

BlueFreeway Limited (ASX: BLU) Announcement

BlueFreeway announces privatisation by major shareholder IPMG

Sydney, Australia – Monday 20 April 2009: BlueFreeway Limited (“BlueFreeway”) today announces that it has entered into an agreement (“**Scheme Implementation Agreement**”) with its major shareholder, IPMG Administration Pty Ltd (“IPMG”), in relation to a proposed acquisition by IPMG of all the ordinary shares of BlueFreeway not already held by it, by way of a members’ scheme of arrangement (the “Scheme”).

This announcement results from negotiations between BlueFreeway, its senior secured lender National Australia Bank Limited (“NAB”), and IPMG as BlueFreeway’s 2nd ranking secured lender and major shareholder, after BlueFreeway breached covenants under these facilities for the period ended 28 February 2009.

IPMG has agreed to acquire BlueFreeway shares for a cash price of \$0.04 per share.

An Independent Expert, BDO Kendalls Securities (NSW-VIC) Pty Ltd, has been commissioned to provide a report to BlueFreeway shareholders as to whether the Scheme is in the best interests of all non-IPMG associated shareholders.

The sole independent director, Mr. Nick Greiner, has considered all the other options that he considers to be available to BlueFreeway in the current circumstances of the company and, subject to receiving the report of the Independent Expert confirming that in its opinion the Scheme is in the best interests of all non-IPMG associated shareholders, recommends that shareholders vote in favour of the Scheme in the absence of a bona fide superior offer. Mr Greiner has also expressed his intention to vote any shares he holds in favour of the Scheme in the absence of a bona fide superior offer.

In reaching his recommendation, Mr Greiner considered the following:

- The price per share of \$0.04 represents a significant premium (approximately 135%) to the volume weighted average share price for the 30 day period ending on the day prior to the date of suspension of quotation of BlueFreeway’s shares on 16 March 2009;
- Rectifying the previously announced breaches to lending facilities will likely require an additional debt pay down to the senior lender, NAB, which BlueFreeway does not have the current capacity to undertake;
- BlueFreeway’s existing ownership structure, small free float and associated trading liquidity;
- Alternate capital raising options were considered unlikely given market conditions generally; and
- IPMG’s 73% existing shareholding means a competing proposal is highly unlikely.

The Scheme will require Court and shareholder approval. The Scheme booklet, including the Independent Expert’s report in relation to the Scheme, is expected to be provided to BlueFreeway shareholders by late May 2009, with the shareholders’ meeting to take place in late June 2009. If the

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Scheme is implemented, all shares in BlueFreeway will be acquired by IPMG and the company will be delisted from Australian Stock Exchange.

A summary of key terms of the Scheme Implementation Agreement is attached in Annexure A.

IPMG currently holds 238,949,377 BlueFreeway shares (being approximately 73% of BlueFreeway's issued capital), approximately \$11 million in secured subordinated debt and approximately \$7 million in secured convertible notes. Additionally, IPMG has two directors on the board of BlueFreeway namely, Michael Hannan and Kevin Slaven, the former of whom is Chairman.

Given their association with IPMG, Mr Hannan and Mr Slaven have not been involved in the consideration of the proposal from BlueFreeway's perspective and do not consider it appropriate to make any recommendation to shareholders in connection with the Scheme.

There are no break free provisions or exclusivity restrictions in the Scheme Implementation Agreement (other than a right for IPMG to match a bona fide competing offer prior to there being a change in recommendation as referred to in Attachment A).

For media enquiries, please contact Michael Henderson at Spectrum Communications on 02 9954 3299.

Yours faithfully

BLUEFREEWAY LIMITED

A handwritten signature in blue ink, appearing to read 'Richard Shaw', is written over the printed name.

RICHARD SHAW

Company Secretary

Annexure A – Key Terms of Scheme Implementation Agreement

1 The Scheme

BLU and IPMG entered into the Scheme Implementation Agreement (**SIA**) on 20 April 2009, which sets out the obligations of BLU and IPMG in connection with the implementation of the Scheme. A summary of the key terms and conditions of the SIA are set out below. Definitions used in this summary are contained in section 0.

2 Conditions

The Scheme is subject to the satisfaction or waiver of a number of conditions precedent including:

- (a) **Shareholder approval:** BLU shareholders approve the Scheme by the requisite majority under the Corporations Act;
- (b) **Court or other orders:** no temporary restraining order, preliminary or permanent injunction or other order has been issued by any court of competent jurisdiction and there is no other legal restraint or prohibition preventing the Scheme;
- (c) **Regulatory Approvals:** all regulatory approvals required to implement the Scheme are granted or obtained and those regulatory approvals are not withdrawn, cancelled or revoked prior to implementation of the Scheme;
- (d) **Prescribed Occurrences:** no Prescribed Occurrence has occurred;
- (e) **Recommendation:** Mr Greiner has not withdrawn or changed his recommendation in relation to the Scheme;
- (f) **Independent Expert's Report:** the independent expert concludes that the Scheme is in the best interests of shareholders (other than IPMG and its associates);
- (g) **Termination:** the SIA is not terminated by a party in accordance with its terms;
- (h) **Material Adverse Change:** there is no Material Adverse Change;
- (i) **Warranties:** the warranties given by BLU and IPMG to each other in the SIA are (and remain) true and accurate;
- (j) **Funding arrangements:**
 - (i) at all times until the Court Approval Date, all events of default under the NAB Facility have been either remedied to the satisfaction of NAB or waived by NAB;
 - (ii) by no later than 5 Business Days prior to the date of the Scheme Meeting, the terms of the NAB Facility Agreement are amended so that BLU will be able to comply with all of its obligations under its financing arrangements on and from the Court Approval Date of the Scheme; and
 - (iii) all representations and warranties given by BLU in the relevant financing documents would be true and correct in all respects if repeated on the Court Approval Date of the Scheme with reference to the facts and circumstances then **existing**.

3 Recommendation

The only independent director of BLU, Mr Nick Greiner, has agreed to recommend the Scheme to shareholders but may change his recommendation if:

- (a) the independent expert concludes that the Scheme is not in the best interests of BLU shareholders who are not associated with IPMG; or
- (b) Mr Greiner has determined in good faith and acting reasonably after consultation with BLU's advisors that a bona fide Competing Takeover Proposal is a superior proposal to the Scheme (having regard to all relevant circumstances, including price and conditionally) and receiving an updated opinion from the independent expert concerning the Scheme,

and as a result, in either case, Mr Greiner is unable to recommend to BLU shareholders that the Scheme be approved or is required to withdraw such a recommendation.

4 Implementation

The parties have agreed to take all necessary steps to propose and implement the Scheme as soon as reasonably practicable. BLU has agreed to commission an independent expert's report in respect of the Scheme. Further, BLU has agreed to carry on its business in the ordinary course or as contemplated by the SIA or otherwise agreed by IPMG.

5 Termination

A party may (the terminating party) terminate the SIA if:

- (a) the sunset date of 31 August 2009 has passed;
- (b) the other party is in breach of a material term of the SIA;
- (c) the Court fails to make orders in accordance with section 411(1) of the Corporations Act to convene the Scheme Meeting and either an appeal from such failure is unsuccessful or the parties determine not to initiate an appeal;
- (d) the required majority of BLU shareholders fail to approve the Scheme;
- (e) the Court fails to approve the Scheme in accordance with section 411(4) of the Corporations Act;
- (f) the other party becomes subject to an Insolvency Event;
- (g) in the case of BLU as the terminating party, IPMG discloses a fact, matter or circumstance that gives rise to, or may give rise to, a breach of a warranty given by IPMG in the SIA, which has or is likely to have a material adverse effect either on IPMG or on IPMG's ability to perform the SIA or implement the Scheme;
- (h) in the case of IPMG as the terminating party, BLU discloses a fact, matter or circumstance that gives rise to, or may give rise to, a breach of a warranty given by BLU in the SIA, which has or is likely to have a material adverse effect either on BLU or on BLU's ability to perform the SIA or implement the Scheme;
- (i) in the case of IPMG as the terminating party, Mr Greiner changes or withdraws his recommendation to shareholders in relation to the Scheme;

- (j) a Court or other governmental agency has issued a final and non appealable order or taken other action which permanently restrains or prohibits the Scheme; and
- (k) a condition precedent has not been satisfied or waived and the parties are unable to reach an agreement on alternative means in which the condition may be satisfied or the Scheme may be implemented.

6 Right to match

If BLU receives a Competing Takeover Proposal which it proposes to consider, it will:

- (a) notify IPMG of the existence of the proposal;
- (b) notify IPMG if BLU proposes to provide confidential information to any third party in relation to a Competing Takeover Proposal or if a request for access to such information by a third party proposing a Competing Takeover Proposal has been made; and
- (c) notify IPMG if Mr Greiner proposes to recommend a Competing Takeover Proposal or agree the terms of a Competing Takeover Proposal at least 48 hours before BLU recommends or agrees the terms of a Competing Takeovers Proposal.

During the period of 48 hours referred to above, IPMG will have the right to offer to amend the terms of the Scheme so that the Scheme (as amended) would provide at least an equivalent outcome for BLU shareholders in all material respects compared to the Competing Takeover Proposal, in which event Mr Greiner must continue to recommend the Scheme.

7 Representations and warranties

Each of IPMG and BLU has given representations and warranties which are normal for an agreement of this kind, including representations and warranties as to information to be contained in the Scheme Booklet. The SIA contains indemnities in respect of loss arising by reason of any breach of representation or warranty.

8 Key Definitions

Competing Takeover Proposal means any proposal or offer by a third party with respect to any transaction concerning an acquisition of all or a controlling interest in BLU shares (by purchase, merger, amalgamation, scheme of arrangement, business combination, liquidation, dissolution, recapitalisation, buy-back, cancellation, return of capital, take-over bid or otherwise), or the variation of such proposal or offer, that is superior to that offered under the Scheme.

Insolvency Event means in relation to a party:

- (a) the party is or becomes unable to pay its debts as and when they fall due or is otherwise presumed to be insolvent under the insolvency laws applying to that party;
- (b) the party suspends or threatens to suspend payment of its debts generally;
- (c) the calling of a meeting to consider a resolution to wind up the corporation (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the corporation) or the making of an application or the making of any order, or the passing of any resolution, for the winding up, liquidation or bankruptcy of the party other than where the application or order (as the case may be) is set aside within 14 days;

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- (d) the appointment of a provisional liquidator, liquidator, receiver or a receiver and manager or other insolvency official to the party or to the whole or a substantial part of the property or assets of the party;
 - (e) the enforcement of a security interest by a secured lender of a party;
 - (f) a third party demands that amounts owed by the party to the third party are immediately due and payable;
 - (g) the appointment of an administrator to the party; or
 - (h) the entry by a party into any compromise or arrangement with creditors.

Material Adverse Change means any change, effect, event or series of events, occurrence, state of facts or development which occurs or is announced by BLU after the date of the SIA or becoming known to IPMG that could (whether individually or when aggregated with others) reasonably be expected to be materially adverse to the business, assets and liabilities, financial condition or trading position, performance, operations, profitability or prospects of BLU but shall not include any change, effect, event or series of events, occurrence, state of facts or development:

- (a) that occurred prior to the date of the SIA and which IPMG was aware of or which was announced to ASX prior to the date of the SIA; or
- (b) that is required to be done pursuant to the SIA.

Prescribed Occurrence means the occurrence of any of the following in relation to the BLU or any of its Subsidiaries:

- (a) converting all or any shares into a larger or smaller number of shares;
- (b) BLU or one of its subsidiaries resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) BLU or a subsidiary of BLU:
 - (i) entering into a share buy-back agreement; or
 - (ii) resolving to approve the terms of a share buy-back agreement under the Corporations Act;
- (d) BLU or a subsidiary of BLU issuing shares, or granting an option over shares, or agreeing to make such an issue or grant such an option (other than pursuant to an obligation that exists at the date of the Scheme Implementation Agreement or in the case of a BLU subsidiary, to BLU or a wholly owned subsidiary);
- (e) BLU or a subsidiary of BLU issuing or agreeing to issue any other instruments convertible into shares (other than pursuant to an obligation that exists at the date of the Scheme Implementation Agreement or in the case of a BLU subsidiary, to BLU or a wholly owned Subsidiary);
- (f) BLU or a subsidiary of BLU making or proposing any material change or amendment to its constitution;
- (g) BLU or a subsidiary of BLU creating, or agreeing to create, after the date of the SIA any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of the

business or property with a value of \$500,000 or more otherwise than in the ordinary course of business;

- (h) an Insolvency Event occurring in relation to BLU or a subsidiary of BLU;
- (i) the BLU group, or any member of it, announcing or undertaking any internal re-organisation that would constitute a Competing Takeover Proposal on the assumption that the BLU group, or any member of it which announces or will undertake the internal re-organisation is the third party who is referred to in the definition of Competing Takeover Proposal,

provided that a Prescribed Occurrence will not include a matter required to be done pursuant to the Scheme.