Equity	(\$40.9)	(\$5.3)	\$203.4	\$157.1	\$119.8	\$276.9

(d) Adjustments

The following adjustments have been made in preparing the Expanded M2 Group Pro Forma Consolidated Balance Sheet as at 31 December 2012 to reflect the Offer and the Dodo Acquisition as though they had both occurred at 31 December 2012:

- unaudited reported net assets of Dodo have been reduced by \$73.6 million to derive the Pro Forma Dodo balance sheet. These adjustments have been made to exclude assets and liabilities of Dodo that will not be transferred to M2 as part of the Dodo Acquisition; the consolidation elimination of a receivable from Eftel, and consolidation elimination entries of the Dodo group of companies;
- reviewed reported net assets of Eftel have been reduced by \$18.8 million to derive the Pro Forma Eftel balance sheet. These adjustments have been made to exclude goodwill carried on the balance sheet and the consolidation elimination of a payable to Dodo;
- \$176 million (\$8 million current and \$168 million non-current) of additional debt financing has been included to reflect a fully utilised new debt facility of \$315 million (excluding the \$85 million working capital facility) and unsecured loan of \$9 million less the refinance of \$139 million of existing M2 debt and \$9 million of existing Eftel debt;
- \$18 million of estimated acquisition transaction costs of which \$7 million are assumed to be capitalised as borrowing costs against non-current borrowings and \$11 million expensed through retained earnings; and
- \$294 million of goodwill and intangible assets represents the excess of the acquisition price over net assets at 31 December 2012. M2 has 12 months from the date of acquisition to perform a purchase price allocation.

Deferred tax balances on acquisition may be subject to the purchase price allocation. No deferred tax adjustments have been made to the pro forma balance sheets.

(e) Assumptions

The following assumptions have been made in preparing the Expanded M2 Group Pro Forma Consolidated Balance Sheet as at 31 December 2012 to reflect the Offer and the Dodo Acquisition as though they had both occurred at 31 December 2012:

- 100% acceptance of the Offer by Eftel Shareholders has been assumed based on the minimum acceptance condition of the Offer (90%) and M2's intention to proceed with compulsory acquisition of remaining outstanding Eftel Shares;
- it has also been assumed that all Eftel Shareholders will make an 'All Shares' Election based on the Eftel Directors' stated intention that they will make such an election and noting that they control approximately 88% of all of the Eftel Shares on issue; and
- other than as described above, it has been assumed that accounting policies applied by Dodo and Eftel have been consistently applied in the preparation of the Expanded M2 Group Pro Forma Consolidated Balance Sheet. However, no review has been undertaken on the appropriateness of these policies or accounting treatments or their alignment with M2's accounting policies.

4.6 Expanded M2 Group forecast financial information

Based on median broker FY14 EPS estimates¹¹ for M2 and assuming the Eftel and Dodo acquisitions contribute in excess of \$50 million of EBITDA, the Eftel and Dodo acquisitions are expected to result in underlying FY14 EPS^{12,13} accretion of approximately 20%.¹⁴

M2 will fund the Eftel and Dodo acquisitions and refinance existing debt through a combination of:

- (a) new fully underwritten 3 year, \$400 million loan facilities (see further Section 5.4); and
- (b) the issue of approximately 19.2 million M2 Shares to Dodo and Eftel Shareholders (assuming that all Eftel Shareholders make an 'All Shares' Election).

On completion of the Eftel and Dodo acquisitions, M2 expects its pro forma leverage to be approximately 1.8x net debt/FY14 EBITDA.¹⁵ Following the Eftel and Dodo acquisitions, the M2 board of directors aims to maintain its current dividend payout ratio of 70% of net profit after tax. Consistent with existing M2 director policy, use of cash surplus will be considered for accelerated debt reduction.

On a stand-alone basis and absent any impact of the Eftel and Dodo acquisitions during FY13, M2 is on track to report underlying earnings at or above the mid point of previously released earnings guidance. Taking into account the Eftel and Dodo acquisitions, the nominal contribution to earnings in FY13 derived from the Eftel and Dodo acquisitions is expected to be more than offset by stamp duty and other transaction costs incurred by M2 before the end of FY13. As a result, pro forma for the Eftel and Dodo acquisitions, M2 expects to report FY13 underlying earnings towards the lower end of its previous guidance range.

The financial performance of M2 in any period will be influenced by various factors that are outside the control of M2 Directors and cannot be predicted with a high level of confidence. In particular, the financial performance of M2 will be materially affected by:

- (a) the uncertainties associated with the level of discretionary consumer spending on telecommunications;
- (b) the unavailability of publicly released financial forecasts for Eftel and Dodo and, additionally, that M2 does not have access to detailed commercial information about Eftel and Dodo, other than publicly available information and limited non-public information regarding Eftel and Dodo provided by Eftel and Dodo; and
- (c) the risk factors noted in Section 7.

4.7 Effect on M2 capital structure

Set out below is the immediate post-offer capital structure of M2 if it is successful in acquiring 100% of the Eftel Shares and assuming a maximum of 19,181,378 M2 Shares are issued under the Eftel Offer and the Dodo Acquisition.

Class of securities	Exercise price	Expiry date	Total
M2 Shares	N/A	N/A	177,740,961
M2 Options (unquoted)	\$1.84	1 January 2015	460,000
M2 Options (unquoted)	\$2.99	1 January 2015	166,666
M2 Options (unquoted)	\$3.14	1 January 2016	499,998
M2 Options (unquoted)	\$3.29	1 January 2017	500,004

11 Median broker estimate for underlying FY14 EPS is \$0.41 per share as of 18 March 2013.

12 Underlying EPS includes an add-back of a non-cash cost for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards).

13 Australian Accounting Standards allow for 12 months from completion to finalise accounting and purchase price allocation. Fair value adjustments will be subject to purchase price allocation after completion. No amortisation charge has been included for any customer contracts deemed under Australian Accounting Standards, to have been acquired through the acquisition of Dodo and Eftel.

14 Based on M2's current expectations for the earnings contribution from Dodo and Eftel in FY14 that were developed as part of M2's due diligence, and there being no material change to the run rate performance or growth of those businesses during the period.

15 Based on the median of broker estimates for FY14 EBITDA and M2 management expectations for Dodo and Eftel FY14 EBITDA.

5. Funding arrangements for the Eftel Offer and Dodo Acquisition

5.1 Form of Offer Consideration

M2 is offering you the choice of either:

- one M2 Share for every 12.3376 Eftel Shares (this alternative requires you to make an 'All Shares' Election); or
- \$0.3581 cash for each Eftel Share (this alternative requires you to make an 'All Cash' Election).

Eftel Shareholders who make an 'All Shares' Election will be issued M2 Shares which will rank equally with existing M2 Shares on issue.

Eftel Shareholders who make an 'All Cash' Election will receive cash consideration by cheque drawn on an Australian bank.

Based on the number of Eftel Shares on issue at the date of this Bidder's Statement:

- if all Eftel Shareholders accept the Offer and make an 'All Shares' Election, and M2 acquired all of the Eftel Shares on issue, the maximum number of M2 Shares which would be required to be issued to Eftel Shareholders would be approximately 8,713,712; and
- if all Eftel Shareholders accept the Offer and make an 'All Cash' Election and M2 acquired all the Eftel Shares on issue, the maximum amount of cash that would be payable by M2 to Eftel Shareholders would be approximately \$38.5 million.

5.2 Scrip issue arrangements

M2 will issue all M2 Shares required to be provided by it to accepting Eftel Shareholders immediately on M2 being required to do so under the Offer.

M2 has the capacity and authority to issue the maximum number of M2 Shares which may be required to be issued under the Offer.

5.3 Cash funding arrangements for Offer

As set out in Section 5.1, the maximum amount of cash payable by M2 assuming all Eftel Shareholders make an 'All Cash' Election is approximately \$38.5 million (**Maximum Cash Consideration**).

M2 intends to source the Maximum Cash Consideration, and any other cash required to meet Offer related costs, by drawing down on new fully underwritten three year, \$400 million loan facilities to be entered into between M2 as borrower and one or more lenders before the Offer Period ends, as described in Section 5.4.

M2 notes that the Eftel Directors, who in aggregate control approximately 88% of the Eftel Shares on issue, have publicly stated that they intend to accept the Offer and make an 'All Shares' Election for all of the Eftel Shares that they control, in the absence of a Superior Proposal. Therefore, M2 is only likely to be required to pay less than \$4.43 million in cash under the Eftel Offer (being approximately 11.5% of the Maximum Cash Consideration) assuming that all other Eftel Shareholders accept the Offer and make an 'All Cash' Election.

5.4 Cash funding arrangements for Dodo Acquisition and Eftel Offer

(a) General

Neither the Dodo Acquisition nor the Eftel Offer are subject to the availability of funding either under the debt financing arrangements described below or otherwise.

On the basis of the debt funding arrangements described below, M2 has reasonable grounds to expect that it will be able to fund:

- the cash consideration payable on completion of the Dodo Acquisition; and
- any cash amounts due to Eftel Shareholders who make an 'All Cash' Election.

(b) Commitment Letter

On 15 March 2013, M2 entered into a Commitment Letter with Goldman Sachs Australia Pty Limited and Goldman Sachs Lending Partners LLC (collectively, **GS**). The Commitment Letter sets out the basis on which GS will arrange and underwrite the debt finance facilities to fund the Dodo Acquisition, the Eftel Offer and to provide working capital for M2 (**Facilities**).

The Commitment Letter has been accepted by M2 and creates legally binding obligations as between M2 and GS. The Commitment Letter requires GS and M2 to negotiate in good faith and use reasonable endeavours to agree, execute and deliver a syndicated facility agreement (**Facility Agreement**) and security documents reflecting the terms and conditions of the Commitment Letter and Terms Sheet by 26 April 2013 or such later date as M2 and GS may agree in writing (each acting reasonably).

The only circumstances in which the Commitment Letter ceases to be binding on the parties is if:

- the facility agreement to formally document the Facilities has not been executed by all parties to it by 26 April 2013 (or such later date as M2, GS Australia and GS Lending Partners may agree);
- the Dodo Acquisition does not proceed;
- M2 or GS, materially breach any provision of the Commitment Letter or Term Sheet and that breach is not remedied within 5 Business Days of receipt of a notice from the non-breaching party to remedy that breach; or
- GS notifies M2 that any representation or warranty provided by M2 under the Commitment Letter is untrue, inaccurate or misleading in any material respect.

The Commitment Letter also expires and terminates on the date when the formal finance and security documents contemplated by that Letter are entered into.

(c) The Facilities

The Commitment Letter provides that the Facilities will comprise:

- syndicated facilities in the aggregate principal amount of \$315 million to fund the Dodo Acquisition, the Eftel Offer, certain indebtedness and other liabilities of M2, and related transaction costs; and
- a syndicated revolving working capital facility in the aggregate principal amount of \$85 million.

The commitment of GS to arrange and underwrite the Facilities and the commitment of GS Lending Partners to underwrite the Facilities is subject only to the following matters:

- the satisfaction of the conditions precedent listed in the Term Sheet accompanying the Commitment Letter;
- there being no event or circumstance in relation to the transactions contemplated by the Commitment Letter and the Term Sheet which would result in GS, M2, the Dodo Group or Eftel acting in breach of any law, regulation, treaty or official directive or request applicable to it;
- the negotiation, execution and delivery of finance and security documents which reflect the terms and conditions of the Commitment Letter and the Term Sheet;
- M2's compliance on an ongoing basis with the Commitment Letter and the Term Sheet; and
- the payment in full by M2 of all fees, expenses and other amounts due and payable by it to GS.

(d) Term Sheet

The Term Sheet provides that the Facility Agreement will include various conditions precedent to drawdown, undertakings, representations, warranties and covenants by M2, all of which M2 considers are customary for finance facilities of this nature.

The Term Sheet also provides that the Facility Agreement will include the following events of default, all of which M2 considers are customary for finance facilities of this nature:

- non payment of any amount due and payable under the Facility Agreement or any associated document;
- failure to comply with financial covenants or perform obligations;
- any representations or statements being incorrect in any material respect;
- cross default;
- insolvency and analogous events;
- ceasing business;
- the delisting of M2 from ASX or its suspension from trading on ASX;
- M2 undertaking a capital reduction;
- illegality or unenforceability of the Facility Agreement or any associated document; and
- the occurrence of events or circumstances that have or are likely to have a material adverse effect on the ability of M2 to perform or comply with its obligations under the Facility Agreement or any associated document,

subject to usual qualifications and appropriate materiality thresholds.

6. Australian Tax Consequences

6.1 Introduction

The following is a general description of the Australian tax consequences for Eftel Shareholders on disposing of their Eftel Shares (through acceptance of the Offer by making an 'All Shares' Election or an 'All Cash' Election). The comments set out below are relevant only to those Eftel Shareholders who hold their Eftel Shares on capital account. These comments relate to Eftel Shares only.

Certain Eftel Shareholders (such as those engaged in a business of trading or investment, those who acquired their Eftel Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds (except where otherwise stated), persons who are temporary residents for Australian tax purposes, persons who are Australian tax residents but who hold their Eftel Shares as part of an enterprise carried on at or through a permanent establishment in a foreign country or persons who acquire their Eftel Shares in respect of their employment with, or provision of services to, Eftel) will or may be subject to special or different tax consequences peculiar to their circumstances.

Eftel Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences, under the laws of their country of residence, as well as under Australian law, of the disposal of their Eftel Shares under the Offer.

The following description is based on taxation law and practice in effect as at the date of this Bidder's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every Eftel Shareholder. Eftel Shareholders should seek independent professional advice regarding the taxation consequences of disposing of their Eftel Shares in the light of their own particular circumstances.

6.2 Australian Resident Eftel Shareholders - acceptance of the Offer and disposal of Eftel Shares

Acceptance of the Offer will involve the disposal by Eftel Shareholders of their Eftel Shares, by way of transfer of those shares to M2.

The disposal of Eftel Shares will constitute a 'CGT Event' for CGT purposes. The CGT Event should occur at the time at which the Eftel Shareholder accepts the Offer (or where the Eftel Shareholder has their Eftel Shares compulsorily acquired by M2, at the date M2 becomes the owner of the Eftel Shares). If, at the end of the Offer Period, the Conditions are not satisfied or waived, the Offer will lapse, any acceptances will be void and no CGT Event should occur.

Australian resident Eftel Shareholders may make a capital gain or capital loss on the disposal of their Eftel Shares under the Offer.

An Eftel Shareholder will make a capital gain if the capital proceeds exceeds the cost base of the Eftel Shares. A capital loss will arise where the capital proceeds are less than the reduced cost base of the Eftel Shares.

Where a taxpayer generates a capital loss, those capital losses may only be offset against capital gains made in the same income year or be carried forward to be offset against capital gains made in later income years subject to specific integrity measures in the tax law.

(a) Capital proceeds

For the purpose of calculating a capital gain or capital loss on the disposal of Eftel Shares, the capital proceeds will be equal to:

- (i) the amount of cash received as consideration for Eftel Shares where an 'All Cash' Election is made; or
- (ii) the market value of the M2 Shares received at the time of the CGT Event where an 'All Shares' Election is made by the Eftel Shareholder. It should be noted that the market value of M2 Shares at the date of the CGT Event may differ from the value placed on M2 Shares for the purposes of this Offer.

(b) Cost base

The cost base and reduced cost base of Eftel Shares is generally their cost of acquisition or deemed cost of acquisition. Certain other amounts associated with acquisition and disposal, such as brokerage or stamp duty, may be added to the cost base and reduced cost base.

If the Eftel Shares were acquired before 21 September 1999, the cost base may be increased for indexation up to 30 September 1999. However, the cost base cannot include indexation where the 'CGT discount' below is applied by the Eftel Shareholder.

(c) CGT roll-over relief

CGT scrip for scrip roll-over relief may be available for Australian resident Eftel Shareholders that choose to make an 'All Shares' Election where, as a result of the Offer, M2 acquires 80% or more of the voting shares in Eftel (the '80% requirement') and the relevant Eftel Shareholder:

- exchanges their Eftel Shares for M2 Shares by accepting the Offer;
- acquired their Eftel Shares on or after 20 September 1985 and, but for the roll-over, a capital gain would arise from the exchange (see Section 6.2); and
- chooses that the CGT roll-over applies.

If CGT scrip for scrip roll-over relief is available, then any capital gain resulting from the disposal by Eftel Shareholders of Eftel Shares pursuant to the Offer may be disregarded. Any CGT implications are deferred either until the relevant Eftel Shareholders dispose of the M2 Shares acquired pursuant to the Offer or on the happening of another CGT Event in respect of the M2 Shares.

The cost base of the M2 Shares acquired on disposal of the Eftel Shares will broadly be equal to a proportional allocation of the cost base of the Eftel Shares for which they were exchanged plus any other incidental costs that can be included in the cost base (see Section 6.2).

To choose CGT roll-over relief (where it is available), an Eftel Shareholder must make a choice by the time they lodge their income tax return for the income year in which the CGT Event occurs. The manner in which the Eftel Shareholder prepares the income tax return will be evidence of the choice (i.e. no notice is required to be lodged with the Australian Taxation Office).

It is a condition of the Offer that M2 Group has a relevant interest in at least 90% (by number) of all Eftel Shares, but M2 reserves the right to waive this Condition. Accordingly, M2 is not in a position to confirm that the '80% requirement' referred to above will be satisfied for the purposes of determining whether CGT scrip for scrip roll-over relief may be available to eligible Eftel Shareholders who make an 'All Shares' Election.

All relevant Eftel Shareholders should obtain their own independent professional taxation advice as to whether and how a CGT roll-over election should be made.

(d) 'CGT discount'

An Eftel Shareholder who makes a capital gain as a result of accepting the Offer, is an individual, complying superannuation entity or trustee of a trust, and who does not or cannot elect to adjust their cost base for indexation may be eligible to claim a 'CGT Discount' if they acquired (or are deemed to have acquired) their Eftel Shares 12 months or more before the time of the CGT Event. This means that:

- in the case of an individual and a trust, only one-half of their capital gain on those shares (after deducting available capital losses) should be included in the net capital gain of the taxpayer; and
- in the case of a complying superannuation entity, only two-thirds of their capital gain on those shares (after deducting available capital losses) should be included in the net capital gain of the taxpayer.

No 'CGT Discount' is available for companies (other than in the capacity of a trustee).

In relation to Eftel Shareholders that are trustees of a trust, the tax consequences of any capital gain made on the disposal of the Eftel Shares by the trustee will broadly depend on how the trustee deals with the capital gain of the trust and the terms of the trust deed. Broadly, either the trustee or a beneficiary of the trust should be assessed to tax on the net capital gain made on the disposal of the Eftel Shares.

Eftel Shareholders that are trustees of trusts should obtain specific tax advice as to whether they or their beneficiaries are entitled to obtain the benefit of the 'CGT Discount' and in relation to the tax consequences of distributions attributable to discounted capital gains.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. As discussed above, the 'CGT Discount' may be available to reduce the capital gain for certain Eftel Shareholders. The net capital gain, after applying any capital losses, is included in the taxpayer's assessable income and (after the application of any available deductions or carry-forward tax losses) is generally taxable.

6. Australian Tax Consequences

6.3 Australian resident Eftel Shareholders – additional considerations in relation to making an 'All Shares' Election

(a) Ownership of M2 Shares

The income tax consequences for Eftel Shareholders owning M2 Shares that are issued as Offer Consideration should be substantially the same as the consequences of owning Eftel Shares.

(b) Dividends in relation to M2 Shares issued as Offer Consideration

During the period which former Eftel Shareholders hold M2 Shares that are issued as Offer Consideration, they may receive dividends which may be either franked or unfranked (subject to the terms of the M2 Shares in relation to the entitlement to receive dividends and the exercise of the discretion of the M2 directors).

The dividends, grossed up for any imputation (franking) credits, should be included in the former Eftel Shareholder's assessable income and they should receive a tax offset equal to the imputation credit.

There are rules that limit the availability of imputation credits in certain circumstances (e.g. you are generally required to have held your M2 Shares at risk for at least 45 days). These rules are complex and you should consult your independent professional taxation adviser regarding their operation.

In some circumstances, to the extent that an individual taxpayer has excess imputation credits (i.e. over and above the taxpayer's tax liability for the relevant tax year), they may be entitled to a refund of the excess amount. Again, former Eftel Shareholders should consult their own independent professional taxation advisers in this regard.

(c) Disposal of M2 Shares issued as Offer Consideration

The income tax consequences of any disposal by a former Eftel Shareholder of M2 Shares that are issued as Offer Consideration should generally be the same as for the disposal of Eftel Shares as described in Section 6.2, subject to the differences outlined below and to the law which applies at the time.

(i) M2 Shares acquired where CGT scrip for scrip roll-over election was made

Where a choice to apply CGT scrip for scrip roll-over relief was made by a former Eftel Shareholder in respect of the disposal of Eftel Shares, the cost base (or reduced cost base) of the M2 Shares issued to the Eftel Shareholder as Offer Consideration is broadly equal to the cost base (or reduced cost base) of the Eftel Shares that were exchanged for the M2 Shares (plus any incidental costs that can be included in the cost base) which will be apportioned across the M2 Shares on a reasonable basis.

For the purposes of any subsequent application of the 'CGT Discount', a former Eftel Shareholder will be taken to have acquired the M2 Shares issued under the Offer at the time the Eftel Shares (exchanged for the M2 Shares) were acquired.

Consequently, the M2 Shareholder should be entitled to add together the ownership periods for both the Eftel Shares and M2 Shares to determine whether the 12 month ownership requirement is satisfied for any subsequent application of the 'CGT Discount'.

(ii) M2 Shares acquired where CGT roll-over relief does not apply

Where CGT roll-over does not apply to the disposal of Eftel Shares, the cost base (or reduced cost base) of the M2 Shares which are received in exchange for those Eftel Shares is the market value of Eftel Shares at the date of the CGT Event which will be apportioned across the M2 Shares on a reasonable basis.

To the extent M2 Shareholders hold their M2 Shares for at least 12 months before disposing of them, the 'CGT Discount' may be available in relation to any capital gain made on the disposal of those M2 Shares.

M2 Shareholders will not be entitled to add together the ownership periods for both the Eftel Shares and M2 Shares to determine whether at the time the M2 Shares are disposed of by M2 Shareholders, the 12 month ownership requirement is satisfied for any subsequent application of the 'CGT Discount'.

6.4 Non-Australian resident Eftel Shareholders

Generally, an Eftel Shareholder who is not a resident for Australian tax purposes and who holds their Eftel Shares on capital account, should not be subject to CGT on the disposal of their Eftel Shares unless, broadly:

- (a) the shareholder (either alone or together with its associates), owned or had an option or right to acquire, at the time of disposal or for any continuous 12 month period within two years preceding the disposal, 10 % or more of Eftel Shares; and
- (b) more than 50 % of Eftel's assets (calculated by value) are direct or indirect interests in taxable Australian real property.

Also, non-residents are subject to CGT in respect of the sale of assets used in carrying on a business through a permanent establishment (**PE**) in Australia. If the Eftel Shares are used in carrying on business through a PE in Australia, then any capital gain or loss made by the Eftel Shareholder may not be disregarded.

In the event that a foreign resident Eftel Shareholder is subject to Australian tax on a capital gain, that Eftel Shareholder is not eligible for the 'CGT Discount' in relation to any portion of the gain that accrued after 8 May 2012.

A non-resident Eftel Shareholder should take into account the laws of their country of residence and any Double Tax Agreement between Australia and the Eftel Shareholder's country of residence. Non-resident Eftel Shareholders should consult their own professional advisers in this regard.

6.5 Stamp duty

No Australian stamp duty should arise on the disposal of the Eftel Shares by Eftel Shareholders to M2.

The issue of M2 Shares to Eftel Shareholders should not give rise to any Australian stamp duty if:

- (a) at the time of the issue of the shares, M2 does not (directly or indirectly) have any landholdings (meaning any interest in land, including any leasehold interest) in any Australian State or Territory; or
- (b) M2 does have such landholdings however:
 - (i) M2 is listed on ASX and all its issued shares are quoted, at the time the shares are issued to the Eftel Shareholders; and
 - (A) as a result of the issue of the M2 Shares no Eftel Shareholder (on an associate inclusive basis) will:
 - (I) commence to hold an interest of 90% or more in M2; or
 - (II) having such a 90% or more interest, acquire a further interest in M2;
 - (B) the issue of the M2 Shares is not itself, nor is it part of a broader arrangement, that relates to, the acquisition or holding of an interest of 90% or more in M2.

6.6 GST

No GST should be payable on:

- (a) the disposal of the Eftel Shares to M2;
- (b) the issue of M2 Shares; or
- (c) the future disposal of M2 Shares.

GST may be payable on any fees or charges that a Controlling Participant (in respect of Eftel Shares in a CHES Holding) or a broker, bank, custodian or other nominee (in respect of Eftel Shares held for a separate beneficial owner) may charge in connection with acceptance of the Offer.

Eftel Shareholders may be entitled to full or partial input tax credits for any GST payable on such fees or charges, but this will depend on each Eftel Shareholder's individual circumstances. Eftel Shareholders should seek independent advice in this regard.

7. Risk factors for Eftel shareholders making an 'All Shares' Election

7.1 Introduction

In deciding whether or not to accept the Offer and what form of consideration you elect to receive, you should read this Bidder's Statement carefully. You should also carefully consider the risk factors outlined in this Section 7.

If the Offer becomes unconditional, Eftel Shareholders who have made an 'All Shares' Election (other than Ineligible Foreign Shareholders) will become holders of M2 Shares. The future performance of the Expanded M2 Group and the future performance of the M2 Shares issued as Offer Consideration may be influenced by a wide range of factors, many of which are outside the control of M2. Eftel Shareholders should carefully consider the risk factors outlined below if they are considering making an 'All Shares' Election.

The risk factors outlined below do not apply to Eftel Shareholders who make an 'All Cash' Election, assuming that the Offer becomes unconditional. In those circumstances, those Eftel Shareholders making an 'All Cash' Election will have no continuing economic interest in Eftel and no future economic interest in M2.

Many of the risks specific to an investment in the Expanded M2 Group described below already apply to Eftel's existing business. There are also general risks associated with any investment in shares.

A summary of the material risk factors is set out below. The following summary should be read in conjunction with detailed information appearing elsewhere in this Bidder's Statement, M2's Annual Report for the year ended 30 June 2012 and M2's financial statements and management's discussions and analysis of financial condition for the year ended 30 June 2012 and its half year financial statements and management, discussion and analysis of financial condition for the six months ended 31 December 2012. These risks are not the only ones which may affect M2. Additional risks and uncertainties not currently known to M2, or that are currently considered immaterial, may also impair the business of M2. If any such risks actually occur, the business, financial condition and operating results of M2 could be adversely affected. M2's business is subject to significant risks and past performance is no guarantee of future performance.

7.2 Risks common to the businesses of M2 and Eftel

(a) Economic conditions

Economic conditions, both domestic and global, may affect the performance of telecommunication companies like M2 and Eftel. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of M2 and Eftel and may have a material adverse impact on the financial position of M2 and Eftel.

(b) Operational risks

The operations of each of M2 and Eftel may be affected by various factors not within their control, including operational and technical difficulties. These difficulties could also result in the operation of their respective businesses experiencing business interruption, monetary losses and possible legal liability. M2 and Eftel may become subject to liability for accidents, outages or system's failures and corruption against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.

(c) Current global financial conditions

As a result of global financial conditions there has been increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing sources has been negatively impacted by both subprime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact M2 and Eftel's ability to obtain equity or debt financing in the future on terms favourable to them. If these increased levels of volatility continue, M2 and Eftel's operations and share price could be adversely impacted.

7.3 Risks specific to M2's business

There are a number of risks that are specific to M2 and its current operations. Eftel Shareholders are not currently exposed to all or some of these risks, however they will be if they accept the Offer and receive M2 Shares as a result of making an 'All Shares' Election. It is possible that the degree to which the Expanded M2 Group will be exposed to a particular risk is greater than, or less than, the degree to which M2 is currently exposed on a stand-alone basis.

Key Risks

(a) Competition

M2 operates in a competitive telecommunications market. In particular, M2 will compete against larger telecommunications companies which have considerable scale and market power. The size and financial strength of some of M2's competitors can make it difficult for M2 to compete effectively in the telecommunications market. M2's financial performance or operating margins could be adversely affected if the actions of competitors or potential competitors become more effective, or if new competitors enter the market and M2 is unable to counter these actions.

(b) NBN

The Australian Federal Government is rolling out a National Broadband Network (**NBN**) which is planned to cover approximately 93% of premises across Australia over the next decade. All telecommunication retail service providers will have equivalent access to acquiring wholesale services on the NBN, which is intended to create a more level competitive playing field in the industry. This new competitive environment with the NBN may enable the entrance of new competitors in the market which could have an adverse impact on the future financial performance of M2 if it is unable to effectively compete against the new competitors.

(c) Integration risk

The Dodo Acquisition is of a material size, with Dodo having an enterprise value of \$203.9 million. As a result, there is a risk that the integration of Dodo may be more complex than currently anticipated, encounter unexpected challenges or issues and take longer than expected, divert management attention or not deliver the expected benefits and this may affect M2's operating and financial performance.

Further, the integration of the Dodo accounting processes and systems may lead to revisions, which may impact on the Expanded M2 Group's reported financial results. Other general integration risks include loss of knowledge through M2 being unable to retain key management personnel who may be targeted for recruitment by competitors following completion of the transaction and possible loss of customer contracts due to normal competitive market pressure.

(d) Relationship with suppliers

M2's ability to provide its telecommunication services and products is highly dependent on securing wholesale services from its carrier suppliers, which are principally Telstra and Singtel Optus. The business of M2 could be materially impacted if any of the wholesale providers were unable to provide services as contracted or made a decision to supply services on unfavourable terms (except for services that are deemed 'declared services' by the ACCC and which have regulated pricing). If M2's carrier suppliers failed to supply the services, or changed terms to be less favourable than those currently offered to M2, Eftel and Dodo this change might materially impact on the financial performance of the Expanded M2 Group.

(e) Ability to service debt

M2's ability to service its existing and new debt, and refinance expiring debt on acceptable terms, will depend on its future performance and cash flows, which in turn will be affected by various factors, some of which are outside of M2's control (such as changes in interest rates and general economic and credit market conditions). Any inability to secure sufficient debt funding (including to refinance on acceptable terms) or to service its existing and new debt may have a material adverse effect on M2's financial performance and prospects.

Operational Risks

(f) Sustainability of growth

The continued strong growth in sales and profitability of M2 is dependent on a number of factors, including M2's ability to win new customers on a profitable basis and to retain and grow revenues from existing customers. This organic growth is conditional on the continued performance of M2's various channels to market, the ongoing achievement of sales objectives by M2's existing sales teams and the provision of a consistent high quality customer service experience. If any of these growth factors were negatively impacted and growth was impaired then the financial performance and reputation of the business would be negatively impacted.

(g) Operating costs

M2's ability to operate profitably is dependent on a combination of the scalability of its operations and the costs of its operating structure. M2's ability to maintain a relatively low cost operating structure is not

7. Risk factors for Eftel shareholders making an 'All Shares' Election

guaranteed and there is no assurance that these low operating costs can be maintained. While M2 has consistently delivered improvements in operating margins through a combination of improved buying from carriers and reducing operating expenses by implementing business efficiency initiatives, there is no guarantee that these improvements can be maintained.

(h) Technology changes

The telecommunications industry is constantly evolving with new technologies and products which could act as substitutes for the products or services offered by M2. There is no guarantee that M2 can effectively keep up with changes in technological developments and failure to keep pace with changes in technology could result in the Expanded M2 Group's business finding it increasingly difficult to compete in its chosen target segments.

(i) Information technology

The telecommunications industry is heavily dependent on technology for the delivery of the various services made available to customers and M2 has invested significantly in the development of management information and other information technology systems designed to maximise the efficiency of M2's operations. Should these systems not be adequately maintained, secured or updated, or M2's disaster recovery processes not be adequate, system failures may negatively impact on M2's performance. While the risk is considered a low probability, the consequences could be extreme, with a sustained failure of M2's billing processes, for example, possibly resulting in a failure of the business.

(j) Risk of international operations

A significant proportion of the contracted staff utilised by Dodo and Eftel (and/or one or more of their Related Bodies Corporate) are located in specialist contact centres outside of Australia. The conduct of these offshore centres and the arrangements for the personnel utilised within those centres must comply with local laws. To the extent that those laws materially change, this may have a material adverse impact on the operations of the expanded M2 Group following completion of the Acquisitions.

(k) Security or privacy of data

The protection of customer, employee, third party and company data is critical to M2's operations. M2 has access to a significant amount of customer, employee and third party information, including through its database of customers. The legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. Customers, employees and third parties such as suppliers also have high expectations that M2 will adequately protect their personal information. A breach of customer, employee, third party or company data could attract significant media attention, damage M2's customer or supplier relationships and reputation and ultimately result in lost sales, penalties or litigation. This could have a material adverse effect on M2's future financial performance and financial position.

(l) Regulatory risk

The Expanded M2 Group will operate in an increasingly regulated industry with strong penalties existing for non compliance with regulations, including fines and undertakings that may include customer redress and restrictions on future marketing of services. M2's future growth prospects are heavily reliant on its ability to market its services through its various sales channels, so any regulatory change, event or enforcement action which would restrict those activities would have a material adverse impact on M2's growth and in turn, its future financial performance.

Telecommunications are subject to various laws and regulations. Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Expanded M2 Group and cause increases in expenses, capital expenditures or costs.

Failure to comply with applicable laws, regulations, agreements and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital operations or compensation for those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

(m) Credit risk

M2 has customers which pay in arrears which means that M2 bears the risk of those customers defaulting on their payment obligations. This results in a loss of revenue for M2 to the extent that if those debts are irrecoverable and also creates additional expenses for M2 in seeking to enforce these obligations.

Dodo and Eftel acquisition risks

(n) Dodo gas and energy businesses

If the Dodo Acquisition is completed in accordance with its terms, M2 will takeover the operation of Dodo's gas and energy retail businesses. The retail gas and energy businesses are ones in which M2 has no prior experience.

(o) Reliance on information provided

M2 undertook a due diligence process in respect of Dodo and Eftel, which relied in part on the review of financial and other information provided by Dodo and Eftel. Despite making reasonable efforts, including seeking external legal and accounting advice where appropriate, M2 has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, M2 has prepared (and made assumptions in the preparation of) the financial information relating to Dodo and Eftel on a stand-alone basis and also the Expanded M2 Group's pro forma financial information included in this Bidder's Statement in reliance on limited financial information and other information provided by Dodo and Eftel. M2 is unable to verify the accuracy or completeness of all of that information.

If any of the data or information provided to and relied on by M2 in its due diligence process and its preparation of this Bidder's Statement proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Dodo and Eftel and the Expanded M2 Group may be materially different to the financial position and performance expected by M2 and reflected in this Bidder's Statement. Although M2 has sought comprehensive and wide ranging warranties and indemnities from the vendor of Dodo, there is no assurance that the due diligence conducted will have identified all material issues and risks in respect of the acquisition and that warranties and indemnities will adequately compensate for any losses arising from those material issues. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on M2.

(p) Historical liabilities

If the acquisitions of Dodo and Eftel are respectively completed, M2 may become directly or indirectly liable for any liabilities that Dodo and/or Eftel have incurred in the past, which were not identified during M2's due diligence or which are greater than expected, and for which the market standard protection (in the form of insurance, representations and warranties and indemnities) negotiated by M2 prior to its agreement to acquire Dodo and Eftel proves to be inadequate in the circumstances. Such liability may adversely affect the financial performance or position of M2 post-acquisition.

(q) Acquisition accounting

In accounting for the acquisition in the pro forma combined balance sheet contained in this Bidder's Statement, M2 has presented the historical carrying values of the acquired assets and liabilities of Dodo and Eftel as at 31 December 2012 and reflected the excess of the purchase price over the net assets as goodwill. In accordance with Australian Accounting Standards, M2 will undertake a formal fair value assessment of all of the assets, liabilities and contingent liabilities of Dodo and Eftel post-acquisition, which may give rise to a different fair value allocation to that used for purposes of the pro forma financial information set out in this Bidder's Statement. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and also an increase or decrease in depreciation and amortisation charges in the Expanded M2 Group's income statement (and a respective increase or decrease in net profit after tax).

7. Risk factors for Eftel shareholders making an 'All Shares' Election

(r) The actual results of the Expanded M2 Group may differ to those disclosed and consequently a greater degree of caution should be exercised when assessing this information

The pro forma Expanded M2 Group financial information set out in this Bidder's Statement illustrates the indicative financial position of the Expanded M2 Group as at 31 December 2012, assuming the acquisition of Eftel and Dodo had occurred on that date and inclusive of the anticipated debt financing. Various assumptions have been made to prepare the pro forma Expanded M2 Group information, a number of which have been derived based on information provided to M2 by Dodo and Eftel, for which M2 is unable to verify the accuracy or completeness of, and there is no assurance that all material issues and risks in relation to the acquisition of Dodo and Eftel have been identified. To the extent that this information (or any of the other assumptions on which the pro forma financial information is based) is incomplete, incorrect, inaccurate or misleading, there is a risk that the profitability and future results of the operations of the Expanded M2 Group may differ (including in a materially adverse way) from M2's expectation as reflected in this Bidder's Statement and additional liabilities may emerge.

General risks

(s) Reliance on key personnel

M2's growth and profitability may be limited by the loss of key executive management personnel, the inability to attract new suitably qualified personnel or by increased compensation costs associated with attracting and retaining key personnel.

(t) Dividends

The payment of dividends on M2's shares is dependent on a range of factors including the profitability of the Expanded Group, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future dividend levels will be determined by the M2 board of directors having regard to its operating results and financial position at the relevant time.

(u) Market price of M2 Shares

As M2 is listed on the ASX, the price of its shares is subject to a range of factors. Shares of mid-sized companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America, Europe and globally, and market perceptions of the attractiveness of particular industries. If an active market for M2 Shares does not continue, an investment in M2 Shares may be limited and/or the price of M2 Shares may decline and the investors could lose their entire investment in M2 Shares. As a result of any of these factors, the market price of M2's Shares at any given point in time may not accurately reflect the long-term value of M2. Class action litigation has sometimes been brought against companies following periods of volatility in the market price of their Shares. M2 may in the future be the target of similar litigation. Litigation of this nature could result in substantial costs and damages and divert management's attention and resources.

(v) Future sales

Sales of a large number of M2 Shares in the public markets, or the potential for such sales, could decrease the trading price of M2 Shares and could impair M2's ability to raise capital through the future issue of new M2 Shares. If M2 Shareholders (including Eftel Shareholders who have received M2 Shares under the Offer) sell substantial amounts of M2 Shares following the Offer, the market price of M2 Shares could decrease.

Substantially all of the M2 Shares can be resold without material restriction. This risk is to be mitigated by the Kestelman Restriction Deed which will restrict Mr Larry Kestelman's ability to sell M2 Shares received under the Offer and Dodo Acquisition for a designated period of time.

(w) Litigation

As with any company, each of M2, Dodo and Eftel are exposed to the risks of litigation (either as the complainant or as the defendant), which may have a material adverse effect on the financial position of the relevant entity. M2, Dodo, Eftel or the Expanded M2 Group could become exposed to claims or litigation by persons alleging they are owed fees for services, or by employees, regulators, competitors or other third parties. To the extent that such claims or litigation are not covered by insurance, an adverse outcome in litigation or the cost of initiating or responding to potential or actual claims or litigation may have a material adverse impact on financial performance.

(x) Dividend policy

The payment of dividends in the future, if any, will be at the discretion of M2's board of directors after taking into account many factors, including M2's operating results, financial conditions and current and anticipated cash needs.

7.4 Risks related to the Offer**(a) Less than 90% ownership in Eftel**

The Offer is subject to a 90% minimum acceptance condition, but this condition may be waived by M2. A risk therefore exists that the final level of ownership acquired by M2 may be less than 90% which may impact on M2's intentions for Eftel (refer to Section 3.4 of this Bidder's Statement).

(b) Issue of M2 Shares as Offer Consideration

Under the Offer, M2 may issue a significant number of M2 Shares as Offer Consideration to Eftel Shareholders, especially if a large number of Eftel Shareholders make an 'All Shares' Election. The market value of M2 Shares at the time at which they are received by Eftel Shareholders who make an 'All Shares' Election may vary from their market value on the date that Eftel Shareholders accept the Offer.

Market fluctuations could therefore affect the value of the Offer Consideration provided to Eftel Shareholders who make an 'All Shares' Election and the value of an accepting Eftel Shareholder's investment in the Expanded M2 Group. M2 will have no obligation to adjust the Offer Consideration payable to accepting Eftel Shareholders who make an 'All Shares' Election if the value of M2 Shares changes during the Offer Period.

Further, if current M2 Shareholders or current Eftel Shareholders do not wish to hold shares in the Expanded M2 Group and seek to sell their M2 Shares, this may have a material adverse effect on M2 and the price of M2 Shares.

(c) Assumed Eftel information

In preparing the information in this Bidder's Statement, M2 has relied on information in relation to Eftel which is publicly available and certain non-public information provided by Eftel which has not been independently verified by M2.

As M2 has conducted only limited due diligence on Eftel, there could be circumstances relating to Eftel which M2 is unaware of and which could adversely affect the anticipated results of the operations of the Expanded M2 Group, including the basis for preparing financial information for Eftel.

(d) Change of control

M2 is not aware of any change of control provisions or pre-emptive rights affecting the material contracts of the Eftel Group which would be triggered by M2 making the Offer or gaining control of Eftel (**Change of Control Provisions**). However Eftel may be party to agreements that contain Change of Control Provisions. The operation of these Change of Control Provisions (if triggered) could have adverse consequences, including requiring Eftel to renegotiate its financings or sell any joint venture interests. If these Change of Control Provisions can be waived, M2 would consider seeking such waivers.

(e) Potential unavailability of scrip for scrip rollover relief

Scrip for scrip rollover relief on the disposal of Eftel Shares is only available to Eftel Shareholders who make an 'All Shares' Election, make a capital gain on the disposal of their Eftel Shares and where M2 acquires 80% or more of the Eftel Shares on issue (in addition to other conditions being satisfied). If this does not occur and M2 waives the 90% minimum acceptance condition and the Offer is declared unconditional, Eftel Shareholders who are residents of Australia and make an 'All Shares' Election will be unlikely to be able to defer any capital gains that they realise on the disposal of their Eftel Shares. The amount of any capital gain made by the Eftel Shareholder (after applying any capital losses and the CGT Discount, if available) should be included in the taxpayer's assessable income in the income year in which the disposal takes place.

(f) Uncertainty regarding the level of integration that may be achievable

M2 intends, to the extent possible, to take advantage of any potential synergies that may exist in the Expanded M2 Group, as well as eliminating possible duplication and costs. However, to the extent to which these potential synergy benefits and cost savings are realisable depends on a range of factors. There is no guarantee that all or any of the potential synergy benefits or costs savings associated with the Expanded M2 Group will be achieved.

8. Other material information

8.1 Bid Implementation Agreement

On 16 March 2013, M2 and Eftel entered into a Bid Implementation Agreement. This agreement sets out the agreed basis on which M2 would make the Offer and the respective obligations of M2 and Eftel in relation to the Offer. The Bid Implementation Agreement includes customary termination provisions, exclusivity restrictions by Eftel in favour of M2 including a right to be notified of and to match any Competing Proposal, as well as provision for the payment of a \$1 million reimbursement fee by Eftel to M2 or by M2 to Eftel if the Offer does not complete in specific circumstances. An executed copy of the Bid Implementation Agreement accompanied M2's announcement of the Offer on 18 March 2013.

8.2 Dodo Acquisition

The key terms and conditions of the agreement for the Dodo Acquisition are summarised below.

On 16 March 2013, M2 entered into a share sale agreement to acquire Dodo on a debt-free and cash-free basis. The agreed consideration is \$203.9 million.

On completion of the Dodo Acquisition, M2 will pay a portion of the consideration to satisfy debts owed by Dodo. The remainder of the consideration will be provided through a combination of cash and M2 Shares at the election of M2. The M2 Shares issued as consideration under the Dodo Acquisition will be valued at \$4.4181 per share. The number of M2 Shares issued as consideration under the Dodo Acquisition, when aggregated with the number of M2 Shares that are issued as Offer Consideration to Eftel Shareholders, must not exceed 17,358,000 M2 Shares.

Completion of the Dodo Acquisition is expected to occur in early May 2013.

The acquisition of Dodo is not subject to any conditions. However M2 has the right not to proceed with the Dodo Acquisition if the vendors have provided fraudulent information to M2 that has had, or is likely to have, an impact of \$5 million or more on the financial or trading position, liabilities, revenue, earnings, financial condition, profitability or prospects of any company in Dodo or the business of Dodo or its EBITDA or net assets.

8.3 Unsecured Loan

On 16 March 2013, M2 entered into a Loan Facility Deed with an entity controlled by Mr Larry Kestelman under which that entity has agreed to lend \$9 million to M2 on an unsecured basis (**Unsecured Loan**). The purpose of this Unsecured Loan is to allow M2 to refinance an existing \$9 million loan made by Dodo Wholesale Pty Ltd to Eftel.

A key condition precedent to the Unsecured Loan being available is that M2 acquires at least 90% of the issued share capital of Eftel. A drawing under the Unsecured Loan will effectively extinguish the existing \$9 million loan made by Dodo Wholesale Pty Ltd to Eftel.

The key features of the Unsecured Loan are:

- the term of the loan is 39 months after the date of the Senior Loan Facility (see Section 5.4);
- the interest rate is 8% per annum for the term of the loan;
- interest is payable monthly during the term of the loan, with principal payable on maturity;
- the loan is unsecured; and
- there are restrictions on payment of interest if there is a default existing under the Senior Loan Facility (see Section 5.4).

The Unsecured Loan is otherwise subject to conditions precedent, representations, undertakings and events of default that are reasonably customary for a transaction of this nature.

8.4 Interests in Eftel Shares

(a) Relevant interests

The relevant interest of M2 and its associates in Eftel Shares, immediately before this Bidder's Statement was lodged with ASIC and immediately before the first Offer was sent is set out in the table below.

Class of securities	Total number of Eftel Shares	M2 relevant interest in Eftel Shares immediately before lodgement of Bidder's Statement	M2 relevant interest immediately before first Offer sent
Eftel Shares	107,506,425	21,393,778 (approximately 19.9%) through the Pre-Bid Option Deed	21,393,778 (approximately 19.9%) through the Pre-Bid Option Deed

The above relevant interest arises from the Pre-Bid Call Option Deed entered into between M2 and Cannes Management Pty Ltd as trustee for the Kestelman Family Trust No.2 dated 16 March 2013. The full terms of the Pre-Bid Call Option Deed are annexed to a notice of initial substantial holder that M2 filed with ASX on 18 March 2013.

(b) Voting power

The voting power (as this term is defined in the Corporations Act) of M2 in Eftel as at the date of this Bidder's Statement is 19.9%. The voting power of M2 in Eftel as at the date immediately before the first Offer was sent was 19.9%. This voting power also arises from the Pre-Bid Call Option Deed.

(c) Acquisitions

Other than as noted in Section 8.4, neither M2 nor any of its associates have acquired or disposed of Eftel Shares during the four month period up to and including the day immediately before the date of this Offer.

8.5 Restriction Deeds

On 16 March 2013, Mr Larry Kestelman entered into a deed with M2 under which he agreed to certain restrictions in relation to the M2 Shares he would receive under the Offer if he makes an 'All Shares' Election or if M2 exercises the Pre-Bid Call Option Deed and issues M2 Shares to Mr Larry Kestelman as consideration for the exercise of the call option. A summary of the key terms of the Kestelman Restriction Deed was released to ASX on 18 March 2013.

On 16 March 2013, an entity controlled by Mr Larry Kestelman and an entity controlled by Mr Michael Slepoy entered into a deed with M2 under which those entities respectively agreed to certain restrictions in relation to the M2 Shares they will receive on completion of the Dodo Acquisition. The key terms of that restriction deed are the same as those that apply to Mr Kestelman under the Kestelman Restriction Deed.

8.6 No collateral benefits

Except as set out in this Bidder's Statement, neither M2 nor any of its associates had, during the four month period up to and including the date immediately before the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate of that person, to:

- (a) accept the Offer; or
- (b) dispose of Eftel Shares,

which benefit was not offered to all holders of Eftel Shares under the Offer.

M2 considers that the Dodo Acquisition does not give rise to M2 providing any prohibited collateral benefit to Mr Larry Kestelman for the following reasons:

- (a) the purchase price payable by M2 under the agreement for the Dodo Acquisition was arrived at on an arm's length basis between a knowledgeable, willing but not anxious buyer (M2) and a knowledgeable, willing but not anxious seller (Mr Larry Kestelman and his associates);
- (b) on the basis of M2's internal valuation analysis and on external financial advice, M2 considers that the purchase price payable by M2 under the agreement for the Dodo Acquisition reflects no more than the market value for Dodo;
- (c) the Dodo Acquisition is not conditional on the Eftel takeover proceeding - therefore the Dodo Acquisition will proceed irrespective of the outcome of the Offer; and
- (d) similarly, the takeover Offer for Eftel is not conditional on the Dodo Acquisition completing - therefore even if the Dodo Acquisition does not complete, M2 is legally required to proceed with the takeover Offer for Eftel and Mr Larry Kestelman may still accept the Takeover Offer for Eftel.

8. Other material information

M2 also considers that the Unsecured Loan referred to in Section 8.3 does not give rise to M2 providing any prohibited collateral benefit to Mr Larry Kestelman. The Unsecured Loan essentially replaces an existing unsecured loan that an entity controlled by Mr Kestelman has made to Eftel, the key terms of which Eftel has disclosed to ASX. The key commercial terms of the Unsecured Loan are not materially different to that existing unsecured loan. To the extent that the terms of the Unsecured Loan differ from the terms of the existing unsecured loan that Eftel has taken out, those differences apply more favourably to M2 as the borrower under the Unsecured Loan. For example, the Unsecured Loan requires only that M2 pay interest during the term of the loan, with the principal payable by M2 on maturity.

8.7 Due diligence

For the purposes of confirming its assessment whether or not to acquire all Eftel Shares, M2 was given access by Eftel to certain information concerning Eftel which has not been disclosed generally to Eftel Shareholders. None of the information to which M2 was given access is, in the opinion of M2, of such a nature and quality which, if the information was generally available, a reasonable person would expect to have a material effect on the price or value of Eftel Shares or, in the opinion of M2 and except as disclosed in this Bidder's Statement, would otherwise be material to a decision by an Eftel Shareholder whether or not to accept the Offer. However, the fact that M2's decision to make the Offer was confirmed by its review of the information to which it had access may itself be regarded as information material to the decision of an Eftel Shareholder whether or not to accept the Offer.

8.8 Shareholding interests of directors of M2 in Eftel

As at the date of this Bidder's Statement, no M2 Director has a relevant interest in any Eftel Shares.

8.9 Other interests of directors and advisers of M2

Except as disclosed in this Bidder's Statement, no:

- (a) director of M2;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- (c) promoter of M2,

has, or has had in the two year period ending on the date of this Bidder's Statement, any interest in:

- (d) the formation or promotion of M2;
- (e) property acquired or proposed to be acquired by M2 in connection with its formation or promotion, or the offer of M2 Shares under the Offer; or
- (f) the Offer of M2 Shares under the Offer.

Minter Ellison has acted as legal adviser to the M2 in relation to the Offer. Minter Ellison is entitled to professional fees for its services as legal adviser.

Goldman Sachs Australia Pty Ltd (**Goldman Sachs**) has acted as financial adviser to M2 in relation to the Offer and will be entitled to professional fees for its services as financial adviser.

Goldman Sachs and/or its affiliates is acting as sole mandated lead arranger, underwriter and bookrunner to the \$400 million debt facilities described in Section 5.4.

Ernst & Young has provided accounting advice in relation to the Dodo Acquisition and the Offer. Ernst & Young is entitled to professional fees in accordance with its normal basis of charging.

M2 estimates that it will incur fees of approximately \$12.0 million for advisory and other services provided in connection with the Offer, including fees for legal, accounting and financial advisers and fees relating to the establishment of the debt facilities described in Section 5.4.

Except as disclosed in this Bidder's Statement, no amount of any kind (whether in cash or shares or otherwise) has been paid or agreed to be paid to any director or proposed director of M2 or to any company or firm with which a director is associated to induce him to become, or to qualify as, a director of M2 or otherwise for services rendered by him or any company or firm with which the director is associated in connection with the promotion or formation of M2 or this Offer.

8.10 Register Date

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information in relation to the Offer should be sent under items 6 and 12 of section 633(1) is the Register Date.

8.11 Regulatory approvals

(a) ASIC modifications

ASIC has published various Class Order instruments which provide modifications of, and exemptions from, the operation of Chapter 6 of the Corporations Act and which apply generally to all persons including M2.

(b) ASX

The quotation on ASX of M2 Shares forming part of the Offer Consideration is subject to the approval of ASX. An application will be made to ASX within 7 days of the date of this Bidder's Statement for the quotation of M2 Shares that may be issued as a result of 'All Shares' Elections made by Eftel Shareholders.

8.12 Statements made on basis of ASX announcement

Where a statement in this Bidder's Statement refers to or is made on the basis of a statement made in or announcements made by M2 or Eftel, M2 will provide a copy of those announcements free of charge to any person on request during the Offer Period.

A request for copies of those announcements can be made by contacting M2.

8.13 Consents

The following persons have given and have not, prior to the lodgement of this Bidder's Statement with ASIC, withdrawn their consent to the following statements and references in this Bidder's Statement, in the form and context in which they appear:

- (a) Minter Ellison to be named as Australian legal adviser to M2;
- (b) Goldman Sachs to be named as financial adviser to M2 and as sole mandated arranger, underwriter and bookrunner to the \$400 million debt facilities as described in Section 5; and
- (c) Ernst & Young to be named as the auditor to M2 in this Bidder's Statement and to the inclusion of information extracted from, and references to, the audited financial statements of M2 for the year ended 30 June 2012 and M2's auditor reviewed accounts for the half year ended 31 December 2012.

Each person named in this Section 8.13 as having given its consent to the inclusion of a statement or to being named in this Bidder's Statement:

- (a) does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

Public statements

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, free of charge, during the Offer Period, please contact M2.

As permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements fairly representing a statement by an official person or from a public official document or a published book, journal or comparable publication.

8.14 M2 is a disclosing entity

As a company with securities quoted on ASX, M2 is a 'disclosing entity' for the purposes of the Corporations Act and is subject to regular reporting and disclosure requirements. Among other things, these obligations require M2 to immediately notify ASX of any information of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of M2 Shares subject to the exceptions for certain confidential information.

As M2 Shares are being offered as part of the Offer Consideration, the Corporations Act requires this Bidder's Statement to include all information that would be required under sections 710 to 713 of the Corporations Act for a prospectus for an offer of M2 Shares. M2 does not need to issue a prospectus for the offer of M2 Shares as the offer is being made under a takeover bid.

8. Other material information

As a disclosing entity under the Corporations Act, M2 states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to M2 (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- (c) it will provide a copy of each of the following documents free of charge to any person on request during the Offer Period:
 - (i) the financial statements of M2 for the 12 months ended 30 June 2012 (being the annual financial report most recently lodged by M2 with ASIC);
 - (ii) the half year financial statements and management's discussion and analysis for the six months ended 31 December 2012; and
 - (iii) all continuous disclosure notices given by M2 after the lodgement of financial statements for 12 months ended 30 June 2012 with ASIC and before the lodgement of this Bidder's Statement with ASIC.

Requests for free copies of these documents may be made by contacting M2.

M2's recent ASX announcements are available from www.m2.com.au or www.asx.com.au/investor-centre.

A list of announcements made by M2 to ASX between 18 September 2012 (being the date of lodgement of M2's Annual Report for the period ended 30 June 2012) and the date of this Bidder's Statement appears in Section 1.19 of this Bidder's Statement.

8.15 Expiry date

No M2 Shares will be issued on the basis of the Offer contained in this Bidder's Statement after the date which is 12 months after the date of this Bidder's Statement.

8.16 Other material information

Except as disclosed in this Bidder's Statement, there is no other information that:

- (a) is material to the making of the decision by Eftel Shareholders whether or not to accept the Offer;
- (b) is known to M2;
- (c) relates to the value of M2 Shares; and
- (d) has not previously been disclosed to Eftel Shareholders, other than as set out in announcements to ASX.

9. Definitions and interpretation

9.1 Definitions

The following definitions apply in this Bidder's Statement (including its Appendices) and in the Acceptance Form, unless the context requires otherwise.

Defined Term	Meaning
\$	the lawful currency of Australia
1H13	1 July 2012 to 31 December 2012
AEST	Australian eastern standard time
Acceptance Form	the transfer and acceptance form enclosed with this Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of M2
'All Cash' Election	an election by you to receive \$0.3581 cash per Eftel Share held by you under the Offer
'All Shares' Election	an election by you to receive one M2 Share for every 12.3376 Eftel Shares held by you under the Offer
Announcement Date	18 March 2013, being the date that M2 announced to ASX its intention to make the Offer
ASIC	the Australian Securities and Investments Commission
Associate	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to this Bidder's Statement and Eftel was the designated body
ASX	ASX Limited or the financial market operated by it, as the context requires
ASX Listing Rules	the Official Listing Rules of ASX
ASX Settlement	ASX Settlement Pty Ltd ABN 49 008 504 532
ASX Settlement Operating Rules	the operating rules of the settlement facility operated by ASX Settlement;
Authority	<ul style="list-style-type: none"> (a) any government or governmental, semi-governmental or local authority and any department, office, minister, commission, board, delegate or agency of any such government or authority; (b) any judicial or administrative entity or authority; and (c) any other authority, commission, board, agency or other entity established or having power under statute or the listing rules of any recognised securities exchange including, without limitation, ASX
Bidder or M2	M2 Telecommunications Group Ltd ABN 74 091 575 021
Bid Implementation Agreement	the document titled 'Bid Implementation Agreement' and executed by M2 and Eftel on 16 March 2013
Business Day	a business day as defined in the ASX Listing Rules
CGT	capital gains tax
CGT Discount	has the meaning given in Section 6.2(d)
CGT Event	has the meaning given in Section 6.2
CHESS	the Clearing House and Electronic Sub-register System, which provides for the electronic transfer, settlement and registration of securities in Australia
CHESS Holding	a holding of Eftel Shares on the CHESS Subregister of Eftel
Competing Proposal	<p>any expression of interest, offer or proposal by a Third Party in respect of a transaction under which, if the transaction were completed, a person (whether alone or together with one or more Associates) would:</p> <ul style="list-style-type: none"> (a) acquire a legal, equitable or economic interest or relevant interest in 10% or more of all Eftel Shares (whether by way of acquisition of existing Eftel Shares or issue of new Eftel Shares); (b) acquire the whole or a substantial part of the business or assets of Eftel or the Eftel Group; (c) acquire control of Eftel, within the meaning of section 50AA of the Corporations Act; (d) otherwise acquire or merge with Eftel (including by reverse takeover bid or takeover bid, or by establishing a dual listed company structure or stapled security structure)

9. Definitions and interpretation

Defined Term	Meaning
Conditions	the Offer conditions as detailed in Appendix 2
Controlling Participant	has the meaning given in the ASX Settlement Operating Rules. Usually a person's Controlling Participant is a broker, with whom the first person has a sponsorship agreement (within the meaning of the ASX Settlement Operating Rules)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Dodo	Dodo Australia Holdings Pty Ltd ABN 74 159 200 727 and its subsidiaries
Dodo Acquisition	the proposed acquisition of Dodo by M2 or a related entity of M2
Eftel	Eftel Limited ABN 47 073 238 178
Eftel Board	the board of Eftel Directors
Eftel Directors	each director of Eftel
Eftel Disclosure Materials	the information and documents disclosed in writing by Eftel or its Representatives about the Eftel Group and its businesses to M2 or its Representatives or otherwise disclosed by Eftel to ASX prior to the date of this Bidder's Statement
Eftel Group	Eftel and its related entities
Eftel Material Adverse Change	<p>any event, matter or circumstance which individually, or when aggregated with all such other events, matters or circumstances results in or could reasonably be expected to result in:</p> <ul style="list-style-type: none"> (a) the value of the consolidated net assets of the Eftel Group reported in Eftel's financial statements for the half year ended 31 December 2012 being reduced by at least \$3 million; (b) the incurrence of any obligations, liabilities, costs or expenses (contingent or otherwise), other than capital expenditure previously disclosed publicly or to the Bidder in writing, where the quantum (whether individually or when aggregated with all such other events) of at least \$1 million; (c) the termination or loss of or a reduction in Eftel's interest in any material contract, licence or intellectual property right where that termination, reduction or loss is or could reasonably be expected to have a negative impact on Eftel's earnings of at least \$1 million per annum on an ongoing basis, other than an event, matter or circumstance: <ul style="list-style-type: none"> (i) required to be done as a result of the Bid Implementation Agreement; (ii) the occurrence of which was fairly disclosed in the Eftel Disclosure Materials or fairly disclosed by Eftel in its public announcements to ASX prior to the date of the Bid Implementation Agreement; or (iii) caused or materially contributed to by Bidder

Defined Term	Meaning
Eftel Prescribed Occurrences	<p>any of the following:</p> <ul style="list-style-type: none"> (a) Eftel converts all or any of its shares into a larger or smaller number of shares; (b) any member of the Eftel Group (other than a direct or indirect wholly owned subsidiary of Eftel) resolves to reduce its share capital in any way or reclassifies, redeems or repurchases directly or indirectly any of its shares; (c) any member of the Eftel Group (other than a direct or indirect wholly owned subsidiary of Eftel) enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act; (d) any member of the Eftel Group issues securities or agrees to make such an issue or grants an option or performance right over any securities (including equity securities, debt securities or convertible securities) other than to Eftel or to a direct or indirect wholly owned subsidiary of Eftel or pursuant to performance rights, the conversion of convertible securities or the exercise of options the existence of which has been disclosed to ASX before the date of this agreement; (e) any member of the Eftel Group creates or agrees to create any Encumbrance over the whole or any part of its assets or undertaking other than an Encumbrance arising in the ordinary course of business; (f) an administrator, liquidator, provisional liquidator, receiver or receiver and manager is appointed in respect of any member of the Eftel Group or the whole or any part of the assets or undertaking of any member of the Eftel Group, or any member of the Eftel Group executes a deed of company arrangement; (g) any member of the Eftel Group ceases to carry on business or is deregistered under the Corporations Act; (h) any member of the Eftel Group enters into a contract or commitment restraining any member of the Eftel Group from competing with any person or conducting activities in any market; (i) any member of the Eftel Group enters into or otherwise becomes a party to, any material transaction with a related party (as that term is defined in Chapter 2E of the Corporations Act) of Eftel (other than between Eftel and a direct or indirect wholly owned subsidiary of Eftel); (j) during the period from the date of this agreement to the end of the Offer Period, any member of the Eftel Group (other than a direct or indirect wholly owned subsidiary of Eftel) declares, pays, or determines to be payable any distribution, bonus or other share of its profits or assets (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie); (k) any member of the Eftel Group disposes of, or offers or agrees to dispose of, any material business, asset, joint venture interest, entity or undertaking (or any interest in a business, asset, joint venture, entity or undertaking) or makes an announcement in relation to such a disposal, offer or agreement; (l) any member of the Eftel Group: <ul style="list-style-type: none"> (i) enters into any financing arrangement or commitment or agrees to extend, repay or materially amend any existing financing arrangement or commitment; or (ii) guarantees, indemnifies or provides security for the obligations of any person or entity other than a member of the Eftel Group; (m) any member of the Eftel Group agrees or announces an intention to take any of the actions referred to in the above paragraphs, provided that an Eftel Prescribed Occurrence will not include any matter: <ul style="list-style-type: none"> (a) required to be done or procured by Eftel under the Bid Implementation Agreement or which is otherwise contemplated by that agreement; (b) approved in writing by M2, such approval not to be unreasonably withheld or delayed
Eftel Share	a fully paid ordinary share in the capital of Eftel
Eftel Shareholder	a person registered in the register of members of Eftel as a holder of one or more Eftel Shares
Encumbrance	any mortgage, fixed or floating charge, pledge, lien, option, right to acquire, right of pre-emption, assignment by way of security, trust arrangement for the purpose of providing security, retention arrangement or other security interest of any kind, and any agreement to create any of the foregoing

9. Definitions and interpretation

Defined Term	Meaning
Expanded M2 Group	M2 Group, the Eftel Group and Dodo which will exist following the completion of the Dodo Acquisition and the Offer should they each be successful and each of Eftel and Dodo become subsidiaries of M2
FY12	the 12 months ending 30 June 2012
FY13	the 12 months ending 30 June 2013
FY14	the 12 months ending 30 June 2014
Holder Identification Number	the number used to identify an Eftel Shareholder on the CHESSE Subregister of Eftel
Ineligible Foreign Shareholder	an Eftel Shareholder who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than a resident of Australia and its external territories and New Zealand or whose address as shown in the Eftel register of members is in a jurisdiction other than Australia or New Zealand unless Eftel in its absolute discretion determines that such an Eftel Shareholder is not to be considered an Ineligible Foreign Shareholder
Issuer Sponsored Holding	a holding of Eftel Shares on the Issuer Sponsored Subregister of Eftel
Issuer Sponsored Subregister	has the meaning given in the ASX Settlement Operating Rules
Kestelman Restriction Deed	the restriction deed entered into between M2 and Larry Kestelman dated 16 March 2013
M2 or Bidder	M2 Telecommunications Group Ltd ABN 74 091 575 021
M2 Directors	each director of M2
M2 Group	M2 and any related entities
M2 Option	an option to subscribe for an M2 Share
M2 Share	a fully paid ordinary share in the capital of M2
M2 Shareholder	a person registered in the register of members of M2 as a holder of one or more M2 Shares
Offer or Eftel Offer	the offer by M2 for your Eftel Shares under the terms and conditions of this Bidder's Statement
Offer Consideration	at the election of Eftel Shareholders, either: (a) one M2 Share for every 12.3376 Eftel Shares; or (b) \$0.3581 per Eftel Share
Offer Period	the period during which the Offer will remain open for acceptance in accordance with Appendix 1 paragraph 4
Pre-Bid Option Deed	the document titled 'Pre-Bid Option Deed' between M2 and Cannes Management Pty Ltd as trustee for the Kestelman Family Trust No.2 dated 16 March 2013 in respect of 21,393,778 Eftel Shares or approximately 19.9% of Eftel Shares on issue
Premium Reference Date	13 March 2013
Primus	Primus Telecom Holdings Pty Ltd ABN 50 111 352 277
Register Date	7.00 pm (AEST) on 28 March 2013, being the time and date set by M2 under section 633(2) of the Corporations Act
Registry	M2's Australian registry, Link Market Services Limited ABN 54 083 214 537
relevant interest	has the meaning given in the Corporations Act
Rights	all accretions, rights and benefits of whatever kind attaching to or arising from the Eftel Shares directly or indirectly at or after the Announcement Date (including all rights to receive dividends and other distributions declared or paid and to receive and subscribe for shares, notes, options or other securities or entitlements declared, paid or issued by Eftel)
Sale Nominee	has the meaning given in Appendix 1 paragraph 18
Shareholder Reference Number	the number allocated by Eftel to identify an Eftel Shareholder on the Issuer Sponsored Subregister of Eftel
Subsidiary	has the meaning given in the Corporations Act

Defined Term	Meaning
Superior Proposal	a written bona fide Competing Proposal which the Eftel Board determines in good faith is: (a) reasonably capable of being completed, taking into account all aspects of the Competing Proposal; and (b) more favourable to Eftel Shareholders than the Takeover Bid, taking into account all terms and conditions of the Competing Proposal
Takeover Bid	the takeover bid under Chapter 6 of the Corporations Act by M2 for all the Eftel Shares constituted by this Bidder's Statement
Takeover Transferee Holding	has the meaning given in the ASX Settlement Operating Rules, being the CHES holding to which Eftel Shares are transferred pursuant to acceptance of the Offer
Target's Statement	the target's statement to be issued by Eftel to Eftel Shareholders in relation to the Offer in accordance with section 638 of the Corporations Act
Unsecured Loan	the unsecured loan from an entity controlled by Mr Larry Kestelman to M2 as described in Section 8.3
VWAP	volume weighted average share price
your Eftel Shares	subject to Appendix 1 to this Bidder's Statement, the Eftel Shares: (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Eftel at 7.00pm (Melbourne time) on the Register Date; or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period

9.2 Interpretation


- (a) Unless otherwise defined, words and phrases which are defined by the Corporations Act have the same meaning in this Bidder's Statement and the Acceptance Form and, if a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act, have that special meaning.
- (b) Headings are for convenience only, and do not affect interpretation.
- (c) The following rules also apply in interpreting this Bidder's Statement and the Acceptance Form, except where the context makes it clear that a rule is not intended to apply:
- (i) a singular word includes the plural, and vice versa;
 - (ii) a word which suggests one gender includes the other genders;
 - (iii) unless otherwise stated references in this Bidder's Statement to sections, paragraphs and subparagraphs are to sections, paragraphs and subparagraphs of this Bidder's Statement;
 - (iv) a reference to a person includes a body corporate, partnership, joint venture, associate or other entity;
 - (v) a reference to time is a reference to time in Melbourne, Victoria, unless otherwise specifically indicated;
 - (vi) a reference to any legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
 - (vii) a reference to \$ is to Australian dollars.
- (d) For the purposes of this Bidder's Statement, one entity is related to another if the first entity:
- (i) controls the second entity;
 - (ii) is under the control of the second entity; or
 - (iii) is under the control of a third entity that also controls the second entity,
- in each case for the purposes of section 50AA of the Corporations Act but as if section 50AA(4) did not apply.

10. Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution of the directors of M2.

Dated 28 March 2013

Signed on behalf of M2

A handwritten signature in black ink, appearing to read 'Vaughan Bowen', with a long horizontal line extending to the right.

Vaughan Bowen
Executive Director

Appendix 1 - Terms of the Offer

1. The Offer

- (a) The bidder under the Offer is M2. M2 is offering to acquire all of your Eftel Shares on the terms and conditions in Appendix 1 and Appendix 2.
- (b) The consideration offered for your Eftel Shares is either:
 - (i) one M2 Share for every 12.3376 Eftel Share (for those Eftel Shareholders who make an **'All Shares' Election**); or
 - (ii) \$0.3581 cash for each Eftel Share (for those Eftel Shareholders who make an **'All Cash' Election**), subject to rounding as described in Section 3 and the treatment of Ineligible Foreign Shareholders as described in Appendix 1, paragraph 18.
- (c) If M2 acquires your Eftel Shares under the Offer then, subject to the discretion reserved to M2 in Appendix 1, paragraph 15, it will also be entitled to all Rights in respect of your Eftel Shares.
- (d) The Offer is dated 5 April 2013.

2. Form of Offer Consideration

- (a) You will receive either M2 Shares or cash as Offer Consideration for your Eftel Shares depending on whether you make an 'All Shares' Election or an 'All Cash' Election. You can only accept the Offer for either M2 Shares or cash. You cannot elect to receive a combination of M2 Shares and cash.
- (b) Your election to receive M2 Shares as consideration instead of the cash consideration will be deemed to apply in respect of all your Eftel Shares, unless you hold one or more of Eftel Shares as trustee or nominee for, or otherwise on account of, another person. In these circumstances you may make separate and distinct elections in relation to each of those parcels of Eftel Shares provided you comply with the notice obligations set out in Appendix 1, paragraph 7.
- (c) If you make an 'All Shares' Election, you will be deemed for the purposes of section 231(b) of the Corporations Act to consent to become a member of M2 and to be bound by its constitution.
- (d) If you accept the Offer but you do not make an 'All Shares' Election or an 'All Cash' Election, you will be deemed to have made an 'All Cash' Election.
- (e) If you make both an 'All Shares' Election and an 'All Cash' Election you will be deemed to have made an 'All Cash' Election.

3. Rounding

- (a) If you make an 'All Shares' Election, your entitlement to M2 Shares under the Offer will be calculated by dividing the number of Eftel Shares you hold by 12.3376.
- (b) If the above calculation results in an entitlement to a fraction of an M2 Shares in addition to the number of whole M2 Shares to which you become entitled as a result of your acceptance of the Offer, any fractional entitlement:
 - (i) to less than 0.5 will be rounded down to zero; or
 - (ii) equal to or more than 0.5 will be rounded up to one M2 Share.
- (c) If you make an 'All Cash' Election and you become entitled to a fraction of a cent, any fractional entitlement:
 - (i) to less than 0.5 of a cent will be rounded down to zero; and
 - (ii) equal to or more than 0.5 of a cent will be rounded up to a cent.
- (d) However, if M2 reasonably believes that any parcel or parcels of Eftel Shares has or have been created or manipulated to take advantage of rounding, then any fractional entitlement to an M2 Share or a cent arising in relation to that parcel, or those parcels, will be rounded down so that the entitlement to M2 Shares or cents arising in relation to each parcel consists of the nearest whole number of M2 Shares or cents only and the fractional entitlement will be disregarded.

4. Offer Period

- (a) The Offer will remain open for acceptance during the period that commences on the date of the Offer (5 April 2013) and ends at 5.00 pm (AEST) on 6 May 2013, unless it is withdrawn or extended in accordance with the Corporations Act.
- (b) M2 may, in accordance with the Corporations Act, extend the period during which the Offer remains open for acceptance.

Appendix 1 - Terms of the Offer

5. Quotation of M2 Shares

- (a) The M2 Shares offered as consideration will be issued by M2 as fully paid shares and will rank equally with existing M2 Shares from the date of issue.
- (b) The Offer and any contract that results from your acceptance of the Offer are subject to the condition set out in section 625(3) of the Corporations Act.
- (c) The condition set out in section 625(3) of the Corporations Act is not a Condition for the purposes of the Corporations Act, and is not of the same nature as the conditions set out in Appendix 1, paragraph 8. Section 625(3) of the Corporations Act provides that the Offer cannot be freed of the condition prescribed in that section, and consequently no statements made by M2, or any other member of the M2 Group, can be taken to be a waiver of that condition.
- (d) M2 will seek official quotation by ASX of the maximum number of M2 Shares that may be issued under this Bidder's Statement within 7 days after the Bidder's Statement is given to Eftel.

6. How to accept the Offer

(a) Accept for all of your Eftel Shares

You may only accept the Offer for all of your holdings of Eftel Shares by making an 'All Shares' Election or 'All Cash' Election.

To accept the Offer for all of your Eftel Shares you will need to complete and return the Acceptance Form.

(b) M2 Issuer Sponsored Holdings

If your Eftel Shares are held in an Issuer Sponsored Holding (in which case your Shareholder Reference Number is prefixed with 'I'), to accept the Offer in respect of those Eftel Shares you must complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it (using the enclosed reply-paid envelope if you wish) together with all documents required by the instructions on it, so that they are received at the address given on the Acceptance Form before the end of the Offer Period.

(c) CHESSE Holdings

If your Eftel Shares are held in a CHESSE Holding (in which case your Holder Identification Number is prefixed with 'X'), to accept the Offer in respect of those Eftel Shares you must do one of the following:

- (i) instruct your Controlling Participant (usually your stockbroker) to initiate acceptance of the Offer on your behalf, so as to be effective before the end of the Offer Period. However, if you are the Controlling Participant in respect of your Eftel Shares, to accept the Offer you must initiate acceptance of the Offer before the end of the Offer Period; or
- (ii) complete and sign the enclosed Acceptance Form in accordance with the instructions on it and return it (using the enclosed reply-paid envelope if you wish) together with all other documents required by those instructions on it, so that they are received at the address given on the Acceptance Form in sufficient time for your Controlling Participant to act on your instruction before the end of the Offer Period.

7. Offerees

(a) Registered holders

M2 is making an offer in the form of the Offer to:

- (i) each person registered as the holder of Eftel Shares in the register of shareholders of Eftel as at the Register Date; and
- (ii) each person who, during the period from the Register Date to the end of the Offer Period, becomes registered as the holder of Eftel Shares.

(b) Transferees

If at any time during the Offer Period another person is able to give good title to some or all of your Eftel Shares and you have not already accepted the Offer for those Eftel Shares, then that person may accept the Offer as though the Offer had been made to them in respect of those Eftel Shares.

(c) Trustees and nominees

If at any time during the Offer Period and before you accept the Offer your Eftel shares consist of two or more separate parcels within the meaning of section 653B of the Corporations Act (for example,

because you hold your Eftel Shares as trustee or nominee for, or otherwise on account of, several distinct beneficial owners), then you may accept as if a separate Offer had been made in relation to each of those parcels (including any parcel you hold in your own right). Acceptance for any parcel of Eftel Shares (including any parcel consisting of two or more parcels) is ineffective unless:

- (i) you give M2 notice stating that the Eftel Shares consist of a separate and distinct parcel, such notice being:
 - (A) in the case of Eftel Shares in an Issuer Sponsored Holding, in writing; or
 - (B) in the case of Eftel Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules for the purposes of Part 6.8 of the Corporations Act; and
- (ii) your acceptance specifies the number of Eftel Shares in the distinct parcel.

If, for this purpose, you require additional copies of this Bidder's Statement and the Acceptance Form, please contact the Registry.

8. Conditions of the Offer

The Conditions of the Offer are set out in Appendix 2.

9. Nature of Conditions

Each of the Conditions in Appendix 2 to which the Offer is subject is a condition subsequent that does not prevent a contract to sell your Eftel Shares resulting from acceptance of the Offer, but any breach or non-fulfilment will entitle M2, by notice in writing to you, to rescind a contract that results from your acceptance of the Offer as if that contract had not been formed.

Each of the Conditions in each paragraph and each sub-paragraph of Appendix 1 which applies to the Offer will constitute and be construed as a separate, several and distinct Condition. No Condition which applies to the Offer will be taken to limit the meaning or effect of any other Condition.

M2 alone will be entitled to the benefit of the Conditions which apply to the Offer and any breach or non-fulfilment of such Condition may be relied on only by M2. M2 may at any time waive (generally, or in respect of a particular event) the breach or non fulfilment of any Condition or any part of a Condition.

10. Waiver of Conditions

Subject to the Corporations Act, M2 alone may free the Offer and any contract resulting from your acceptance of the Offer from all or any of the Conditions in Appendix 1 by giving written notice to Eftel and the ASX in accordance with section 650F of the Corporations Act. Any notice may be given not less than 7 days before the last date of the Offer Period.

11. Notice on status of Conditions

The date for giving notice as to the status of the Conditions required by section 630(1) of the Corporations Act is 29 April 2013 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

12. Contract void if Conditions not fulfilled or waived

Your acceptance of the Offer, and any contract resulting from your acceptance of the Offer, will be automatically void if at the end of the Offer Period, any Condition is not fulfilled or waived in accordance with Appendix 1, paragraph 10.

13. Statutory condition

In accordance with section 625(3) of the Corporations Act, this Offer and any contract that results from your acceptance of it is subject to the further condition that:

- (a) an application is made to ASX within 7 days of the start of the Offer Period for admission to official quotation by ASX of the M2 Shares to be issued under the Offer; and
- (b) permission for admission to official quotation by ASX of the M2 Shares to be issued under the Offer is granted no later than 7 days after the end of the Offer Period.

This condition is not a defeating condition for the purposes of the Corporations Act and is not of the same nature as the Conditions set out in Appendix 2. This Offer cannot be freed of this condition and subsequently no statements made by M2 can be taken to waive this condition. If this condition is not fulfilled, any contract resulting from your acceptance of the Offer will be automatically void.

Appendix 1 - Terms of the Offer

14. Status and effect of Acceptance Form

(a) Status of Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer and the instructions on the Acceptance Form must be followed in using it to accept the Offer.

(b) Effect of Acceptance

By signing and returning the Acceptance Form in accordance with Appendix 1 paragraph 6, you irrevocably authorise M2 and its nominees:

- (i) to rectify any errors in, or omissions from, the Acceptance Form that are necessary to make it an effective acceptance of the Offer or to enable registration of the transfer to M2 of your Eftel Shares which have been accepted into the Offer; and
- (ii) in respect of any of your Eftel Shares in a CHES Holding, to:
 - (A) initiate, or alternatively instruct your Controlling Participant to initiate, acceptance of the Offer in respect of all such Eftel Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules; and
 - (B) give any other instructions concerning those Eftel Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant.

(c) Validation of Acceptance Form

Notwithstanding Appendix 1, paragraph 6 sub paragraphs (b) and (c), M2 may (except in relation to Eftel Shares in a CHES Holding) treat the receipt by it of a signed Acceptance Form as valid even though it does not receive the other documents required by the instructions on the Acceptance Form or there is not compliance with any one or more of the other requirements for acceptance. If M2 does treat such an Acceptance Form as valid, subject to Appendix 1, paragraph 16, M2 will not be obliged to give the consideration to you until M2 receives all those documents and all of the requirements for acceptance referred to in Appendix 1, paragraph 6 and the Acceptance Form have been met.

(d) Limited right of withdrawal

After you have submitted an Acceptance Form you will have a limited right to withdraw your acceptance of the Offer in accordance with section 650E of the Corporations Act. Broadly, if the Offer is subject to the Conditions and M2 in any way postpones for more than 1 month the time when it has to meet its obligations under the Offer, you will be given a 1 month period to withdraw your acceptance of the Offer.

15. Agreement resulting from acceptance

By signing and returning the Acceptance Form or initiating or causing acceptance of the Offer under the ASX Settlement Operating Rules in accordance with Appendix 1, paragraph 6, you will have:

- (a) been deemed to have accepted the Offer in respect of all of your Eftel Shares and agreed to the terms of the Offer;
- (b) subject to all of the Conditions being fulfilled or waived prior to the end of the Offer Period, assigned all of your beneficial interest in your Eftel Shares to M2, conveyed beneficial title to your Eftel Shares to M2 and agreed to transfer legal title to your Eftel Shares to M2;
- (c) authorised M2 to issue to you any M2 Shares (as the case may be) that you are entitled to receive under the Offer and to register your name in the register of shareholders or register of M2 Shares (as the case may be) in respect of those M2 Shares (as the case may be), and agree that you will be bound by the constitution of M2;
- (d) authorised M2 (by its directors, servants or agents) to complete the Acceptance Form by inserting such details as are omitted in respect of your Eftel Shares and to rectify any errors in or omissions from the Acceptance Form (including altering the number of Eftel Shares stated to be held by you if it is otherwise than as set out in the Acceptance Form) as may be necessary to make the Acceptance Form an effective acceptance of the Offer to enable registration of the transfer of your Eftel Shares to M2;
- (e) represented and warranted to M2 that your Eftel Shares will, at the date of the transfer of them to M2, be fully paid and free from all mortgages, charges, liens, Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that you have full power and capacity to accept the Offer and to sell and transfer the legal and beneficial ownership of your Eftel Shares to M2;

- (f) subject to all of the Conditions being fulfilled or waived prior to the end of the Offer Period, you irrevocably authorise M2 and its nominees to do all things necessary to transfer your Eftel Shares to M2 (including to cause a message to be transmitted in accordance with ASX Settlement Operating Rule 14.17.1 so as to transfer your Eftel Shares, if held in a CHESS Holding, to the Takeover Transferee Holding and initiate a transfer of ownership of your Eftel Shares, if held in an issuer sponsored holding, into the name of M2), even if M2 has not at that time paid or provided the consideration due to you under the Offer;
- (g) represented and warranted to M2 that, if you are the legal owner but not the beneficial owner of your Eftel Shares:
- (i) the beneficial holder has not sent a separate acceptance of the Offer in respect of your Eftel Shares;
 - (ii) the number of Eftel Shares you have specified as being the entire holding of Eftel Shares you hold on behalf of the particular beneficial holder is in fact such entire holding; and
 - (iii) that you are irrevocably and unconditionally entitled to transfer your Eftel Shares, and to assign all of the beneficial interest to M2;
- (h) represented and warranted to M2 that you are not an Ineligible Foreign Shareholder, unless otherwise indicated on the Acceptance Form;
- (i) acknowledged and agreed that if you are an Ineligible Foreign Shareholder and you have made an 'All Shares' Election, the Sale Nominee will arrange for any M2 Shares otherwise issuable to you to be issued and sold, and for the net proceeds to be remitted to you, as described in Appendix 1, paragraph 18;
- (j) appointed M2 and each of its directors, secretaries and officers severally as your true and lawful attorney, with effect from the date that the Offer, or any contract resulting from your acceptance of the Offer, becomes free from its Conditions or such Conditions are satisfied or waived, with power to do all things which you could lawfully do concerning your Eftel Shares or in exercise of any right derived from the holding of your Eftel Shares, including (without limiting the generality of the foregoing):
- (i) attending and voting at any meeting of Eftel;
 - (ii) demanding a poll for any vote to be taken at any meeting of Eftel;
 - (iii) proposing or seconding any resolution to be considered at any meeting of Eftel;
 - (iv) requisitioning the convening of any meeting of Eftel and convening a meeting pursuant to any such requisition;
 - (v) notifying Eftel that your address in the records of Eftel for all purposes, including the dispatch of notices of meeting, annual report and dividends, should be altered to an address nominated by M2; and
 - (vi) doing all things incidental or ancillary to any of the foregoing,
- and to have agreed that in exercising the powers conferred by that power of attorney, the attorney may in fact act in the interests of M2 as the intended registered holder and beneficial holder of your Eftel Shares. This appointment, being given for valuable consideration to secure the interest acquired in your Eftel Shares, is irrevocable and terminates on registration of a transfer to M2 of your Eftel Shares;
- (k) unless M2 has elected to allow you to retain the relevant Rights, irrevocably authorised and directed Eftel to pay to M2, or to account to M2 for, all Rights in respect of your Eftel Shares subject however to any such Rights received by M2 being accounted for by M2 to you if the Offer is withdrawn or the contract formed by your acceptance of the Offer is rescinded or rendered void;
- (l) except where Rights have been paid or accounted for in accordance with paragraph (k), irrevocably authorised M2 to deduct from the consideration payable in accordance with the terms of the Offer the amount of all Rights referred to in paragraph (k) or any amount equal to the value of those Rights as reasonably assessed by M2;
- (m) if you signed the Acceptance Form in respect of your Eftel Shares in a CHESS Holding, irrevocably authorised M2:
- (i) to inform your CHESS Controlling Participant of your instructions for it to initiate acceptance of the Offer on your behalf in respect of all your Eftel Shares in accordance with the ASX Settlement Operating Rules; and
 - (ii) to give any other instructions concerning your Eftel shares to your CHESS Controlling Participant on your behalf under the sponsorship agreement between you and the CHESS Controlling Participant;

Appendix 1 - Terms of the Offer

- (n) agreed to indemnify M2 and each of its agents in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Shareholder Reference Number or in consequence of the transfer of your Eftel Shares to M2 being registered by Eftel without production of your Holder Identification Number or your Shareholder Reference Number;
- (o) agreed that the contract formed by acceptance of the Offer will be governed by the laws of Victoria and agreed to submit to the non-exclusive jurisdiction of courts exercising jurisdiction there; and
- (p) the extent you have not chosen between an 'All Shares' Election or an 'All Cash' Election on the Acceptance Form submitted by you, been deemed to have made an 'All Shares' Election.

16. Rights and other entitlements

- (a) If any cash Rights are declared, paid, made, arise or accrue to you as the holder of your Eftel Shares, M2 may, to the extent permitted by law, reduce the Offer Consideration by the amount of the Rights (as reasonably determined by M2), unless the benefit of the Rights is otherwise passed to M2. If you have made the 'All Shares' Election this may include reducing the number of M2 Shares to which you may otherwise be entitled.
- (b) If any non cash Rights are issued, made, arise or accrue to you as the holder of your Eftel Shares, M2 may reduce the Offer Consideration by the value (as reasonably determined by M2) of the non cash Rights, unless the benefit of the Rights is otherwise passed on to M2. If you have made the 'All Shares' Election this may include reducing the number of M2 Shares to which you may otherwise be entitled.

17. Provision of consideration

- (a) Subject to this Appendix 1, paragraphs 16 and 18 and the Corporations Act, if you accept the Offer and the Conditions are fulfilled or waived, M2 will provide you the consideration for your Eftel Shares under the Offer on or before the earlier of:
 - (i) the day that is 1 month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to a Condition, 1 month after any contract resulting from your acceptance of the Offer becomes, or is declared, unconditional; and
 - (ii) the day that is 21 days after the end of the Offer Period.
- (b) Where additional documents are required, by either the Acceptance Form or otherwise, to be given to M2 with your acceptance to enable M2 to become the holder of your Eftel Shares (such as a power of attorney):
 - (i) if those documents are given to M2 with your acceptance, M2 will provide you the consideration for your Eftel Shares in accordance with Appendix 1 paragraph 16;
 - (ii) if those documents are given to M2 after your acceptance and before the end of the Offer Period, M2 will provide you the consideration for your Eftel Shares by the earlier of:
 - (A) 1 month after M2 is given those documents; and
 - (B) 21 days after the end of the Offer Period; and
 - (iii) if those documents are given to M2 after the end of the Offer Period, M2 will provide you the consideration for your Eftel Shares within 21 days after those documents are given.
- (c) Subject to Appendix 1 paragraph 16 the obligation of M2 to issue M2 Shares to which you are entitled under the Offer if you make the 'All Shares' election, will be satisfied by M2:
 - (i) entering your name on the register of shareholders of M2 in respect of those M2 Shares; and
 - (ii) dispatching or procuring the dispatch to you of uncertificated holding statements in your name by pre-paid post to your address as shown on the register last provided by Eftel before dispatch. If your Eftel Shares are held in a joint name, uncertificated holding statements will be issued in the name of the joint holders and forwarded to the address that appears first in the copy of the register Eftel maintains.

- (d) If, at the time of acceptance of the Offer, any authority or clearance of an Authority is required for you to receive the consideration under the Offer or you are resident in or a resident of a place to which, or you are a person to whom:
- (i) the *Banking (Foreign Exchange) Regulations 1959* (Cth);
 - (ii) Part 4 of the *Charter of the United Nations Act 1945* (Cth);
 - (iii) the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth);
 - (iv) the *Charter of the United Nations (Sanctions – Afghanistan) Regulations 2001* (Cth);
 - (v) the *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth); or
 - (vi) any other law of Australia that would make it unlawful for M2 to provide consideration for your Eftel Shares,
- applies, then acceptance of the Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in the Offer unless and until all requisite authorities or clearances have been obtained by M2.

18. Ineligible Foreign Shareholders

If you are an Ineligible Foreign Shareholder and you accept the Offer by making an 'All Shares' Election, you will not be entitled to receive M2 Shares. Those M2 Shares will be dealt with in accordance with the on-market sale process outlined below.

M2 will:

- (a) arrange for the issue to a nominee approved by ASIC (**Sale Nominee**) of the number of M2 Shares to which you and other Ineligible Foreign Shareholders would otherwise have been entitled but for this with Appendix 1, paragraph 18;
- (b) cause the M2 Shares so issued to be offered for sale by the Sale Nominee on ASX:
 - (i) as soon as practicable after they have been issued to the Sale Nominee; and
 - (ii) otherwise in the manner, at the price and on such other terms and conditions as are determined by the Sale Nominee in good faith (and at the risk of the Ineligible Foreign Shareholder);
- (c) pay, or cause to be paid to you, within 20 Business Days after the M2 Shares have been issued to the Sale Nominee under this Appendix 1 paragraph 18, the amount ascertained in accordance with the formula below:

$$P \times N / T$$

where:

P is the amount (if any) remaining after deducting the expenses of sale from the proceeds of sale of M2 Shares issued to the Sale Nominee under this Appendix 1, paragraph 18;

N is the number of M2 Shares which would, but for this Appendix 1, paragraph 18, have been provided to you as consideration under the Offer;

T is the total number of M2 Shares issued to the Sale Nominee under this Appendix 1, paragraph 18.

Neither M2 nor the Sale Nominee gives any undertaking, representation, warranty or assurance as to the price that will be achieved for the sale of M2 Shares described in this Appendix 1, paragraph 18.

Payments will be made by cheque in Australia dollars and sent to you at your risk by pre-paid airmail to your address (as shown in the register of members last provided by Eftel).

Under no circumstances will interest be paid on your share of the net cash proceeds of the sale of M2 Shares, regardless of any delay in remitting the net cash proceeds to you.

Appendix 1 - Terms of the Offer

Acknowledgments and agreements by Ineligible Foreign Shareholders

- (a) If you are an Ineligible Foreign Shareholder, you acknowledge and agree that the Sale Nominee is not giving, and is not obliged to give, any advice to you and these terms do not constitute advice or a recommendation to make an 'All Shares' Election.
- (b) If you are an Ineligible Foreign Shareholder and you accept the Offer by making an 'All Shares' Election, you further acknowledge, agree and consent to the following:
 - (i) the Sale Nominee and its affiliates are full service financial institutions engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services;
 - (ii) the Sale Nominee and its affiliates have provided, and may in the future provide, financial advisory, financing services and other services to M2, its affiliates and to persons and entities with relationships with M2 and its affiliates, for which they received or will receive customary fees and expenses.
 - (iii) the Sale Nominee and/or its affiliates is acting as exclusive financial adviser to M2 in relation to the Offer and the Dodo Acquisition and as sole mandated lead arranger, underwriter and bookrunner to the acquisition facilities. The Sale Nominee and/or its affiliates may receive fees, expenses and other compensation in connection with these various roles;
 - (iv) in the ordinary course of their various business activities, the Sale Nominee and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of M2, and/or persons and entities with relationships with M2, its affiliates (including, without limitation, their respective shareholders and other stakeholders). The Sale Nominee and its affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. These activities may impact the price at which shares may be sold under the arrangement set out in Appendix 1, paragraph 18;
 - (v) the sale facility described in Appendix 1, paragraph 18 is being arranged by M2 and not the Sale Nominee;
 - (vi) M2 is not providing a 'designated service' (as that term is defined in the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth)) for the purposes of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) in connection with any sale facility described in Appendix 1, paragraph 18; and
 - (vii) in providing services to M2 in connection with the sale facility described in Appendix 1, paragraph 18, the Sale Nominee is acting as an execution only broker and:
 - (A) M2 has not appointed or engaged the Sale Nominee as your agent or sub-agent or to assume or perform any duties or obligations (fiduciary or otherwise) in respect of you in connection with the sale facility described in Appendix 1, paragraph 18 or the transaction contemplated by it;
 - (B) subject to any applicable law, the Sale Nominee is not, and is not to be taken to be providing any services on behalf of, for or to you, to be acting as an agent or sub-agent of, or in respect of, you or assuming or accepting any duty (fiduciary or otherwise) or responsibility to you in connection with the sale facility described in Appendix 1, paragraph 18 or the transactions contemplated by it.

19. Variation and Withdrawal of Offer

(a) Variation

M2 may vary the Offer in accordance with the Corporations Act.

(b) Withdrawal

The Offer may only be withdrawn with the written consent of ASIC, which consent may be subject to conditions. If so, M2 will give notice of the withdrawal to ASX and to Eftel and will comply with any other conditions imposed by ASIC.

20. Costs and stamp duty

M2 will pay all costs and expenses of the preparation and circulation of the Offer and any Australian stamp duty payable on the transfer of any Eftel Shares to M2 under the Offer.

No brokerage will be payable by you on acceptance of the Offer (unless you are an Ineligible Foreign Shareholder in which case the proceeds you receive will be net of sale expenses as indicated in Appendix 1, paragraph 18).

If your Eftel Shares are registered in a CHESS Holding or you hold your Eftel Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker), or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.

21. Governing law

The Offer and any contract resulting from your acceptance of the Offer are governed by the laws in force in Victoria, Australia.

Appendix 2 – Conditions of the Offer

1. No Eftel Material Adverse Change

Before the end of the Offer Period, no Eftel Material Adverse Change occurs, is discovered, announced, disclosed or otherwise becomes known to M2 or Eftel (whether or not it becomes public).

2. No Eftel Prescribed Occurrence

Before the end of the Offer Period, no Eftel Prescribed Occurrence occurs.

3. Minimum Acceptance Condition

Before the end of the Offer Period, M2 Group has a relevant interest in such number of Eftel Shares as represents at least 90% in aggregate of all Eftel Shares on issue.

4. No regulatory intervention

Between 18 March 2013 and the end of the Offer Period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by an Authority; and
- (b) no application is made to any Authority, or action or investigation is announced, threatened or commenced by an Authority in consequence of or in connection with the Offer,

(other than an application to or a determination by ASIC or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act), which restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts on, the making of the Offer or any transaction contemplated by this agreement, the Offer or the rights of M2 in respect of Eftel or Eftel Shares, or requires the divestiture by M2 or M2's Shareholders of any Eftel Shares or the divestiture of any assets of Eftel Group, M2, M2 Group or otherwise.

Corporate Directory

M2 Telecommunications Group Ltd

Directors

Craig Farrow (Chairman)
Vaughan Bowen (Executive Director)
Michael Simmons (Non-Executive Director)
John Hynd (Non-Executive Director)
David Rampa (Non-Executive Director)

Chief Executive Officer

Geoff Horth

Chief Financial Officer

Darryl Inns

Company Secretary

Kellie Dean

Registered office

Level 10, 452 Flinders Street
Melbourne VIC 3000
Telephone: 03 9674 6555
Facsimile: 03 9674 6599
www.m2.com.au

Share Registry for the Offer

Link Market Services Limited

Level 1, 333 Collins Street
Melbourne VIC 3000

Telephone: 02 8280 7111 or 1300 554 474
www.linkmarketservices.com.au

Financial adviser

Goldman Sachs Australia Pty Limited

Level 46, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Legal adviser

Minter Ellison Lawyers

Level 23
525 Collins Street
Melbourne VIC 3000

Auditor

Ernst & Young

8 Exhibition Street
Melbourne VIC 3000

