

21 February, 2012

Dear Fellow Videlli Shareholder,

Settlement of T-Card Litigation

I advise that the long running T-Card Litigation involving Videlli and its subsidiary ITSL and the Public Transport Ticketing Corporation ("PTTC") has been settled. The settlement follows mediation presided over by Mr Ian Callinan AC, QC and involves the payment by Videlli of \$5 million in addition to an amount of \$27 million previously retained but originally funded by the PTTC.

Legal action by a company of Videlli's size against the much larger government is always difficult. In the end, the settlement was reached without admissions on either side and with each party paying its own costs. Videlli has spent over \$20 million over the last three years in defending the claim and pursuing a counter-claim in an attempt to obtain a fair and reasonable result for shareholders.

Prior to the termination of the T-Card contract, the original ERG which was founded in Australia, was recognised as a global company, and the company that acquired the ERG technology following the termination of the T-Card Contract is now performing well in many parts of the world. Notwithstanding the T-Card proceedings, operating companies associated with Videlli backed up by their centre of expertise in Perth, W.A. continue to provide services to the NSW bus and ferry network. Videlli itself gains no benefit from these services.

The Board expresses its appreciation to the legal team led by Norton Rose (solicitors) for their efforts and professionalism throughout the process and in particular to Duncan Saville and companies associated with Vix Mobility for the support, dedication and funding of Videlli before and after the commencement of the litigation.

Yours faithfully



Colin Henson

Chairman Videlli Limited