

FRESHTEL HOLDINGS LIMITED

ACN 111 460 121

SECOND SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Second Supplementary Prospectus**) intended to be read with the first supplementary prospectus dated 26 August 2016 (**First Supplementary Prospectus**) and the prospectus dated 19 August 2016 (**Prospectus**), issued by Freshtel Holdings Limited (ACN 111 460 121) (**Company**).

This Second Supplementary Prospectus is dated 2 September 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Second Supplementary Prospectus.

This Second Supplementary Prospectus should be read together with the Prospectus and the First Supplementary Prospectus. Other than as set out below, all details in relation to the Prospectus and the First Supplementary Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus and the First Supplementary Prospectus have the same meaning in this Second Supplementary Prospectus. If there is a conflict between the Prospectus, the First Supplementary Prospectus and this Second Supplementary Prospectus, this Second Supplementary Prospectus will prevail.

This Second Supplementary Prospectus will be issued with the Prospectus and the First Supplementary Prospectus as an electronic prospectus and may be accessed on the ASX website

<http://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=FRE&timeframe=D&period=W>. The Company will send a copy of this Second Supplementary Prospectus to all applicants who have subscribed for Shares pursuant to the Prospectus prior to the date of this Second Supplementary Prospectus.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

1. REASONS FOR SUPPLEMENTARY PROSPECTUS

1.1 Purpose of this document

By this Supplementary Prospectus the Company provides the information set out in Section 2 below for the information of Shareholders.

1.2 Application Forms

As the content of this Second Supplementary Prospectus is not considered to be materially adverse to investors:

- (a) applications for Shares under the Offer must be made using the Application Form attached to or accompanying the Prospectus (see the Application Form and Section 4 of the Prospectus for detailed instructions on how to complete the Application Form and return it by the Closing Date); and

- (b) applicants who have already subscribed for Shares under the Prospectus to the date of this Second Supplementary Prospectus do not need to take any action.

2. AMENDMENTS TO PROSPECTUS

By this Supplementary Prospectus, the following amendments are made to the Prospectus:

2.1 Replacement of Section 2 of the Prospectus

Section 4.8 of the Prospectus is amended by replacing that section with the following:

2 TIMETABLE

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	2 September 2016
Closing Date*	13 September 2016
Securities quoted on a deferred settlement basis	14 September 2016
ASX notified of under subscriptions	16 September 2016
Despatch of holding statements	19 September 2016
Quotation of Shares issued under the Offer*	20 September 2016

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

2.2 Amendment to Section 4.7 of the Prospectus

Section 4.7 of the Prospectus (as amended by the First Supplementary Prospectus) is amended by replacing that section with the following:

4.7 Effect on the control of the Company

The Underwriter is not presently is a Shareholder of the Company and the extent to which Shares are issued pursuant to the underwriting will increase the Underwriters' voting power in the Company. The Underwriter

is not a related party of the Company for the purpose of the Corporations Act.

In accordance with the terms of the Underwriting Agreement, the Underwriter intends to allocate the Shortfall to its sub-underwriters and other investors that apply for the Shortfall (including existing Shareholders) such that neither the Underwriter, the sub-underwriters nor any other third party, individually, will have a voting power in the Company in excess of 20% after the issue of the Shortfall. In the unlikely event that no Shareholders take up entitlements under the Offer, the sub-underwriters do not fulfil their sub-underwriting obligations to the Underwriter and no other investors (including existing Shareholders) apply for the Shortfall, the Underwriter may be required to subscribe for the entire Shortfall and this will result in the Underwriter having a voting power in the Company of 25% after the issue of the Shortfall.

Notwithstanding that the Offer is fully sub-underwritten, the number of Shares that may be held by the Underwriter and its voting power under several scenarios are set out in the table below.

Event	Shares held by Underwriter	Voting power of Underwriter
Date of Prospectus	Nil	0.00%
Completion of Entitlement Issue		
Fully subscribed	Nil	0.00%
75% subscribed	93,639,682	6.25%
50% subscribed	187,279,364	12.50%
25% subscribed	280,919,047	18.75%
0% subscribed	374,558,729	25.00%

The number of Shares held by the Underwriter and its voting power in the table above show the potential effect of the underwriting of the Offer. However, it is unlikely that no Shareholders will take up entitlements under the Offer. The underwriting obligation and therefore voting power of the Underwriter will reduce by a corresponding amount for the amount of Entitlements under the Offer taken up by the Shareholders.

Further, the Underwriting Agreement gives the Underwriter the right to enter into sub-underwriting agreements to pass on some or all of its obligations to subscribe for the Shortfall under the Underwriting Agreement. The Underwriter has advised the Company that it has entered sub-underwriting agreements for the total number of Entitlements being offered under the Offer. Accordingly, it is unlikely that the Underwriter will be obliged to subscribe for the Shortfall, as these obligations are likely to be passed on to the sub-underwriters.

The Underwriter has advised the Company that the following sub-underwriters may potentially hold voting power of 5% or more in the

Company as a result of their respective sub-underwriting agreements. The voting power post-Offer is calculated on the basis that each sub-underwriter takes up all of the sub-underwriting commitment pursuant to that party's sub-underwriting agreement.

Sub-Underwriter	Current Holding	Current Voting Power	Entitlement Under the Offer	Sub-Underwritten Shares	Holding Post Offer	Voting Power Post Offer
CPS Capital Group Pty Ltd	Nil	0.00%	Nil	160,000,000 ¹	160,000,000	10.68%
Nightfall Pty Ltd <Nightfall Superfund>	Nil	0.00%	Nil	75,000,000	75,000,000	9.28% ²
Willowdale Holdings Pty Ltd	Nil	0.00%	Nil	64,000,000	64,000,000	9.28% ²

Note:

1. The Underwriter has advised that CPS Capital Group Pty Ltd has indicated that its sub-underwriting commitment will be allocated amongst a number of clients of CPS Capital Group Pty Ltd.
2. A person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest. Nightfall Pty Ltd <Nightfall Superfund> and Willowdale Holdings Pty Ltd are entities controlled by Stephen Tomic, a representative of the Underwriter, and are associates of each other as a result of section 12(2)(a)(iii) of the Corporations Act. Accordingly, the relevant interests of Nightfall Pty Ltd <Nightfall Superfund> and Willowdale Holdings Pty Ltd have been aggregated.

Other than as set out in the table above, the Company is not aware that any of the sub-underwriters are associates of each other or of any existing Shareholders of the Company.

In the event that the Underwriting Agreement is terminated and not all Shareholders accept their full Entitlement, the Shortfall procedure set out in Section 4.8 of the Prospectus may apply.

The maximum number of Shares which will be issued pursuant to the Offer is 374,558,729 this will equate to approximately 25.00% of all the issued Shares in the Company following completion of the Offer (on an undiluted basis). Examples of how dilution may impact individual Shareholders is set out in the table below.

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	0.89%	3,333,333	10,000,000	0.67%
Shareholder 2	5,000,000	0.44%	1,666,667	5,000,000	0.33%
Shareholder 3	1,500,000	0.13%	500,000	1,500,000	0.10%
Shareholder 4	400,000	0.04%	133,333	400,000	0.03%
Shareholder 5	50,000	0.004%	16,667	50,000	0.003%
Total	1,123,676,186		374,558,279	1,489,234,915	

Notes:

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer.

2.3 Replacement of Section 4.8 of the Prospectus

Section 4.8 of the Prospectus is amended by replacing that section with the following:

4.8 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to the Prospectus and will remain open for up to three months following the Closing Date, with the initial issue of Securities under the Shortfall (to those that applied by the Closing Date) to occur within 10 business days of the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.001 being the price at which Shares have been offered under the Offer.

One (1) New Option with an exercise price of \$0.0025 and an expiry date of 30 September 2020 will also be issued for every eight (8) Shares subscribed for and issued under the Shortfall Offer.

Eligible Shareholders who wish to apply for Shares above their Entitlement are invited to apply for additional Securities under the Shortfall Offer by completing a Shortfall Application Form. Investors who are not Shareholders of the Company can also apply for Shortfall Securities by completing the Shortfall Application Form. A Shortfall Application Form can be obtained from the Company on request.

Pursuant to the Underwriting Agreement, following consultation with the Company and having taken into account applications received by the Company in respect of the allocation of Shortfall Securities, 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. The Underwriter has the discretion to determine allocations of the Shortfall Securities and may elect not to allocate any the Shortfall Securities to eligible Shareholders and instead allocate the whole of the Shortfall to the sub-underwriters (subject to the Underwriter having agreed to allocate some of the Shortfall Securities to Dominet Digital Corporation Pty Ltd (**DDC**) as set out below). There is no guarantee that eligible Shareholders will receive the Shortfall Securities applied for. If the number of Shortfall Securities issued is less than the number applied for, surplus application monies will be refunded in full. Interest will not be paid on any application monies refunded.

In addition to the sub-underwriting agreements entered into by the Underwriter, the Underwriter has entered into an agreement with DDC, pursuant to which, the Underwriter has agreed to allocate to DDC, from the Shortfall 92,620,551 Shares and 11,577,568 Options, less the number of Shares and Options acquired by DDC by accepting its Entitlement, subject to sufficient Shortfall being available and conditional on the satisfaction of certain conditions. The Underwriter has indicated to the Company that, subject to consultation with the Company and having taken into account applications received by the Company in respect of the allocation of Shortfall Securities, it proposes to allocate the Shortfall Securities in priority to

DDC (up to this maximum number of Shares and Options) and then to the sub-underwriters pro rata to their sub-underwriting commitments.

If the Underwriter's right to allocate Shortfall Securities is terminated (for example because the Underwriting Agreement is terminated), the Company will issue Shortfall Securities first to eligible Shareholders. If the number of Securities applied for by Eligible Shareholders exceeds the Shortfall, Shortfall Securities will be allocated proportionally among such eligible Shareholders according to their respective proportionate shareholding in the Company.

No eligible Shareholder or investor will be issued any Shortfall Securities if, as a result of such issue, their voting power in the Company would increase from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

3. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.

Peter Buttery
Chairman
For and on behalf of
FRESHTEL HOLDINGS LIMITED