FRESHTEL HOLDINGS LIMITED
(TO BE RENAMED "FIELD SOLUTIONS HOLDINGS LIMITED")
ACN 111 460 121

PROSPECTUS

For an offer of up to 133,333,333 Shares at an issue price of $0.03 per Share to raise up to $4,000,000 (before costs) with a minimum subscription of $3,000,000 (**Offer**).

Completion of the Offer is conditional upon satisfaction of the Conditions, which are detailed further in Sections 2.4 and 6.6 of the Prospectus. No Securities will be issued pursuant to this Prospectus until such time as the Conditions are satisfied.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

Joint Lead Managers to the Offer: Patersons Securities Limited and CPS Capital Limited.

IMPORTANT INFORMATION

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

The Securities offered by this Prospectus should be considered highly speculative.

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1. CORPORATE DIRECTORY

Directors

Peter Oswald Buttery[1]
Non-Executive Director

Mithila Nath Ranawake
Non-Executive Director

Ken Carr
Non-Executive Chairman

Additional Proposed Directors

Andrew Roberts[2]
Proposed Executive Director and Chief Executive Officer

Wayne Wilson[2]
Proposed Non-Executive Director

Company Secretary

Graham Keith Henderson

Current ASX Code

FRE

Proposed ASX Code

FSH

Auditor[3]

Hall Chadwick
Level 40
2 Park Street
SYDNEY NSW 2000

Registered Office

FRE
2980 Frankston-Flinders Road
BALNARRING VIC 3926

Telephone: + 61 3 9946 5345

Email: gkhen@tpg.com.au
Website: www.freshtelholdings.com.au

FSG
351 Clarence Point Road
CLARENCE POINT TAS 7270

Email: admin@fieldsolutions-group.com
Website: www.fieldsolutions-group.com

Investigating Accountant

PKF Corporate Finance Pty Ltd
Level 8, 1 O'Connell St
SYDNEY NSW 2000

Solicitors to the Company

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Joint Lead Managers

Patersons Securities Limited
Level 23, Exchange Tower
2, The Esplanade
PERTH WA 6000

CPS Capital Limited
Level 45,
108 St Georges Terrace
PERTH WA 6000

Share Registry[3]

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

TELEPHONE: 1300 787 272

[1] To resign on Settlement of the Acquisition.
[2] To be appointed with effect from Settlement of the Acquisition.
[3] These entities have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

2. IMPORTANT NOTICE

2.1 Change in nature and scale of activities and re-compliance with Chapters 1 and 2 of the ASX Listing Rules

At the General Meeting held on 13 March 2017, the Company's shareholders approved the change in the nature and scale of its activities.

ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

The Company's Securities will remain suspended from trading on ASX from 6 October 2017 and will not be reinstated until satisfaction of the Conditions to the Offer and ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-admission to the Official List. In the event the Conditions are not satisfied or the Company does not receive conditional approval for re-admission to the Official List then the Company will not proceed with the Offer and will repay all Application monies received.

2.2 General

This Prospectus is dated 15 March 2017 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

2.3 Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus.

2.4 Conditional Offer

The Offer is conditional on:

(a) the Acquisition Agreement becoming unconditional;

(b) the passing of all of the Acquisition Resolutions at the General Meeting (which has now been satisfied); and

(c) ASX conditional approval to re-admit the Shares to Official Quotation,

(together, the **Conditions**).

Accordingly, the Offer under this Prospectus is effectively inter-conditional on the successful completion of each other part of the Acquisition.

In the event that (a) and (c) above are not satisfied, the Offer will not proceed and no Securities will be issued pursuant to this Prospectus. If this occurs, Applicants will be reimbursed their Application monies (without interest).

2.5 Expiry Date

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

2.6 Website – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.freshtelholdings.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

There is no facility for the Offer to be accepted electronically or by applying online. Shares will not be issued under the electronic version of the Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

No document or information included on our website is incorporated by reference into this Prospectus.

2.7 Forwarding-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Sections 5D and 9 of this Prospectus.

2.8 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

2.9 Defined terms

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 17 of this Prospectus.

2.10 Time

All references to time in this Prospectus are references to Australian Eastern Standard Time.

2.11 Risks

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. Refer to Section 9 of this Prospectus for details relating to risk factors.

2.12 Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offer or how to accept the Offer, please call the Company Secretary, Graham Henderson on +61 3 9946 5345.

3. INDICATIVE TIMETABLE*

General Meeting	13 March 2017
Lodgement of Prospectus with the ASIC	15 March 2017
Opening Date of the Offer	23 March 2017
Closing Date for Offer	14 April 2017
Allotment of Securities	21 April 2017
Despatch of holding statements	24 April 2017
Re-quotation of Securities on ASX	27 April 2017

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with any of the Offer at any time before the issue of Shares to Applicants.*

^ The above stated date for Settlement of the Acquisition is only a good faith estimate by the Directors and may have to be extended.

4. CHAIRMAN'S LETTER

Dear Investor

On behalf of the Board, I am delighted to invite you to participate in the ownership and future growth of Freshtel Holdings Limited (to be renamed "Field Solutions Holdings Limited").

The Company previously operated as a provider of voice over internet protocol based phone services, and for the past 12 months, has been evaluating alternative corporate opportunities, both in Australia and overseas. As announced on 23 November 2016, the Company is proposing to change its operations to a company focused on operating in the telecommunications, technology and cloud computing sector via the acquisition of 100% of the issued capital of Field Solutions Group Pty Ltd (**FSG**) (**Acquisition**).

FSG, which was founded in 2012, provides private and generic cloud hosting services, and is a licenced Australian telecommunications carrier providing services via its own telecommunications network to regional and rural Australia. FSG's business focuses on being a telecommunications carrier, specialised software developer and provider of cloud technology infrastructure, applications and services.

FSG has two main areas of business, managed services and software. The managed services business includes cloud hosting applications and providing broadband business quality communications at both wholesale and retail level, primarily in regional Australia.

FSG already has fibre and wireless telecommunications networks in New South Wales at Coffs Harbour, Gundagai and Moree, and is currently planning more in New South Wales and also in North Queensland. These networks are business ready networks, ahead of the National Broadband Network, using symmetrical capacity, ideal for business applications not just downloading your favourite film. This capacity allows FSG to target high value business users directly and provide a wholesale service to resellers.

The software developments have produced bespoke projects for organisations such as Surf Life Saving Australia, and The University of Sydney (and corresponding long term hosting contracts) other software "products" developed by FSG have been implemented in field based applications for asset management, service and support with customers such as Hydro Tasmania, Surf Life Saving Australia and Transport for NSW.

With the ability to provide either custom built or off the shelf SaaS (software as a service) products, that can then be hosted and delivered on the Company's infrastructure, means a very low cost delivery into a premium price market. Being able to deliver this service into regional Australia primarily for business application, and ahead of the competition (which is largely focussed on consumers), gives the Company the edge in achieving strong continuous growth.

At the General Meeting held on 13 March 2017, the Company's shareholders approved (among other things) the proposed change in the Company's direction. This Prospectus is being issued to assist the Company to re-comply with the ASX Listing Rules and also raise sufficient funds to complete the proposed Acquisition. Under this Prospectus, the Company proposes to raise a minimum of $3,000,000 and a maximum of $4,000,000 pursuant to the Offer.

I encourage you to read the Prospectus carefully and in its entirety, particularly the section on risks.

On behalf of the Board, I invite you to subscribe for Shares in the Company and look forward to welcoming you as a shareholder.

Yours sincerely

DR KEN CARR
NON-EXECUTIVE CHAIRMAN

5. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Freshtel Holdings Limited (ACN 111 460 121) (ASX:FRE) (to be renamed Field Solutions Holdings Limited)	
Who is FRE?	FRE listed on the ASX on 20 October 2004 as a provider of voice over internet protocol (**VoIP**) based phone services. FRE has been providing VoIP based phone services, also known as internet phones, for several years now both nationally and internationally. The Company's operation of its VoIP business has been leased to another company since December 2010. For the past 12 months, the Company has been evaluating alternative corporate opportunities, both in Australia and overseas to maximise return for investors. As announced on the ASX on 23 November 2016, FRE has entered into a binding, conditional agreement (**Acquisition Agreement**) to acquire 100% of the issued capital of Field Solutions Group Pty Ltd (**FSG**), a company specialising in telecommunications, software and cloud technology services. It is the Company's intention following reinstatement to discontinue its current VoIP business and to focus solely on FSG's business and operations going forward.	Section 6.1
How will the Acquisition be implemented?	At the Company's general meeting held on 13 March 2017, shareholders approved (among other things) the change in focus from VoIP phone based services to developing and operating a telecommunications, software and cloud technology company. FRE proposes to change its name to "Field Solutions Holdings Limited" at Settlement of the Acquisition, which in the Board's opinion will be better suited to the Company's new	Sections 6.2, 6.5, 6.6 and 6.7

Item	Summary	Further information
	strategic direction.	
Who is FSG?	FSG was founded in 2012 and provides both private and generic cloud hosting services and is a licenced Australian telecommunications carrier providing services via its own telecommunications network (trading as 'JUST ISP') to regional Australia. The business of FSG is focussed on providing cloud infrastructure, developing and distributing cloud software applications and services, public and private cloud hosting services and engineering and delivering carrier level broadband solutions. FSG offers the following services to its clients: (a) managed services; (b) telecommunications carrier service; (c) software; and (d) cloud hosting services.	Sections 6.4 and 8
B. Business Model		
How will FRE generate income?	Following Settlement of the Acquisition, FRE will look to develop the Business through the operations of FSG, as its proposed wholly owned subsidiary. The key business operations can be classified as: • Software development and maintenance services; • Telecommunications and carrier services; and • Industry based software sales and services. **Software Development and Maintenance**: FSG will continue to develop and maintain software platforms for a range of government and commercial clients. FSG generates revenue via large platform built projects and through the ongoing maintenance of these platforms.	Section 8.7

Item	Summary	Further information
	Telecommunications and Carrier Services: FSG primarily has a direct sales model and also works through a small but growing number of resellers in regional Australia. FSG intends to continue to develop and innovate specialised cloud based products (hosting, backup, disaster recovery and telephony) for its chosen customers and markets. These products will be sold under FSG's JUST ISP brand and can be sold via FSG's reseller channel, or even provided as a white label product if customers wish to brand these themselves. From a telecoms carrier perspective, FSG intends to design and build fibre optic and wireless networks in several regional and remote towns and cities. Revenue will be generated via increasing consumer, corporate and local council clients. To date this has been the core of the telecoms and carrier business and its expansion will facilitate cloud based services. **Industry Based Software Sales and Services:** FSG will continue to develop a range of cloud software platforms. These solutions will be aimed at customers such as accounting, legal and financial services. Revenue is expected to be generated from software subscription licensing, and more importantly, from cloud hosting and telecommunications services (enabling technologies). FSG will continue to develop its partner and reseller channel allowing locally managed service providers access to FSG's networks and services to be bundled as a component of their own offerings. This indirect channel is currently in place. Rural Fabric, a specialist rural fibre optic wholesale network is planned to be launched by FSG in the second half of 2017. Revenue is expected to be generated via the provision of dedicated fibre optic delivery, construction and subscriptions.	

Item	Summary	Further information
What are the key business strategies of FRE?	Upon successful settlement of the Acquisition, the Company will further develop the Business and focus on new business strategies. These key business strategies will be to: • fully commercialise FSG products by focussing on sales and marketing; • increase customer growth in regional and remote Australia by building upon its contact base, take advantage of direct investment opportunities and continuing to deliver innovative, high value software and cloud technology solutions; • build a strong brand in regional and rural Australia, and a stronger sales and service support organisation; • increase JUST ISP network reach in regional and rural Australia targeting regional 'hot spots' with little or limited National Broadband Network (NBN) coverage; • deploy a new wholesale network "Rural Fabric" to supply wholesale broadband access in regional and rural Australia; • develop end-to-end product portfolio by adding new features and continually strengthening security aspects of cloud technology offerings; and • evaluate market consolidation opportunities and future adjacent opportunities.	Section 8.9
What are the key dependencies of the Company's business model?	The key factors that the Company will depend on to meet its objectives are: (a) operational management and technical experts; (b) the ability to work with local government and bring new services online faster to encourage local business to grow and prosper by providing the same quality services that the cities enjoy; (c) established relationships with key customers; and (d) expansion of its network in regional	Section 8.8

Item	Summary	Further information
	Australia.	
C. Key Investment Highlights		
What are the key investment highlights?	The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exhaustive list of key highlights: (a) the Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a telecommunications, technology and cloud computing company. FSG currently holds all necessary Australian government telecommunications licenses which, combined with its software development and hosting skills, provides a unique opportunity to deliver all necessary elements of the complete cloud technology services business model; (b) the Acquisition will enable the Company to tap into the established nature of the FSG business, primarily in regional and rural Australia, the government sector, and its growing presence in the cloud technology market; (c) the Acquisition Agreement requires the Company to complete a capital raising at $0.03 per Share to raise not less than $3,000,000 (and up to $4,000,000) which will provide the Company with significant funds for development and expansion of the FSG business; (d) the potential increase in market capitalisation of the Company following Settlement and the associated capital raising may lead to access to improved equity or debt capital market opportunities and increased liquidity which is not currently present; (e) the appointment of Andrew Roberts and Wayne Wilson provides the Company with extensive experience	Section 6.3

Item	Summary	Further information
	and a proven track record within the telecommunications, software, and cloud technology markets; and (f) the consideration for the Acquisition is comprised of 185,714,286 Shares, thereby conserving the Company's cash reserves.	
D. Key Risks		
What are the key risks of an investment in FRE?	A non-exhaustive list of the key risk factors affecting the Company are as follows: (a) **Increased competition** Since deregulation in 1997, industry competition has significantly increased, saturating the market given the isolated and relatively small size of the Australian market. Many existing service providers either compete directly or provide services that are potential substitutes for FSG services. New competitors, services, and business models that compete with FSG are likely to arise in the future. Many of these competitors may have substantially more resources than that of FSG. An increase in competition could result in FSG products and services becoming less attractive to its customers and potential new customers. This could result in FSG reducing the retention of existing customers, resulting in having to increase product development and marketing expenses or capital expenditure, reduce its selling prices, or change its business model to remain competitive. Any of these outcomes will have a potentially detrimental effect on FSG's profitability and financial performance. (b) **Cyber security** Cyber-attacks, data theft and hacking may lead to compromise or even breach of technology platforms used by FSG customers. Despite preventive measures undertaken by FSG, should cyber-attacks be successful, any data security breaches or FSG's failure to protect confidential information could result in FSG breaching its obligations under applicable law or customer contracts, each	Section 9

Item	Summary	Further information
	of which would have potentially materially adverse impact on FSG's reputation and financial performance. (c) **Changes across the local government market restricting purchases** The New South Wales State government launched a program to amalgamate several local councils across the State in 2016. While there has been a community backlash and court challenges against these amalgamations, and some back down by the State government evident, uncertainty on the future of some local government authorities is likely to persist. Within this environment, some local authorities may curtail their operational strategies including further development of their telecommunications and information technology requirements. The risk for FSG is in local government authorities delaying or cancelling intended contracts or issuing new tenders altogether. If this comes to pass, it could have a materially adverse impact on FSG revenue and profitability. (d) **Reliance on sales & marketing success** Following completion of the Offer, the Company intends to fully commercialise FSG product portfolio by focussing on sales and marketing. There is no guarantee that FSG sales and marketing strategy will be successful. Even if FSG successfully commercialises its products, there is a risk that the Company may not generate sufficient revenue to cover its operating costs. (e) **Substantial Ownership at Reinstatement** Following re-admission to the Official List, and based on the Company raising the Minimum Subscription, Mr Andrew Roberts, the Company's proposed Executive Director and CEO, will, via his ownership in Convergent Technologies Holdings Pty Ltd, hold a substantial controlling interest in the Company (on an undiluted basis) in the amount of	

Item	Summary	Further information
	56.25%. (f) **Contracts risk** FSG has a number of customer contracts in place with third parties. In such cases, there is the risk that these third parties may default on their obligations under the customer contracts, which may in turn necessitate legal action. This could result in significant financial loss for the Company. (g) **Re-Quotation of Shares on ASX** The acquisition of FSG constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules. (h) **Dilution risk** Upon completion of the Acquisition and achieving the minimum subscription under the Offer (assuming no further Shares are issued and no exercise of any Options), the existing Shareholders will retain approximately 10.44% of the issued capital of the Company, with the Vendors holding 56.25%, the investors under the Offer holding 30.29%, the Directors of the Company holding 1.82% and the Facilitators holding 1.21% of the issued capital of the Company respectively. Upon completion of the Acquisition and achieving the maximum subscription under the Offer (assuming no further Shares are issued and no exercise of any Options), the existing Shareholders will retain approximately 9.48% of the issued capital of the Company, with the Vendors holding 51.09%, the investors	

Item	Summary	Further information
	under the Offer holding 36.68%, the Directors of the Company holding 1.65% and the Facilitators holding 1.10% of the issued capital of the Company respectively of the issued capital of the Company respectively.	
E. Directors and Key Management Personnel		
Who are the Directors and Proposed Directors?	It is proposed that upon Settlement of the Acquisition: (a) Mr Andrew Roberts and Mr Wayne Wilson will be appointed to the Board; (b) Mr Mithila Nath Ranawake and Mr Ken Carr will remain on the Board; and (c) Mr Peter Buttery will resign from the Board. The profiles of each of the Directors and Proposed Directors are set out in Sections 10.2 and 10.3. Details of the personal interests of each of the above individuals are set out in Section 10.5. At Settlement, the Company will also issue 6,000,000 Shares to existing directors of the Company in lieu of remuneration owing to them prior to the Acquisition (**Director Shares**). Details of the offer in respect of the Director Shares are set out in Section 7.2(c).	Section 10
F. Financial Information		
Key Financial Information The following table provides a summary of the Pro Forma Historical Financial Information and Statutory and Pro Forma Forecast Financial Information. Prospective investors should read Section 11 for full details of Pro Forma and Statutory results and the assumptions underlying this information.		

Item	Summary	Further information

AUD	Historical			Forecast	
	FY2014	FY2015	FY2016	FY2017	FY2017
	Pro-Forma	Pro-Forma	Pro-Forma	Pro-Forma	Statutory
Revenue	1,228,558	2,974,638	5,053,463	5,350,020	5,350,020
Growth (%)	n/a	142.1%	69.9%	5.9%	5.9%
EBITDA	(441,431)	(685,396)	1,052,895	1,092,183	153,832
EBITDA Margin (%)	-35.9%	-23.0%	20.8%	20.4%	2.9%
Growth (%)	n/a	n/a	n/a	3.7%	-86.2%
Net Profit After Tax	(314,679)	(448,023)	791,357	798,491	(110,351)
NPAT Margin (%)	-25.6%	-15.1%	15.7%	14.9%	-2.1%
Growth (%)	n/a	n/a	n/a	0.9%	n/a

Note 1: The Pro Forma Historical and Forecast Income Statements have been reconciled to Statutory Financial Information in Section 11.

Note 2: The Statutory and Pro Forma Forecast Financial Information has been prepared on the basis of best estimate general assumptions as set out in Section 11 and should be read in conjunction with the risk factors as set out in Section 9 and other information in this Prospectus.

Further information is set out in Sections 11 and 12.

Does FRE have sufficient funds for its activities?	The funding for FRE's short to medium term activities will be generated from a combination of the money raised under the Offer and existing cash reserves.	Section 7.4
G. Offer		
What is the purpose of the Offer?	The purpose of the Offer is to position the Company to seek to achieve the objectives set out below in Section 7.1 and to meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules. The satisfaction of Chapters 1 and 2 of the ASX Listing Rules is sought for the purpose of seeking ASX's approval for reinstatement of the Company's Securities to quotation. The purpose of the Offer is also to provide sufficient working capital to meet the Company's anticipated overhead and administration expenses over the next twenty four months. On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives. The Company intends to apply funds raised from the Offer, together with existing cash	7.1

Item	Summary	Further information
	reserves, over the first two years following reinstatement of the Company to quotation on the official list of ASX in the manner set out in the table in Section 7.4.	
Is the Offer underwritten?	The Offer is not underwritten.	Section 7.1(b)
Will there be a lead manager to the Offer?	CPS Capital Limited and Patersons Securities Limited have agreed with the Company to act as joint lead managers to the Offer. Refer to Section 14.3 for details of the fees payable to the Joint Lead Managers for their services.	Section 14.3
What is being offered and who is entitled to participate in the Offer?	FRE will be offering up to 133,333,333 Shares at an issue price of $0.03 per Share to raise up to $4,000,000 (before costs) with a minimum subscription of $3,000,000. Only residents of Australia and New Zealand may participate in the Public Offer.	Sections 7, 7.10 and 7.11
What will FRE's capital structure look like after completion of the Offer and the Acquisition?	Refer to Section 8.13 for a pro forma capital structure following Settlement of the Acquisition.	Section 8.13
Will I be guaranteed a minimum allocation under the Offer?	No, the Company is not in a position to guarantee a minimum allocation of Shares under the Offer.	Section 7.1
What are the terms of the Shares offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer are set out in Section 15.2.	Section 15.2
Will any Securities be subject to escrow?	Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain Securities on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in	Section 8.15

Item	Summary	Further information
	Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner. The Company will apply to the ASX for a waiver from certain restriction requirements that might otherwise apply to the Consideration Shares on the basis that a majority of the Vendors: (a) paid cash for their FSG Shares; and (b) have held their FSG Shares for a substantial period of time prior to the Acquisition of FSG by the Company. Subject to this waiver, all or a proportion of the Consideration Shares may be restricted from trading for a period of up to 24 months after the date of re-admission of the Company to the Official List.	
Will the Shares be quoted?	Application for quotation of all Shares to be issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus.	Section 7.8
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Section 3.	Section 3
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of $2,000 worth of Shares (66,667 Shares) and thereafter, in multiples of $200 worth of Shares (6,667 Shares).	Section 7.1(c)
Are there any conditions to the Offer?	The Offer is conditional on: • the Acquisition Agreement becoming unconditional; • Shareholders approving the Acquisition Resolutions required to implement the Acquisition (which has now been satisfied); and • ASX conditional approval to re-admit the Securities to Official Quotation. If any of these Conditions are not satisfied, the Acquisition and the Offer will not proceed.	Section 2.4

Item	Summary	Further information
H. Use of proceeds		
How will the proceeds of the Offer be used?	The Offer proceeds will be used for: • expenses of the Offer and the Acquisition; • increase sales and marketing activity; • increase network capability in regional and rural Australia; • expenses associated with the Acquisition and the Offer; and • working capital and corporate administration expenses of the Company. A detailed table settling out the proposed use of funds raised under the Offer is set out in Section 7.4.	Section 7.4 and 15.6
I. Additional information		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.	
What are the tax implications of investing in Shares?	Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.	
Where can I find more information?	• By speaking to your sharebroker, solicitor, accountant or other independent professional adviser. • By reviewing FRE's public announcements, which are accessible from ASX's website at www.asx.com.au under the ASX code "FRE". • By visiting FRE's website at www.freshtelholdings.com.au. • By visiting FSG's website at www.fieldsolutions-group.com. • By contacting George Henderson, FRE's	

Item	Summary	Further information
	Company Secretary, on +61 3 9946 5345. • By contacting the Share Registry, on: 1300 787 272	

6. TRANSACTION OVERVIEW

6.1 The Company

The Company is an Australian public company, incorporated on 20 October 2004 and listed on the ASX on 20 October 2004 (ASX: FRE).

The Company has been providing voice over internet protocol (**VoIP**) based phone services, also known as internet phones, for several years now both nationally and internationally. The Company's operation of its VoIP business has been leased to another company since December 2010. Since then, the Board's sole focus has been to identify a future business which has the potential to deliver strong future growth for Shareholders and investors.

Pursuant to its continuous disclosure obligations, the Company has kept the market fully informed and updated in relation to its activities. Details of these activities are available on the Company's ASX announcements platform (ASX:FRE). Details of the Company's most recent activities are set out in its Annual Report lodged with ASX on 24 October 2016 and Half Yearly Report lodged with ASX on 28 February 2017.

6.2 The Acquisition

As announced on the ASX on 23 November 2016, FRE has entered into the Acquisition Agreement to acquire 100% of the issued capital of FSG. FSG is a licenced Australian Telecommunications Carrier and provider of cloud computing infrastructure, applications and services, primarily to customers in regional and rural Australia.

Upon successful completion of the Acquisition, the Company will focus on developing and operating FSG and its Business and change its business focus to that of a telecommunications, technology and cloud computing company.

A more detailed summary of FSG and the proposed business of the Company following Settlement is set out in Section 8.

6.3 Key investment highlights

The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exhaustive list of key highlights:

(a) the Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a telecommunications, technology and cloud technology company. FSG currently holds all necessary Australian Government Telecommunications licenses which, combined with its extensive software development and hosting skills, provides a unique opportunity to deliver all necessary elements to deliver a complete cloud services business model;

(b) the Acquisition of FSG will enable the Company to tap into the established nature of the FSG business and further expand that business into more regional and rural areas and expand its network to provide symmetrical broadband services for business customers;

(c) the Agreement requires the Company to complete a capital raising at $0.03 per Share to raise not less than $3,000,000 which will provide the Company with significant funds for development of the FSG business;

(d) the potential increase in market capitalisation of the Company following Settlement and the associated Offer may lead to access to improved equity capital market opportunities and increased liquidity which are not currently present;

(e) the appointment of Andrew Roberts and Wayne Wilson provides the Company with significant experience and a proven track record within the telecommunications, software and cloud technology industry; and past public companies, and

(f) the consideration for the Acquisition is comprised of 185,714,286 Shares, thereby conserving the Company's cash reserves.

6.4 About FSG

FSG was founded in 2012 and provides private cloud hosting services and generic cloud hosting services, and is a licenced Australian telecommunications carrier providing services via its own telecommunications network to regional and rural Australia. FSG's business focuses on being a telecommunications carrier, specialised software developer and provider of cloud technology infrastructure, applications and services.

Please refer to Section 8 for a more detailed summary of FSG and the Company's proposed business following Settlement of the Acquisition.

6.5 Suspension and Re-admission to ASX

As FRE is currently focussed on VoIP, the Acquisition, if successfully completed, will represent a significant change in the nature and scale of FRE's operations to a telecommunications, technology and cloud computing company focused on developing the Business.

ASX has indicated that this change in the nature and scale of FRE's activities will require:

(a) the approval of Shareholders (which has now been satisfied); and

(b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

The Company's shares are currently suspended from trading on the ASX.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

(a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders; and

(b) the Company must satisfy the "profits test" as set out in ASX Listing Rule 1.2.

It is expected that the conduct of the Offer pursuant to this Prospectus will enable the Company to satisfy the above requirements.

Applicants should be aware that ASX will not re-admit or admit any Shares to Official Quotation until FRE re-complies with Chapters 1 and 2 of the Listing Rules and is re-admitted by ASX to the Official List. In the event that FRE does not receive conditional approval for re-admission to the Official List, FRE will not

proceed with the Offer and will repay all application monies received by it in connection with this Prospectus (without interest).

6.6 Shareholder Approval of Acquisition Resolutions

FRE recently held a general meeting and sought (among other things) the approval of Shareholders for a number of resolutions required to implement the Acquisition. As such, the following resolutions were approved by Shareholders:

(a) a change in the nature or scale of the Company's operations to that of a telecommunications, technology and cloud computing company, pursuant to ASX Listing Rule 11.1.2;

(b) the Company's issued capital being consolidated on a 50:1 basis (**Consolidation**);

(c) the issue at Settlement of 185,714,286 Shares (**Consideration Shares**) to the Vendor;

(e) the Company undertaking a capital raising by issuing not less than 100,000,000 Shares at $0.03 per Share to raise at least $3,000,000 (**Minimum Subscription**) and up to 133,333,333 Shares at $0.03 per Share to raise up to $4,000,000 (**Maximum Subscription**) via a prospectus (**Capital Raising**);

(f) in connection with the Acquisition, the appointment of two Proposed Directors to the Board, being Messrs Andrew Roberts and Wayne Wilson;

(g) the change of the Company's name to "Field Solutions Holdings Limited" with effect from Settlement;

(h) the issue of up to 4,000,000 Shares (**Facilitator Shares**) to facilitators of the Acquisition (**Facilitators**); and

(i) the issue of up to 6,000,000 Shares (**Director Shares**) to existing Directors of the Company.

(each, an **Acquisition Resolution**).

6.7 Change of Name

The Company will change its name to "Field Solutions Holdings Limited" on Settlement of the Acquisition, which in FRE's opinion will be better suited to FRE's new strategic direction.

An overview of the Company's business following Settlement of the Acquisition is set out in Section 8.

7. DETAILS OF THE OFFER

7.1 The Offer

Pursuant to this Prospectus, the Company will be offering up to 133,333,333 Shares at an issue price of $0.03 per Share to raise up to $4,000,000.

The Shares offered under the Offer will rank equally with the existing Shares on issue. Refer to Section 15.2 for a summary of the terms of Shares.

(a) **Minimum subscription**

The minimum subscription for the Offer is $3,000,000.

(b) **Not underwritten**

The Offer is not underwritten.

(c) **Minimum application amount**

Applications under the Offer must be for a minimum of $2,000 worth of Shares (66,667 Shares) and thereafter, in multiples of $200 worth of Shares (6,667 Shares).

(d) **Eligible participants**

To participate in the Offer you must be a resident of Australia or New Zealand. See Section 7.11 for further details.

Where the Company accepts oversubscriptions, the Shares to be issued under the oversubscriptions will be issued at the absolute discretion of the Directors.

Accordingly, the Company is not in a position to guarantee a minimum application of Shares under the Offer.

(e) **Quotation and trading**

Application for quotation of the Shares issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 7.8 for further details.

No Shares issued pursuant to the Offer will be subject to any escrow requirement by the ASX.

7.2 Additional Offers

(a) **Consideration Offer**

The Consideration Offer consists of the issue of 185,714,286 Shares to the Vendor as consideration for the Acquisition (**Consideration Shares**). ***Accordingly, only the Vendor may accept the Consideration Offer.***

(b) **Facilitator Offer**

The Facilitator Offer consists of the issue of 4,000,000 Shares to the Facilitators (**Facilitator Shares**). ***Accordingly, only the Facilitator may accept the Facilitator Offer***; and

(c) **Existing Director Offer**

The Existing Director Offer consists of the issue of up to 6,000,000 Shares to existing directors of the Company (**Director Shares**). ***Accordingly, only the existing Directors may accept the Existing Director Offer.***

7.3 Purpose of the Offer

The primary purpose of the Offer is to:

(a) assist FRE to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules (see Section 6.5 for further details); and

(b) to provide the Company with additional funding to expand its sales and marketing effort and progress the development and marketing of the Business, increase its network capability and provide the Company with sufficient working capital to meet its anticipated overhead and administrative expenses over the next 24 months.

FRE intends on applying the funds raised under the Offer along with its current cash reserves in the manner detailed in Section 7.4.

7.4 Use of Funds

FRE intends to apply funds raised from the Offer, together with existing cash reserves, in the next two years following re-admission to the Official List of the ASX (for the purpose of satisfying ASX's requirements for re-listing following a significant change to the nature and scale of the Company's activities) as follows:

Funds available	Minimum Subscription ($3,000,000)	Percentage of Funds (%)	Maximum Subscription ($4,000,000)	Percentage of Funds (%)
Existing cash reserves of the Company and FSG[1]	$391,074	12%	$391,074	9%
Funds raised from the Capital Raising	$3,000,000	88%	$4,000,000	91%
TOTAL	**$3,391,074**	**100.00%**	**$4,391,074**	**100.00%**
Increase sales and marketing activity[4]	$500,000	15%	$650,000	15%
Increase network capability in regional and rural Australia[5]	$1,000,000	29%	$1,750,000	40%
Expenses associated with the Capital Raising[2]	$519,452	15%	$595,112	14%
Working capital and corporate administration expenses of the Company[3]	$1,371,622	40%	$1,395,961	32%
TOTAL	**$3,391,074**	**100.00%**	**$4,391,074**	**100.00%**

Notes:

1 Refer to Section 11 of this Prospectus for further details.

2 Refer to Section 15.6 of this Prospectus for further details in relation to the expense of the Offer.

3 This includes corporate overheads, ASX fees, audit fees, rent and general administration costs.

4 These funds are intended to be used towards increasing sales activity of managed services including telecoms, networks and hosted services in regional areas. These areas have, in the opinion of the Board, the highest growth opportunities at strong margins with generally longer term recurring contracts.

5 These funds are intended to be used towards increasing the reach of FSG's controlled networks, both fibre and wireless, and capacity to provide business grade services to regional areas in conjunction with local partners and local government.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 9).

If FRE raises less than the maximum subscription amount of $4,000,000 under the Offer, it is intended that funds will be allocated firstly to the expenses of the Offer, and then scaled back pro rata among the remaining items of expenditure.

The Board believes that the funds raised from the Offer, combined with existing funds will provide FRE with sufficient working capital at anticipated expenditure levels to achieve its objectives set out in this Prospectus.

It should be noted that the Company may not be self-funding through its own operational cash flow at the end of the two year period referred to above. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding.

7.5 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in FRE are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, FRE, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

7.6 Applications

Applications for Shares under the Offer must be made using the relevant Application Form. By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and

accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Completed Application Forms must be mailed or delivered to the address set out on the Application Form, with sufficient time to be received by or on behalf of the Company by **no later than 5.00pm (AEST) on the Offer Closing Date**.

Applications under the Offer must be accompanied by payment in full in Australian currency by cheque in accordance with the instructions set out in the Application Form.

The Company reserves the right to close the Offer early.

If you require assistance in completing an Application Form, please contact the Share Registry on 1300 787 272.

7.7 Issue of Shares and Allocation Policy

(a) General

Subject to the satisfaction of each of the Conditions (see Section 2.4), the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date and in accordance with the timetable set out in Section 3.

(b) Offer

The allocation of Shares under the Offer will be determined by the Board in its absolute discretion.

There is no guaranteed allocation of Shares under the Offer.

The Board reserves the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the Applicant as soon as practicable after the Offer Closing Date.

The Company's decision on the number of Shares to be allocated to an applicant will be final.

(c) Additional Offers

Consideration Offer

The Consideration Offer is a specific offer made to the Vendor only. As such, Shares offered under the Consideration Offer will be allocated and issued to those the Vendors only.

Facilitator Offer

The Facilitator Offer is a specific offer made to the Facilitators. As such, Shares offered under the Facilitator Offer will be allocated and issued to the Facilitator (or their nominees) only.

Existing Director Offer

The Existing Director Offer is a specific offer made to existing directors. As such, Shares offered under the Existing Director Offer will be allocated and issued to the existing directors (or their nominees) only.

(d) **Defects in applications**

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

(e) **Interest**

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by FRE in trust for Applicants in a separate bank account as required by the Corporations Act. FRE, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

7.8 ASX listing

FRE will apply for Official Quotation of all Shares issued under this Prospectus within 7 days after the date of this Prospectus. However, applicants should be aware that ASX will not commence Official Quotation of any Shares until FRE has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List (see Section 6.5). As such, the Shares may not be able to be traded for some time after the close of the Offer.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of this Prospectus, or such period as varied by the ASIC, or if ASX otherwise rejects FRE's application for re-admission to the Official List (see Section 6.5), FRE will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest. In those circumstances FRE will not proceed with the Acquisition.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of FRE or the Shares now offered for subscription.

7.9 Clearing House Electronic Sub-Register System and Issuer Sponsorship

FRE participates in the Clearing House Electronic Sub-register System (**CHESS**). ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX, operates CHESS. Investors who do not wish to participate through CHESS will be issuer sponsored by FRE.

Electronic sub-registers mean that FRE will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of Shares can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in FRE during the preceding month. Shareholders may request a holding statement at any other time, however a charge may be made for such additional statements.

7.10 Applicants outside Australia and New Zealand

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, Shares in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia and New Zealand. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed in order to accept the Offer.

If you are outside Australia and New Zealand, it is your responsibility to ensure compliance with all laws of any country relevant to, and obtain all necessary approvals for, the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by FRE to constitute a representation and warranty by you that there has been no breach of any such laws and all relevant approvals have been obtained.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia and New Zealand, in which the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

The Offer does not and will not constitute an offer of Shares in the United States of America (**US**). Furthermore, no person ordinarily resident in the US is or will become permitted to submit an Application Form. If the Company believes that any Applicant is ordinarily resident in the US, or is acting on behalf of a person or entity that is ordinarily a resident of the US, the Company will reject that applicant's application.

7.11 New Zealand

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to these Offer. If you need to make a complaint about an Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

7.12 Enquiries

If you have any queries in relation to the Offer, please contact Graham Henderson, the Company Secretary on + 61 3 9946 5345.

8. COMPANY OVERVIEW

8.1 Overview and Future Direction of FRE

As detailed in Section 6.1, since its inception, the Company has been providing voice over internet protocol (**VoIP**) based phone services, also known as internet phones, for several years now both nationally and internationally. The Company's operation of its VoIP business has been leased to another company since December 2010. The Board's sole focus has been to identify a future business which has the potential to deliver strong future growth for Shareholders and investors. Further information can be found on FRE's website, www.freshtelholdings.com.au.

As announced on 23 November 2016, FRE entered into a binding conditional agreement to acquire 100% of the issued capital of FSG.

Upon Settlement of the Acquisition, the Company's focus will shift to that of a telecommunications, technology and cloud computing company. It is the Company's intention following reinstatement to discontinue its current VoIP business and to focus solely on FSG's business and operations going forward.

8.2 Background on FSG and its Business

FSG was incorporated on 3 February 2012 as an Australian proprietary company registered and operating in Tasmania.

FSG provides both private and generic cloud hosting services, and is a licenced Australian telecommunications carrier providing services via its own telecommunications network to regional and rural Australia. FSG's business focuses on being a telecommunications carrier, specialised software developer and provider of cloud technology infrastructure, applications and services.

FSG recognises the requirements of today's digital, sharing and interconnected economy and the technology and infrastructure that enables it. This requires the full integration of high-speed broadband telecommunication networks, cloud computing and data centres. FSG brings together all the components that make up the cloud technology environment including cloud computing, infrastructure hosting, cloud application development, cloud software development and telecommunications expertise under one roof.

The industry is characterised by high levels of market concentration with four main industry players (Telstra Corporation Limited, SingTel Optus Pty Limited, Vodafone Hutchinson Australia Pty Limited and TPG Limited) accounting for approximately 90% of industry revenue[1]. Since deregulation in 1997, industry competition has significantly increased, saturating the market given the isolated and relatively small size of the Australian market. Whilst competition remains strong, industry competitors look to untapped and niche markets in order to increase market share whilst differentiating product offerings to gain market share from competitors. Even with the advent and rollout of the NBN, regional and remote Australians, particularly business customers, have been left behind. Much of regional Australia cannot take advantage of cloud services due to the lack of symmetric capacity and limited bandwidth delivered by the NBN in those areas.

[1] 'Wireless Telecommunications Carriers in Australia' – IBIS World Industry Report, August 2016, pg 18.

FSG has a key focus on business-to-business cloud based symmetrical solutions and providing services to customers in regional and rural Australia. Customers include local government organisations such as Hornsby Shire Council and Coffs Harbour City Council, State government organisations including Transport for NSW and Hydro Tasmania, national organisations such as Surf Life Saving Australia, and educational institutions such as The University of Sydney.

FSG has the ability to provide business ready symmetrical networks. The national broadband network (NBN) is an asymmetrical network providing higher network download speeds for domestic users (e.g. for downloading films and other content). Business users however need both download and upload speeds to have the ability to provide business quality services such as voice, cloud services and interactive applications in real time. This predominantly requires a high bandwidth symmetrical network which is what FSG is focused on building for its own fibre and wireless networks.

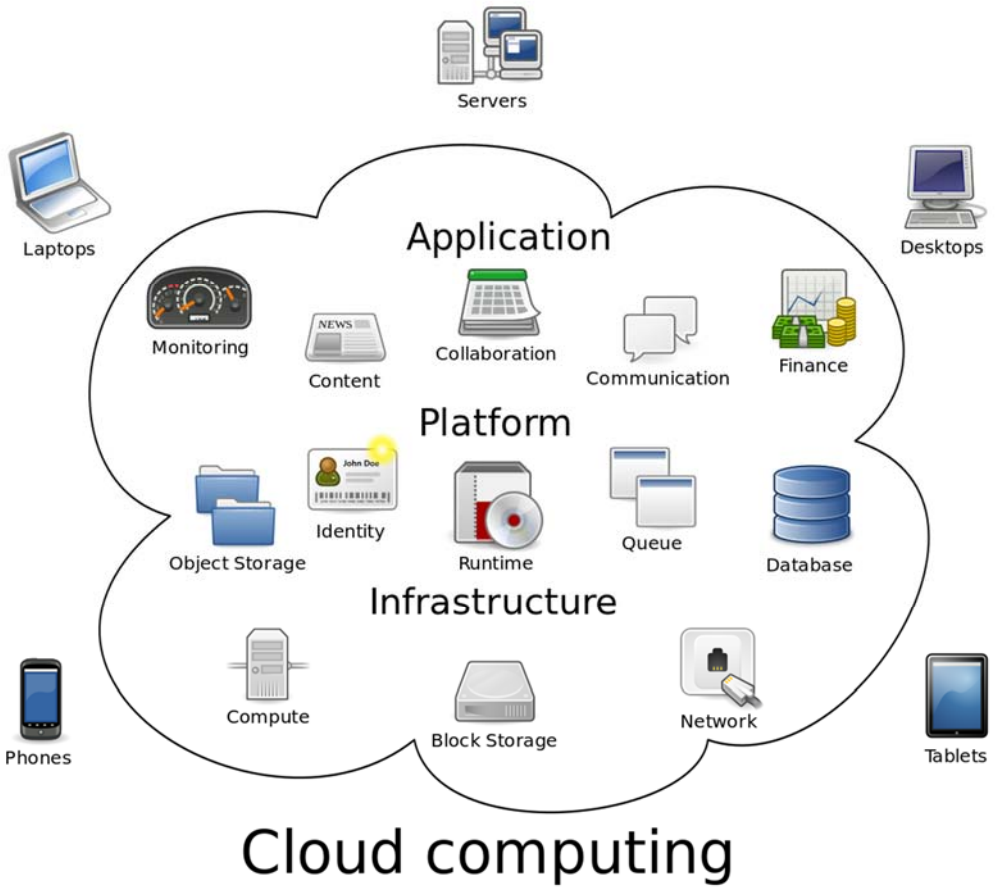
FSG sees large potential in working with local councils to build local infrastructure to help regional and rural businesses, particularly agribusiness to compete on a global scale, and expects further growth in the coming years.

8.3 Cloud Computing

Cloud computing is a type of internet based computing that provides shared computer processing resources and data to computers and other devices on demand. It is a model for enabling ubiquitous, on-demand access to a shared pool of configurable computing resources (e.g., computer networks, servers, storage, applications and services,) which can be rapidly provisioned and released with minimal management effort.

Cloud computing and storage solutions provide users and enterprises with various capabilities to store and process their data in either privately owned, or third-party data centres as provided by FSG, that may be located far from the user–ranging in distance from across a city to across the world. Cloud computing relies on sharing of resources to achieve coherence and economy of scale similar to a utility (like an electricity grid) over an electricity network.

Cloud computing allows companies to avoid up-front infrastructure costs (e.g., purchasing servers) and enables organisations to focus on their core businesses instead of spending time and money on computer infrastructure. Cloud computing may also allow enterprises to get their applications up and running faster, with improved manageability and less maintenance, and enable Information technology teams to more rapidly adjust resources to meet fluctuating and unpredictable business demand.



8.4 FSG Products and Services

FSG brings together all the components that make up the cloud technology environment including cloud computing, cloud application development, cloud software development and telecommunications expertise.

FSG offers the following services to its clients:

(a) **Managed Services**

FSG is a licensed Australian telecommunications carrier accredited to ISO 9001 and ISO 27001 and has established a network presence in regional NSW, Sydney metropolitan area and Tasmania. With the availability of further financial backing, FSG expects to continue to increase its network presence and customer acquisition and expand its focus to far North Queensland and NSW. FSG is working with a number of local councils and is involved in proposed projects under the governments building better regions funds projects to help build business ready infrastructure to local areas and to agribusiness in many areas.

While FSG's performance in standard telecommunications managed services is comparable to other similarly sized providers, its specialty comes through innovative, end-to-end cloud solutions for business, based on a symmetrical broadband service. The NBN being asymmetrical, is not optimised for business using cloud based software. This is a powerful value proposition to business customers particularly in regional Australia.

FSG is continuing to build on its long experience, reputation, IT and telecommunications technology expertise to increase customer acquisition particularly in regional areas, and by working with local authorities to better design networks to assist local business by providing business grade networks, cloud infrastructure and software applications. Service standards are continually being upgraded with a view to making it a key selling factor for FSG, as many regional businesses are not able to get even an adequate telecommunications service, let alone an exceptional one.

(b) **Telecommunications**

FSG is a fully licensed Australian telecommunications carrier and provides a range of voice of internet protocol (VoIP) (that is, allowing the user to make voice calls using a broadband Internet connection instead of a regular (or analog) phone line) and data services.

FSG's fixed and wireless network (which it trades as 'JUST ISP') provides wholesale and retail telecommunications services to both local government and intensive agribusinesses where telecoms has been identified as a strategic tool, but lack of appropriate existing services has thwarted growth.

(c) **Software**

A key part of FSG's value proposition lies in its expertise in designing and building specialised and bespoke software systems for customers. FSG has been delivering and maintaining innovative software products and solutions as well as software upgrades, maintenance, and support for over 10 years. Key customers include Surf Life Saving Australia and The University of Sydney. The strategy for 2017 is to expand the customer base further in the regional and rural areas and the government sector. These customers may choose to have their applications locally or privately managed.

FSG also provides specialised cloud application products and maintenance for its clients and currently provides these services to a range of government and business clients, providing a solid and profitable recurring income stream. FSG has also produced a number of cloud applications aimed at non-office based workers including:

(i) Field Audit, a mobile inspection and auditing tool;

(ii) Field Entry, a remote location site access and tracking tool; and

(iii) Field Service and field support for logging service calls and monitoring service requirements.

Clients include Hydro Tasmania, Hornsby Council and Coffs harbour Council.

(d) **Cloud Technology Services**

FSG delivers cloud based hosting infrastructure and tools to provide a customer's IT department with a suite of cloud services to manage their day to day application hosting, security and infrastructure needs. All these tools are delivered over FSG's private network. These tools can offer greater efficiencies in being able to manage repetitive processes,

automate security and manage cyber security amongst a range of other features expected by IT departments.

FSG's managed cloud services are designed to address the challenges faced by today's organisations, both corporate and government, by managing their portfolio of cloud hosted business applications. For instance, regional government councils can put their finance and rates systems into a secure private cloud, and reduce their reliance on having to find highly skilled staff and at the same time take advantage of the latest in cyber security techniques and gain access to skills that they may need in regional areas. In many cases, sharing skills, resources, and assets that would otherwise prove difficult or expensive to retain.

FSG's cloud transition services guides customers on their transition to the cloud. FSG offers specialised services based around Amazon Web Services, Google Cloud Platform, Microsoft Azure technology solutions, as well as private, public and hybrid cloud solutions.

Once transitioned, FSG provides the customer's IT department with a set of tools to manage its business applications in the cloud. FSG ensures key business functions can be managed in the cloud, including:

(i) cloud infrastructure;

(ii) email and messaging;

(iii) software and date back-ups;

(iv) disaster recovery; and

(v) security.

8.5 Intellectual Property

FSG provides specialised and bespoke software development services for clients and retains some elements of intellectual property primarily in the field mobile services space where it provides this suite of products to field operatives for asset management and service reporting and tracking. Additionally, FSG have intellectual property associated with remote site access management. FSG does not have any patents (nor is it in the process of applying for any).

8.6 Research and Development

To the extent possible, FSG develops new and innovative software for use in cloud and telecommunications technology, and provides this as a service to key clients. Some of this can be categorised as unique research and development.

8.7 Business Model

Following Settlement of the Acquisition, FRE will look to develop the Business through the operations of FSG, as its proposed wholly owned subsidiary. The key business operations can be classified as:

(a) Software development and maintenance services;

(b) Telecommunications and carrier services; and

(c) Industry based software sales and services.

Software Development and Maintenance:

FSG develops and maintains software platforms for a range of government and commercial clients. FSG generates revenue via large platform built projects and through the ongoing maintenance of these platforms. Key clients include state and local government and higher education sectors, in addition to larger organisations including, but not limited to, Surf Life Saving Australia and Hydro Tasmania. A strong focus on regional Australia, has brought in Hornsby Shire Council and Coffs Harbour Council and the ongoing focus will be on expanding regional activity.

Telecommunications and Carrier Services:

FSG primarily has a direct sales model and also works through a small but growing number of resellers in regional Australia. FSG intends to continue to develop and innovate specialised cloud based products (hosting, backup, disaster recovery and telephony) for its chosen customers and markets. These products will be sold under FSG's JUST ISP brand and can be sold via FSG's reseller channel, or even provided as a white label product if customers wish to brand these themselves.

From a telecoms carrier perspective, FSG intends to design and build fibre optic and wireless networks in several regional and remote towns and cities. Revenue will be generated via increasing consumer, corporate and local council clients. To date this has been the core of the telecoms and carrier business and its expansion will facilitate cloud based services.

Industry Based Software Sales and Services:

FSG will continue to develop a range of cloud software platforms. These solutions will be aimed at customers such as accounting, legal and financial services. Revenue is expected to be generated from software subscription licensing, and more importantly, from cloud hosting and telecommunications services (enabling technologies).

To date FSG provides software products of its own, such as Field Asset Management, in areas where there are multiple assets in wide dispersed areas, such as in hydro power stations and agribusiness. FSG also has products, such as Field Entry, which provides support to service personnel on assets deployed, and Field Support, for logging or user reports. These products collectively generate circa $155,000 per annum in fees on an ongoing basis. It is the Company's intention to expand the sales of these products and develop new products to fit clients of the telecoms carrier networks, where viable.

FSG's direct business model layers the provision of telecommunications networks, software and services delivered to rural and remote Australia. Specific FSG brands such as JUST ISP will be deployed in towns where our network is present, allowing local sales and services to be provided via a direct sales channel.

FSG plans to continue to develop its partner and reseller channel allowing locally managed service providers access to FSG's networks and services to be bundled as a component of their own offerings. This indirect channel is currently in place.

Rural Fabric, a specialist rural fibre optic wholesale network is planned to be launched by FSG in the second half of 2017. Revenue is expected to be generated via the provision of dedicated fibre optic delivery, construction and subscriptions.

8.8 Key Dependencies of the Business Model

The key factors that the Company will depend on to meet its objectives are:

(a) operational management and technical experts;

(b) expansion of the FSG network in regional Australia; and

(c) building on close relationships with local councils and other key customers.

8.9 Growth Strategy

For growth, the Company intends to increase Shareholder value as per the vision outlined above, by adopting the following strategies:

(a) fully commercialise FSG product portfolio by focussing on sales and marketing;

(b) increase customer growth in rural and regional Australia by building on its contact base, direct investment opportunities and continuing to deliver innovative, high value software and cloud technology solutions;

(c) established relationships with key customers;

(d) communicating, and consistently adhering to a disciplined process for the development of products and/or services;

(e) build a strong brand in regional and rural Australia, and a strong sales and service support organisation;

(f) increase JUST ISP network reach in regional and rural Australia targeting regional 'hot spots' with little or limited NBN coverage;

(g) develop end-to-end product portfolio by adding new features and continually strengthening security aspects of cloud technology offerings;

(h) evaluate market consolidation opportunities and future adjacent opportunities;

(i) providing well-engineered and supported end-to-end cloud based technology;

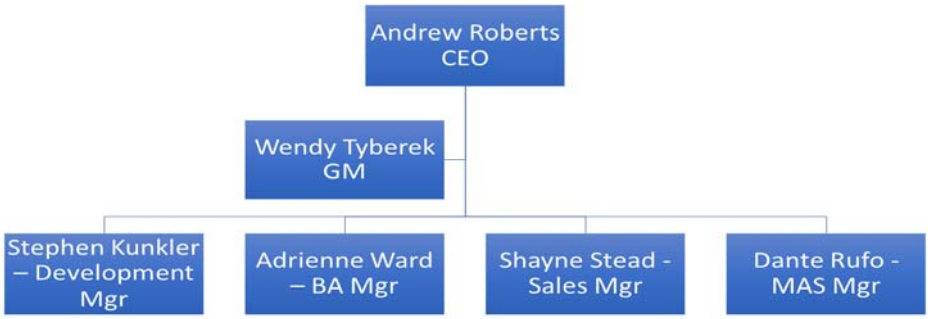
(j) improving service standards;

(k) increasing network reach; and

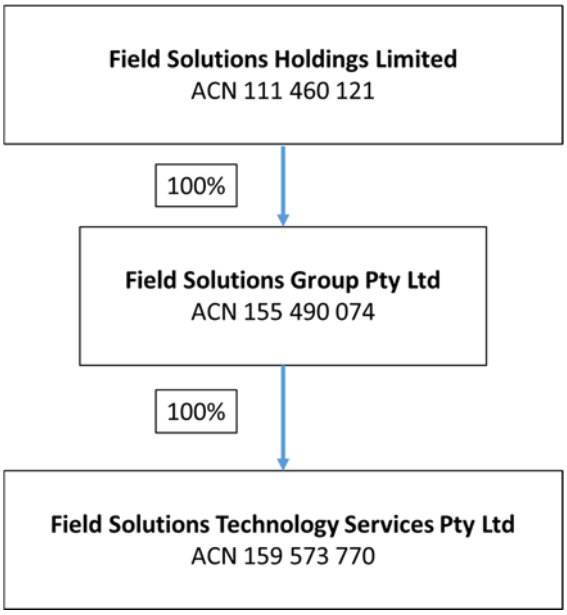
(l) being a reliable and full service supplier able to command premium service rates.

8.10 FSG Corporate Structure

FSG has a simple management structure comprising a Chief Executive Officer (**CEO**), Head of Software Development, Head of Sales and Finance. Key staff include the CEO and Head of Software Development. Please refer to Section 10.4 for further details.



The corporate structure of the group post Settlement will be as follows:



8.11 Funding

The funding for the Company for the two years following re-admission to the Official List of ASX will be met by the offer of Shares pursuant to the Offer under this Prospectus and by the Company's existing cash reserves (see Section 7.4 for further details). As and when further funds are required, either for existing or future developments, the Company will consider both raising additional capital from the issue of securities and/or from debt funding should the need arise.

8.12 Dividend Policy

It is anticipated that, post-Settlement of the Acquisition, FRE will focus on the development of the FSG Business. This will likely require funding. Accordingly FRE does not expect to declare any dividends during this period.

Any future determination as to the payment of dividends by FRE will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of FRE, future capital requirements and general business and other factors considered relevant by the

Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by FRE.

8.13 Capital Structure

The expected capital structure of the Company following completion of the Offer and all related matters (assuming no Options are exercised) will be as follows:

Shares	Minimum Subscription ($3,000,000)	Full Subscription ($4,000,000)
Shares currently on issue	34,460,754	34,460,754
Shares to be issued pursuant to the Offer	100,000,000	133,333,333
Consideration Shares	185,714,286	185,714,286
Director Shares	6,000,000	6,000,000
Facilitator Shares	4,000,000	4,000,000
Total Shares immediately following the Acquisition	**330,175,040**	**363,508,373**

Options	
Options currently on issue[1] (quoted Options exercisable at $0.0025 on or before 30 September 2020)	121,664,523
Options (quoted Options exercisable at $0.125 on or before 30 September 2020)	2,433,290
Options to be offered under the Offer	Nil
Total Options immediately following the Acquisition[1]	**2,433,290**

Notes:

1. These include the sub-underwriter Options which were approved by Shareholders at the Company's annual general meeting held on 29 November 2016 and issued on 23 December 2016.
2. Assumes no further securities are issued prior to completion of the Acquisition other than as set out in the table.

This is a statement of current intentions as at the date of this Prospectus. Intervening events may alter how the Company funds the Acquisition which may impact the proposed capital structure.

8.14 Substantial Shareholders

As at the date of this Prospectus, the following Shareholders hold 5% or more of the total number of Shares on issue:

Shareholder	Shares	%
Dominet Digital Corporation Pty Ltd	3,033,670	8.80%
Brucar Pty Ltd[1]	2,512,889	7.29%
Mrs Sandra Di Iulio[2]	2,409,289	6.99%
Citystyle Holdings Pty Ltd[3]	1,848,162	5.36%

Notes:

1. Held indirectly through Brucar Pty Ltd <Spangler Super Fund A/C>.
2. Comprising 2,053,733 held indirectly through Mrs Sandra Di Iulio <Adelina Holdings A/C> and 355,556 indirectly through Crescenzo and Luisa Di Iulio.
3. Held indirectly through Citystyle Holdings Pty Ltd <Gerda Two A/C>.

On completion of the Acquisition and the Offer (assuming minimum subscription under the Offer), the following Shareholders are expected to hold 5% or more of the total number of Shares on issue:

Shareholder	Shares	%
Convergent Technologies Holdings Pty Ltd[1]	185,714,286	56.25%

Notes:

1. Convergent Technologies Holdings Pty Ltd (**Convergent**) is controlled by Mr Andrew Roberts, a proposed new Director of the Company, together with his wife, Ms Wendy Tyberek.

8.15 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain Securities on issue (including the Consideration Shares) may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being reinstated to trading on ASX (which reinstatement is subject to ASX's discretion and approval).

8.16 Top 20 Shareholders

The Company will announce to the ASX details of its top 20 Shareholders following completion of the Offer and prior to the Securities re-commencing trading on ASX.

9. RISK FACTORS

The business, assets and operations of the Company, including after completion of the Acquisition, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of our Company. The Company's Securities comprise a speculative investment, particularly as it is proposed for the Company's business after the Acquisition to comprise participation in the digital currency sector and its associated business.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to.

Shareholders should be aware that if the Acquisition is completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from FSG, parties contracted or associated with FSG and the Acquisition Agreement and other agreements, including, but not limited to, those summarised in this Prospectus. The risks and uncertainties described below are not intended to be exhaustive. The summary of risks that follows is not intended to be exhaustive and this Prospectus does not take into account the personal circumstances, financial position or investment requirements of any particular person. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company, FSG and their related entities and consequently Applicants. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to acquire all FSG's Shares are as follows.

9.1 Risks relating to the Change in Nature and Scale of Activities

(a) **Re-Quotation of Shares on ASX**

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) **Dilution risk**

The Company currently has 34,460,754 Shares on issue. On completion of the Acquisition, the Company proposes to issue the 185,714,286 Shares to the FSG Shareholders under the terms of the Acquisition and issue Shares under the Offer to raise up to $4,000,000.

Upon completion of the Acquisition and achieving the minimum subscription under the Offer (assuming no further Shares are issued and no exercise of any Options), the existing Shareholders will retain

approximately 10.44% of the issued capital of the Company, with the Vendors holding 56.25%, the investors under the Offer holding 30.29%, the Directors of the Company holding 1.82% and the Facilitators holding 1.21% of the issued capital of the Company respectively.

Upon completion of the Acquisition and achieving the maximum subscription under the Offer (assuming no further Shares are issued and no exercise of any Options), the existing Shareholders will retain approximately 9.48% of the issued capital of the Company, with the Vendors holding 51.09%, the investors under the Offer holding 36.68%, the Directors of the Company holding 1.65% and the Facilitators holding 1.10% of the issued capital of the Company respectively of the issued capital of the Company respectively.

(c) **Liquidity risk**

On Settlement, the Company proposes to issue the Consideration Shares to the Vendor (or its nominee/s), the Director Shares to Directors and the Facilitator Shares to the Facilitators (or their respective nominee/s). The Directors understand that ASX will treat the Consideration Shares, Director Shares and the Facilitator Shares as restricted securities in accordance with Chapter 9 of the ASX Listing Rules. As a significant number of the Company's Shares will be subject to escrow upon Settlement, there is an increased liquidity risk as a large portion of issued capital may not be able to be freely traded for a period of time.

(d) **Acquisition Agreement**

Pursuant to the Acquisition Agreement, Settlement is subject to the fulfilment of certain Conditions Precedent which are detailed further in Sections 2.4 and 6.6 of the Prospectus.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(e) Substantial Ownership at Reinstatement

Following re-admission to the Official List, and based on the Company raising the Minimum Subscription, Mr Andrew Roberts, the Company's proposed Executive Director and CEO, will, via his ownership in Convergent Technologies Holdings Pty Ltd, hold a substantial controlling interest in the Company (on an undiluted basis) in the amount of 56.25%.

9.2 Risks specific to FSG's business

There are a number of specific risks involved for the Company, and consequently its Security holders, in the acquisition of FSG including risks specific to the businesses and assets of FSG which include the following non-exhaustive list:

(a) **Increased Competition**

The Australian telecommunications services market is highly competitive. The industry is characterised by high levels of market concentration with the three main industry players (Telstra Corporation Limited, SingTel Optus Pty Limited, Vodafone Hutchinson Australia Pty Limited) accounting for some 90% of industry revenue[2]. Apart from the leaders, the industry is characterised by many medium sized and smaller niche service providers.

Since deregulation in 1997 industry competition has significantly increased, saturating the market given the isolated and relatively small size of the Australian market. Whilst competition remains fierce industry competitors look to untapped and niche market segments in order to increase market share whilst differentiating product offerings to gain market share from competitors. Competitor consolidation remains a key industry characteristic.

Many existing service providers either compete directly or provide services that are potential substitutes for FSG services. New competitors, services, and business models that compete with FSG are likely to arise in the future. Many of these competitors may have substantially more resources than that of FSG.

Risks that an existing or potential new competitor may pose to FSG include:

(i) allocate significantly more resources to compete in the services or products FSG offer;

(ii) utilise a well-established brand to launch services that compete against FSG;

(iii) develop a lower cost or more effective business model, for example by developing or acquiring a more sophisticated technology platform and/or service delivery method;

(iv) utilise experience in other offshore markets where it operates to launch new services or products in Australia;

(v) respond faster or more effectively to changes in regulations, new technologies, or customer demands and requirements; and

(vi) develop new products or services that compete directly with FSG products and services.

An increase in competition due to any of these factors could result in FSG products and services becoming less attractive to its customers and potential new customers. This could result in FSG reducing the retention of existing customers, resulting in having to increase product development and marketing expenses or capital expenditure, reduce its selling prices, or change its business model to remain competitive.

[2] 'Wireless Telecommunications Carriers in Australia' – IBIS World Industry Report, August 2016, pg 18

Any of these outcomes will have a potentially detrimental effect on FSG's profitability and financial performance.

(b) **Cyber Security**

Business reliance on the internet has grown exponentially over the past 20 years. With this growth, so has the threat of cyber security risks. Every aspect of business is reliant on some connection to the internet through an internet connected device or service. Most business to business transactions are now handled via the internet, including sales, customer service, and invoicing. Effectively, businesses will find it difficult to conduct business without the internet.

With the rapid growth of sophisticated software and hardware technology, cloud infrastructure, ever changing global standards and technical protocols, most small to medium sized companies have struggled to maintain control over their information from exposure to technology and cyber security risks and consequent loss or damage. The depth of expertise required to simply maintain a passing knowledge of, let alone control, rapid technology advancements in hardware, software and network infrastructure by in-house IT managers is so vast, companies have outsourced most aspects of information technology and telecoms infrastructure (IT&T) to external experts such as FSG.

FSG like all telecommunications industry competitors faces risks posed by cyber security issues. Cyber-attacks, data theft and hacking may lead to compromise or even breach of technology platforms used by FSG customers. It is possible measures taken by FSG, including firewalls, encryption of customer information and data location and service usage, privacy policy, and other policies to restrict and protect customer data and information against unauthorised access, will not be sufficient to prevent unauthorised access to or disclosure of, such confidential data and information by cyber hackers or potentially government agencies.

A risk remain that if a cyber-attack is successful, any data security breaches or FSG's failure to protect confidential information could result in FSG breaching its obligations under applicable law or customer contracts, each of which would have potentially materially adverse impact on FSG's reputation and financial performance.

(c) **Changes across the local government market restricting purchases**

It is clear that regional communities are not well served by established telecommunications carriers and service providers. FSG recognised this need and has well established commercial relationships with several city based and regional local government authorities and will continue to build on its strategy of expanding in regional Australia. Being a licenced Australian telecommunications carrier and accredited to ISO 9001 and ISO 27001 are key strengths assisting FSG with these customers, as well as being an innovator in telecommunications networking and cloud technology.

New South Wales State government launched a program to amalgamate several local councils across the State in 2016. While there has been a community backlash and court challenges against these amalgamations, and some back down by the State government

evident, uncertainty on the future of some local government authorities is likely to persist. Within this environment, some local authorities may curtail their operational strategies including further development of their telecommunications and information technology requirements.

The risk for FSG is in local government authorities delaying or cancelling intended contracts or issuing new tenders altogether. If this comes to pass, it would have a materially adverse impact on FSG revenue and profitability.

(d) **Contracts Risk**

FSG has a number of customer contracts in place with third parties. In such cases, there is the risk that these third parties may default on their obligations under the customer contracts, which may in turn necessitate legal action. This could result in significant financial loss for the Company.

(e) **Reliance on sales and marketing success**

Following completion of the Offer, the Company intends to fully commercialise FSG products by focussing on sales and marketing. There is no guarantee that FSG sales and marketing strategy will be successful. Even if FSG successfully commercialises its products, there is a risk that the Company may not generate sufficient revenue to cover its operating costs.

(f) **Intellectual property risks**

If FSG fails to protect its intellectual property rights adequately, competitors or potential competitors may gain access to its technology which could harm its business. If any patents are granted in the future, they may not provide FSG with any competitive advantages, or may be challenged by third parties.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to FSG in every country in which its products are available. Accordingly, despite its efforts, FSG may not be able to prevent third parties from infringing upon or misappropriating its intellectual property.

FSG may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to FSG and cause a distraction to management. In addition, unauthorised use of the FSG brand in counterfeit products may result in potential revenue loss and have an adverse impact on FSG's brand value and perceptions of its product qualities.

For further information on the intellectual property rights held by the FSG, please refer to Section 8.5 of this Prospectus.

(g) **Reliance on key personnel**

The development of FSG's business has been largely due to the effort, experience and leadership of its management team. FSG is also dependent on the continued service of its existing development personnel because of the complexity of its technologies. Despite the Company's best efforts to attract and retain key personnel, there is no assurance that FSG or the Company will be able to retain the services of such persons. The Company's ability or inability to attract and retain key personnel could have a material effect upon the Company's business, results of operations and financial condition.

9.3 General risks

(a) **Risk of high volume of Share sales**

If Settlement occurs, the Company will have issued a significant number of new securities to various parties. Parties that receive Shares as a result of the Acquisition or the Offer may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of the Company's Shares.

It should be noted however that there will be mandatory escrow provisions invoked on the Consideration Shares, Director Shares and Facilitator Shares.

There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Shareholders may, upon selling their Shares, receive a market price for their securities that is less than the price of Shares offered pursuant to the Offer.

(b) **Trading price of Shares**

The Company's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including, inflation rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

(c) **Future capital requirements**

Further funding may be required by the Company to support its ongoing activities and operations, including the need to develop new products,

improve existing products, enhance its operating infrastructure and to acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms (or at all) at the relevant time. Any inability to obtain additional funding (or inability to obtain funding on reasonable terms) will adversely affect the financial condition and financial performance of the Company.

(d) **Potential acquisitions risk**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(e) **Market conditions risk**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) interest rates and inflation rates;

(iii) currency fluctuations;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular.

(f) **General economic and political risks**

Changes in the general economic and political climate in Australia and on a global basis may impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any activities that may be conducted by the Company.

(g) **Regulatory risk**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

(h) **Force Majeure**

The Company and its projects, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme

weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

9.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company, FSG or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and FSG and the value of the Company's securities. Therefore, the Shares to be issued by the Company carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is highly speculative.

10. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

10.1 Directors and key personnel of the Company

As at the date of this Prospectus, the Board comprises of:

(a) Dr Ken Carr (Non-Executive Chairman & Director);

(b) Mr Mithila Nath Ranawake (Non-Executive Director); and

(c) Mr Peter Buttery (Non-Executive Director).

It is proposed that upon Settlement of the Acquisition:

(a) Mr Andrew Roberts and Mr Wayne Wilson will join the Board, Mr Roberts as Chief Executive Officer and Executive Director and Mr Wilson as Non-Executive Director;

(b) Mr Mithila Nath Ranawake and Dr Ken Carr will continue as Directors in their current role; and

(c) Mr Peter Buttery will resign as a Director of the Company.

FRE is aware of the need to have sufficient management to properly manage FSG business and the Board will continually monitor the management roles in the Company. The Board may look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company and FSG.

10.2 Current Directors of the Company

The profiles of each of the current Directors are set out below:

Ken Carr Doctorate of Business Admin and MBA and FAICD (previous member) (Non-Executive Chairman & Director)

Dr Carr is a seasoned, non-executive director and chair, having held CEO/MD roles in 5 ASX listed companies primarily in the, telecoms, banking, payments and electronic manufacturing sectors and non-executive director roles in 3 others, including 2 as chair. He is currently a non-executive director of one other public entity.

Dr Carr first joined the Freshtel board in February 2010. He has formerly held CEO and Board positions on several listed entities in Australia and overseas, most recently as CEO of Intecq Limited (ASX:ITQ), and prior was Managing Director of Rubik Financial Limited (ASX:RFL). Previously he has held senior executive positions at IBM, AT&T, and Lucent Technologies and British Telecom. His main experience is related to corporate restructuring and transformation, which has included several JVs and mergers and acquisitions in many countries. Dr Carr left the Board in February 2013 and re-joined Freshtel on 2 May 2014

The board considers Dr Ken Carr to be an independent director as Dr Carr is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Mithila Nath Ranawake BBus, MBA, CPA, FAICD (Non-Executive Director)

Mr Ranawake was elected to the Freshtel 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 in finance, mergers and acquisitions, information systems, sales, change management, strategy and business development acquired across a number of industries. In his most recent role Mr Ranawake 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, Mithila was the CFO of LongReach Group Limited,(working with Dr Carr as the CEO) 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. Mr Ranawake also has several years of experience in gas, electric and petroleum industries.

The board considers Mithila Nath Ranawake to be an independent director as Mr Ranawake is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Graham Henderson BEcon, BA, MA, MHist (Company Secretary)

Mr Henderson has worked for Freshtel Holdings Limited for the past 6 years and was appointed as the Company Secretary on 23 September 2010. Mr Henderson will step down from FRE after the completion of the Acquisition.

It is anticipated that Mr Ranawake will take over as Company Secretary for an interim period.

10.3 Proposed Directors

The profiles of each of the Proposed Directors are set out below:

Andrew Roberts AICD (Proposed Director)

Mr Roberts is a business executive / entrepreneur with over 20 years' experience in the IT industry in Australia, New Zealand, Asia Pacific, and the United Kingdom. He has extensive strategic IT and commercial experience in business aggregation, business analysis/strategy, sales, marketing, professional services, operations and general management.

Mr Roberts has direct experience in building and growing IT and cloud-based companies from start-up to sale. He specialises in cloud strategy planning and execution. He has previously been a director of Comops Limited (ASX: COM) and was recently head of strategy and cloud operations at Rubik Financial Limited (ASX: RFL). Andrew was also the deputy chair of the Young and Well Cooperative Research Council, a federally funded not-for-profit organisation focusing on the use of technology to assist wellbeing in young people's lives.

Mr Andrew Roberts is a director and controlling shareholder of Convergent, which in turn owns a 100% interest in the issued capital of the Vendor.

The board does not consider Andrew Roberts to be an independent director due to his role as an executive director and material personal interest in the securities of the Company.

Wayne Wilson BCom (Melb), GradDipAppFin, GAICD *(*Proposed Director)

Mr Wilson is the CEO of knowIT group and has over 29 years' experience in financial services in Australia, working across banking, platforms, asset management, AFSLs, private clients, superannuation, insurance and trustee services.

At knowIT group Mr Wilson's focus is on potential acquisitions, financial services strategy, product development and management, marketing and distribution.

His previous roles have included Managing Director, Wealth - Rubik Financial Limited (ASX: RFL), Head of Asgard and Advance Asset Management – Westpac, General Manager Wealth Distribution – St George Bank, Director of Distribution Asgard, Securitor, Licensee Select, IBS and Badges – Asgard, Group Executive Private Clients – Perpetual and Head of Marketing for Lend Lease Advisor Services, MLC Advisor Services, Apogee and Garvan Financial Planning – MLC.

The board considers Wayne Wilson to be an independent director as Mr WIlson is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

10.4 FSG Senior Management

Mr Andrew Roberts CEO

Refer to biography above in Section 10.3.

Mr Stephen Kunkler, Head of Software

Mr Kunkler is an experienced manager having been chief technical officer previously at Rubik Financial Limited (ASX: RFL). Since joining FSG two years ago has been responsible for design and managing development of all FSG system.

Wendy Tyberek CA

Wendy has over 25 years' experience in the accountancy industry and in internet based learning and technology for professionals in Australia and the UK. Wendy leads the development of knowIT group's online learning design, development and delivery capabilities and is responsible for the finance, compliance and reporting functions within knowIT group. Wendy also assists in the sales and customer engagement activities of knowIT group. Her previous roles have included Chartered Accountant – Deloitte, MYOB – National Client Service Manager (for accountants), Solution 6 Aust and UK – Major Accounts Manager, Product Manager – GL and practice management products, ComOps (and HCS) – Content Solutions Manager (e-learning and training); and Field Solutions Group – Director (e-learning and software applications).

Dante Rufo

Dante Rufo has over 15 years of experience in the Information Technology industry with a focus in Managed Services. During this period, Dante has had the opportunity to work in a variety of areas which include Financial Services, Travel,

Telecommunications and Public sector. Dante has deployed cloud & hosting based solutions for IT companies that support major brands such as AMP, ANZ, Commonwealth Bank, Railcorp, Uniting Financial Services and leading credit unions. Dante currently leads an IT team for Field Solutions and is responsible for deployment and operations of Field Solutions Cloud products and Carrier/ISP grade networks to both metropolitan and regional areas. His previous roles include Technical Lead Architect for Rubik Financial Limited Cloud Hosting, Technical Lead System Engineer for ComOps Limited Managed Services, Service Desk Manager for Applaud IT, Support officer at Unisys Australia and Support at Telstra Bigpond.

Shane Stead, Sales Manager

Shayne Stead is the Sales Manager at FSG, with responsibility for Sales and Account Management nationally reporting directly to the Managing Director. Shayne has almost 20 years' experience as a sales professional in the ICT sales arena and prior to joining FSG, has held positions in Business Development and Account Management at several Telecommunications companies. Notable is his time spent in the ICT Carrier space at PowerTel, AAPT, Macquarie Telecom and TPG, where he successfully acquired and maintained business with strong partnerships in both the Corporate and Wholesale markets.

10.5 Personal Interests of Directors

Directors are not required under FRE's Constitution to hold any Shares to be eligible to act as a director.

Details of the Directors' and Proposed Directors' remuneration and relevant interest in the Securities of the Company upon completion of the Offer are set out in the table below:

Director	Remuneration for year ended 30 June 2015	Remuneration for year ended 30 June 2016	Proposed remuneration for current financial year	Shares	Options[1]
Existing Directors					
Ken Carr	Nil	Nil	$60,225	2,000,000	Nil
Mithila Nath Ranawake	Nil	Nil	$52,560	2,000,000	Nil
Peter Buttery	Nil	Nil	$44,895	3,602,829[1]	50,088[1]
Proposed Directors					
Andrew Roberts	Nil	Nil	$295,000	185,714,286[2]	Nil
Wayne Wilson	Nil	Nil	Nil	Nil	Nil

Notes:

1. Held both directly and indirectly through an entity controlled by Mr Buttery.

2. These Shares will be held indirectly via Convergent Technologies Holdings Pty Ltd, a company controlled by Mr Roberts and his wife.

FRE's Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting.

The Shareholders have approved the payment of fees to the Non-Executive Directors which in aggregate cannot exceed $500,000 per annum, although this may be varied by ordinary resolution of the Shareholders in general meeting. The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

10.6 Director participation in the Offer

None of the Directors or Proposed Directors intend on participating in the Offer.

10.7 Agreements with Directors

The agreements the Company has entered into with Directors and Proposed Directors are contained in Section 14.

11. FINANCIAL INFORMATION

11.1 Introduction

The financial information for the Company contained in this Section 11 includes:

Historical Financial Information	Section
Pro-Forma Consolidated Historical Income Statements for the years ended 30 June 2014 (**FY2014**), 30 June 2015 (**FY2015**) and 30 June 2016 (**FY2016**) (**Pro-Forma Historical Income Statements**)	Section 11.3
A reconciliation of the Statutory Consolidated Historical Income Statements to the Pro-Forma Historical Income Statements	Section 11.3.1
Pro-Forma Consolidated Historical Balance Sheet as at 30 June 2016 (**Pro-Forma Historical Balance Sheet**)	Section 11.4
Pro-Forma Consolidated Historical Cash Flow Statements for FY2014, FY2015 and FY2016 (**Pro-Forma Historical Cash Flow Statements**)	Section 11.5
A reconciliation of the Statutory Consolidated Historical Income Statements to the Pro Forma Historical Cash Flow Statements	Section 11.5.1
Forecast Financial Information	**Section**
Pro-Forma Consolidated Forecast Income Statement for the year ending 30 June 2017 (**FY2017**) (**Pro-Forma Forecast Income Statement**)	Section 11.3
Statutory Consolidated Forecast Income Statement for FY2017 (**Statutory Forecast Income Statement**)	Section 11.3
A reconciliation of the Statutory Consolidated Forecast Income Statements to the Pro-Forma Forecast Income Statements	Section 11.3.1
Pro-Forma Consolidated Forecast Cash Flow Statement for FY2017 (**Pro-Forma Forecast Cash Flow Statement**)	Section 11.5
Statutory Consolidated Forecast Cash Flow Statement for FY2017 (**Statutory Forecast Cash Flow Statement**)	Section 11.5
A reconciliation of the Statutory Consolidated Forecast Income Statements to the Pro-Forma Forecast Cash Flow Statements	Section 11.5.1

Herein, the financial information for the Company as identified above will be collectively referred to as the "**Financial Information**".

11.2 Basis of Preparation and Presentation of the Financial Information

The Financial Information was prepared by management of the Company and was adopted by the Directors. The Directors are responsible for the inclusion of all Financial Information in this Prospectus. The Financial Information has been reviewed and reported on by PKF Corporate Finance (NSW) Pty Limited (**PKFCF**) as set out in the Investigating Accountant's Report (**IAR**) in Section 12. Investors should note the scope and limitations of the IAR.

The Financial Information included in this Section 11 has been prepared in accordance with the measurement and recognition criteria (but not the disclosure requirements) of Australian Accounting Standards and the significant accounting policies detailed in Section 12. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

11.2.1 Basis of Historical Financial Information

The Pro-Forma and Historical Income Statements and Cash Flow Statements have been derived from the following:

- the audited consolidated financial statements of Freshtel; and
- the audited special purpose consolidated financial statements of FSG for FY2014, FY2015 and FY2016.

The Pro-Forma Historical and Forecast Income Statements do not take into account one-off expenses related to the Offer and Capital Raising, which have been taken up in the Statutory Forecast Income Statement for FY2017.

The Pro-Forma Historical and Forecast Income Statements also include adjustments to take into account corporate costs as if the combined Freshtel and FSG entity had been a listed entity from 1 July 2013. These costs include ASX listing fees, directors fees, share registry costs, etc.

In addition, the Pro-Forma Historical Balance Sheet has been prepared to take into account the following:

- material transactions of Freshtel which have occurred subsequent to 30 June 2016 to the date of this Prospectus;
- the accounting impacts resulting from the Acquisition of FSG; and
- the accounting impact of the Offer.

The financial statements of Freshtel and FSG for FY2014, FY2015 and FY2016 have been audited by Hall Chadwick. Unqualified opinions have been issued in relation to the audited financial statements of Freshtel for each of these years. Hall Chadwick issued a qualification with respect to FSG's FY2014 and FY2015 financial statements on the basis that they were unable to review opening balances. All other audit reports were unqualified.

On 21 November 2016, Freshtel entered into a binding heads of agreement to acquire 100% of the issued shares in FSG. Further details regarding the Acquisition are set out in Section 6.2.

Australian Accounting standards require that where two or more entities combine through the exchange of equity, one of the entities must be deemed to be the "acquirer" for accounting purposes. This may be different to the legal acquirer.

Whilst the Directors have determined that the Acquisition does not constitute a "business combination" under Australian Accounting Standard AASB 3 *Business Combinations,* they have nevertheless considered the guidance set out in AASB 3, other pronouncements and guidance, and have determined that whilst Freshtel will be the legal acquirer of FSG, the Acquisition has been treated as a "reverse acquisition" and FSG has been treated as the "acquirer" for accounting purposes.

As the Acquisition has been determined not to be a "business combination", the Directors have deemed it appropriate for the Acquisition to be accounted for under Australian Accounting Standard AASB 2 *Share Based Payments,* whereby FSG has been deemed to have issued shares to shareholders of Freshtel in exchange for the net assets held by Freshtel.

In this instance, the value of the consideration paid by FSG has been determined as the number of shares that the vendors of FSG will not hold upon completion of the Acquisition, multiplied by the issue price under the Offer.

The assets and liabilities of Freshtel deemed to be acquired by FSG reflect their fair value at the assumed acquisition date. The assets and liabilities of FSG are maintained at their historical book values.

Any difference between the fair value of the consideration paid and the fair value of the net assets of Freshtel deemed to be acquired by FSG, has been recognised as a share-based payment and expensed.

11.2.2 Basis of Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions, and on a number of best estimates and assumptions regarding future events, to the best of their knowledge as at the date of this Prospectus.

The Forecast Financial Information for FY2017 includes actual unaudited results for the seven (7) months to 31 January 2017 and forecast results for the five (5) months to 30 June 2017.

This information is designed to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumption will occur.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on the Company's actual financial performance or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Company, the Directors and management. Accordingly, neither the Company, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The Forecast Financial Information should be read in conjunction with the general assumptions as set out in Section 11.2.3 and specific risks as set out in Section 9.2 and other information in this Prospectus.

11.2.3 General Assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- there will be no material change in the competitive environment in which the Company operates;
- there will be no material changes in government legislation (whether it be local, state or federal), tax legislation, regulatory legislation, regulatory requirements or government policy in Australia that will have a material impact on the financial performance or cash flow, financial position, accounting policies or disclosure of the Company during the Forecast Period;
- there will be no significant deviation from current market expectations of general economic and business conditions including levels of inflation, employment and interest rates;
- there will be no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporation Act which have a material effect on the Company financial performance, financial position, accounting policies, financial reporting or disclosure;
- there will be no material supply disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of the Company;
- there will be no material changes in key personnel other than as set out in, or contemplate by, this Prospectus;
- no material changes to the Company's corporate and funding structure other than as set out in, or contemplated by, this Prospectus; and
- no material disruptions to the continuity of operations of the Company nor other material changes in its business.

11.3 Pro-Forma Historical and Forecast Income Statements

Set out below is the Pro-Forma Historical and Forecast Income Statements for FY2014, FY2015, FY2016 and FY2017 and the Statutory Forecast Income Statement for FY2017:

AUD	Historical			Forecast	
	FY2014	FY2015	FY2016	FY2017	FY2017
	Pro-Forma	Pro-Forma	Pro-Forma	Pro-Forma	Statutory
Revenue	1,228,558	2,974,638	5,053,463	5,350,020	5,350,020
Other Income	-	-	-	(454)	(454)
Share-Based Payments	-	-	-	-	(839,985)
Administration Expenses	(93,950)	(112,388)	(192,518)	(170,857)	(143,857)
Communication and ISP Costs	(204,925)	(1,210,643)	(1,216,032)	(1,389,033)	(1,389,033)
Contractor and Employee	(418,435)	(1,163,481)	(1,538,192)	(1,692,816)	(1,692,816)
Directors Fees	(454,425)	(454,425)	(454,425)	(454,425)	(113,606)
Listing and Registry Expense	(60,160)	(60,160)	(60,160)	(60,160)	(15,040)
Management Fees	-	-	-	-	(250,591)
Occupancy and Facilities	(27,381)	(21,545)	(137,695)	(212,402)	(212,402)
Production Costs	(257,237)	(370,142)	(163,119)	(107,818)	(107,818)
Professional Services Expense	(85,000)	(85,000)	(85,000)	(85,000)	(26,750)
Software and Equipment	(30,620)	(144,394)	(115,571)	(47,017)	(47,017)
Other Expenses	(37,856)	(37,856)	(37,856)	(37,856)	(356,820)
Total Operating Expenses	**(1,669,989)**	**(3,660,034)**	**(4,000,568)**	**(4,257,383)**	**(5,195,735)**
EBITDA	**(441,431)**	**(685,396)**	**1,052,895**	**1,092,183**	**153,832**
Depreciation and Amortisation	(20,757)	(16,834)	(123,456)	(83,738)	(83,738)
Finance Costs	-	-	(6,232)	-	-
Income Tax Expense	147,509	254,207	(131,850)	(209,954)	(180,444)
Net Profit After Tax (NPAT)	**(314,679)**	**(448,023)**	**791,357**	**798,491**	**(110,351)**

The Pro-Forma Historical and Forecast Income Statements are reconciled to the Statutory Historical and Forecast Income Statements in Section 11.3.1 below.

11.3.1 Pro Forma adjustments to the Statutory Historical Income Statements

Set out below are the adjustments that have been made to the Statutory Historical and Forecast Income Statements:

AUD	Note	Historical			Forecast
		FY2014	FY2015	FY2016	FY2017
Statutory Net Profit After Tax	**1**	**(32,663)**	**(188,079)**	**(161,304)**	**(110,351)**
Reversal of Historical	**2**	32,663	188,079	161,304	-
Pro-Forma Corporate Overhead	**3**	(245,291)	(245,291)	(245,291)	(180,118)
Impact of Acquisition	**4**	(69,388)	(202,732)	1,036,648	5,826
Share-Based Payment	**5**	-	-	-	659,985
Costs of the Acquisition taken to	**5**	-	-	-	59,799
Share-Based Payment on Issue	**6**	-	-	-	180,000
Costs of the Offer taken to Profit	**7**	-	-	-	183,350
Pro Forma Net Profit After Tax		**(314,679)**	**(448,023)**	**791,357**	**798,491**

Note 1: As per the audited financial statements of Freshtel for FY2014, FY2015 and FY2016.

Statutory results for FY2017 comprise the forecast statutory income statement of FSG for the year ended 30 June 2017 and forecast head office costs of the newly relisted consolidated

entity following completion of the Acquisition, which has been assumed to occur on 1 April 2017.

Note 2: As Freshtel will undergo a significant change in business operations subsequent to completion of the Offer and Acquisition, historical results of Freshtel (including all head office costs) have been reversed for the purpose of preparing the Pro-Forma Income Statements.

Note 3: Pro-forma adjustments have been taken up to reflect head office costs as if the Company and FSG had operated as a merged listed entity from 1 July 2013. These costs include, but are not limited to:

- annual ASX listing fees;
- directors' remuneration;
- annual accounting and audit fees; and
- share registry costs.

The Statutory Forecast Income Statement includes actual expected head office costs from 1 April 2017 onwards.

Note 4: A pro-forma adjustment has been made to reflect the normalised operating results of FSG as if FSG was acquired on 1 July 2013.

Note 5: Pro-forma adjustments have been taken up to reverse the impact of one-off costs in FY2017 relating to the Acquisition. These one-off costs include:

- the share-based payment recognised with respect to the Acquisition, being the excess of the fair value of the deemed consideration over the fair value of the assets and liabilities of Freshtel deemed to be acquired by FSG; and
- legal, accounting and other expenses relating directly to the Acquisition which are expected to be recognised in the statutory income statement of Freshtel in FY2017.

Note 6: A pro-forma adjustment has been taken up to reverse the impact of one-off issue of the Director Shares which is expected to be recognised as a share-based payment in the Statutory Forecast Income Statement.

Note 7: The Statutory Forecast Income Statement includes estimated costs relating to the Offer treated as an expense (as opposed to being offset against equity). These expenses (including any relevant deferred tax impact), have been added back for the purpose of preparing the Pro-Forma Forecast Income Statement.

11.4 Pro-Forma Historical Balance Sheet

Set out below is the Pro-Forma Historical Balance Sheet as at 30 June 2016 under both the Minimum and Maximum Subscription scenarios pursuant to the Capital Raising:

	As at 30 June 2016						
	Freshtel Holdings Limited (Audited)	Impact of Material Transactions Subsequent to 30 June 2016	Impact of Capital Rasing & Issue of Director Shares		Impact of the FSG Acquisition	Pro-Forma	
			Minimum Subscription	Maximum Subscription		Minimum Subscription	Maximum Subscription
AUD	Note 1	Note 2	Note 3	Note 3	Note 4		
Current Assets							
Cash and Cash Equivalents	54,401	282,133	2,480,548	3,404,888	54,540	2,871,622	3,795,961
Trade and Other Receivables	-	-	-	-	1,400,940	1,400,940	1,400,940
Prepayments	9,267	-	-	-	-	9,267	9,267
Total Current Assets	**63,668**	**282,133**	**2,480,548**	**3,404,888**	**1,455,480**	**4,281,829**	**5,206,168**
Non-Current Assets							
Fixed Assets	-	-	-	-	305,865	305,865	305,865
Deferred Tax Assets	-	53,905	191,836	214,534	40,145	285,885	308,584
Intangible Assets	-	-	-	-	588,542	588,542	588,542
Total Non-Current Assets	**-**	**53,905**	**191,836**	**214,534**	**934,552**	**1,180,292**	**1,202,990**
Total Assets	**63,668**	**336,038**	**2,672,384**	**3,619,421**	**2,390,031**	**5,462,121**	**6,409,159**
Current Liabilities							
Trade and Other Payables	25,868	-	-	-	378,830	404,698	404,698
Other Tax Payable	-	-	-	-	417,293	417,293	417,293
Short-Term Provisions	-	-	-	-	72,694	72,694	72,694
Total Current Liabilities	**25,868**	**-**	**-**	**-**	**868,817**	**894,685**	**894,685**
Total Non-Current Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**25,868**	**-**	**-**	**-**	**868,817**	**894,685**	**894,685**
Net Assets	**37,800**	**336,038**	**2,672,384**	**3,619,421**	**1,521,214**	**4,567,436**	**5,514,474**
Equity							
Share Capital	39,377,824	490,295	3,036,976	3,982,772	(38,868,069)	4,037,026	4,982,822
Reserves	-	86,425	-	-	(86,425)	-	-
Retained Earnings	(39,340,024)	(240,683)	(364,592)	(363,350)	40,475,709	530,410	531,652
Total Equity	**37,800**	**336,038**	**2,672,384**	**3,619,421**	**1,521,214**	**4,567,436**	**5,514,474**

Note 1: The starting point of the preparation of the Pro-Forma Historical Balance Sheet is the consolidated audited statement of financial position of Freshtel as at 30 June 2016.

Note 2: Pro-forma adjustments have been taken up to reflect the impact of the following material transactions of Freshtel subsequent to 30 June 2016:

- on 16 September 2016, the Company issued 374,558,729 ordinary shares via a fully underwritten non-renounceable rights issue at $0.001 per share with attached free options on a 1:8 basis. The rights issue raised approximately $295,000 after costs. As part of the rights issue, the underwriter was issued with 46,819,841 options, which have been recognised as an expense against equity;

- on 23 September 2016 the Company issued 224,735,237 ordinary shares via a placement at $0.001 per share with attached free options on a 1:8 basis. The private placement raise approximately $211,000 after costs;

- on 3 October 2016, 46,072 options were exercised at $0.0025 per option raising approximately $12,000;

- on 2 November 2016, 21,047 options were exercised at $0.0025 per option raising approximately $5,000; and

- material cost incurred by Freshtel subsequent to 30 June 2016 and up to 31 March 2017, amounting to approximately $240,000.

Note 3: The following pro-forma adjustments have been taken up to reflect the impact of the Offer and issue of Director Shares:

- the issue of between 100,000,000 ordinary shares (Minimum Subscription) and 133,333,333 ordinary shares (Maximum Subscription) at an issue price of $0.03 per share, to raise between $3 million and $4 million before costs;

- costs of the Offer estimated to be between $640,000 (under the Minimum Subscription scenario) and $715,000 (under the Maximum Subscription scenario) which have been taken up against equity and retained earnings, less any deferred income tax benefit; and

- the issue of the Director Shares has been recognised as a share-based payment at a deemed issue price equal to the issue price under the Offer (i.e. $0.03 per share).

Note 4: The Acquisition of 100% of the issued shares in FSG in consideration of the issue of 185,714,286 ordinary shares in Freshtel, has been treated according to reverse acquisition methodology as discussed in Section 11.2.1 above.

Based on this methodology, a number of pro-forma adjustments have been taken up in order to recognise the Acquisition as follows:

- the assets and liabilities of the legal subsidiary, being FSG (the "acquirer" for accounting purposes), have been recognised at the pre-Acquisition carrying amounts as per the unaudited management accounts of FSG as at 31 January 2016;

- the pre-Acquisition retained earnings and other equity balances of the legal parent, being Freshtel (the "acquirer" for accounting purposes), have been eliminated;

- the excess of the deemed fair value of the consideration over the fair value of the assets and liabilities of the legal parent (i.e. the accounting acquire, Freshtel), has been expensed as a share-based payment.

  The fair value of the consideration is deemed to be the issued shares of Freshtel which the Vendor will not hold subsequent to completion of the Acquisition but prior to completion of the Offer. (ie. 34,460,754 shares). The fair value assumed for the consideration shares is equal to the issue price under the Offer (i.e. $0.03 per share), resulting in an implied fair value for the consideration of $1.03 million.

  The assets and liabilities of Freshtel has been assumed to include the following:

  - the net assets of Freshtel as at 30 June 2016, being $37,800; plus

  - the net impact of the rights issues, private placement and exercise of options subsequent to 30 June 2016, after costs, being $576,721; less

  - the net cash impact of other transactions subsequent to 30 June 2016 and up to 31 March 2017, being $240,683.

11.4.1 Reconciliation of Cash & Cash Equivalents

The following table provides a reconciliation between actual and pro-forma cash and cash equivalents as at 30 June 2016:

AUD	Minimum Subscription ($3 million)	Maximum Subscription ($4 million)
Freshtel Audited as at 30 June 2016	54,401	54,401
Net Proceeds from Post 30 June 2016 Capital Raisings	506,036	506,036
Net Proceeds upon Exercise of Options Post 30 June 2016	16,780	16,780
Operating Costs of Freshtel from 30 June 2016 to 31 March 2017	(240,683)	(240,683)
Gross Proceeds from the Offer	3,000,000	4,000,000
Costs of the Offer (Cash Settled)	(519,452)	(595,112)
Cash Acquired on Acquisition of FSG	188,356	188,356
Costs of the Acquisition (Cash Settled)	(133,816)	(133,816)
Pro Forma Cash and Cash Equivalents	**2,871,622**	**3,795,961**

11.4.2 Reconciliation of Issued Capital

The following table provides a reconciliation between actual and pro-forma share capital as at 30 June 2016:

	Minimum Subscription ($3 million)			Maximum Subscription ($4 million)		
	#	$	%	#	$	%
Freshtel Shares on Issue as at 30 June 2016	1,123,676,186	39,377,824	n/a	1,123,676,186	39,377,824	n/a
Shares Issued (post 30 June 2016)	599,361,085	490,295	n/a	599,361,085	490,295	n/a
Existing Freshtel Shareholders (Pre-Consolidation)	**1,723,037,677**	**39,868,119**	**n/a**	**1,723,037,677**	**39,868,119**	**n/a**
Existing Freshtel Shareholders (Post-Consolidation on a 1:50 Basis)	**34,460,754**	**39,868,119**	**10.4%**	**34,460,754**	**39,868,119**	**9.5%**
Issue of Facilitator Shares	4,000,000	120,000	1.2%	4,000,000	120,000	1.1%
Issue of Director Shares	6,000,000	180,000	1.8%	6,000,000	180,000	1.7%
Shares Issued Pursuant to the Offer	100,000,000	3,000,000	30.3%	133,333,333	4,000,000	36.7%
Costs of the Offer taken to Equity	n/a	(263,024)	n/a	n/a	(317,228)	n/a
Shares Issued to Acquire FSG	185,714,286	1,033,823	56.2%	185,714,286	1,033,823	51.1%
Share Capital of FSG	n/a	100	n/a	n/a	100	n/a
Costs of the Acquisition taken to Equity	n/a	(33,872)	n/a	n/a	(33,872)	n/a
Elimination of Freshtel Share Capital	n/a	(39,868,119)	n/a	n/a	(39,868,119)	n/a
Pro Forma Issued Capital	**330,175,040**	**4,037,026**	**100.0%**	**363,508,373**	**4,982,822**	**100.0%**

11.4.3 Reconciliation of Retained earnings

The following table sets out reconciliation between actual and pro-forma retained earnings as at 30 June 2016:

AUD	Minimum Subscription ($3 million)	Maximum Subscription ($4 million)
Freshtel Audited as at 30 June 2016	(39,340,024)	(39,340,024)
Material Transactions Subsequent to 30 June 2016	(240,683)	(240,683)
Elimination of Pre-Acquisition Retained Losses	39,580,707	39,580,707
Costs of the Offer taken to Retained Earnings	(184,592)	(183,350)
Issue of Director Shares treated as a Share-Based Payment	(180,000)	(180,000)
Retained Earnings of FSG	1,614,786	1,614,786
Costs of the Acquisition taken to Retained Earnings	(59,799)	(59,799)
Share-Based Payment Recognised on Acquisition of FSG	(659,985)	(659,985)
Pro Forma Retained Earnings	**530,410**	**531,652**

11.5 Pro-Forma Historical and Forecast Cash Flow Statements

Set out below is the Pro-Forma Historical and Forecast Cash Flow Statements for FY2014, FY2015, FY2016 and FY2017 and the Statutory Forecast Cash Flow Statement for FY2017:

	Historical			Forecast	
	FY2014	FY2015	FY2016	FY2017	FY2017
AUD	Pro-Forma	Pro-Forma	Pro-Forma	Pro-Forma	Statutory
Cash Flow from Operating Activities					
Receipts from Customers	1,175,442	2,742,429	4,682,257	4,789,223	4,789,223
Payments to Suppliers and Employees	(1,683,853)	(3,209,680)	(4,071,108)	(4,502,637)	(4,242,648)
Receipts / (Payments) of Income Tax	-	42,384	-	(157,893)	(157,893)
Net Operating Cash Flows Before Capex	**(508,411)**	**(424,867)**	**611,149**	**128,693**	**388,682**
Capex	(36,613)	(38,490)	(278,798)	(113,493)	(113,493)
Net Operating Cash Flows After Capex	**(545,024)**	**(463,357)**	**332,351**	**15,200**	**275,189**

The Pro-Forma Historical and Forecast Cash Flow Statements are reconciled to the Statutory Historical and Forecast Cash Flow Statements in Section 11.3.1 below.

11.5.1 Pro Forma adjustments to the Statutory Historical Cash Flow Statements

Set out below are the adjustments that have been made to the Statutory Historical and Forecast Cash Flow Statements:

AUD	Note	Historical			Forecast
		FY2014	FY2015	FY2016	FY2017
Statutory Net Operating Cash Flows After Capex	**1**	**(200,386)**	**(177,328)**	**(170,805)**	**275,189**
Reversal of Historical Operations	**2**	200,386	177,328	170,805	-
Pro-Forma Corporate Overhead Costs	**3**	(350,416)	(350,416)	(350,416)	(268,312)
Impact of Acquisition (Operations)	**4**	(194,608)	(112,941)	682,767	8,323
Pro Forma Net Change in Cash		**(545,024)**	**(463,357)**	**332,351**	**15,200**

Note 1: As per the audited financial statements of Freshtel for FY2014, FY2015 and FY2016.

Statutory results for FY2017 comprise the forecast statutory cash flow statement of FSG for the year ended 30 June 2017 and forecast head office costs of the newly relisted consolidated entity following completion of the Acquisition, which has been assumed to occur on 1 April 2017.

Note 2: As Freshtel will undergo a significant change in business operations subsequent to completion of the Offer and Acquisition, historical results of Freshtel (including all head office costs) have been reversed for the purpose of preparing the Pro-Forma Cash Flow Statements.

Note 3: Pro-forma adjustments have been taken up to reflect head office costs as if the Company and FSG had operated as a merged listed entity from 1 July 2013. These costs include, but are not limited to:

- annual ASX listing fees;
- directors' remuneration;
- annual accounting and audit fees; and
- share registry costs.

The Statutory Forecast Cash Flow Statement includes actual expected head office costs from 1 April 2017 onwards.

Note 4: A pro-forma adjustment has been made to reflect the normalised operating results of FSG as if FSG was acquired on 1 July 2013.

11.6 Management Discussion and Analysis of Pro-Forma Historical Results

Set out below is a summary of the Company's key historical and forecast operating metrics:

AUD	Historical			Forecast	
	FY2014	FY2015	FY2016	FY2017	FY2017
	Pro-Forma	Pro-Forma	Pro-Forma	Pro-Forma	Statutory
Revenue	**1,228,558**	**2,974,638**	**5,053,463**	**5,350,020**	**5,350,020**
Growth (%)	n/a	142.1%	69.9%	5.9%	5.9%
Revenue Breakdown					
Software Development	547,212	1,220,564	2,822,004	2,855,152	2,855,152
Portion of Total (%)	44.5%	41.0%	55.8%	53.4%	53.4%
Growth (%)	n/a	123.1%	131.2%	1.2%	1.2%
Managed Services	554,300	1,626,777	2,047,937	1,892,346	1,892,346
Portion of Total (%)	45.1%	54.7%	40.5%	35.4%	35.4%
Growth (%)	n/a	193.5%	25.9%	-7.6%	-7.6%
Just ISP	30,915	4,644	12,306	567,273	567,273
Portion of Total (%)	2.5%	0.2%	0.2%	10.6%	10.6%
Growth (%)	n/a	-85.0%	165.0%	4509.7%	4509.7%
Other Revenue	96,131	122,654	171,215	35,250	35,250
Portion of Total (%)	7.8%	4.1%	3.4%	0.7%	0.7%
Growth (%)	n/a	27.6%	39.6%	-79.4%	-79.4%
EBITDA	**(441,431)**	**(685,396)**	**1,052,895**	**1,092,183**	**153,832**
EBITDA Margin (%)	-35.9%	-23.0%	20.8%	20.4%	2.9%
Growth (%)	n/a	n/a	n/a	3.7%	-85.4%
Operating Cash Flow Before Capex	(508,411)	(424,867)	611,149	128,693	388,682
Growth (%)	n/a	n/a	n/a	-78.9%	-36.4%
Capex	36,613	38,490	278,798	113,493	113,493
Growth (%)	n/a	5.1%	624.3%	-59.3%	-59.3%
Operating Cash Flow After Capex	(545,024)	(463,357)	332,351	15,200	275,189
Growth (%)	n/a	n/a	n/a	n/a	-17.2%

AUD	Historical			Forecast	
	FY2014	FY2015	FY2016	FY2017	FY2017
	Pro-Forma	Pro-Forma	Pro-Forma	Pro-Forma	Statutory
Net Profit After Tax (NPAT)	**(314,679)**	**(448,023)**	**791,357**	**798,491**	**(110,351)**
NPAT Margin (%)	-25.6%	-15.1%	15.7%	14.9%	-2.1%
Growth (%)	n/a	n/a	n/a	0.9%	-113.9%
Total Operating Expenses	**1,669,989**	**3,660,034**	**4,000,568**	**4,257,383**	**5,195,735**
Growth (%)	n/a	119.2%	9.3%	6.4%	29.9%
Operating Expenses Breakdown					
Acquisition of FSG	-	-	-	-	839,985
Percentage of Operating Expenses (%)	0.0%	0.0%	0.0%	0.0%	16.2%
Growth (%)	n/a	n/a	n/a	n/a	n/a
Communication and ISP Costs	204,925	1,210,643	1,216,032	1,389,033	1,389,033
Percentage of Operating Expenses (%)	12.3%	33.1%	30.4%	32.6%	26.7%
Growth (%)	n/a	490.8%	0.4%	14.2%	-12.0%
Contractor and Employee Expenses	418,435	1,163,481	1,538,192	1,692,816	1,692,816
Percentage of Operating Expenses (%)	25.1%	31.8%	38.4%	39.8%	32.6%
Growth (%)	n/a	178.1%	32.2%	10.1%	-15.3%
Corporate Overheads	245,291	245,291	245,291	245,291	65,173
Percentage of Operating Expenses (%)	14.7%	6.7%	6.1%	5.8%	1.3%
Growth (%)	n/a	0.0%	0.0%	0.0%	-79.5%
Other Operating Expenses	801,338	1,040,619	1,001,053	930,244	2,048,714
Percentage of Operating Expenses (%)	48.0%	28.4%	25.0%	21.9%	39.4%
Growth (%)	n/a	29.9%	-3.8%	-7.1%	57.6%

Further commentary on key historical and forecast operating metrics is set out below:

11.6.1 Software Development Revenue

In relation to software development and maintenance revenue, the Directors note the following:

- revenue from software development accounted for approximately 44.5%, 41.0%, 55.8% and 53.4% of total revenue in FY2014, FY2015, FY2016 and FY2017 (forecast) respectively; and

- growth in software development revenue in FY2016 was predominately driven by the following factors:

  - a substantial software development project being mainly completed during the period for a major Australian bank. This development project has been extended in FY2017. In addition, FSG continues to provide ongoing maintenance and hosting services in relation to this project; and

  - a substantial software development project being mainly completed during the period for a major Australian university. FSG continues to provide ongoing development, maintenance and hosting services in relation to this project,

- software development revenue in FY2017 is forecast to remain fairly comparable to FY2016 results mainly due to continued work for existing clients; and

- in relation to forecast software development and maintenance revenue, FSG have only included revenue in relation to signed contracts and quoted engagements. In relation to these forecasts the Directors of FSG note the following:

  - approximately 44% of forecast software development and maintenance revenue relates to signed contracts; and

  - approximately 56% of forecast software development and maintenance revenue relates to quoted engagements. These engagements relate to existing clients to which FSG has established relationships.

11.6.2 Managed Services Revenue

In relation to managed services revenue, the Directors note the following:

- revenue from managed services accounted for approximately 45.1%, 54.7%, 40.5% and 35.4% of total revenue in FY2014, FY2015, FY2016 and FY2017 (forecast) respectively.

- growth in managed services revenue in FY2016 was driven by the following factors:

  - a focus on the niche regional market which has historically, not been well serviced by larger managed service providers; and

  - increased hosting revenue as software development projects have reached initial conclusion and converted to ongoing projects.

  The Directors note that a substantial portion of revenue from managed services is recurring in nature, usually under contract with a minimum term of 12 months.

- in relation to forecasted managed services revenue, FSG management have only included revenue in the cases that FSG has existing contracts (i.e. no "blue sky" revenue is included in the FY2017 forecast).

11.6.3 JUST ISP Revenue

In relation to JUST ISP revenue, the Directors note the following:

- revenue from JUST ISP accounted for approximately 2.5%, 0.2%, 0.2% and 10.6% of total revenue in FY2014, FY2015, FY2016 and FY2017 (forecast) respectively;

- JUST ISP relates to the retail offering of FSG's services and is targeting primarily at rural areas which do not have adequate access to sufficient network capabilities. Generally, customers include progressive councils, areas with poor access to the national broadband network ("**NBN**") and agribusiness locations;

- JUST ISP sales are driven primarily through reseller sales and word of mouth;

- in relation to forecast JUST ISP revenue, the Directors have only included revenue where:
    - in the case of existing clients, services are already being provided or where additional opportunities (e.g. in the case of addition client venues or locations) have been identified with the client expected to proceed; or
    - in the case of new clients, FSG management have already been in advanced discussions with the potential new clients and where they believe that they is a high degree of probability that the opportunity will proceed; and
    - weighted probabilities have been applied to JUST ISP forecast revenue on the basis of winning the contract. FSG management have included in the forecast revenue for JUST ISP only those opportunities with a probability weight of at least 75%. This comprises a mixture of signed contracts and engagements in discussion with FSG clients.
    - The Directors note that the majority (i.e. approximately 79%) of JUST ISP revenue for FY2017 is expected to be derived in the last quarter of FY2017, driven by the installation of new services.

11.7 Dividend Policy

No dividend will paid with respect to the financial year ending 30 June 2017. The directors are yet to determine whether the Company will be in a position to pay a dividend in respect to earnings for the periods subsequent to 1 July 2017, which will depend on the available profits and the financial position of the Company.

The payment of dividends by the Company is at the discretion of the directors of the Company and will be a function of a number of factors including the general business environment, the operating results and financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors that the directors of the Company may consider relevant.

Given the current state of the Company, it is difficult to ascertain a percentage (if any) of its NPAT that will be paid as a dividend in the future.

No assurances can be given by any person, including the directors of the Company, about the payment of any dividend and the level of franking on any such dividend.

The Company does not have in place any dividend reinvestment plan.

11.8 Significant Accounting Policies

The Financial Information of the Company has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australia Accounting Standards Board ("**AASB**") and the Corporations Act 2001.

A summary of key accounting policies which have been adopted in the preparation of the Historical Financial Information are set out below. These

polices have been consistently applied to all the years presented, unless otherwise stated.

11.8.1 Basis of consolidation and business combinations

Basis of consolidation

The Historical Financial Information contained in this Prospectus comprises the financial information of the Company and its subsidiaries. Subsidiaries are determined to be entities which the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with that of the Company. All intragroup balances and transactions, including income, expenses and dividends, are eliminated in full upon consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expense as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in they acquire (if any) and the fair value of the Company and the Acquisitions previously held equity interest in the acquire (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill.

Reverse Acquisition

The Acquisition of FSG has been treated as a “reverse acquisition” for accounting purposes. Please refer to Section 11.2.1 and Note 4 of Section 11.4 for more information.

11.8.2 Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. All revenue is stated net of the amount of GST. The following specific criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Provision of Services

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

11.8.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term high liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowing in current liabilities in the Statement of Financial Position.

11.8.4 Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other trade and other receivables are classified as non-current assets.

11.8.5 Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment that have been contributed for no cost or for a nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

The depreciable amount of all fixed assets is recognised on a straight line basis over the asset's estimated useful life to the Company, commencing from the time the assets is available for its intended use.

The useful life of depreciable assets is:

Class of fixed asset	**Useful life**
Office Fitout and Furniture	5 years
Computer Equipment and ISP Capital	5 years
Motor Vehicles	8 years

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

11.8.6 Intangible assets

An intangible non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future

economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised.

11.8.7 Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the profit and loss unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite useful lives.

11.8.8 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in subsidiaries except where the timing of the reversal of temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised or the liability is settled,

based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Company and its Acquisitions expects, at the end of the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

11.8.9 Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

11.8.10 Employee benefits

Employee entitlements

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within 12 months of the end of the period are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the period.

Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

11.8.11 Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle obligation at the end of the reporting period.

11.8.12 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO.

11.8.13 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Company has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

11.8.14 Contributed equity

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax to the extent there is a future tax deduction available, from the proceeds.

11.8.15 Critical accounting estimates and judgment

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, though estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

12. INVESTIGATING ACCOUNTANT'S REPORT

15 March 2017

Board of Directors
Freshtel Holdings Limited
2980 Frankston Flinders Road
Balnarring, VIC 3926

Dear Directors,

INVESTIGATING ACCOUNTANT'S REPORT

INDEPENDENT LIMITED ASSURANCE INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

1. Introduction

PKF Corporate Finance (NSW) Pty Limited ("**PKFCF**", "**We**", "**Us**") have been engaged by Freshtel Holdings Limited ("**Freshtel**" or the "**Company**") to prepare this report for inclusion in the Prospectus (the "**Prospectus**") to be dated on or about 15 March 2017 relating to the issue of ordinary shares in the Company and subsequent listing on the Australian Securities Exchange ("**ASX**") (the "**Offer**").

Concurrently with the Offer, we understand that Freshtel has entered into a binding agreement to acquire 100% of the issued shares of Field Solutions Group Pty Limited ("**FSG**" or the "**Target**") (the "**Acquisition**"). The Acquisition is condition, amongst other things, on the following events occurring:

- The consolidation of Freshtel's capital on the basis that every 50 shares / options be consolidated into 1 share / option ("**Consolidation**");
- Freshtel completing a capital raising of not less than $3 million through the issue of not less than 100,000,000 ordinary shares at an issue price of $0.03 per share (on a post-Consolidation basis) (the "**Offer**");
- Freshtel obtaining all necessary shareholder approvals pursuant to the Corporations Act 2001 (Cth) ("**Corporations Act**") and Australian Securities Exchange ("**ASX**") Listing Rules or any other relevant law(s);
- Freshtel obtaining all necessary third party approvals and consents; and
- Freshtel obtaining all necessary regulatory approvals, including but not limited to, approval to reinstatement to official quotation on the ASX on conditions satisfactory to the Company acting reasonably.

We understand that the consideration for the Acquisition will comprise the issue of 185,714,286 fully paid ordinary shares (on a post-Consolidation basis) in Freshtel to the Vendors of FSG.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

PKFCF holds Australian Financial Services Licence ("**AFSL**") 295872. This report is both an Independent Limited Assurance Report, which scope of which is set out below, and a Financial Services Guide, as attached at Appendix 1.

2. Scope

You have requested PKFCF to perform a limited assurance engagement in relation to the pro-forma historical and forecast financial information described below and disclosed in the Prospectus (the "**Financial Information**").

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to a general purpose financial report prepared in accordance with the Corporations Act 2001.

2.1. Historical Financial Information

The historical financial information has been derived from the historical financial information of the Company, after adjusting for the effects of pro-forma transactions and/or adjustments described in Section 11.2.1 of the Prospectus. The historical financial information comprises the following:

- pro-forma historical consolidated income statements ("**Pro Forma Historical Income Statements**") for the year ended 30 June 2014 ("**FY2014**"), 30 June 2015 ("**FY2015**") and 30 June 2016 ("**FY2016**");
- reconciliation of the Pro-Forma Historical Income Statements to the Statutory Historical Income Statements for FY2014, FY2015 and FY2016;
- pro-forma historical consolidated statement of financial position as at 30 June 2016 ("**Pro-Forma Historical Balance Sheet**");
- pro-forma historical consolidated statements of cash flows ("**Pro-Forma Historical Statement of Cash Flows**") for FY2014, FY2015, FY2016; and
- reconciliation of the Pro-Forma Historical Statements of Cash Flows to the Statutory Historical Statement of Cash Flows for FY2014, FY2015 and FY2016.

The Statutory Historical Financial Information and Pro Forma Historical Financial Information is herein collectively referred to as the "**Pro-Forma Historical Financial Information**".

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro-forma adjustments relate, as described in Section 11.2.1 of the Prospectus. Due to its nature, the Pro-Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro-Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the Offer and the Acquisition on the Company's financial position as at 30 June 2016, financial performance and cash flows for FY2014, FY2015 and FY2016.

As part of this process, information about the Company's financial position, financial performance and cash flows has been extracted from the audited consolidated financial statements of Freshtel and audited special purpose financial statements of FSG for the years ended FY2014, FY2015 and FY2016. The Pro-Forma Historical Financial Information assume that FSG was owned by Freshtel at all times during the above periods.

The financial statements of Freshtel and FSG for FY2014, FY2015 and FY2016 were audited by Hall Chadwick in accordance with Australian Auditing Standards. The audit opinions issued to members of Freshtel relating to those financial statements were unqualified. The audit opinions issued to members of FSG were qualified with respect to FY2014 and FY2015, and unqualified with respect to FY2016. The qualifications issued with respect to FSG's FY2014 and FY2015 financial statements relate to Hall Chadwick's inability to obtain sufficient audit evidence in relation to opening balances as at 30 June 2013.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro-Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro-Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the Directors in accordance with the stated basis of preparation. As stated in Section 11.2.1 of the Prospectus, the basis for the preparation of the Pro-Forma Historical Information was as follows:

- The Pro-Forma Historical Income Statements and Statements of Cash Flows for FY2014, FY2015 and FY2016 illustrate what the financial performance of the Company would have been had:
  - the Company acquired FSG on 1 July 2013; and
  - the Company had operated as a trading listed entity on the ASX since 1 July 2013.
- The Pro-Forma Historical Balance Sheet as at 30 June 2016 illustrates what the financial position of the Company would have been had:
  - the Company's Acquisition of FSG occurred on 30 June 2016; and
  - the Offer was completed on 30 June 2016.

The procedures we performed were based on our professional judgement and included:

- **Historical financial information:**
  - consideration of the audit working papers, accounting records and other documents, including those dealing with the extraction of the historical financial information of Freshtel from its audited financial statements for FY2014, FY2015 and FY2016;
- **Pro forma adjustments:**
  - consideration of the pro-forma adjustments made to the Historical Financial Information;
  - enquiry of directors, management, personnel and advisors of the Company and FSG;
  - the performance of analytical procedures applied to the Pro-Forma Historical Financial Information; and
  - a review of the Company' accounting policies so as to ensure consistency of application in the preparation of the pro forma adjustments.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

2.2. Forecast Financial Information and Directors' Best-Estimate Assumptions

You have requested PKFCF to perform limited assurance procedures in relation to the:

- pro-forma consolidated forecast income statement for FY2017 ("**Pro-Forma Forecast Income Statement**");
- statutory consolidated forecast income statement for FY2017 ("**Statutory Forecast Income Statement**");
- pro-forma consolidated forecast cash flow statement for FY2017 ("**Pro-Forma Forecast Cash Flow Statement**"); and
- statutory consolidated forecast cash flow statement for the year ending 30 June 2017 ("**Statutory Forecast Cash Flow Statement**"),

of the Company (the responsible party) as described in Section 11.2.2 of the Prospectus and herein collectively referred to as the "**Forecast Financial Information**".

The Directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 11.2.3 of the Prospectus. As stated in Section 11.2.2 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Section 11 of the Prospectus and the Directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
  - prepared on the basis of the Directors' best-estimate assumptions as described in the Prospectus; and
  - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and the Company's accounting policies;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management and directors of the Company of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
  - the assumptions and amounts in the Forecast Financial Information; and
  - the application of accounting policies used in the Forecast Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

3. Directors' Responsibilities

- The Directors of the Company are responsible for the preparation of:
  - the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information; and
  - the Forecast Financial Information, including the Directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The Directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

4. Conclusions

4.1. Review Statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro-Forma Historical Financial Information, as set out in Section 11 of the Prospectus, comprising:

- the Pro-Forma Historical Income Statements;
- the reconciliation of the statutory historical income statements to the Pro-Forma Historical Income Statements;
- the Pro-Forma Historical Balance Sheet;
- the Pro-Forma Historical Statements of Cash Flows; and
- the reconciliation of the statutory historical statements of cash flows to the Pro-Forma Historical Statements of Cash Flows,

is not prepared or presented fairly, in all material respects, on the basis of the pro-forma transactions and/or adjustments described in Section 11.2.1 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

4.2. Forecast Financial Information and the Directors' Best-Estimate Assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the Directors' best-estimate assumptions as described in Section 11.2.3 of the Prospectus; and
  - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and the Company's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by the Company's management and adopted and disclosed by the Directors in order to provide prospective investors with a guide to the forecast financial performance of the Company for the year ending 30 June 2017.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The Directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the Directors' best-estimate assumptions on which the Forecast Financial Information is based. However, such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks described in Sections 9 of the Prospectus.

We have assumed and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

5. General Advice Warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

6. Independence

PKFCF does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. PKFCF will receive a professional fee for the preparation of this Independent Limited Assurance Report.

7. Restriction on Use

Without modifying our conclusions, we draw attention to Section 11.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

PKFCF has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, PKFCF makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

8. Financial Services Guide

We have included our Financial Services Guide as an Appendix to this report. The Financial Services Guide is designed to assist retail clients in their use of general financial product advice in our report.

Yours faithfully

PKF Corporate Finance (NSW) Pty Limited

Andrew Jones
Director

Nick Navarra
Principal

APPENDIX 1 - PART TWO - FINANCIAL SERVICES GUIDE

15 March 2017

What is a Financial Services Guide?

This Financial Services Guide ("**FSG**") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided in the form of an independent expert report by PKF Corporate Finance (NSW) Pty Limited (ABN 65 097 893 957) ("**PKFCF**"). The use of "we", "us" or "our" is a reference to PKFCF as the holder of Australian Financial Services Licence ("**AFSL**") No. 295872.

The contents of this FSG include:

- who we are and how we can be contacted;
- what services we are authorised to provide under our AFSL;
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide;
- details of any potential conflicts of interest; and
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

Provide financial product advice for the following classes of financial products:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services; and
- deposit and payment products limited to;
  - basic deposit products;
  - deposit products other than basic deposit products; and
  - debentures, stocks or bonds issued or proposed to be issued by a government.

Our responsibility to you

We have been engaged by the Directors of Freshtel Holdings Limited ("**Client**") to prepare an independent limited assurance report providing a review opinion (negative assurance) with respect to the financial information set out in Section 11 of the Prospectus to be ussies by the Client on or around 15 March 2017. You are not the party or parties who engaged us to prepare the Report. We are not acting for any person other than the party or parties who engaged us. We are required by law to give you an FSG because the Report is being provided to you.

The liability of PKFCF is limited to the contents of this FSG and the Report referred to in this FSG.

Information about the general financial product advice we provide

The financial product advice provided in the Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in the Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

Associations and relationships

PKFCF provides services primarily in the area of corporate finance and is partly owned by partners of the Sydney and Newcastle partnership of PKF, Chartered Accountants (**"PKF"**). PKF and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors may be partners in the partnership of PKF. The financial product advice in the Report is provided by PKFCF and not by the partnership of PKF.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the partnership of PKF (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business. Over the past two years professional fees of $[] and $[] have been received from the Client and [] respectively. None of these services have related to the transaction or alternatives to the transaction. No individual involved in the preparation of the Report holds a substantial interest in or is a substantial creditor of the Client of has other material interests in the transaction.

How are we and our employees remunerated?

We charge fees for providing Reports. Fees are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us. Our fees are usually determined on an hourly basis. However they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services. The estimated fee for the Report is $60,000 (exclusive of GST and out-of-pocket expenses).

Neither PKFCF, nor its directors and officers, receive any commissions or other benefits arising directly from providing Reports to you. The remuneration paid to our directors and staff reflects their individual contribution to the company and covers all aspects of performance. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding the Report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

AFS Compliance Manager
PKF Corporate Finance (NSW) Pty Limited
GPO Box 5446
SYDNEY NSW 2001
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service ("**FOS**"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FOS at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Telephone: (03) 9613 7366 Fax: (03) 9613 6399
Internet: http://www.fos.org.au

The Australian Securities and Investments Commission ("**ASIC**") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: infoline@asic.gov.au
Internet: http://www.asic.gov.au/asic/asic.nsf

Contact details

You may contact us using the details located below.

PKF Corporate Finance (NSW) Pty Limited
Level 8
1 O'Connell Street
SYDNEY NSW 2000

GPO Box 5446
SYDNEY NSW 2001
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099

13. CORPORATE GOVERNANCE

13.1 ASX Corporate Governance Council Principles and Recommendations

Our Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, commensurate with the Company's size and nature, FRE has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details on FRE's corporate governance procedures, policies and practices can be obtained from the Company website at www.freshtelholdings.com.au.

13.2 Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the

size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

13.3 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

(a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and

(b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Following Settlement, the Board is proposed to consist of four (4) members. The Company has adopted a Nominations Committee Charter, but has not formally adopted a Nominations and Remuneration Committee. The Directors consider that the Company is currently not of a size, nor are its affairs of such complexity as to justify the formation of a Nomination and Remuneration Committee. The responsibilities of a Nomination and Remuneration Committee are currently carried out by the Board.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next general meeting and is then eligible for re-election by the Shareholders.

13.4 Identification and management of risk

The Board will establish a risk management committee which will be responsible for overseeing the risk management function. The risk management committee will be responsible for ensuring the risks and opportunities are identified on a timely basis. To achieve this, the risk management committee will implement a risk system which allows for the monthly monitoring of identified risk areas and performance against the activities to minimise or control these identified risks.

13.5 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

13.6 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

13.7 Remuneration arrangements

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions

by each Non-Executive Director. The current amount has been set at an amount not to exceed $500,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

13.8 Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Managing Director). The policy generally provides that written notification to the Chairman (or in the case of the Chairman, the Managing Director) must be satisfied prior to trading.

13.9 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

13.10 Audit committee

The Company has an audit committee which fulfils the Company's corporate governance and monitoring responsibilities in relation to the Company's risks associated with the integrity of the financial reporting, internal control systems and the independence of the external audit function.

13.11 Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

13.12 Departures from Recommendations

Following re-admission to the Official List of ASX, FRE will be required to report any departures from the Recommendations in its annual financial report.

14. MATERIAL CONTRACTS

14.1 Acquisition Agreement

As announced on 23 November 2016, the Company has entered into a binding heads of agreement (**Acquisition Agreement**) with Convergent Technology Holdings Pty Ltd (**Vendor**) pursuant to which the Company has agreed, subject to the satisfaction of certain conditions precedent, to acquire 100% of the shares in FSG.

The Vendor is controlled by Mr Andrew Roberts, the Company's proposed new Executive Director and CEO, together with his wife.

Set out below is a summary of the key terms of the Acquisition Agreement:

(a) (**Consideration**): Subject to satisfaction or waiver of Conditions Precedent (summarised in Section 1.1(b) below), in consideration for acquiring 100% of FSG's shares, the Company has agreed to issue, at Settlement, 185,714,286 Shares (**Consideration Shares**).

(b) (**Conditions Precedent**): The conditions precedent which must be satisfied (or waived) prior to the Company completing the Acquisition include:

(i) completion of due diligence by the Company on FSG's business, assets, operations, financial position, financial performance and any further matters relevant to the Company, to the absolute satisfaction of the Company;

(ii) completion of due diligence by FSG on the Company's business, assets, operations, financial position, financial performance and any further matters relevant to FSG, to the absolute satisfaction of FSG;

(iii) the Company, FSG and the Vendor entering into a formal share sale agreement;

(iv) FSG and each of its operating subsidiaries delivering to the Company audited accounts for the shorter period of three years and the date of incorporation of the relevant company;

(v) the Company completing a capital raising of not less than $3,000,000, through the issue of not less than 100,000,000 at an issue price of $0.03 each (**Capital Raising**);

(vi) the Company obtaining all necessary shareholder approvals pursuant to the Corporations Act, the ASX Listing Rules or any other relevant law to allow the Company to lawfully complete the matters set out in the Agreement, including, without limitation:

(A) ASX Listing Rules approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Consideration Shares to the Vendor;

(B) ASX Listing Rule approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Shares pursuant to the Capital Raising;

(C) ASX Listing Rule approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Facilitator Shares and Directors Shares;

(D) if required, ASX Listing Rule 11.1.2 approval authorising a change of nature and scale of activities of the Company;

(E) approval and execution of a consolidation of the capital of the Company on the basis of a ratio of 50 for 1 (**Consolidation**);

(F) election of two directors of the Company nominated by the Vendor; and

(G) such other approvals as may be identified as necessary as a result of the due diligence;

(vii) if required, the Company obtaining an independent expert's report to discharge its obligations under section 611(7) of the Corporations Act;

(viii) the Company obtaining all necessary third party approvals or consents to give effect to the matters set out in the Acquisition Agreement to allow the Company to lawfully complete the matters set out in the Acquisition Agreement; and

(ix) the Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Company to lawfully complete the matters set out in the Acquisition Agreement, including but not limited to, approval to reinstatement to official quotation on ASX on conditions satisfactory to the Company acting reasonably,

(together, the **Conditions Precedent**).

(c) (**End Date**): If the Conditions Precedent are not satisfied (or waived) on or before 5:00pm (WST) on 30 June 2017, the parties may be released from their future obligations under the Acquisition Agreement, unless otherwise mutually agreed in writing by the parties.

(d) (**Settlement**): Settlement of the Acquisition (**Settlement**) will occur on that date which is 2 business days after the satisfaction (or waiver) of all Conditions Precedent (or such other date as agreed between the Company and FSG) (**Settlement Date**).

(e) (**Board Composition**): On Settlement, the board of the Company will consist of no more than four (4) persons, consisting of:

(i) Mithila Nath Ranawake and Ken Carr, being nominees of the Company; and

(ii) Andrew Roberts and Wayne Wilson, being nominees of FSG.

(f) (**Facilitator and Director Shares**): At Settlement, the Company will also issue:

(i) up to 4,000,000 Shares to the Facilitators (**Facilitator Shares**); and

(ii) up to 6,000,000 Shares to existing directors of the Company (**Director Shares**).

The issue of the Facilitator Shares and Director Shares will be subject to the recipient providing a duly executed restriction agreement where required by ASX in accordance with the ASX Listing Rules.

(g) (**Break Fees and Lock-up Devices**): There are no break fees or other lock-up devices contemplated in the Acquisition Agreement.

14.2 Customer Service Contracts

FSG has a number of customer contracts in place pursuant to which it provides cloud computing, cloud application development, cloud software development and/or telecommunications services to various customers (**Customer Contracts**). Due to the confidentiality and commercial materiality of these contracts a summary of contract terms is provided below. For further detail in respect of FSG's key customers, refer to Section 8.4.

Master Services Agreement

FSG has a standard form master services agreement which governs a number of its arrangements with customers in relation to the provision of cloud computing, cloud application development, cloud software development and/or telecommunications services (**MSA**). A summary of the key terms of the MSA is set out below:

(a) (**Term**): minimum period as set out in the respective service schedule.

(b) (**Price**): as set out in the respective service schedule and the invoice is to be paid within 14 days of receipt.

(c) (**Software Licence**): FSG warrants to the customer that it owns or has the right to grant sublicenses of the software required to support the services. FSG grants to the customer a non-exclusive transferable licence without right to sub-licence, to use the software required to support the Services.

(d) (**Termination**): The customer may terminate if FSG materially breaches a term of the MSA which is incapable of remedy or fails to remedy within 20 business days of receipt of notice. FSG may terminate immediately in various circumstances including an adverse event, breach of the MSA or if another supplier (other than FSG) changes the terms of the MSA affecting the Company's ability to provide the services to the customer.

Customer A Services Agreement

FSG entered into a Services Agreement with Customer A on 1 July 2016 pursuant to which FSG provides software development and maintenance services to Customer A (**Services Agreement**). The key terms are as follows:

(a) (**Term**): commenced on 1 July 2016 and continues in perpetuity unless terminated in accordance with terms of the Services Agreement.

(b) (**Fees**): Fixed annual figure to be paid in 12 equal instalments.

(c) (**Confidential Information**): confidential information must not be disclosed to any person except in specific circumstances including where required by law.

(d) (**Intellectual Property**): all title to and ownership of the Customer A intellectual property and imagery including intellectual property developed by FSG that used or incorporates Customer A intellectual property will at all times vest in Customer A.

(e) (**Termination**): the Services Agreement may be terminated by agreement or by either party on the grounds of winding up or dissolving of the other party, entry into an arrangement, compromise or composition with creditors, breach of the Services Agreement or at any time by 90 days' written notice of intention to terminate.

Customer B Agreement for Goods and Services

FSG entered into a Master Agreement for Goods and Services with Customer B pursuant to which Customer B engages FSG to supply software services as set out in respective work orders (**Services**) (**Goods and Services Agreement**). The key terms of the Goods and Services Agreement is set out below:

(a) (**Term**): Begins on the commencement date and ends on the contract end date (as set out in the respective work order) unless terminated earlier in accordance with the Goods and Services Agreement.

(b) (**Fees**): Fees are as set out in the relevant work order and are to be paid within 30 days of the invoice date**.**

(c) (**Termination**): Customer B may terminate or reduce the scope of the services on 30 days' written notice. Customer B may terminate in the event of breach of the agreement by FSG and it is not remedied within 14 days after receiving notice.

(d) (**Change of Control**): FSG must immediately notify Customer B if there is any change in the direct or indirect beneficial ownership or control of FSG.

(e) (**Intellectual Property Rights**): Except as otherwise stated in the respective work order, all right, title and interest in the project intellectual property rights (**IP Rights**) arising out of the Goods and Services Agreement are owned by Customer B and to the extent necessary FSG assigns all future IP Rights to Customer B. Each parties background IP Rights remains with the contributing party. Customer B grants to FSG a licence to use its materials and IP Rights for the purposes of providing the goods and services.

(f) (**Confidentiality**): each party must keep all confidential information disclosed to it confidential. Confidential information includes all information or data that is exchanged between the parties for the purposes of the agreement relating to the operations, business, research and technology of the disclosing party. Certain exceptions are set out which permit disclosure including when it is required by law.

Software Development Agreement

FSG (**Developer**) entered into a Software Development Agreement with Customer C pursuant to which it agreed to provide software development

services relating to a computer software project to Customer C on the terms and conditions of the agreement (**SDA**). The key terms of the SDA are set out below:

(a) (**Provision of Services**): with effect from the 30 November 2015, the Developer will provide the services to develop the computer software (**Software**) to the agreed scope (**Services**).

(b) (**Scope**): The performance of Services is limited to the scope which includes developing and testing the software, adhering to the scope and milestones or as otherwise agreed by a change request or as directed by the group that is responsible for governance of the Services (**PSC**).

(c) (**PSC**): The PSC must meet monthly and consider progress on the project. It must also monitor project delivery risk to the Customer C Board, exercise judgement in respect of delivery of the Services and consider and approve changes to the Developer's personnel. Both the developer and Customer shall have representatives on the PSC.

(d) (**Obligations**): The Developer must perform the Services in accordance with any lawful requests and directions of the Customer issued from time to time. The Customer shall provide all data incorporated into the Software, documents and any information in creating the Software and such personnel, equipment and access necessary for the Developer to supply the Services.

(e) (**Confidentiality**): Confidential information, as defined in the SDA is to remain confidential, save permitted disclosures including when a part is required by law or the rules of the stock exchange to disclose.

(f) (**Intellectual Property**): All Intellectual Property (**IP**) will vest in the Customer immediately upon the Customer's payment of the Fees.

(g) (**Fees**): In consideration for the Services, the Customer shall pay Customer C in accordance with the fees set out in the SDA (**Fees**). These fees are to be paid upon receipt of a tax invoice from the Developer which shall be accompanied by a verification document.

(h) (**Term and Termination**): The SDA is effective from 30 November 2015 until it is terminated in accordance with the terms of the SDA. Either party may terminate the SDA immediately in the event of a material breach, insolvency event or if either party ceases business.

FSG is a party to two additional agreements with Customer C in relation to software support and hosting and back up services. These include the Managed Application Agreement and a Support and Service Level Agreement.

14.3 Joint Lead Manager Mandate

The Company has entered into a mandate with Patersons Securities Limited (**Patersons**) and CPS Capital Limited (**CPS**) to act as joint lead managers to the Offer (CPS and Patersons together being the **Joint Lead Managers**) (**Mandate**). In addition, the Joint Lead Managers will assist and advise the Company with issue management, marketing, selling and distribution and provide corporate advisory services. In consideration for these services, the Company will pay the Joint Lead Managers the following fees:

(a) Joint Lead Manager Fee: $25,000 (to be shared equally between the Joint Lead Managers);

(b) Selling Fee: 6% of the gross amount raised under the Offer from all sources. All selling fees payable to third parties will be paid by the Joint Lead Managers from this Selling Fee; and

(c) Corporate Advisory Retainer: a corporate advisory retainer of $6,600 per month will be payable (and shared equally) to the Joint Lead Managers for the six (6) months following the date of completion of the Offer.

In addition, the Joint Lead Managers will be reimbursed for reasonable out of pocket expenses associated with their role, but must obtain the prior consent of the Company should any single expense exceed $2,000.

The Joint Lead Managers can terminate the engagement by written notice on the occurrence of specified events. These events include, but are not limited to, a material adverse change (such as an adverse change to the assets, liabilities, financial position or prospects of the Company or FSG), false, misleading statements or material omissions in the Prospectus or default by the Company of any term of the Mandate.

The Company may terminate the engagement by written notice at any time before the Joint Lead Managers have extended any firm commitment offer to any investor to subscribe for any securities under the Offer if:

(a) the Joint Lead Managers fail to rectify any material breach of the Mandate having been given 10 business days' notice in writing by the Company of such a breach having occurred; or

(b) on a no fault basis with 10 business days' notice in writing by the Company.

14.4 Non-Executive Director Letters of appointment

Ken Carr

The Company entered into a Non-Executive Chairman Letter of Appointment on 10 March 2017 which sets out the key terms upon which Mr Carr is engaged as Non-Executive Chairman of the Company. The key terms of which are summarised below.

(a) (**Term**): appointment as non-executive director commenced on 2 May 2014 and appointment automatically ceases at the end of any meeting at which Mr Carr is not re-elected as a director by Shareholders.

(b) (**Fees**): Mr Carr will be entitled to a base directors' fee of $60,000 per annum (inc. superannuation), and may be entitled to receive additional fees for service on any separately constituted Board sub-committees. The fees will be subject to annual review by the Board and approval by Shareholders.

(c) (**Duties**): general duties of care and diligence, good faith, proper use of position and proper use of information as well as the fiduciary duties imposed by common law. Additionally, duties include (but are not limited to) chairing monthly Board meetings and general meetings, bringing independent judgement to issues of strategy and performance, ensuring corporate governance policies are current and effective and

ensuring the adequacy and integrity of financial and other reporting to the Board and Shareholders.

Mithila Nath Ranawake

The Company entered into a Non-Executive Director Letter of Appointment on 10 March 2017 which sets out the key terms upon which Mr Ranawake is engaged as a Non-Executive Director of the Company. The key terms of which are summarised below.

(a) (**Term**): appointment as non-executive director commenced on 23 November 2010 and appointment automatically ceases at the end of any meeting at which Mr Ranawake is not re-elected as a director by Shareholders, at the time Mr Ranawake resigns by written notice, or otherwise in accordance with the Constitution of the Company.

(b) (**Fees**): Mr Ranawake will be entitled to a base directors' fee of $52,560 per annum (inc. superannuation), and may be entitled to receive additional fees for service on any separately constituted Board sub-committees. The fees will be subject to annual review by the Board and approval by Shareholders.

(c) (**Role**): general duties of care and diligence, good faith, proper use of position and proper use of information as well as the fiduciary duties imposed by common law. Additionally, duties include (but are not limited to) sharing responsibility with the other Directors for the effective control of the Company, bringing independent judgement to issues of strategy and performance and constructively challenging and helping to develop proposals on strategy of the Company.

14.5 Executive Services Agreement

Mr Andrew Roberts will be employed as Executive Director and Chief Executive Officer of the Company effective from Settlement of the Acquisition (**ESA**). The key terms of his appointment are set out below:

(a) (**Fees**): Mr Roberts will be paid fees for his services in the form of a salary totalling $295,000 per annum plus superannuation. Mr Roberts will also have the opportunity to earn performance based bonuses to be determined following Settlement of the Acquisition.

(b) (**Role**): Chief Executive Officer and Executive Director.

(c) (**Term**): Commences from Settlement of the Acquisition and continue until terminated in accordance with the terms of the ESA.

14.6 Deeds of indemnity, insurance and access

The Company is in the process of finalising deeds of indemnity, insurance and access with each of its Proposed Directors and will enter into such deeds with the Proposed Directors following their appointments. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

For existing directors, the Company has entered into deeds of indemnity, insurance and access.

15. ADDITIONAL INFORMATION

15.1 Litigation

As at the date of this Prospectus, neither FRE nor FSG are involved in any material legal proceedings and the Directors and Proposed Directors are not aware of any legal proceedings pending or threatened against FRE or FSG.

15.2 Rights and liabilities attaching to Shares (including Shares to be issued under the Offer)

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time

declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Board of the Company as appointed from time to time. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of shares), the Directors may issue Shares and other Securities as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms

of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of votes validly cast for Shares at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

15.3 Interests of Directors and Proposed Directors

Other than as set out in this Prospectus, no Director or Proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(a) as an inducement to become, or to qualify as, a Director; or

(b) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

15.4 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

(a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of the Company; or

(c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(a) the formation or promotion of the Company; or

(b) the Offer.

PKF Corporate Finance Pty Ltd (**PKF**) has acted as Investigating Accountant of FRE and has prepared the Financial Information in Section 11 and the Investigating Accountant's Report which is included in Section 12 of this Prospectus. The Company estimates it will pay PKF a total of $28,000 (excluding GST) for these services.

Steinepreis Paganin has acted as the solicitors to Company in relation to the Offer. The Company expects that it will pay Steinepreis Paganin $120,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates.

CPS and Patersons have acted as Joint Lead Managers under the Offer. The Company will pay the Joint Lead Managers those fees as set out in Section 14.3.

15.5 Consents

Each of the parties referred to in this Section 15.5:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;

(b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and

(c) did not authorise or cause the issue of all or any part of this Prospectus.

PKF has given its written consent to being named as the Investigating Accountant in this Prospectus and to the inclusion of the Financial Information in Section 11 and the Investigating Accountant's Report which is included in Section 12 of this Prospectus in the form and context in which the information and report is included. PKF has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

CPS and Patersons have given their written consent to being named as the Joint Lead Managers of the Offer in this Prospectus. CPS and Patersons have not withdrawn their consents prior to the lodgement of this Prospectus with the ASIC.

The Proposed Directors have each given their written consent to being named as the proposed directors of the Company and to all other information relevant to them in this Prospectus. The Proposed Directors have not withdrawn their consents prior to the lodgement of this Prospectus with the ASIC.

15.6 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately $616,715 (assuming full subscription) and $692,017 (assuming minimum subscription) and are expected to be applied towards the items set out in the table below:

Item of Expenditure	$3,000,000 minimum subscription under Offer ($)	4,000,000 full subscription under Offer ($)
ASIC fees	5,000	5,000
ASX fees	84,349	96,065
Legal fees	63,399	63,399
Investigating Accountant's Fees	60,000	60,000
Lead broker fees	$244,600	304,600
Printing, Distribution and Miscellaneous	39,367	42,953
TOTAL CASH SETTLED COSTS OF THE OFFER	**496,714**	**572,017**
Issue of Facilitator Shares	**$120,000**	**$120,000**
TOTAL COSTS OF THE OFFER	**$616,715**	**$692,017**

15.7 Continuous disclosure obligations

As the Company is admitted to ASX's Official List, the Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

15.8 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form and fully read those documents. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.freshtelholdings.com.au.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of the Prospectus or a complete and unaltered electronic copy of this Prospectus. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

15.9 Governing law

The Offer and the contracts formed on return of an Application Form are governed by the laws applicable in Victoria, Australia. Each person who applies for Shares pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Victoria, Australia, and the relevant appellate courts.

16. DIRECTORS' AUTHORISATION

This 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 Prospectus with the ASIC.

Dr Ken Carr
Chairman
For and on behalf of
FRESHTEL HOLDINGS LIMITED (TO BE RENAMED "FIELD SOLUTIONS HOLDINGS LIMITED")

17. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

$ means an Australian dollar.

AEST means Australian Eastern Daylight Savings Standard Time.

Acquisition means the acquisition of 100% of the issued capital of FSG in accordance with the Acquisition Agreement.

Acquisition Agreement means the binding, conditional agreement between the Company, FSG and the Vendors dated 21 November 2016, the material terms of which are summarised in Section 14.1.

Acquisition Resolutions means those Shareholder resolutions referred to in Section 6.6 of this Prospectus that were considered and approved at the General Meeting, as described in further details in the Notice of Meeting.

Applicant means a person or entity that applies for Shares under this Prospectus.

Application Form means an application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

FSG Shares means 100% of the issued shares in FSG.

Board means the board of Directors as constituted from time to time.

Business means the business of the Company following Settlement.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closing Date means the closing date of the Offer as set out in the indicative timetable in Section 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **FRE** means Freshtel Holdings Limited (ACN 111 460 121).

Conditions has the meaning set out in section 2.4.

Consideration Securities means the Consideration Shares.

Consideration Shares has the meaning given to it in Section 6.6.

Consolidation means the consolidation of the issued securities of the Company existing at the date of the Notice of Meeting on a one (1) for fifty (50) basis (rounded up to the nearest whole number).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

FSG means Field Solutions Group Pty Ltd (ACN 155 490 074).

General Meeting means the meeting of Shareholders that was held on 13 March 2017 at which the Shareholders approved the resolutions outlined in the Notice of Meeting, including the Acquisition Resolutions.

Notice of Meeting means the notice of general meeting and explanatory statement of the Company released on ASX on 10 February 2017 in relation to the General Meeting.

Offer means the offer pursuant to this Prospectus, as set out in Section 7.1 of up to 133,333,333 Shares at an issue price of $0.03 per Share to raise up to $4,000,000 (before costs) with a minimum subscription of $3,000,000.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proposed Directors means Mr Wayne Wilson and Mr Andrew Roberts who will be appointed to the Board of the Company upon completion of the Acquisition.

Prospectus means this prospectus.

Section means a section of this Prospectus.

Security means a security issued or to be issued in the capital of the Company, including a Share or an Option.

Settlement means settlement of the Acquisition in accordance with the terms of the Acquisition Agreement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Vendor means Convergent Technology Holdings Pty Ltd (ACN 155 483 659).