



19 August 2016

The Manager
Market Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

NON-RENOUCEABLE ENTITLEMENT OFFER

Freshtel Holdings Limited (ACN 111 460 121) (**ASX: FRE**) (**the Company**) is seeking to raise up to approximately \$375,000 (before costs) through a pro rata non-renounceable entitlements offer of one (1) fully paid ordinary share in the capital of the Company (**Share**) for every three (3) Shares held by eligible shareholders on 25 August 2016 (**Record Date**) at an issue price of \$0.001 per Share (together with one (1) free attaching option exercisable at \$0.0025 on or before 30 September 2020 (**New Option**) for every eight (8) Shares subscribed for and issued) (**Entitlement Offer**).

The Entitlement Offer is fully underwritten by Patersons Securities Limited (**Underwriter**).

1. INDICATIVE USE OF PROCEEDS OF ENTITLEMENT OFFER

The Company proposes to use the proceeds of the Entitlement Offer as follows:

Use	Approximate amount to be allocated (A\$)	%
Working Capital	79,774	21%
Expenses of the Offer	294,785	79%
Total	\$374,559	100%

The above expenditure budget is indicative only and may change according to circumstances prevailing at the time.

2. SUMMARY OF THE ENTITLEMENT OFFER

- (a) The Entitlement Offer comprises one (1) fully paid ordinary share in the capital of the Company (**Share**) for every three (3) Shares held by eligible shareholders on 25 August 2016 (**Record Date**) at an issue price of \$0.001 per Share (together with one (1) free attaching option exercisable at \$0.0025 on or before 30 September 2020 (**New Option**) for every eight (8) Shares subscribed for and issued).

- (b) Eligible shareholders will comprise those shareholders with a registered address in Australia and New Zealand or any other shareholders in other jurisdictions to whom the Company decides to make offers.
- (c) The Entitlement Offer is fully underwritten by the Underwriter subject to certain terms and conditions pursuant to the Underwriting Agreement between the Company and the Underwriter (**Underwriting Agreement**). The Underwriter may at any time in its absolute discretion appoint sub-underwriters to sub-underwrite the Entitlement Offer.
- (d) Subject to shareholder approval, up to an additional 46,819,841 Options will be granted by the Company at the Underwriter's discretion to those parties sub-underwriting the Offer (**Sub-underwriter Options**). The Sub-underwriter Options will be subject to the same terms as the New Options issued under the Entitlement Offer.
- (e) Any fractional entitlements arising from the Entitlement Offer will be rounded up.
- (f) Shares issued under the Entitlement Offer will rank equally with existing Shares on issue on the Record Date. The Company will make application for official quotation of the new Shares proposed to be issued under the Entitlement Offer. Share entitlements are non-renounceable and will not be tradeable on the ASX or otherwise transferable.
- (g) Up to approximately 374,558,729 new Shares and 46,819,841 Options (excluding the Sub-underwriter Options) will be issued pursuant to the Entitlement Offer. The Options are proposed to be quoted on the ASX, subject to ASX granting official quotation and each exercisable into one Share at an exercise price of \$0.0025 until the expiry date of 30 September 2020. Shareholders who do not take up all or any part of their entitlement will not receive any payment or value in respect of the entitlement not taken up and their equity interest in the Company will be diluted.
- (h) Pursuant to the Underwriting Agreement, the Company must pay the Underwriter a selling fee of 6% of the total amount raised pursuant to the Offer and a lead manager fee of \$35,000. The Company must also reimburse the costs incidental to the Offer. Additionally, the Underwriter has the sole right to nominate and determine (following reasonable consultation with, and due consideration of any comments provided by the Company) who is to receive the Shortfall Securities, provided they are not a related party of the Company as defined in Section 228 of the Corporations Act.

3. TAKEOVER BID

As previously announced, the Company is the subject of an on-market takeover bid by Dominet Digital Corporation Pty Ltd (**DDC**) pursuant to a Bidder's Statement dated 19 November 2015 (with a supplementary bidder's statement lodged 4 December 2015) (**Takeover Bid**). DDC has extended the offer from 15 January 2015 to 31 August 2016 in accordance with section 649C of the Corporations Act.

Given that there has been minimal uptake in relation to the Takeover Bid and the offer has been extended by 7 months, the Company does not expect the Takeover Bid to be successful. Further, the Company needs to proceed with the Entitlement Offer to ensure it has funds available to pay creditors and meet its short term working capital commitments (such as paying ASX listing fees and service providers to the Company).

4. TIMETABLE

Further details of the Entitlement Offer, including details on how to accept and key risks of the Entitlement Offer together with a summary of the key terms of the Underwriting Agreement, will be set out in a prospectus which is expected to be released to the ASX later today and dispatched to shareholders on 29 August 2016. Outlined below is a timetable of relevant events and dates relating to the Entitlement Offer. These events and dates are indicative only and subject to change. Subject to the ASX Listing Rules, the Corporations Act and other applicable laws, the Company's Board reserves the right to modify all dates, including the Entitlement Offer closing date.

Event	Date
Lodgement of Prospectus with the ASIC	19 August 2016
Lodgement of Prospectus & Appendix 3B with ASX	19 August 2016
Notice sent to Shareholders	23 August 2016
Ex date	24 August 2016
Record Date for determining Entitlements	25 August 2016
Prospectus despatched to Shareholders & Company announces despatch has been completed	29 August 2016
Closing Date	9 September 2016
Securities quoted on a deferred settlement basis	12 September 2016
ASX notified of under subscriptions	14 September 2016
Despatch of holding statements	15 September 2016
Quotation of Securities issued under the Offer	16 September 2016

Application for new Shares and Options under the Entitlement Offer may only be made by completing the Application Form which accompanies the prospectus. Shareholders eligible to participate in the Entitlement Offer should read the prospectus carefully and consult professional advisers as necessary.

5. ENQUIRIES

Any enquiries regarding the Entitlement Offer should be directed to:

Graham Henderson
Company Secretary
Telephone: + 61 3 9946 5345
Email: gkhen@tpg.com.au

This release does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer or sale would be illegal. This release may not be distributed or released in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the securities referred to in this release in any jurisdiction outside Australia. In

particular, the new shares and options to be offered in the Entitlement Offer have not been, and none of them will be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new shares and options may not be offered, directly or indirectly, to, any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.