

**SWIFTEL LIMITED**  
**ABN 31 009 273 152**

**INFORMATION MEMORANDUM –  
NOTICE OF GENERAL MEETING,  
EXPLANATORY STATEMENT AND  
PROXY FORM**

*This Information Memorandum is an important document and requires your immediate attention. Please read it carefully. If you are in doubt as to what you should do, please consult your investment or other professional adviser.*

**For a General Meeting to be held on  
Monday, 14 June 2004 at 10:30am (WST) at  
the QV1 Function Centre, Level 2, QV1 Building,  
250 St Georges Terrace, Perth, Western Australia**

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### **IMPORTANT INFORMATION**

#### **Role of ASX**

A copy of this Memorandum has been lodged with ASX and the ASIC. Neither ASX, the ASIC nor any of their officers takes any responsibility for the contents of the Memorandum.

#### **Future Statements**

Certain statements in this Memorandum relate to the future. Those statements involve known and unknown risks, uncertainties, assumptions and other important factors, both specific to the Company and people Telecom Limited and relating to the general business environment. Actual performance, results or events may be materially different to those expressed or implied in those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, investor sentiment towards the biotechnology sector, competitive pressures and changes in those factors. Please see section 1.8 in the Explanatory Statement for details of some of the risk factors.

Statements in the Memorandum are made as at 10 May 2004.

#### **Defined terms**

Certain capitalised terms used in the Memorandum are defined in the Glossary at the end of the Memorandum.

#### **Enquiries**

Shareholders are invited to contact the Chief Executive Officer on (08) 9480 1222 if they have any queries in respect of the matters set out in this Memorandum.

## LETTER TO SHAREHOLDERS

Dear Shareholder

Swiftel Limited (**Swiftel** or **Company**) commenced operations in April of 2000 as a Data Communications Company, to provide world class communication services to the Perth and Western Australian business sector.

The Company has since grown organically from being a Perth based company to a National Telecommunications Company with a customer base of more than 20,000 corporate and retail clients. The revenue growth from inception in 2000 has grown from \$450,000 for the first year to an annualised \$11.6 million as at December 2003.

Swiftel has the opportunity of becoming a significantly larger organisation as a result of its proposed merger with People Telecom. People Telecom is a telecommunications company that offers an extensive and complementary range of voice products, including mobile, long distance and local fixed line.

The enlarged company will be a full service provider telecommunications company that will offer Voice, Data and Mobile products to over 30,000 customers and will be one of the top ten revenue producers in the Telecommunications Industry with annual revenue's forecast to exceed \$100 million in 2005.

The Company will change its name to "People Telecom Limited" after the merger. The Company will deliver innovative service offering to the market coupled with a high service infrastructure. The mission of the Company will still be that of 'talk to people' but with the new emerging consumer division using the 'Swift' product line up reinforcing speed and reliability of its new age converged data and voice offerings.

People Telecom will offer an extensive array of telecom products and services including Voice (mobile & fixed) and Data (broadband & VPN) and voice over internet products.

People Telecom will be a service provider delivering innovative customer services and pricing to two main markets: Firstly, the business market through the People Telecom sophisticated business and service line up and, secondly, the consumer brand through products to be known as Swiftbroadband, Swiftmobile and Swiftvoice.

The enclosed Explanatory Statement and Independent Expert's Report contain details of the transaction. The Directors of Swiftel believe it is in the best interests of Swiftel to acquire and merge with People Telecom and recommend the transaction to shareholders. The Directors advise that they will be voting for and accepting the proposed transaction in respect of their shareholding and their option holding. The remainder of this statement outlines the reasons behind the Board's recommendation and decision.

Please read carefully.

Yours faithfully,

**Saliba Sassine**  
**Chairman**  
**Swiftel Limited**

## INDICATIVE TIMETABLE

Set out below is an indicative timetable relating to the Merger. All times are times in Perth, Western Australia (WST).

<b>Event</b>	<b>Date</b>
Announcement of Merger	12 March 2004
Dispatch Notice of General Meeting seeking approval for Merger	14 May 2004
Lodgement of Prospectus with the ASIC	11 June 2004
Suspension of Swiftel's securities from trading on ASX at the opening of trading	14 June 2004
General Meeting to approve Merger	14 June 2004
Closing Date of Offer under the Prospectus	25 June 2004
Anticipated date the suspension of trading is lifted and the merged entity is re-listed on ASX	30 June 2004

These dates are indicative only and are subject to change.

## TIME AND PLACE OF MEETING AND HOW TO VOTE

### Venue

A general meeting of the shareholders of Swiftel Limited will be held at:

**QV1 Function Centre  
Level 2, QV1 Building  
250 St Georges Terrace  
Perth WA 6000**

**Commencing  
10.30am (Perth Time)  
on Monday, 14 June 2004**

### How to Vote

The business of the meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

### Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10.30am.

### Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Memorandum as soon as possible and either:

- send the proxy form by facsimile to the Company on facsimile number (08) 9480 1223 (International: + 61 8 9480 1223); or
- deliver the proxy form to the Company's registered office at Level 18 QV1, St Georges Terrace, Perth, Western Australia,

so that it is received not later than 10.30am (WST) on 12 June 2004. Proxy forms received later than this time will be invalid.

**Your proxy form is enclosed at the end of this Memorandum.**

SWIFTEL LIMITED  
ABN 31 009 273 152

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of shareholders of Swiftel Limited (Swiftel or Company) will be held at the QV1 Function Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia at 10.30am (Perth Time) on Monday, 14 June 2004.

AGENDA

**BUSINESS**

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as special business and terms used in this Notice have the meaning given to them in the Explanatory Statement.

**SPECIAL BUSINESS**

**Resolution 1 - Change of activities**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of Resolutions 2 to 18 (inclusive), for the purposes of Listing Rule 11.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to make a significant change in the scale of its activities as a provider of telecommunication services as more particularly described in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** The Listing Rules require the Company to seek shareholder approval where it proposes to make a significant change to the scale of its activities. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, or any associate of those persons.

**Resolution 2 - Issue of securities for the acquisition of People Telecom Limited**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of Resolution 1 and Resolutions 3 to 18 (inclusive), for the purposes of Item 7 of Section 611 of the Corporations Act, and Listing Rules 7.1, 10.1 and 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to allot and issue between 194,749,251 and 204,311,544 fully paid shares after the consolidation of the Company's capital under Resolution 8, in the capital of the Company to the shareholders of people telecom Limited (or their nominees), as consideration for the acquisition of all of the issued shares in people telecom Limited and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** As part of the acquisition of People Telecom, securities will be issued by the Company to the shareholders in People Telecom. Accordingly, shareholder approval is being sought for the purposes of ASX Listing Rule 7.1 to allow those parties to be issued securities in the Company. Under the Listing Rule 7.1, the Company may issue up to 15% of its ordinary share capital in any 12 month rolling period without shareholder approval. By obtaining the prior approval of shareholders for the issue of securities proposed under this Resolution, the Company retains the flexibility to make future issues of securities up to that threshold. In addition, the shareholders in People Telecom will together acquire a relevant interest in greater than 20% of the voting shares in the Company post completion of the acquisition and the conversion of the convertible securities to be issued to them. Accordingly, shareholder approval is being sought in accordance with Item 7 of Section 611 of the Corporations Act. Additionally, entities associated with Barry Hamilton, Ryan O'Hare and Brendan Fleiter are shareholders of People Telecom, and each of these persons will be directors of the Company if Resolutions 4, 5 and 6 are passed. Colin Marland is already a director of the Company. Accordingly approval is required in order to comply with the Listing Rule requirements for the Company to issue Shares to and acquire People Telecom Shares from Messrs Hamilton, O'Hare, Fleiter and Marland, under related party provisions. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by the shareholders in People Telecom Limited a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons.

### **Resolution 3 – Options Offer**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 2 (inclusive) and Resolutions 4 to 18 (inclusive), for the purposes of Listing Rules 7.1, 6.23.2, 10.1 and 10.11 of the Listing Rules of the Australian Stock Exchange Limited and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue up to 19,338,003 fully paid ordinary shares, after the consolidation of the Company's capital under Resolution 8, in the capital of the Company to holders of listed options in consideration for the cancellation of two (2) Options for every one (1) fully paid ordinary share in the Company issued.”*

**Short Explanation:** In consideration of the cancellation of Options, the Company will issue shares to holders of listed options. Accordingly, shareholder approval is being sought for the purposes of ASX Listing Rule 6.23.2 to allow the options to be cancelled. Additionally, shareholder approval is required under ASX Listing Rule 7.1 to allow the Company to retain its 15% capacity. Shareholder approval is also required under ASX Listing Rule 10.11 in respect of shares that may be issued under the Options Offer to related parties of the Company. In addition, as the Options Offer may result in the acquisition of a substantial asset by the Company from a related party, approval is required under ASX Listing Rule 10.1. Approval is also sought under Item 7 of Section 611 of the Corporations Act because some shareholders of People Telecom will be able to participate in the Options Offer, which may increase the aggregate voting power of People Telecom Shareholders in the Company to greater than 20% on completion of the Merger, the Options Offer and the capital raising referred to in Resolution 17.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who holds any listed option, or by a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons.

#### **Resolution 4 – Election of Mr Barry Hamilton**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 3 (inclusive) and Resolutions 5 to 18 (inclusive), Mr Barry Hamilton, being eligible and having consented to act, be elected as a director of the Company on and from the date of settlement of the Merger.”*

**Short Explanation:** As part of the acquisition of People Telecom, new appointments to the Company’s Board will be made. Please refer to the Explanatory Statement for details.

#### **Resolution 5 – Election of Mr Ryan O’Hare**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 4 (inclusive) and Resolutions 6 to 18 (inclusive), Mr Ryan O’Hare, being eligible and having consented to act, be elected as a director of the Company on and from the date of settlement of the Merger.”*

**Short Explanation:** As part of the acquisition of People Telecom, new appointments to the Company’s Board will be made. Please refer to the Explanatory Statement for details.

#### **Resolution 6 – Election of Mr Brendan Fleiter**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 5 (inclusive) and Resolutions 7 to 18 (inclusive), Mr Brendan Fleiter, being eligible and having consented to act, be elected as a director of the Company on and from the date of settlement of the Merger.”*

**Short Explanation:** As part of the acquisition of People Telecom, new appointments to the Company’s Board will be made. Please refer to the Explanatory Statement for details.

#### **Resolution 7 – Change of name**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, subject to the passing of Resolutions 1 to 6 (inclusive) and Resolutions 8 to 18 (inclusive), for the purposes of Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to “people telecom Limited.”*

**Short Explanation:** The Company proposes to change its name to more accurately reflect the merged entity.

## **Resolution 8 – Consolidation of capital**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, subject to the passing of Resolutions 1 to 7 (inclusive) and Resolutions 9 to 18 (inclusive), in accordance with Section 254H of the Corporations Act and the Company’s Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every two (2) fully paid ordinary shares in the capital of the Company be consolidated into one (1) fully paid ordinary share in the capital of the Company; and*
- (b) every two (2) options to acquire fully paid ordinary shares in the capital of the Company be consolidated into one (1) option to acquire a share and that the exercise price of the options will be increased by a multiple of 2,*

*and where this consolidation results in a fraction of a share or option being held by a shareholder or optionholder (as the case may be), the directors of the Company be authorised to round that fraction up to the nearest whole share or option.”*

**Short Explanation:** Under the Corporations Act, a company may convert all or any of its securities into a smaller amount by resolution passed at a general meeting. The consolidation is proposed in order for the Company to comply with the requirements of Chapters 1 and 2 of the Listing Rules. Please refer to the Explanatory Statement for details.

## **Resolution 9 – Adoption of Exempt Employee Share Plan**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 8 (inclusive) and 10 to 18 (inclusive), for the purposes of Section 260C(4) of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to adopt the Exempt Employee Share Plan on the terms set out in the Explanatory Statement;*
- (b) the current and future employees of the Company to acquire fully paid ordinary shares (**Shares**) in the capital of the Company in accordance with the terms of the Exempt Employee Share Plan;*
- (c) the Board of Directors of the Company to implement and administer the Exempt Employee Share Plan in accordance with its terms; and*
- (d) the Company to provide financial assistance to employees in connection with the Exempt Employee Share Plan.”*

**Short Explanation:** The Company proposes to adopt the Exempt Employee Share Plan which will allow employees to acquire shares in the Company, subject to meeting certain eligibility and performance criteria. Under the terms of the plan, the Company may be considered to be providing financial assistance to eligible employees to assist with the acquisition of shares. The Corporations Act prohibits a company

from giving financial assistance to a person in conjunction with an acquisition of securities in the Company. An exception to this rule is where the financial assistance is given pursuant to an employee share plan that has been approved by shareholders in general meeting.

### **Resolution 10 - Adoption of Executive Share Incentive Plan**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 9 (inclusive) and 11 to 18 (inclusive), for the purposes of Section 260C(4) of the Corporations Act and Condition 9(b) of Listing Rule 7.2 and Listing Rule 10.14 of Australian Stock Exchange Limited and for all other purposes, approval is given for:*

- (a) the Company to adopt the Executive Share Incentive Plan on the terms set out in the Explanatory Statement;*
- (b) the issue to or acquisition of fully paid ordinary shares (**Shares**) in the capital of the Company by the Executives in accordance with the terms of the Executive Share Incentive Plan;*
- (c) the Board of Directors to implement and administer the Executive Share Incentive Plan in accordance with its terms; and*
- (d) the Company to provide financial assistance to the Executives in connection with the Executive Share Incentive Plan.”*

**Short Explanation:** The Company proposes to adopt the Executive Share Incentive Plan which will allow current and future executives to be issued or acquire shares in the Company, subject to meeting certain eligibility and performance criteria. The Corporations Act prohibits a company from giving financial assistance to a person in conjunction with an acquisition of securities in the Company. An exception to this rule is where the financial assistance is given pursuant to an employee share plan that has been approved by shareholders in general meeting.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a director of the Company (except a director who is ineligible to participate in the plan) and any associates of those persons.

### **Resolution 11 - Adoption of CEO Share Incentive Plan**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 10 (inclusive) and 12 to 18 (inclusive), for the purposes of Section 260C(4) of the Corporations Act and Condition 9(b) of Listing Rule 7.2 and Listing Rule 10.14 of Australian Stock Exchange Limited and for all other purposes, approval is given for:*

- (a) the Company to adopt the CEO Share Incentive Plan on the terms set out in the Explanatory Statement;*

- (b) *the issue to or acquisition of fully paid ordinary shares (**Shares**) in the capital of the Company by the CEO in accordance with the terms of the CEO Share Incentive Plan;*
- (c) *the Board of Directors to implement and administer the CEO Share Incentive Plan in accordance with its terms; and*
- (d) *the Company to provide financial assistance to the CEO in connection with the Executive Share Incentive Plan."*

**Short Explanation:** The Company proposes to adopt the CEO Share Incentive Plan which will allow the Chief Executive Officer to be issued or acquire shares in the Company, subject to meeting certain eligibility and performance criteria. The Corporations Act prohibits a company from giving financial assistance to a person in conjunction with an acquisition of securities in the Company. An exception to this rule is where the financial assistance is given pursuant to an employee share plan that has been approved by shareholders in general meeting.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a director of the Company (except a director who is ineligible to participate in the plan) and any associates of those persons.

#### **Resolution 12 – Fixing Non-Executive Directors’ Remuneration**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 11 (inclusive) and 13 to 18 (inclusive), for the purposes of clause 13.8 of the Constitution and for all other purposes, shareholders approve the maximum aggregate dollar amount that may be paid to non-executive Directors of the Company as remuneration in each financial year as being \$500,000 which may be divided among those Directors in the manner determined by the Board of Directors of the Company from time to time.”*

**Short Explanation:** In accordance with the Company’s Constitution and the ASX Listing Rules the Company must obtain shareholder approval in order to increase the aggregate remuneration that may be paid to non-executive Directors.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by the directors of the Company and any of their associates.

#### **Resolution 13 – Removal of Auditors**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 12 (inclusive) and 14 to 18 (inclusive), that Ernst & Young be removed as auditors of the Company.”*

**Short Explanation:** The Company has received a notice of intention from shareholders holding more than 5% of the issued capital of the Company to remove the current auditors, Ernst & Young. As part of the acquisition of People Telecom, the Company will move its head office to Sydney and will utilise the back office systems (including accounting systems) of People Telecom. As such it considers it appropriate to utilise the services of People Telecom’s current auditors who understand these back office systems. Under the Corporations Act, the removal of the auditors requires shareholder approval.

## **Resolution 14 – Appointment of Auditors**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, subject to the passing of Resolutions 1 to 13 (inclusive) and 14 to 18 (inclusive), for the purposes of Section 327(5) of the Corporations Act and for all other purposes, the Company appoint Pitcher Partners as auditors of the Company.”*

**Short Explanation:** As part of the acquisition of People Telecom, the Company will move its head office to Sydney and will utilise the back office systems (including accounting systems) of People Telecom. As such it considers it appropriate to utilise the services of People Telecom’s current auditors who understand these back office systems. Under the Corporations Act, the appointment of new auditors requires shareholder approval.

## **Resolution 15 – Adoption of Dividend Reinvestment Plan**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 14 (inclusive) and Resolution 15 to 18 (inclusive), for the purpose of Condition 7(b) of Listing Rule 7.2 of the Listing Rules of Australian Stock Exchange and for all other purposes, approval is given for the Company to adopt the Dividend Reinvestment Plan, on the terms and conditions of the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** The Company is seeking shareholder approval to adopt a dividend reinvestment plan so that securities issued under the plan do not form part of the Company’s 15% share placement capacity under ASX Listing Rule 7.1.

## **Resolution 16 – Ratification of Prior Issue of Securities**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 15 (inclusive), and 17 to 18 for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited, shareholders ratify the allotment and issue of 20,000,000 fully paid ordinary shares in the capital of the Company to the persons and on the terms set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** Under Listing Rule 7.1, the Company cannot issue more than 15% of its ordinary shares in any 12 month rolling period without shareholder approval. By ratifying past issues of securities under Listing Rule 7.4, the Company retains the flexibility to make future issues of securities up to that threshold.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a person who participated in the issue and any associate of those persons.

## **Resolution 17 – Allotment and Issue of Shares for Working Capital**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 16 (inclusive) and 18 for the purposes of Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to allot and issue up to 10,000,000 fully paid ordinary shares in the capital of the Company at an issue price of not less than \$0.20 per Share (on a post consolidation basis).”*

**Short Explanation:** Approval is sought under Listing Rule 7.1 to allow the Company to issue these securities so that the Company may have sufficient working capital meet to ASX listing requirements. Please refer to the Explanatory Statement for details. The minimum price at which the shares may be issued is stated to be \$0.20 in order to ensure compliance with certain conditions set out in the ASX Listing Rules.

**Voting Exclusion:** The Company will disregard votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons.

## **Resolution 18 – Participation by related parties in the Capital Raising**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 1 to 17 (inclusive) for the purposes of Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to allot and issue to Mr Barry Hamilton and Mr Brendan Fleiter (or their respective nominees) up to that number of fully paid ordinary shares at an issue price of not less than \$0.20 each as set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** Mr Hamilton and Mr Fleiter (or their nominees) intend to subscribe for shares to support the capital raising referred to in Resolution 17. At the time of the subscription, these parties may be related parties of the Company. For this reason, approval is sought under Listing Rule 10.11. Approval is not being sought under Item 7 of Section 611 of the Corporations Act because the shares (if any) will be issued immediately prior to settlement of the Merger.

**Voting Exclusion:** The Company will disregard votes cast on this resolution by Mr Hamilton, Mr Fleiter and any of their associates.

**DATED THIS 10<sup>th</sup> DAY OF MAY 2004  
BY ORDER OF THE BOARD**

**CHRIS GALE  
CHIEF EXECUTIVE OFFICER**

**NOTES:**

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. For the purposes of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 5.00pm (Perth Time) on 12 June 2004.

## EXPLANATORY STATEMENT

This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

### **1. GENERAL INFORMATION**

This Explanatory Statement has been prepared for Shareholders in connection with the General Meeting of the Company to be held on 14 June 2004.

#### **1.1 Overview**

On 12 March 2004, the Company announced that it had entered into an agreement with People Telecom, under which the two companies would merge by the Company agreeing to acquire all of the issued shares in People Telecom in return for the issue of securities in the Company to the People Telecom Shareholders.

The Directors are of the opinion that the proposed Merger represents a significant opportunity for Shareholders. Please ensure that you read this Memorandum in full before making any decision on how to vote on the Resolutions.

#### **1.2 Background on People Telecom**

People Telecom was established in 2000 with a mission to provide telecommunication services by the consolidated entity to the Australian corporate and public markets.

The company was co-founded by Ryan O'Hare and Colin Marland whose previous success was the creation of Australia's largest privately owned telecommunications service provider corpTEL communications Ltd before its sale to AAPT Limited in 1998. Barry Hamilton was also a co-founder and was instrumental in the development and success of People Telecom, having also acted as its Chairman since 2002.

People Telecom has a proven track record, meeting its budgets to date and continually expanding its sales channels to deliver growth that, in turn, is increasing its net profit as a percentage of revenue each year.

Over the four-year period People Telecom has been in operation, it has achieved a profitable business primarily by offering a best of breed suite of telecommunications products from carriers and repackaging and tailoring them to its customers.

Since then People Telecom has continued to increase its product range offering a significant line up as follows:

- fixed wire outbound products such as local, long distance;
- fixed wire inbound products such as 1300/1800 and 13 specialised services;
- mobile services such as Optus GSM and Telstra CDMA;
- data services such as landline and satellite Broadband, Virtual Private Networks, fibre optic connectivity and hosting services;
- enhanced services such as fax and SMS broadcasting, voice and video conferencing;
- customer premises equipment including PABX systems and upgrades, handsets and softwares;
- enhanced billing and on-line services;
- specialised near real time reporting for all inbound and outbound call services; and
- personal account management both inbound and on site.

People Telecom has invested heavily in back office infrastructure to ensure both a superior service level and a low cost to manage.

People Telecom has added new services and expanded its technical capability to increase its margins. People Telecom has maintained its competitive advantage by keeping pace with technology, concentrating on the business markets and demonstrating that it can develop services to address specific requirements.

### 1.3 Summary of Terms of the Merger

Pursuant to the terms of an agreement (**Merger Agreement**) entered into between the Company and People Telecom dated 12 March 2004, the Company has agreed to acquire all of the issued capital of People Telecom. The material terms of the Merger Agreement are set out below:

- (a) Swiftel will seek to acquire 100% of the ordinary share capital of People Telecom by issuing to People Telecom shareholders Shares in the Company calculated in accordance with the following formula:

$$\frac{A}{2} + \frac{A+B+C}{0.35} \times 0.65 - A$$

Where:

A is total the number of Listed Options on issue immediately before Settlement up to a maximum of 17.5 million (post Consolidation);

B is the total number of Shares on issue immediately before Settlement; and

C is the total number of Listed Options on issue immediately before Settlement in excess of 17.5 million (post Consolidation) plus any unlisted options on issue immediately before Settlement.

- (b) Swiftel will make an offer to the holders of all current Listed Options of one (1) Share in consideration for cancelling every two (2) Options held by an optionholder (**Options Offer**);
- (c) People Telecom will nominate three (3) new persons to be appointed to Swiftel's board of directors with such appointments to take place upon completion of the acquisition of People Telecom by the Company. The appointments will be Mr Barry Hamilton as Non Executive Chairman, Mr Ryan O'Hare as Director and Chief Executive Officer and Mr Brendan Fleiter as Non Executive Director. Mr Adrian Paul proposes to resign effective from the date of the Meeting. Following the appointment of these nominated persons, it is proposed that all of the other current directors of Swiftel (other than Colin Marland, Malcolm Dick and David Vilensky) will retire from the Board on completion of the acquisition of People Telecom;
- (d) completion of the transactions contemplated by the Merger Agreement is subject to and conditional upon:
  - (i) Swiftel making the Options Offer;
  - (ii) Swiftel obtaining all necessary regulatory and shareholder approvals required to complete the transactions, including the Merger and the Options Offer;
  - (iii) Swiftel meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules, including issuing a prospectus, as if Swiftel were applying for admission to the official list of ASX (as required by ASX Listing Rule 11.1.3);
  - (iv) Swiftel preparing a prospectus to make the Options Offer;
  - (v) Swiftel obtaining shareholder approval to consolidate its issued capital on a one (1) for two (2) basis;
  - (vi) Swiftel obtaining shareholder approval for the appointment of 3 new directors to the board of directors of Swiftel;
  - (vii) during the period prior to the satisfaction or waiver (as the case may be) of the last of the conditions precedent set out in paragraphs (i) to (vi) above, there not having been any event (or series of events) having or which is likely to have a material adverse effect on the financial position or business prospects of People Telecom (including but not limited to the operations, financial performance, assets and prospects in relation to People Telecom); and

- (viii) during the period prior to the satisfaction or waiver (as the case may be) of the last of the conditions precedent set out in paragraphs (i) to (vi) above, there not having been any event (or series of events) having or which is likely to have a material adverse effect on the financial position or business prospects of Swiftel (including but not limited to the operations, financial performance, assets and prospects in relation to Swiftel).

#### **1.4 Merger Details**

Subject to the satisfaction of the conditions referred to above, the Merger will be completed as follows:

- (a) the Company will undertake, in accordance with its Constitution, the ASX Listing Rules and the Corporations Act, the Consolidation;
- (b) the Company will issue, after the Consolidation, between 194,749,251 and 204,311,544 Shares to the People Telecom Shareholders in consideration for the acquisition of all of the issued shares in People Telecom;
- (c) the Company will change its name to “people telecom Limited”; and
- (d) Messrs Saliba Sassine, Adrian Paul and Christopher Gale will resign from, and Messrs Barry Hamilton, Ryan O’Hare, and Brendan Fleiter will be appointed to, the board of directors of the Company.

#### **1.5 Pro-forma statement of financial position**

Set out in Section 10.3 the Independent Expert’s Report is an unaudited statement of financial position of the Company as at 31 December 2003, together with the pro-forma statement of financial position following completion of the Merger.

#### **1.6 Advantages of the Merger**

The Directors are of the view that the following non-exhaustive list of the advantages may be relevant to a Shareholder’s decision on how to vote on the proposed Merger:

- (a) the Merger will contribute to the Company expanding its presence throughout Australia. The result will be that the merged entity will be a true national telecommunications provider;
- (b) the Company’s client base should expand across all market sectors;
- (c) the merged entity will be able to offer an extensive array of telecom products and services including Voice (mobile & fixed) and Data (broadband & VPN) and voice over internet products; and
- (d) the merged entity will have state of the art back office, billing and service application systems, and will be able to maintain some of its own network infrastructure.

Set out in Section 10.1 the Independent Expert's Report are other advantages of the proposed Merger.

### **1.7 Disadvantages of the Merger**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Merger:

- (a) the Merger will result in the issue of securities to the People Telecom Shareholders which will have a dilutionary effect on the current holdings of Shareholders;
- (b) the Company will be changing the scale of its activities which may not be consistent with the investment objectives of all Shareholders; and
- (c) there are many risk factors associated with People Telecom's business and operations. Some of these are set out in Section 1.8 below.

Set out in Section 10.2 the Independent Expert's Report are other disadvantages of the proposed Merger.

### **1.8 Risks**

Shareholders should be aware that if the proposed Merger is approved, the Company will be subject to various risk factors. Based on the information available, the non-exhaustive risk factors are as follows:

#### **1.8.1 Risks Applicable to the Company Generally**

The risks set out below apply to the Company generally and exist with or without the proposed Merger being approved. If the proposed Merger is approved, the risks highlighted may apply to the future activities of the Company.

##### **Share Market Risk**

The trading price of Shares is likely to be volatile and subject to wide fluctuations in response to a number of factors including actual or anticipated variations in operating results, announcements by the Company or its competitors of significant actions, partnerships, joint ventures or alliances and additions or departures of key personnel. Many of these factors are beyond the immediate control of the Company.

##### **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

##### **Loss of key clients**

The Company has a number of important client relationships. The loss of one or more key clients is likely to adversely affect the operating results of the merged entity.

## **Reliance on Key Management**

The responsibility of overseeing the day to day operations and the strategic management of the Company is substantially dependent upon its senior management and its key personnel. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees ceases their employment.

## **Technological Developments**

The Company relies on its ability to adapt to technological developments. A failure to adapt to new developments could lead to a loss of opportunities and adversely impact on the Company's operating results and financial position.

## **Competition**

There is a risk that the Company will not be able to continue to compete profitably in the competitive telecommunications industry in the long term. The potential exists for the nature and extent of the competition to change rapidly, which may cause loss to the Company.

## **Protection of Proprietary Technology**

While the merged entity will continue to protect its proprietary technology, there can be no assurance that these measures have been, or will be sufficient.

## **Product Liability**

The Company's contracts with its clients generally contain provisions drafted to limit the Company's exposure to product liability claims. However, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. Hence there can be no assurance that the Company will not be subject to such claims.

The Company carries (and will continue to carry after the Merger) what the Directors consider to be adequate insurance. However, there can be no assurance that a significant claim, if successful, would not adversely impact on the Company's financial performance.

### **1.8.2 Risks specifically associated with the proposed Merger**

#### **Management of Growth**

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Merger. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

#### **Funding**

While the Company believes it will have sufficient funds to meet its growth and capital requirements after completion of the Merger and any capital raising (foreshadowed in the Notice of Meeting), there can be no assurance that the Company will not seek to exploit new opportunities which may require it to raise additional capital from equity or debt sources. There is no guarantee that the Company will be able to raise such

funds if required. If the Company is unable to obtain such additional capital, it may not be able to exploit such opportunities. If the Company is unable to obtain additional financing, it may be required to reduce the scope of its operations.

### **Realisation of Synergies**

There are numerous synergies that can be obtained by cross selling the services of the Company to People Telecom's existing customer base and vice-versa. There is no guarantee that the success rate of such cross selling will be as successful as the Company currently envisages.

### **1.9 Plans for the Company if the Merger is not approved**

If the Merger is not approved, the Company intends to continue to develop its existing business. The Directors may also review other projects with a view to identifying an alternative acquisition that the Directors consider to be in the best interests of Shareholders.

### **1.10 Role of the Independent Expert**

The Independent Expert's Report assesses whether the Merger is fair and reasonable to the non-associated Shareholders. This assessment is designed to assist all Shareholders in reaching their voting decision. PKF has provided an opinion that it believes the Merger is *fair and reasonable to non-associated Shareholders*. It is recommended that all Shareholders read the Independent Expert's Report in full.

### **1.11 Directors' Recommendation**

Mr Colin Marland has a material personal interest in the outcome of the Resolutions by virtue of his interest in People Telecom. The remaining Directors do not have any material personal interest in the outcome of the Resolutions save for their interest solely in their capacity as Shareholders of the Company. The following Directors are holdings of securities of the Directors is set out in the following table (on a pre-Consolidation basis):

<b>Director</b>	<b>Shares</b>	<b>Options</b>
Mr Christopher Gale	9,857,000	6,045,000 (listed) 1,000,000 (unlisted)
Mr Colin Marland	6,666,333	Nil
Dr Saliba Sassine	600,000	1,000,000 (listed) 4,000,000(unlisted) David to confirm
Mr David Vilensky	825,000	340,645 (listed) 2,000,000 (unlisted)
Mr Malcolm Dick	10,333,333	8,150,000(listed)
Mr Adrian Paul	11,363,850	16,032,216 (listed)

Each of the Directors intends to vote their Shares in favour of all of the Resolutions, subject to any voting exclusions for particular Resolutions. In addition, each of the Directors intends to accept the Options Offer in respect of their Listed Options.

Based on the information available, including that contained in this Memorandum and the risks outlined in Section 1.8, all of the Directors (other than Mr Marland who declines to comment due to his material personal interest in the outcome of Resolution 2) consider that the proposed Merger is in the best interests of the Company and recommend that Shareholders vote in favour of the Resolutions. The Directors have approved the proposal to put the Resolutions to Shareholders and separately approved the information contained in this Memorandum.

The Directors recommend the Resolutions set out in the Notice as this will enable the Company to change the scale of its activities. The Directors believe this is in the best interests of the Company and its Shareholders.

The Directors believe that all of the proposed Resolutions should be supported by Shareholders and in making this recommendation they have focused on their responsibility to Shareholders and rely on the opinion of PKF, noting that it has reached the view that the Merger is fair and reasonable to non-associated Shareholders.

## **2. BUSINESS OF THE MEETING**

### **2.1 Resolution 1 - Change of scale of activities**

The Board is of the view that the Merger represents an excellent opportunity for Shareholders, and for the Company to expand its operations.

As set out in this Explanatory Statement, the Merger will result in a change in scale of the Company's activities.

For this reason, the Company is seeking Shareholder approval for the Merger under ASX Listing Rule 11.1.2.

If Shareholders approve the proposed change of activities under Resolution 1, the Company will be required to re-comply with the admission requirements of ASX set out in Chapters 1 and 2 of the ASX Listing Rules. Those requirements will include the Company issuing the Prospectus and successfully completing the Capital Raising.

### **2.2 Resolution 2 - Issue of securities for the acquisition of People Telecom**

#### **2.2.1 Background**

On 12 March 2004, the Directors advised ASX that the Company had entered into the Merger Agreement. The consideration for the acquisition of People Telecom under the Merger is to be satisfied by the allotment and issue, after the Consolidation, of between 194,749,251 and 204,311,544 Shares to the People Telecom Shareholders (in accordance with the formula set out in Section 1.3 of this Explanatory Statement).

Further details in respect of People Telecom are set out throughout this Memorandum, in particular Section 1.2 of the Explanatory Statement, and the Independent Expert's Report. The Directors recommend you read this Memorandum in full.

The Corporations Act and the ASX Listing Rules set out a number of regulatory requirements which must be satisfied in relation to the issue of securities under the Merger. These are summarised below.

### **2.2.2 ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The Merger will result in Shares being issued to the People Telecom Shareholders. Accordingly, Shareholder approval is being sought in accordance with ASX Listing Rule 7.1 in order to issue Shares to them.

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to ASX Listing Rule 7.1:

- (a) the maximum number of securities to be issued by the Company is 204,311,544 Shares;
- (b) the allottees of the Shares will be the People Telecom Shareholders (or their nominees), in the proportions set out in Schedule 1;
- (c) the Shares will be issued no later than 3 months after the date of this General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date;
- (d) the Shares issued will rank equally with the existing Shares on issue; and
- (e) the Company will not be raising any funds from the issue of the Shares as they are being issued in consideration for the acquisition of all of the issued shares in People Telecom.

### **2.2.3 ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to a related party.

A person who will become a related party of a company in the future is specifically excluded from being a related party for the purposes of ASX Listing Rule 10.1.

A substantial asset is an asset valued at greater than 5% of the equity interests of the company. For the purposes of ASX Listing Rule 10.1, Rivacre and Clystar is a related

party of the Company due to the fact that they are associated entities of Mr Colin Marland (a director of the Company).

The deemed acquisition price for the People Telecom Shares held by Rivacre and Clystar is greater than 5% of the Company's equity interests as set out in the latest accounts given to ASX by the Company.

Accordingly, the Company is seeking shareholder approval for the purpose of ASX Listing Rule 10.1.

ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert. Accompanying this Explanatory Statement is an Independent Expert's Report prepared by PKF concluding that the proposed acquisition of a substantial asset from Rivacre and Clystar is fair and reasonable to the non associated Shareholders.

#### **2.2.4 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

The proposed transaction will result in Shares being issued to interests controlled by the direct family members of Mr Colin Marland (a director of the Company).

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 2:

- (a) the related parties to whom Shares will be issued are Rivacre and Clystar;
- (b) the maximum number of Shares to be issued by the Company to Rivacre is 30,627,711 and to Clystar is 16,521,262;
- (c) the Shares will be issued on the basis of the formula set out in Section 1.3 of the Explanatory Statement and the proportions set out in Schedule 1;
- (d) the Shares will be issued no later than one month after the date of this Meeting (or such later dates as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment of all the Shares will occur on one date;
- (e) the Shares will rank equally with existing Shares on issue; and
- (f) the Company will not be raising any funds from the issue of Shares to Rivacre or Clystar as the Shares will be issued in consideration for the acquisition of People Telecom Shares.

## **2.2.5 Restricted Securities**

ASX has advised the Company that it is likely that some or all of the Shares to be issued to the People Telecom Shareholders in accordance with Resolution 2 will be restricted from trading for a period of between 12 and 24 months from the date the Company's securities are reinstated to trading on ASX following approval of the Merger at the General Meeting.

## **2.3 Resolution 3 – Options Offer**

The offer by the Company of one (1) Share in consideration for cancelling every two (2) Listed Options requires approval by the Shareholders in general meeting as set out below.

### **2.3.1 Listing Rule 6.23.2**

Listing Rule 6.23.2 requires shareholders to approve a change which has the effect of cancelling an option for consideration.

The Company is seeking Shareholder approval to the Options Offer which has the effect of cancelling Listed Options.

### **2.3.2 Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The Options Offer will result in Shares being issued to the holders of Listed Options. Accordingly, Shareholder approval is being sought in accordance with ASX Listing Rule 7.1 in order to issue Shares to them.

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to ASX Listing Rule 7.1:

- (a) the maximum number of securities to be issued by the Company is 19,338,003 Shares (on a post-consolidation basis) on the basis of one (1) Share for every two (2) Listed Options held;
- (b) the allottees of the Shares will be the holders of Listed Options (or their nominees) who accept the Options Offer;
- (c) the Shares will be issued no later than 3 months after the date of this General Meeting (or such later date as permitted by any ASX waiver or modification of

the ASX Listing Rules) and it is anticipated that allotment will occur on one date;

- (d) the Shares will be issued in consideration for the cancellation of Listed Options;
- (e) the Shares issued will rank equally with the existing Shares on issue; and
- (f) the Company will not be raising any funds from the issue of the Shares, as they are being issued in consideration for the cancellation of Listed Options.

### **2.3.3 Listing Rule 10.1**

ASX Listing Rule 10.1 provides that a listed company may not dispose of an asset valued at greater than 5% of the equity interests of the company to a related party of the company, or a party holding greater than 10% of the voting shares in the company.

A person who will become a related party of a company in the future is specifically excluded from being a related party for the purposes of ASX Listing Rule 10.1.

A substantial asset is an asset that has a value (or the value of the consideration for it) that is, or is in ASX's opinion is, equal to 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

As noted in Section 1.11 of this Explanatory Statement, the following persons are related parties of the Company and hold Listed Options (either directly or through entities controlled by direct family members), and will receive the Options Offer:

- (a) Mr Christopher Gale (current Director);
- (b) Mr Malcolm Dick (current Director);
- (c) Mr Adrian S Paul (current Director);
- (d) Dr Saliba Sassine (current Director); and
- (e) Mr David Vilensky (current Director).

The issue of Shares to the related parties will constitute a substantial asset if the above named parties accept the Options Offer. Accordingly, the Company is seeking approval for the Options Offer to be made to them.

The Independent Expert's Report prepared by PKF sets out a detailed examination of the Options Offer to enable Shareholders to assess the merits and decide whether to approve the Resolution.

To the extent that it is appropriate, Section 1.4 of the Independent Expert's Report sets out further information with respect to the Options Offer and concludes that the Options Offer is fair and reasonable to the non associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

### **2.3.4 Listing Rule 10.11**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the company.

If Resolution 3 is passed, securities may be issued to related parties of the Company. Accordingly, Shareholder approval for the issue of Shares under the Options Offer to those parties is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the related parties and the maximum number of Shares they may be issued under the Options Offer is:
  - (i) Mr Christopher Gale (or his related entities) - 1,511,250 Shares (post Consolidation);
  - (ii) Mr Malcolm Dick (or his related entities) - 2,037,500 Shares (post Consolidation);
  - (iii) Mr Saliba Sassine (or his related entities) - 250,000 Shares (post Consolidation);
  - (iv) Mr David Vilensky (or his related entities) - 85,162 Shares (post Consolidation); and
  - (v) Mr Adrian Paul (or his related entities) - 4,008,054 Shares (post Consolidation);
- (b) the Shares will be issued in consideration for the cancellation of Listed Options;
- (c) the Shares will be issued not later than one month after the date of this General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date; and
- (d) the Shares issued will be ordinary fully paid shares which shall rank equally with all other Shares on issue.

### **2.4 Resolutions 4, 5, and 6 - Election of Directors**

The Merger Agreement provides that following completion of the Merger, the Board will be comprised of Mr David Vilensky, Mr Malcolm Dick, Mr Barry Hamilton, Mr Ryan O'Hare, Mr Brendan Fleiter and Mr Colin Marland.

In accordance with the Constitution and the Corporations Act, the appointment of Directors must be made by resolution passed in a general meeting. Resolutions 4, 5, and 6 seek the election of Mr Barry Hamilton, Mr Ryan O'Hare and Mr Brendan Fleiter.

Set out below is a summary of the backgrounds of each of the persons that will be appointed to the Board following completion of the Merger.

**RYAN M O'HARE**  
**CEO and Executive Director**

Ryan O'Hare was one of the two co-founders of the corpTEL Group of companies, and served as its Chairman and Chief Executive Officer since its inception in January 1994 through to its sale to AAPT Limited in 1998. In 1998, prior to its sale to AAPT, corpTEL was Australia's largest and most successful privately owned telecommunications service provider with revenues exceeding \$AUD100m. Prior to this, Mr O'Hare managed Australia's leading energy and telecommunications cost management company, Professional Energy Services Pty Ltd, serving as its General Manager in Sydney and Los Angeles.

**BRENDAN FLEITER**  
**Non-Executive Director**

Mr Brendan Fleiter has been a non-executive director of People Telecom since September 2002. He is Managing Director of Crazy John's Group of Companies and brings substantial experience in the distribution of telecommunications products and services in Australia. He is also a qualified lawyer.

**BARRY J HAMILTON**  
**Non-Executive Chairman**

Barry Hamilton is an experienced public company director with significant experience in capital and financial raisings, company secretarial and public officer roles, and project management. Mr Hamilton spent 12 years with Hudson Conway Ltd where he was a member of the Board and the Director of Finance and Administration from 1990 to 1999. Mr Hamilton was a Non-Executive Director of Crown Ltd from its establishment in 1993 until the merger of Crown Ltd and Publishing and Broadcasting Limited in June 1999.

Mr Hamilton is Chairman of Directors of the Crazy John's Group of Companies and director of several unlisted public companies.

**2.5 Resolution 7 - Change of name**

The new name proposed to be adopted under Resolution 7 is "people telecom Limited". The Directors believe that this new name more accurately reflects the proposed strategy of the Company in which the People Telecom brand will be marketed in the corporate and business market whilst the "Swift" brand will be marketed in the consumer market.

## **2.6 Resolution 8 – Consolidation of capital**

### **2.6.1 Background**

The Directors are seeking Shareholder approval to consolidate the number of Shares on issue on a one (1) for two (2) basis. The Consolidation is proposed as it will implement a more appropriate capital structure for the Merger.

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. The ASX Listing Rules also require that the number of options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio.

If Resolution 8 is passed, the number of Shares on issue will be reduced from 161,975,262 to 80,987,631. Similarly, in accordance with the ASX Listing Rules, the number of Existing Options on issue (listed and unlisted) will be reduced from 77,352,011 to 38,676,006 (depending on the level of acceptance of the Options Offer) and the exercise price of the Existing Options will be increased by a multiple of 2.

As from the effective date of the Resolution (being the date of the General Meeting), all holding statements for Shares and Existing Options will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares and Existing Options. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and Existing Option holders.

The effect the Merger and the Resolutions contained within the Notice will have on the capital structure of the Company is set out in the Independent Expert's Report.

### **2.6.2 Fractional entitlements and taxation**

Not all Shareholders and Existing Option holders will hold that number of Shares and Existing Options which can be evenly divided by two (2). Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Existing Option.

It is not considered that any taxation consequences will exist for Shareholders or Existing Option holders arising from the Consolidation. However, Shareholders and Existing Option holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the Consolidation.

## **2.7 Resolution 9 – Exempt Employee Share Plan**

Resolution 9 seeks approval for the adoption of the Exempt Employee Share Plan.

Resolution 9 is required to be approved by Shareholders in accordance with Section 260C(4) of the Corporations Act due to the fact that the Company may provide

financial assistance to employees in connection with the Exempt Employee Share Plan.

The objective of the Exempt Employee Share Plan is to attract, motivate and retain employees.

The terms of the Exempt Employee Share Plan are summarised in Schedule 2.

## 2.8 Resolution 10 – Executive Share Incentive Plan

Resolution 10 seeks approval for the adoption of the Executive Share Incentive Plan.

Resolution 10 is required to be approved in accordance with Condition (b) of ASX Listing Rule 7.2, ASX Listing Rule 10.14 and Section 260C(4) of the Corporations Act.

Approval is required under Section 260C(4) of the Corporations Act in order to give the financial assistance contemplated by the Executive Share Incentive Plan.

Approval under Condition (b) of ASX Listing Rule 7.2 and ASX Listing Rule 10.14 is required because Shares may either be issued to or acquired by Executives under the plan, which Executives may or may not be directors or related parties of the Company. Information required to be set out for the purposes of approval under the ASX Listing Rules (including, without limitation, ASX Listing Rule 10.15A) is set out below:

- (a) the persons eligible to participate in the Executive Share Incentive Plan are all current Executives and any persons appointed Executives of the Company within 3 years of the date of the Meeting (**Participants**);
- (b) the initial person, who is a person of the type referred to in ASX Listing Rule 10.14, who will be eligible to participate in the plan is Mr Christopher Gale (the current Chief Executive Officer and future General Manager Data Sales);
- (c) the maximum number of Shares to be offered annually to Participants under the Executive Share Incentive Plan will be calculated as 100% of the Total Fixed Remuneration of the relevant Participant divided by the average closing market price of Shares over the 5 trading days prior to the time at which each offer is made to a Participant;
- (d) details of any securities issued under the Executive Share Incentive Plan to persons of the type referred to in ASX Listing Rule 10.14 will be published in each annual report of the Company relating to a period in which securities have been issued and that approval for the issue of securities was obtained under Listing Rule 10.14;
- (e) any additional persons, who are persons of the type referred to in ASX Listing Rule 10.14, who become entitled to participate in the Executive

Share Incentive Plan after Resolution 10 is approved and who are not named in the notice of meeting will not participate until approval is obtained under Listing Rule 10.14;

- (f) the Executive Share Incentive Plan will be flexible enough for Shares to be provided to Participants either by issuing new Shares or by acquiring existing Shares on market. If Shares are acquired on market, financial assistance may be provided by the Company to the Participants in accordance with the terms summarised in Schedule 3; and
- (g) the Shares will be issued or acquired under the Executive Share Incentive Plan no later than 3 years from the date of the Meeting.

A summary of the terms of the terms of the Executive Share Incentive Plan is set out in Schedule 3 to this Explanatory Statement. Please read these terms carefully.

The Directors believe the Executive Share Incentive Plan will be an incentive for Participants to improve the Company's performance and to improve Shareholder returns, and that the plan will help to align the financial interests of Participants with the interest of Shareholders.

## 2.9 Resolution 11 – CEO Share Incentive Plan

Resolution 11 seeks approval for the adoption of the CEO Share Incentive Plan.

Resolution 11 is required to be approved in accordance with Condition (b) of ASX Listing Rule 7.2, ASX Listing Rule 10.14 and Section 260C(4) of the Corporations Act.

Approval is required under Section 260C(4) of the Corporations Act in order to give the financial assistance contemplated by the CEO Share Incentive Plan.

Approval under Condition (b) of ASX Listing Rule 7.2 and ASX Listing Rule 10.14 is required because Shares may either be issued to or acquired by the Chief Executive Officer under the plan. Information required to be set out for the purposes of approval under the ASX Listing Rules (including, without limitation, ASX Listing Rule 10.15A) is set out below:

- (a) the person eligible to participate in the CEO Share Incentive Plan is the proposed Chief Executive Officer (Mr Ryan O'Hare) and any persons appointed Chief Executive Officer of the Company within 3 years of the date of the Meeting (**Participants**);
- (b) the maximum number of performance rights to be offered annually to Participants under the CEO Share Incentive Plan will be calculated as 100% of the Total Fixed Remuneration of the relevant Participant divided by the average closing market price of Shares over the 5 trading days prior to the time at which each offer is made to a Participant;

- (c) details of any securities issued under the CEO Share Incentive Plan to persons of the type referred to in ASX Listing Rule 10.14 will be published in each annual report of the Company relating to a period in which securities have been issued and that approval for the issue of securities was obtained under Listing Rule 10.14;
- (d) any additional persons, who are persons of the type referred to in ASX Listing Rule 10.14, who become entitled to participate in the CEO Share Incentive Plan after Resolution 11 is approved and who are not named in the notice of meeting will not participate until approval is obtained under Listing Rule 10.14;
- (e) the CEO Share Incentive Plan will be flexible enough for Shares to be provided to Participants either by issuing new Shares or by acquiring existing Shares on market. If Shares are acquired on market, financial assistance may be provided by the Company to the Participants in accordance with the terms summarised in Schedule 4; and
- (f) the Shares will be issued or acquired under the CEO Share Incentive Plan no later than 3 years from the date of the Meeting.

A summary of the terms of the terms of the CEO Share Incentive Plan is set out in Schedule 4 to this Explanatory Statement. Please read these terms carefully.

The Directors believe the CEO Share Incentive Plan will be an incentive for Participants to improve the Company's performance and to improve Shareholder returns, and that the plan will help to align the financial interests of Participants with the interest of Shareholders.

#### **2.10 Resolution 12 - Fixing Non-executive Directors' remuneration**

Resolution 12 seeks Shareholder approval to fix the maximum aggregate sum which may be paid to the non-Executive Directors of the Company at \$500,000 per annum, with such sum to be divided amongst the non-Executive Directors of the Company in the manner determined by the Board of Directors of the Company from time to time.

The proposed aggregate sum will ensure that the Company is able to attract and retain suitably qualified non-executive Directors by payment of adequate remuneration.

#### **2.11 Resolution 13 - Removal of Auditors**

The Company has received a notice of intention from Shareholders holding more than 5% of the issued Shares in the Company to remove the current auditors, Ernst & Young.

As part of the acquisition of People Telecom, the Company will move its head office to Sydney and will utilise the back office systems (including accounting systems) of People Telecom. As such it is considered appropriate to utilise the services of People Telecom's current auditors (Pitcher Partners) who understand these back office systems and accordingly Shareholder approval is sought to remove the current auditors (Ernst & Young).

## **2.12 Resolution 14 – Appointment of Auditors**

The Directors have received a notice of nomination from Shareholders holding more than 5% of the issued capital of the Company for the appointment of Pitcher Partners as auditors of the Company. A copy of this notice of nomination is set out in Schedule 6.

As part of the acquisition of People Telecom, the Company will move its head office to Sydney and will utilise the back office systems (including accounting systems) of People Telecom. As such it is considered appropriate to utilise the services of People Telecom's current auditors (Pitcher Partners) who understand these back office systems.

Under Section 327(5) of the Corporations Act, the Company in general meeting may appoint an auditor to fill a vacancy. Accordingly, approval is sought from the Shareholders for the appointment of Pitcher Partners as auditors of the Company.

## **2.13 Resolution 15 – Adoption of Dividend Reinvestment Plan**

Condition 7(b) of ASX Listing Rule 7.2 provides that where the Company has approved the terms of a Dividend Reinvestment Plan, an issue of securities under that Dividend Reinvestment Plan will not be taken into account for the purposes of the calculation in ASX Listing Rule 7.1. The terms of the proposed Dividend Reinvestment Plan are summarised in Schedule 5 to this Explanatory Statement.

Accordingly, approval is sought from Shareholders for the adoption of the Dividend Reinvestment Plan.

## **2.14 Resolution 16 – Ratification of previous issue of Shares**

On 10 December 2003, the Company issued a total of 20,000,000 Shares (pre-Consolidation) at an issue price of \$0.115 per Share to raise \$2,300,000.

The purpose of Resolution 16 is to ratify the issue of these securities in accordance with ASX Listing Rule 7.14 so as not to affect the Company's capacity to issue securities in the future.

ASX Listing Rule 7.15 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 7.14. For the purposes of ASX Listing Rule 7.15, the following information is provided in relation to Resolution 16:

- (a) the total number of securities, the date they were issued and the price at which they were issued is as set out above;
- (b) all of the securities issued were Shares and rank equally with the current Shares on issue;

- (c) the names of the allottees and the number of Shares issued to each of them is as set out in the table below:

<b>Allottee</b>	<b>Shares</b>
Adrian Dick	40,000
Advance Publicity Pty Ltd Izmar Family Acc	200,000
Amir Khazeni	220,000
Annette Presley Family Trust Ltd	385,000
ATTRAD Super Fund Pty Ltd	175,000
Brook Stewart Paterson	260,000
CMC Electrical Pty Ltd	300,000
Colvic Pty Ltd	100,000
Droga Capital Pty Ltd	400,000
First NZ Capital Custodians Ltd Client Securities Acc	500,000
Fortis Clearing Nominees Pty Ltd	1,000,000
Grofund Ltd	400,000
Guy Aird	100,000
Half Middleton Investments Pty Ltd	435,000
Ian Martin Holdings Pty Ltd	100,000
Iguana2 Pty Ltd	400,000
Intersuisse (Issues) Nominees Pty Ltd	1,250,000
Intersuisse (Nominees) Pty Ltd	400,000
Jakor Pty Ltd	250,000
JTW Trading Pty Ltd	200,000
Kamala Holdings Pty Ltd Asten Discretionary Acc	550,000
Katie Alexandra Evans	220,000
Losteel Pty Ltd	200,000
Malcolm Stuart Dick	435,000
Michael Osborne	350,000
Mr Anthony Peter Fabian Cox	150,000
Mr Arthur John and Mrs Celia Elizabeth Barnesby	100,000
Mr Christopher William Burt	175,000
Mr David McLauchlan	322,000
Mr Rober Teal Rober Teal Family Acc	260,000
Mrs Lucia Moretti	250,000
National Nominees Ltd	1,100,000
National Nominees Ltd	2,000,000
Nebula Super Co. Pty Ltd	200,000
Parkinson CBI Pty Ltd	100,000
Queensland Investment Corporation	900,000
Queensland Investment Corporation	4,000,000
Reza Family Superannuation Fund Pty Ltd	100,000
Roscious Pty Ltd	400,000
Smith Super Investments Pty Ltd	200,000
Thirty Fourth Zulu Pty Ltd	200,000
Tutanekai Investments Ltd	155,000
Vagg Investment Management Services Pty Ltd	400,000
Wayne Sanders	113,000
<b>TOTAL</b>	<b>20,000,000</b>

- (d) the funds raised from the issue of the securities were used for working capital purposes.

## **2.15 Resolution 17 – Allotment and Issue of Shares for Working Capital**

Resolution 17 seeks Shareholder approval for the issue of up to 10,000,000 Shares at an issue price of not less than \$0.20 each in order to raise up to \$2,000,000 for working capital purposes.

This Resolution is required to be approved by Shareholders in accordance with ASX Listing Rule 7.1. The reason for an approval under ASX Listing Rule 7.1 is set out at Section 2.3.2 above.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval for Resolution 17:

- (a) the maximum number of Shares to be issued is 10,000,000 at an issue price of not less than \$0.20 per Share (on a post Consolidation basis). The minimum price at which the Shares may be issued is stated to be \$0.20 in order to ensure compliance with certain conditions set out in the ASX Listing Rules;
- (b) the Shares will rank equally with the existing Shares on issue (post Consolidation);
- (c) the Shares will be issued no later than 3 months from the date of the Meeting;
- (d) the Shares will be allotted and issued to such persons as the Directors in their absolute discretion determine;
- (e) funds raised from the issue of Shares will be used for working capital and to advance the Company's telecommunications services; and
- (f) additional information in relation to Resolution 17 is set out throughout this Explanatory Statement.

## **2.16 Resolution 18 – Participation of by related parties in the Capital Raising**

Some of the Proposed Directors (or their nominees) intend to subscribe for or procure the subscription for Shares to support the Capital Raising referred to in Resolution 17.

At the time of issue of the Shares pursuant to the Capital Raising, the Proposed Directors may have been appointed to the Board and, accordingly, may be related parties of the Company.

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company. Accordingly, Shareholder approval for the issue of Shares to the Proposed Directors (or their nominees) is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 18:

- (a) the related parties and the maximum number of Shares (on a post Consolidation basis) they may be issued under the Capital Raising is:
  - (i) Mr Brendan Fleiter (or his nominee) - up to 4,000,000 Shares;
  - (ii) My Barry Hamilton (or his nominee) - up to 2,000,000 Shares;
- (b) the issue price of the Shares will be not less than \$0.20 per Share;
- (c) the Shares will be issued not later than one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date; and
- (d) the Shares issued will be ordinary fully paid shares which shall rank equally with the other Shares on issue.

## **2.17 Resolutions 2 and 3 - Item 7 of Section 611 of the Corporations Act**

### **Background**

As noted above, the Company is acquiring all of the issued Shares in People Telecom in consideration for the allotment and issue of Shares in the Company. Details in respect of People Telecom are set out throughout this Memorandum, in particular in Section 1.2 and the Independent Expert's Report. The Directors recommend you read this Memorandum in full.

In addition:

- (a) pursuant to the Options Offer the Company will be making an offer to the holders of Listed Options of one (1) Share in consideration for cancelling every two (2) Listed Options; and
- (b) certain Proposed Directors (who are associates of the People Telecom Shareholders) may subscribe for Shares under the Capital Raising as provided for by Resolution 18.

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person:

- (a) who has the capacity to control a company;
- (b) who has the ability to control or influence the composition of a company's board or the conduct of a company's affairs; and
- (c) who is acting in concert in relation to a company's affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

The aggregate voting power of the People Telecom Shareholders in the Company will exceed 20% on completion of the Merger, the Options Offer (as there are some People Telecom Shareholders who are holders of Listed Options and will receive Shares under the Options Offer) and the Capital Raising.

It is arguable that the People Telecom Shareholders are "associates" for the purposes of Section 610 of the Corporations Act due to the fact that they are all acting together for the purposes of the transaction. Accordingly, the Board believes that it is appropriate to seek Shareholder approval under Item 7 of Section 611 of the Corporations Act.

Information is required to be provided to Shareholders under ASIC Policy Statement 74 and the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by PKF that forms part of this Memorandum.

For the purposes of the Corporations Act, Section 4.5 of the Independent Expert's Report discloses the following information:

- (a) the identity of the persons that will hold a relevant interest in the Shares on completion of the acquisition pursuant to the Merger, the Options Offer and the Capital Raising;
- (b) the current voting power of the People Telecom Shareholders in the Company;
- (c) the maximum number of Shares, after the Consolidation, that will be held by People Telecom Shareholders on completion of the Merger, the Options Offer

and the Capital Raising;

- (d) the maximum extent of the increase in voting power of the People Telecom Shareholders (and their respective associates) as a result of the Merger, the Options Offer and the Capital Raising; and
- (e) the maximum voting power that the People Telecom Shareholders and each of their associates will have as a result of the Merger, the Options Offer and the Capital Raising.

### **Other Required Information**

The following further information is disclosed:

- (a) other than as disclosed elsewhere in this Explanatory Statement, the People Telecom Shareholders do not propose to change the business or the current employment arrangements of the Company or redeploy any fixed assets of the Company;
- (b) the People Telecom Shareholders do not have any present intention to inject further capital into the Company (other than potentially through the participation in the allotment and issue of Shares under the Capital Raising); and
- (c) the People Telecom Shareholders have no current intention to change the Company's existing policies in relation to financial matters or dividends.

The Independent Expert's Report prepared by PKF sets out a detailed examination of the proposed Merger, the Options Offer and the participation of the Proposed Directors in the Capital Raising to enable Shareholders to assess the merits and decide whether to approve the Resolutions necessary to implement the Merger, the Options Offer and the participation of the Proposed Directors in the Capital Raising.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the proposed Merger, the Options Offer and the Capital Raising (as well as the issue of Shares to the People Telecom Shareholders or their associates as a result of each of these transactions) and concludes that each of them are fair and reasonable to the non associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

## GLOSSARY

**ASIC** means Australian Securities and Investments Commission.

**ASX** means Australian Stock Exchange Limited.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the board of directors of the Company.

**Capital Raising** means the capital raising contemplated by Resolution 17.

**CEO** means the Chief Executive Officer of the Company.

**Clystar** means Clystar Pty Limited as nominee for Julie Marland.

**Company** and **Swiftel** means Swiftel Limited (ACN 009 273 152).

**Consolidation** means the consolidation of the Company's capital on a two (2) for one (1) basis as contemplated by Resolution 8.

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**Dividend Reinvestment Plan** means the dividend reinvestment plan proposed to be adopted under Resolution 15, the terms of which are summarised in Schedule 5 of this Explanatory Statement.

**Executive Share Incentive Plan** means the executive share incentive plan proposed to be adopted under Resolution 10, the terms and conditions of which are summarised in Schedule 3 of this Explanatory Statement.

**Executive** means any person who is concerned in, or takes part in, the management of the Company (or any of its subsidiaries), regardless of the person's designation and whether or not the person is a director of the Company (or any of its subsidiaries).

**Exempt Employee Share Plan** means the employee share plan proposed to be adopted under Resolution 9, the terms and conditions of which are summarised in Schedule 2 of this Explanatory Statement.

**Existing Option** means an option to acquire a Share that is issued at the date of the Memorandum.

**Explanatory Statement** means the explanatory statement to the Memorandum.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Independent Expert's Report** means the independent expert's report prepared by PKF which forms part of this Memorandum.

**Listed Options** means those Options in the Company that are listed on ASX and have the ASX Code SWTOA.

**Memorandum** means this information memorandum.

**Merger** means the acquisition by the Company of all of the shares in People Telecom in return for the issue of securities in the Company to the People Telecom Shareholders in accordance with the details set out in Section 1 of the Explanatory Statement.

**Merger Agreement** means the agreement between the Company and People Telecom to implement the Merger.

**Notice** means the notice of meeting which forms part of this Memorandum.

**Official List** means the official list of ASX.

**Option** means an option to acquire a Share in the Company.

**Options Offer** means the offer by the Company to holders of Listed Options of one (1) Share in consideration for the cancellation of every two (2) Listed Options held.

**People Telecom** means people telecom Limited (ACN 019 714 699).

**People Telecom Shares** means shares in People Telecom.

**People Telecom Shareholders** means the shareholders in People Telecom set out in Schedule 1.

**PKF** means PKF Corporate Advisory Services (WA) Pty Ltd.

**Proposed Directors** means the persons proposed to be appointed as directors of the Company under Resolutions 4, 5 and 6.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Rivacre** means Rivacre Investments Pty Ltd as trustee of the Colin Marland Family No. 2 Discretionary Trust.

**Settlement** means settlement of the Merger in accordance with the terms of the Merger Agreement.

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

**Total Fixed Remuneration** means the total fixed annual salary of a Participant before taxation and exclusive of superannuation.

## SCHEDULE 1

### PEOPLE TELECOM SHAREHOLDERS

Shareholder (Name, ACN & address)	People Telecom Shares	Approximate Proportion of Shares to be received under Resolution 2 (on post consolidation basis)
Reven Pty Limited ACN 078 534 059 of Apartment 172, The Domain, 1 Albert Road Melbourne Victoria as nominee for Faye Hamilton and trustee of the Hamilton Family Trust	2,131,097	16.67%
Clystar Pty Limited ACN 091 646 963 of C/O Court & Co Level 29, 264 George Street Sydney NSW as nominee for Julie Marland	1,000,000	7.82%
Clystorm Pty Limited ACN 091 646 990 of C/O Court & Co Level 29, 264 George Street Sydney NSW as nominee for Sharron O'Hare	1,000,000	7.82%
Telino Pty Limited ACN 101 209 483 of 33 Victoria Road, Camberwell Victoria as trustee of the Telino Trust	4,262,194	33.33%
Nashar Pty Ltd ACN 071 435 231 of C/O Court & Co Level 29, 264 George Street Sydney NSW as trustee of the Ryan O'Hare Family No.2 Discretionary Trust	1,853,836	14.50%
Rivacre Investments Pty Ltd ACN 008 126 298 of C/O Court & Co Level 29, 264 George Street Sydney NSW as trustee of the Colin Marland Family No.2 Discretionary Trust	1,853,836	14.50%
Kazim Reza of 1 Avon Close Pymble, NSW	569,986	4.46%

Kazim Reza of 1 Avon Close Pymble NSW as trustee of the Reza Family Superannuation Fund	55,633	0.44%
Gavin Roache of 8 Kapyong St Belrose, NSW (1)	20,000	0.16%
Sharon O' Neill of 44a Frazer St Dulwich Hill NSW (1)	30,000	0.23%
Kamile Eid of 1a Reddington Ave St Clair NSW (1)	10,000	0.07%
<b>TOTAL</b>	<b>12,786,582</b>	<b>100%</b>

## SCHEDULE 2

### SUMMARY OF TERMS OF EXEMPT EMPLOYEE SHARE PLAN ("SCHEME")

The Scheme is designed to provide employees with an ownership interest in the Company and to provide additional incentives for employees to increase profitability and returns to Shareholders. The summary of the Scheme is set out below for the information of Shareholders.

#### *General*

Under the Scheme, eligible employees will be able to salary sacrifice up to \$250 in a six month period to purchase fully paid ordinary shares in the Company. The Company will match any salary sacrifice on a dollar for dollar basis. If the employee participated fully in the Scheme for both periods in any financial year, they will acquire a maximum of \$1,000 in fully paid ordinary shares in the Company.

The Shares will be purchased on market at the relevant price at date of purchase. The shares will rank equally in all respects with the existing Shares of the Company.

#### *Eligible Employees*

All full time or part time employees of the Company and its subsidiaries who have been employed for a minimum of six months as at each offer date (being 1 January and 1 July each year) and whom have satisfactorily met their individual performance targets (as determined by senior management) at the time of offer are eligible to participate in the Scheme.

Employees who join the Company or one of its subsidiaries after the date of commencement of the Scheme may also be eligible employees. Any employee who participates in the Executive Share Incentive Plan in any one financial year, cannot participate in the Exempt Employee Share Plan in that same financial year.

#### *Restrictions*

Whilst employed by the Company any shares purchased by an employee pursuant to the Scheme can not be sold within three years of the initial purchase date.

## SCHEDULE 3

### SUMMARY OF TERMS OF EXECUTIVE INCENTIVE SHARE PLAN (“SCHEME”)

The purpose of the Scheme is to recognise the ability and efforts of the executives who have contributed to the success of the Company, to provide an incentive for the executives to achieve the long term objectives of the Company and to improve the performance of the Company. The summary of the Scheme is set out below for the information of Shareholders.

#### *General*

Under the Scheme, eligible executives will be allocated fully paid ordinary shares in the Company pending the successful achievement of the required performance criteria.

The shares will be either issued by the Company or purchased on market at the relevant price at date of purchase. The shares will rank equally in all respects with the existing Shares of the Company.

#### *Eligible Executives*

The Board at its absolute discretion will determine eligibility to participate (**Participants**). Executives who join the Company or one of its subsidiaries after the date of commencement of the Scheme may also be eligible executives. Any executive who participates in the Executive Share Incentive Plan in any one financial year, cannot participate in the Exempt Employee Share Plan in that same financial year.

#### *Performance Criteria*

The Board at its absolute discretion will determine the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. Whilst not limiting the Board’s discretion, the performance criteria would generally be focused on exceeding the key financial and other performance measures of the Company.

#### *Maximum Shares to be offered*

The maximum number of Shares to be offered annually to Participants under the Scheme will be calculated as 100% of the Total Fixed Remuneration of the relevant Participant divided by the average closing market price of Shares over the 5 trading days prior to the time at which each offer is made to a Participant.

#### *Restrictions*

Whilst the shares may be allocated to an executive under this Scheme prior to satisfactorily meeting the agreed performance criteria, these shares will not be vested with the executive until the performance criteria has been satisfactorily achieved. If the performance criteria are not met, the entitlement to shares previously allocated will be forfeited.

## SCHEDULE 4

### SUMMARY OF TERMS OF CEO INCENTIVE SHARE PLAN (“SCHEME”)

The purpose of the Scheme is to recognise the ability and efforts of the Chief Executive Officer (“CEO”) who has contributed to the success of the Company, to provide an incentive for the CEO to achieve the long term objectives of the Company and to improve the performance of the Company. The summary of the Scheme is set out below for the information of Shareholders.

#### *General*

Under the Scheme, the CEO will be allocated performance rights pending the successful achievement of the required performance criteria. Upon the successful achievement of the required performance criteria, the performance rights will be converted into fully paid ordinary shares in the Company.

The shares will be either issued by the Company or purchased on market at the relevant price at date of purchase. The shares will rank equally in all respects with the existing Shares of the Company.

#### *Eligibility*

The persons eligible to participate in the Scheme is the proposed Chief Executive Officer (Mr Ryan O’Hare) and any persons appointed Chief Executive Officer of the Company (Participants). Any CEO who participates in the CEO Share Incentive Plan in any one financial year, cannot participate in the Exempt Employee Share Plan or the Executive Incentive Share Plan in that same financial year.

#### *Performance Criteria*

The Board at its absolute discretion will determine the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. Whilst not limiting the Board’s discretion, the performance criteria would generally be focused on exceeding the key financial and other performance measures of the Company.

#### *Maximum Performance Rights to be offered*

The maximum number of performance rights to be offered annually to Participants under the Scheme will be calculated as 100% of the Total Fixed Remuneration of the relevant Participant divided by the average closing market price of Shares over the 5 trading days prior to the time at which each offer is made to a Participant.

#### *Conversion of Performance Rights to Shares*

One (1) Performance Right will convert into one (1) Share in the Company upon successful achievement of the required performance criteria

### *Restrictions*

Performance rights have no entitlements to dividends or any voting rights in the Company. Performance Rights can not be converted into Shares until the successful achievement of the required performance criteria. Once converted into Shares, the Shares will rank equally in all respects with the existing Shares of the Company.

## SCHEDULE 5

### SUMMARY OF TERMS OF DIVIDEND REINVESTMENT PLAN (“PLAN”)

The Plan is designed to provide Shareholders with an opportunity to apply any cash dividend distributed by the Company towards the subscription for new Shares.

The summary of the Plan is set out below for the information of Shareholders. The detailed terms and conditions of the Plan are available free of charge by contacting the Company.

#### *General*

Participation in the Plan by Shareholders is optional.

To participate in the Plan, a Shareholder must elect to be a participant in the Plan on an election form.

#### *Operation of Plan*

Each dividend which is payable to a participant in the Plan in respect of Shares which that participant has nominated as being participating Shares and which is available for payment to the participant will, upon payment, be applied by the Company on the participant’s behalf in subscribing for that number of Shares using the formula set out in the Plan.

Shares allotted under the Plan will rank equally in all respects with the existing Shares of the Company.

It is intended that Shares allotted under the Plan will be offered at a discount that is not greater than 7.5% of the weighted average market price of the Shares on ASX during the 5 business days prior to and including the closing date of an offer under the Plan.

No brokerage, commission, stamp duty or other transaction costs will be payable by participants in respect of any allotment of any Shares under the Plan.

#### *Prospectus*

Section 708(13) of the Corporations Act exempts the Company from preparing a prospectus for the issue of any Shares under the Plan.

SCHEDULE 6

NOMINATION OF AUDITORS

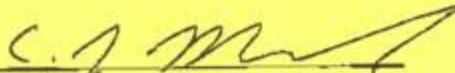
From: 23/04/2004 14:32 #030 P.003  
From: 15/04/2004 11:44 #380 P.003

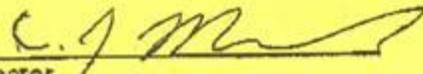
Mr G Boden  
Company Secretary  
Swiftel Limited  
Level 18, QVI Building  
260 St Georges Terrace  
Perth, WA 6000

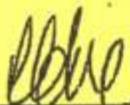
Dear Sir,

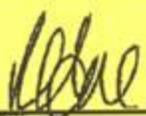
Notice of Intention to Appoint Auditors

The below shareholders, who combined hold more than 5% of the issued shares of Swiftel Ltd, request that at the general meeting being convened to consider the acquisition of people Telecom Limited (and other matters), which is currently proposed for 31 May 2004, the company consider, and, if thought fit, pass the resolution that Pitcher Partners be appointed as auditor of the company, pending the removal of the current auditor.

  
\_\_\_\_\_  
Director  
RIVACRE INVESTMENTS PTY LTD ABN 44 008 126 298 (Number of Shares 1,668,888)  
Date 16.4.04.

  
\_\_\_\_\_  
Director  
RIVACRE INVESTMENTS PTY LTD AS TRUSTEE FOR COLIN MARLAND FAM #2 DIS TRUST  
ACN 008 126 288 (number of shares 2,666,667)  
Date 16.4.04.

  
\_\_\_\_\_  
Director  
O'HARE ENTERPRISES PTY LTD ACN 083 004 406 (number of shares 750,000)  
Date 16.4.04.

  
\_\_\_\_\_  
Director  
NASHAR PTY LIMITED AS TRUSTEE FOR THE RYAN O'HARE NO 2 TRUST ACN 071 438 231  
(number of shares 4,333,334)  
Date 16.4.04.

**INDEPENDENT EXPERT'S REPORT**

Refer to separate document.

# PROXY FORM

## APPOINTMENT OF PROXY

SWIFTEL LIMITED

ABN 31 009 273 152

## GENERAL MEETING

I/We

being a Member of Swiftel Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at the QV1 Function Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth, Western Australia on 14 June 2004 at 10.30am (WST) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

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### Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Change of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Acquisition of people telecom Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Options Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Mr Barry Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Election of Mr Ryan O'Hare	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Election of Brendan Fleiter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Adoption of Exempt Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Adoption of Executive Share Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Adoption of CEO Share Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Fixing Non-Executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Removal of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Appointment of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Adoption of Dividend Reinvestment Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16	Ratification of Prior Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 17	Allotment and Issue of Shares for Working Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 18	Participation by Related Parties in the Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

**YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.**

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this                      day of                      2004

By:

**Individuals and joint holders**

Signature
Signature
Signature

**Companies (affix common seal if appropriate)**

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

**SWIFTEL LIMITED**  
**ABN 31 009 273 152**

**Instructions for Completing 'Appointment of Proxy' Form**

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.