
Target's Statement

The Board of Directors of Freshtel Holdings Limited ACN 111 460 121 unanimously recommend that you REJECT the Offer made by Dominet Digital Corporation Pty Ltd ACN 086 657 561.

This document contains important information and requires your immediate attention. It should be read in its entirety.

If you are in doubt about how to deal with this document, you should consult your legal, financial or other professional adviser immediately.

Legal Advisers: Kemp Strang

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with this document, you should consult your broker or your legal, financial or other professional advisor as soon as possible.

This is the Target's Statement dated 7th December 2015 given by Freshtel Holdings Limited ACN 111 460 121 (**FRE**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement issued by Dominet Digital Corporation Pty Ltd ACN 086 657 561 (**DDC**) dated 19 November 2015 (as supplemented by the First Supplementary Bidder's Statement dated 4 December 2015). You should read this Target's Statement in its entirety.

Under section 635 of the Corporations Act, this Target's Statement was to be lodged with ASIC by 3 December 2015. The Company has worked to release this Target's Statement at the earliest time following this date.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 7th December 2015. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

DEFINED TERMS

Unless otherwise noted, capitalised terms and certain abbreviations used in this Target's Statement are defined in the Glossary in section 11.

INVESTMENT DECISIONS

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs and should not be relied upon as the sole basis of any investment decision in relation to the Takeover Offer. You should seek independent financial and taxation advice before making any investment decision and any decision relating to the Takeover Offer.

NOTICE TO FOREIGN SHAREHOLDERS

The distribution of this Target's Statement may, in some jurisdictions, be restricted by law or regulation. Accordingly, persons who come into possession of this Target's Statement should inform themselves of, and observe those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

INFORMATION LINE

If you have any questions in relation to the Takeover Offer or this document, please call David Nolan at Kemp Strang on (02) 9225 2619.

FORWARD-LOOKING STATEMENTS

Certain statements in this Target's Statement relate to the future and are forward-looking statements. All statements other than statements of historical fact are forward-looking statements. These forward looking statements involve known and unknown risks, key considerations, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of FRE to be materially different from future results, performance or achievements expressed or implied by such statements. These factors include, among other things, factors and risks specific to the industry in which FRE is involved as well as general economic conditions (including currency exchange rates and interest rates), the regulatory environment, structural changes in the industries in which FRE operates, competitive pressures, selling prices and market demand. The forward-looking statements in this Target's Statement reflect views held by FRE only as at the date of this Target's Statement.

Matters as yet not known to FRE or not currently considered material by FRE, may cause actual results of events to be materially different from those expressed, implied or projected in any of these forward looking statements.

None of FRE, any of its officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood in any forward looking statement, and you should not place undue reliance on these statements.

FRE and the FRE Directors disclaim any obligation or undertaking to disseminate after the date of this Target's Statement any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based other than to comply with any relevant legal obligations.

Forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

PRIVACY STATEMENT

FRE has collected your information from the FRE share registry for the purpose of providing you with this Target's Statement. The type of information FRE has collected about you includes your name, contact details and information on your shareholding in FRE. The Corporations Act requires the name and address of FRE Shareholders to be held in a public register.

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1. Chairman's Letter

Dear Shareholder,

On 19 November 2015, Pershing Securities Australia Pty Ltd ACN 136 184 962 on behalf of Dominet Digital Corporation Pty Ltd ACN 086 657 561 (**DDC**) announced an on-market takeover bid by DDC for all of your FRE Shares (**Takeover Offer**).

The Takeover Offer is an unconditional cash offer which relates to all FRE Shares that exist or will exist at any time during the Offer Period, other than those in which DDC has a Relevant Interest. The consideration under the Takeover Offer is 0.1 cent per FRE Share that you hold.

Recommendation

The FRE Directors unanimously recommend that you **REJECT** the Takeover Offer.

The principal reasons for the FRE Directors' recommendation that you **REJECT** the Takeover Offer, are set out in section 3 of this Target's Statement. A summary of these reasons is as follows.

- The timing of the Takeover Offer is opportunistic and fails to reflect a number of initiatives underway. There continues to be increased activity for businesses considering an IPO or a back door listing in the market, and the Freshtel board has recently continued sensitive, confidential and incomplete negotiations with two prospects in the IT field.
- The board will advise shareholders and the market when and if appropriate of any positive outcome.
- Your board is committed to continue to examine and explore all opportunities and proposals that will provide shareholders with an attractive growth orientated business.

Unconditional Offer

The Takeover Offer is an unconditional cash offer.

How to accept the Takeover Offer

The Takeover Offer is open until 4:00pm (AEDT) on 15 January 2016 unless extended or withdrawn.

If you are in any doubt as to the action that you should be taken in relation to the Takeover Offer, you should consult a professional adviser.

We will continue to keep you updated on developments as they occur. In the meantime if you have any questions in relation to this Target's Statement or your shareholding in FRE, please call David Nolan on (02) 9225 2619.

Yours sincerely



Peter Buttery

2. What do the FRE Directors recommend?

The FRE Directors unanimously recommend that you **REJECT** the Takeover Offer.

Each of the FRE Directors intend to **REJECT** the Takeover Offer in respect of all FRE Shares held by him or in which he otherwise has a Relevant Interest.

The reasons for the FRE Directors' unanimous recommendation to **REJECT** the Takeover Offer are set out in section 3 of this Target's Statement.

In evaluating the Takeover Offer, the FRE Directors encourage you to:

- read the whole of the Target's Statement, together with the Bidder's Statement;
- ensure you understand the consequences of accepting the Takeover Offer, as noted in this Target's Statement and the Bidder's Statement;
- consider your alternatives as outlined in section 5(e) of this Target's Statement;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- seek independent legal, financial, taxation or other professional advice if you are in any doubt as to what you should do in response to the Takeover Offer.

The FRE Directors will keep you informed of any material developments with respect to the Takeover Offer and any competing offer that may emerge.

3. Reasons why the FRE Directors unanimously recommend that you REJECT the Takeover Offer

The key reasons for the unanimous recommendation by the FRE Directors to **REJECT** the Takeover Offer are set out below.

- The timing of the Takeover Offer is opportunistic and fails to reflect a number of initiatives underway. There continues to be increased activity for businesses considering an IPO or a back door listing in the market, and the FRE Board has recently continued sensitive, confidential and incomplete negotiations with 2 prospects in the IT field.
- The board will advise shareholders and the market when and if appropriate of any positive outcome.
- Your board is committed to continue to examine and explore all opportunities and proposals that will provide shareholders with an attractive growth orientated business.

4. Disadvantages associated with rejecting the Takeover Offer

Although the FRE Directors unanimously recommend that you reject the Takeover Offer, there may be a number of disadvantages in doing so. A summary of some of those disadvantages is set out below.

This summary is not exhaustive and you should have regard to your own personal investment objectives and financial circumstances, and should consult your professional advisors, before deciding whether or not to accept the Takeover Offer.

(a) **The Takeover Offer provides the opportunity for all FRE Shareholders to realise their investment in FRE**

Under the Takeover Offer, all FRE Shareholders have an opportunity to realise their investment in FRE for a certain cash consideration.

Accepting the Takeover Offer removes the risks associated with continuing to hold FRE Shares, including risks associated with FRE's business as well as general industry and market risks.

Further, there is currently a limited market for FRE Shares. While the FRE Directors are hopeful that trading volumes in FRE Shares will increase, there can be no guarantee that this will occur in the short term or at all. Accordingly, the FRE Offer represents an opportunity for FRE Shareholders to liquidate their entire holding of FRE Shares.

(b) **A superior proposal may not arise**

As at the date of this Target's Statement, the Takeover Offer represents the only offer for FRE Shares. There is no guarantee that an alternative offer for FRE Shares will be made, or that any alternative offer will be superior to the Takeover Offer.

5. Frequently asked questions

This section is designed to help you understand some of the issues relating to the Takeover Offer.

(a) **Who is the Bidder?**

The Bidder is Dominet Digital Corporation Pty Ltd ACN 086 657 561, an investment and consulting company with a focus on digital innovation and investments.

(b) **What am I being offered under the Takeover Offer?**

DDC is seeking to acquire all of your FRE Shares and is offering 0.1 cent in cash per FRE Share.

(c) **What do the FRE Directors recommend?**

The FRE Directors unanimously recommend that you **REJECT** the Takeover Offer. The reasons for this recommendation are set out in this Target's Statement.

(d) **What do the FRE Directors intend to do with their FRE Shares?**

As at the date of this Target's Statement, it is the FRE Directors' intention not to accept the Takeover Offer for the FRE Shares held or controlled by them. A summary of the FRE Shares held by the FRE Directors as at the date of this Target's Statement is outlined in section 9.1.

(e) **What choices do I have as a FRE Shareholder?**

As a FRE Shareholder you have the following choices:

- accept the Takeover Offer for all of your FRE Shares;
- do nothing; or
- sell your FRE Shares (unless you have already accepted the Takeover Offer and have not validly withdrawn your acceptance).

There are implications for you in relation to each of these choices.

(f) **How do I accept the Takeover Offer?**

To accept the Takeover Offer, you need to follow the instructions set out in section 2 of the Bidder's Statement.

(g) **How do I reject the Takeover Offer?**

To reject the Takeover Offer, you do not need to do anything.

(h) **If I accept the Takeover Offer, can I withdraw my acceptance at any time?**

No. If you accept the Takeover Offer, you will be legally bound to sell your FRE Shares and you cannot withdraw your acceptance.

(i) **What happens if I do nothing?**

You will remain a FRE Shareholder unless DDC compulsorily acquires your FRE Shares. However, DDC has stated in the Bidder's Statement that if DDC acquires more than 90% of FRE Shares it will not seek to compulsorily acquire the balance.

(j) **Can I be forced to sell my FRE Shares?**

If DDC acquires 90% of the FRE Shares issued, it will be entitled to compulsorily acquire the remaining FRE Shares. Otherwise, you cannot be forced to sell your FRE Shares.

(k) **Does the Takeover Offer contain any conditions?**

No, the Takeover Offer does not contain any conditions.

(l) **Why is there no independent expert's report in the Target's Statement?**

An independent expert's report is only required to be included in a target's statement where:

- the bidder's voting power in the target is 30% or more; or
- if a director of the target company is a bidder or a director of the bidder company.

This requirement does not apply to the Takeover Offer. In addition, the FRE Directors do not consider that an independent expert's report is necessary, as amongst other things the Takeover Offer is all cash and they believe that the information in this Target's Statement, the Bidder's Statement and publicly available information are sufficient for the FRE Board to unanimously recommend that the FRE Shareholders REJECT the Offer and for FRE Shareholders to determine whether or not to accept the Offer.

(m) **What are the tax implications of accepting the Takeover Offer?**

Depending on their individual circumstances, FRE Shareholders may realise a gain or a loss and may incur a liability for taxation, by selling their FRE Shares to DDC. The extent of any tax liability will depend on each FRE Shareholder's individual circumstances.

A general outline of the tax implications of accepting the Takeover Offer for Australian resident FRE Shareholders is set out in section 8 of the Bidder's Statement.

As the outline is a general guide only, FRE Shareholders should seek their own taxation advice, having regard to their own particular circumstances.

(n) **When does the Takeover Offer close?**

The Takeover Offer will close at 4pm (AEDT) on 15 January 2016 unless it is extended or withdrawn.

Under section 624(2) of the Corporations Act, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, DDC's voting power in FRE increases to more than 50%. In this case, the Offer period is automatically extended so that it ends 14 days after the date of DDC's increase in voting power.

(o) **Can DDC vary the Takeover Offer?**

DDC can vary the Takeover Offer by extending the Offer Period or increasing the Offer Price.

(p) **When will I be paid if I accept the Takeover Offer?**

The usual rules of settlement of transactions which occur on market on ASX will apply in respect of DDC's purchase of the FRE Shares on market. This means that you will be paid on a T+3 Basis.

(q) **What if I have other questions about the Takeover Offer?**

Please call David Nolan at Kemp Strang on (02) 9225 2619.

6. DDC Takeover Offer

This section contains some more detailed information on the Takeover Offer, its conditions and some of the risks associated with the Takeover Offer.

6.1 Takeover Offer

On 19 November 2015, Pershing Securities Australia Pty Ltd ACN 136 184 962 (**Pershing**) on behalf of DDC announced DDC's intention to make an on market offer to FRE Shareholders to acquire all issued FRE Shares. The Takeover Offer relates to all

FRE Shares that exist or will exist at any time during the Offer Period, other than those in which DDC has a Relevant Interest. The Bidder's Statement states that, as at the date of the Bidder's Statement, DDC has a Relevant Interest in 1.02% of all FRE Shares.

For further information regarding the terms of the Takeover Offer please refer to section 1 of the Bidder's Statement.

DDC's intentions in relation to FRE if it obtains a Relevant Interest in more than 50% of FRE Shares are set out in section 5.2 of the Bidder's Statement. Section 5.3 of the Bidder's Statement sets out the intentions of DDC in the event that it obtains a Relevant Interest in less than 50% of FRE Shares.

6.2 Offer Consideration

DDC is offering to acquire all of your FRE Shares. You may accept the Takeover Offer in respect of some or all of the FRE Shares registered in your name by selling your FRE Shares to Pershing (who will stand in the market to acquire FRE Shares on behalf of DDC).

DDC is offering 0.1 cent in cash for each of your FRE Shares.

DDC may vary the Takeover Offer by increasing the Offer Price in accordance with the Corporations Act. If you have sold your FRE Shares prior to any such variation, you will not receive the benefit of the variation.

6.3 Funding of Offer Consideration

DDC has stated in section 7.2 of the Bidder's Statement and in the First Supplementary Bidder's Statement that the consideration for the Takeover Offer will be funded by way of DDC's existing resources and a loan from DDC's major shareholder.

6.4 Unconditional Offer

While the Takeover Offer is an unconditional cash offer, DDC may withdraw unaccepted Offers in certain circumstances. See section 6.6 for an explanation of the circumstances in which DDC may withdraw unaccepted Offers.

6.5 Offer Period

Unless the Takeover Offer is extended or withdrawn, it is open for acceptance from 3 December 2015 until 15 January 2016.

The circumstances in which DDC may withdraw or extend the Takeover Offer are set out in section 1.7 and 1.11 of the Bidder's Statement.

6.6 Withdrawal or extension of the Takeover Offer

In accordance with sections 652B and 652C of the Corporations Act, the Takeover Offer may only be withdrawn in the following circumstances:

- (a) with the written consent of ASIC and subject to the conditions (if any) specified in such consent;
- (b) upon the occurrence of an event specified in section 652C(1) of the Corporations Act, if upon the occurrence of such event DDC's voting power in FRE is at or below 50%; or
- (c) upon the occurrence of an insolvency event specified in section 652C(2) of the Corporations Act.

DDC may, at its discretion, extend the Offer Period (subject to the Corporations Act).

Under section 624(2) of the Corporations Act, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, DDC's voting power in FRE increases to more than 50%. In this case, the Offer period is automatically extended so that it ends 14 days after the date of DDC's increase in voting power.

6.7 When will I receive my consideration if I accept the Takeover Offer?

Payment for acceptances will be received on a T+3 Basis, in line with the normal practice of an on market purchase of shares on ASX. This means you will be paid 0.1 cent in cash for each of your FRE Shares on the third Trading Day after your acceptance of the Offer.

6.8 Compulsory acquisition

Under section 5.2 of the Bidder's Statement, DDC has indicated that it will not seek to proceed with compulsory acquisition of the balance of FRE Shares if it acquires more than 90% of FRE Shares. However, as noted in the First Supplementary Bidder's Statement, FRE Shareholders should be aware that DDC has rights to compulsorily acquire FRE shares in the event that it acquires a Relevant Interest in more than 90% of FRE Shares, pursuant to Part 6A.1 Division 2 of the Corporations Act.

7. Information regarding FRE

This section includes more detailed information on FRE's business and outlook.

7.1 FRE's business

The operation, through a sub-contractor, of a VOIP (Voice Over Internet Protocol) telephony business while actively seeking an appropriate investment opportunity to enhance shareholder value.

7.2 Directors of FRE

The FRE Directors, collectively, have significant business skills and experience. The FRE Directors as of the date of this Target's Statement are:

Name	Qualifications and experience
Mr Peter Buttery FCA MAICD (Chairman)	Mr. Buttery was elected to the Freshtel board on 23 November 2010. Mr. Buttery is a qualified Chartered Accountant and was a Partner of Deloitte for 28 years until 1998 and was the audit partner responsible for several listed companies and advised on corporate finance strategies. From 1998 he acted as a financial strategy consultant and company director and is a member of the Australian Institute of Company Directors. Previously he held positions with listed entities include being Chairman of Ribloc Group Ltd, Chairman of Chariot Internet Ltd, Chairman of Chevalier Pipe Technologies GMBH, Chairman of Norditube Technologies AB, Director of Enterprise Energy Ltd. He is currently a director of several large family companies and assists in managing their business interests, and investment and property portfolios as well as corporate governance matters.
Mr Matt Ranawake BBus., MBA, CPA, FAICD	Mr Ranawake was elected to the board on 23 November 2010 Mr Ranawake has over 20 years of experience in the telecommunications industry in Asia Pacific, Australia, India and China, combined with a strong background

	<p>in Finance, Mergers & Acquisitions, Information Systems, Sales, Change Management, Strategy and Business Development acquired across a number of industries. Until recently he was the Chief Financial Officer of Konekt Limited, a ASX listed workplace health solutions provider. Prior to that he was the CFO of Consistel Group in Singapore where he was instrumental in raising funds from Intel Capital and JAFCO Asia. Prior to joining Consistel, Matt was the CFO of LongReach Group Limited, an ASX listed Australian telecommunications equipment manufacturer and vendor, where he was involved in raising capital and managing its merger. He has held senior management positions in Telstra Corporation, British Telecom and Marconi. Matt also has several years of experience in gas, electric and petroleum industries.</p>
<p>Dr Kenneth Carr Doctor of Bus Adm. M.Bus.Adm,</p>	<p>Dr Carr joined the Freshtel board in February 2009. He resigned in February 2013, and was reappointed in 2014. He has formerly held CEO and Board positions on several listed entities in Australia and overseas, most recently as CEO of eBET Limited. Previously he has held MD role at Rubik Financial, and CEO at Keycorp Limited plus senior executive positions at British Telecom, AT&T, and Lucent Technologies. He spent some time as a Principal at IBM GSA with a primary focus on Telco consulting to all local carriers and overseas entities such as China Mobiles, and Nextel Inc. His main experience is related to corporate restructuring and recovery transformation, which has included several JVs and mergers and acquisitions in many countries.</p>

7.3 Current strategies

The FRE Board is committed to continue to examine and explore all opportunities and proposals that will provide shareholders with an attractive growth orientated business. There continues to be increased activity for businesses considering an IPO or a backdoor listing in the market, and the FRE Board has recently continued sensitive, confidential and incomplete negotiations with two prospects in the IT field.

7.4 FY15 and FY16 results

FRE recorded a consolidated loss of \$188,079 for the 2015 financial year. This included amounts totaling \$36,749 spent on due diligence in regard to an investment opportunity. As at 30 September 2015, FRE recorded net operating costs of \$33,477 and had cash reserves of \$191,635.

7.5 Issued capital

As at the date of this Target's Statement, FRE's issued capital consisted of 1,123,676,18 ordinary FRE Shares.

7.6 Substantial holders

The substantial holders recorded on the FRE Register, before the date of this Target's Statement, are the following entities (together with any of their Associates) which have a Relevant Interest in 5% or more of FRE Shares:

Name	FRE Shares	Relevant Interest in FRE Shares
BRUCAR PTY LTD	94,233,333	94,233,333
ROGER J LANG NOMINEES PTY LTD	73,296,803	73,296,803
MRS SANDRA DI IULIO	77,014,992	93,681,642
BOUNDARY NOMINEES PTY LTD	55,986,077	60,106,077

8. Risks associated with FRE's business

8.1 Introduction

There are factors, both specific to FRE and of a general nature, which may materially and adversely affect the future operating and financial performance of FRE and the value of FRE Shares. Many of these factors are outside the control of FRE and the FRE Directors.

This section outlines the risks the FRE Directors regard as significant or major risks associated with an investment in FRE. Each of the risks set out below could, if it were to eventuate, have a material adverse impact on FRE's operating performance and profits and the value of the FRE Shares.

8.2 FRE-specific risks

In addition to the general risks noted in section 8.3, there are also a number of risks specific to FRE. These specific risks include, but are not limited to, those risks referred to below.

- (a) Regulatory changes which may affect the viability of VOIP telephony services.
- (b) Failure of the sub-contractor who conducts the Freshtel VOIP business.

8.3 General risks

(a) General economic conditions

Australian and world economic conditions may negatively affect FRE's financial performance. Any protracted slowdown in economic conditions or factors such as the level of production in any relevant economy, inflation, currency fluctuation, interest rates, supply and demand and industrial disruption may have a negative impact on FRE's costs and revenue. These changes could adversely affect FRE's operations and earnings. Prolonged deterioration in general economic conditions, including increased interest

rates or reduced consumer and business demand, could be expected to have a material adverse impact on FRE's financial performance.

(b) **Taxation**

Changes to tax legislation and regulations or their interpretation may adversely affect the value of an investment in FRE Shares and may affect FRE Shareholders differently.

(c) **Interest rates**

A change in interest rates may impact adversely on FRE's financial performance.

(d) **Accounting Standards**

Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this Target's Statement may impact adversely on FRE's reported financial performance.

(e) **Force majeure**

Force majeure is a term used to refer to an event beyond the control of a party claiming that the event has occurred. These include acts of God, fire, floods, earthquakes, war and strikes. To the extent that force majeure events occur, they may adversely affect FRE's financial performance, the value and price of FRE Shares.

(f) **Other risks**

The risks discussed above are not exhaustive and FRE may face other risks from time to time that may materially impact upon FRE's financial performance.

9. Additional Information

9.1 FRE Directors' interests in securities in FRE

The number and description of securities in FRE in which each of the FRE Directors has a Relevant Interest as at the date of this Target's Statement is set out in the table below.

Director	Number of FRE Shares held	Other FRE securities held
Mr Peter Buttery	60,106,077	N/A
Dr Ken Carr	0	N/A
Mr Matt Ranawake	0	N/A

9.2 FRE Directors' dealings in FRE Shares

No FRE Director has acquired or disposed of a Relevant Interest in any FRE Shares in the four month period immediately preceding the date of this Target's Statement.

9.3 FRE Directors' interests in securities of DDC

No FRE Directors have any interests in securities of DDC as at the date of this Target's Statement.

9.4 FRE Directors' dealings in DDC

No FRE Director has acquired or disposed of a Relevant Interest in any securities of DDC in the four month period immediately preceding the date of this Target's Statement.

9.5 Benefits and agreements**(a) Directorships**

As at the date of this Target's Statement, no FRE Director is a director of DDC.

(b) Benefits in connection with retirement from office

The Takeover Offer will not result in any FRE Director or any other person being given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that FRE Director or other person from a board or managerial office of FRE.

(c) Agreements connected with or conditional on the Takeover Offer

There are no agreements made between any FRE Director and any other person in connection with, or conditional upon, the outcome of the Takeover Offer.

(d) Benefits from DDC

No FRE Director has agreed to receive or is entitled to receive, any benefit from DDC which is conditional on, or is related to, the Takeover Offer.

(e) Interests of FRE Directors in contracts with DDC

No FRE Director has any interest in contracts with DDC which is conditional on, or is related to, the Takeover Offer.

9.6 No litigation and material claims

As at the date of this Target's Statement, FRE is not engaged in any litigation, the outcome of which is likely to have a material adverse effect on the business or financial position of FRE and which has not previously been disclosed.

9.7 Consents

This Target's Statement contains statements made by, or statements based on statements made by the Directors of FRE and by Kemp Strang. Each of Kemp Strang and the Directors of FRE has given and has not, before the date of this Target's Statement, withdrawn their consent to the inclusion of:

- (a) references to its name;
- (b) each statement it has made; and
- (c) each statement which is based on a statement it has made,

in this Target's Statement in the form and context in which those statements appear and to the maximum extent permitted by law expressly disclaims and takes no responsibility for any part of this Target's Statement other than any statement which has been included in this Target's Statement with the consent of that party.

Each person who is named in this Target's Statement as acting in a professional capacity for FRE in relation to the Takeover Offer:

- (a) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than a statement included in this Target'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 Target's Statement, other than any statement which has been included in this Target's Statement with the consent of that party.

The Target's Statement includes statements which are made in or based on statements lodged with ASIC or on the company announcements platform of ASX. Under ASIC Class Order 01/1543, the parties making those statements are not required to consent, and have not consented, to the inclusion of those statements in this Target's Statement. FRE Shareholders may obtain copies of these documents (free of charge) during the Offer Period by contacting David Nolan at Kemp Strang on (02) 9225 2619.

FRE Shareholders should note that the FRE Directors have assumed, for the purposes of preparing the Target's Statement, that the information contained in the documents lodged with ASIC and on the company announcements platform of ASX is accurate. However, the FRE Directors do not take responsibility for the content of these documents and are not to be taken as endorsing, in any way, any or all statements contained in such documents, except to the extent required by law.

9.8 No other material information

This Target's Statement is required to include all information that FRE Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Takeover Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisors to expect to find the information in this Target's Statement; and
- only if the information is known to any of the FRE Directors.

The Directors of FRE who authorised this Target's Statement are of the opinion that the information that FRE Shareholders and their professional advisors would reasonably require to make an informed assessment of whether to accept the Takeover Offer is the information contained in:

- the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in releases by FRE and DDC to ASX before the date of this Target's Statement; and
- this Target's Statement.

The Directors of FRE who authorised this Target's Statement have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this

Target's Statement). However, those Directors of FRE do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors of FRE who authorised this Target's Statement have had regard to:

- the nature of the FRE Shares (being fully paid ordinary shares);
- the matters which FRE Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisors of FRE Shareholders;
- the nature of the Takeover Offer; and
- the time available to FRE to prepare this Target's Statement.

10. Approval of Target's Statement

This Target's Statement has been approved by a circular resolution of all of the directors of FRE dated 7th December 2015.



Graham Henderson

Signed for and on behalf of Freshtel Holdings Limited.

Date: 7th December

11. Glossary and Interpretation

11.1 Glossary

The following terms have the meanings set out below unless the context requires otherwise:

AEDT means Australian Eastern Daylight Time.

Announcement Date means 19 November 2015.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning given in section 12(2) of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange it operates.

Bidder's Statement means the bidder's statement of DDC dated 19 November 2015, as supplemented by the First Supplementary Bidder's Statement, under Part 6.5 of the Corporations Act relating to the Takeover Offer.

Control has the meaning given under section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth) and any regulations made under that Act.

DDC or **Bidder** means Dominet Digital Corporation Pty Ltd ACN 086 657 561.

First Supplementary Bidder's Statement means the supplementary bidder's statement of DDC dated 4 December 2015 under Part 6.5 of the Corporations Act relating to the Takeover Offer.

FRE or **Target** means Freshtel Holdings Limited ACN 111 460 121.

FRE Board, **Board** or **Target Board** means the board of directors of FRE.

FRE Director means a director of FRE.

FRE Register means the register of FRE Shareholders maintained by FRE in accordance with the Corporations Act.

FRE Shareholder means a person who is registered as the holder of FRE Shares in the FRE Register.

FRE Shares or **Target Shares** means fully paid ordinary shares in the capital of FRE.

Offer Period means the period during which the Takeover Offer will remain open for acceptance being between 3 December 2015 and 15 January 2016 (or such later date if the Takeover Offer is extended).

Offer Price means 0.1 cent per FRE Share.

Listing Rules means the listing rules of ASX as amended or varied from time to time.

Pershing means Pershing Securities Australia Pty Ltd ACN 136 184 962.

Relevant Interest has the same meaning as in the Corporations Act.

T+3 Basis means that settlement occurs on the third Trading Day after the date of the transaction in accordance with ASX practice.

Takeover Offer or **Offer** means the offer by DDC for FRE Shares contained the Bidder's Statement, as varied by the Corporations Act.

Target's Statement means this document, being the target's statement of FRE under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement.

Trading Day has the meaning given to it in the Listing Rules.

11.2 Interpretation

- (a) Annexures to the Target's Statement form part of this Target's Statement.
- (b) Words and phrases to which a meaning is given by the Corporations Act have that meaning in this Target's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.
- (c) Headings are for convenience only and do not affect the interpretation of this Target's Statement.
- (d) The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations.
- (e) References to sections are to sections of this Target's Statement, unless stated otherwise.
- (f) References to paragraphs are references to paragraphs within the section of this Target's Statement in which the reference to the paragraph is made.
- (g) References to time are references to the time in Sydney, Australia on the relevant date, unless stated otherwise.
- (h) References to "dollars", "\$" or "cents" are to Australian currency.

12. Corporate Directory

Freshtel Holdings Limited ACN 111 460 121 (ASX:FRE)

Registered Office

2980 Frankston Flinders Road, Balnarring VIC 3926

Telephone

(03) 9946 5345

Facsimile

(03) 9946 5345

Website

www.freshtelholdings.com.au

Company Secretary

Graham Henderson

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067

Legal Adviser

Kemp Strang
Level 17, 175 Pitt Street, Sydney NSW 2000