

SWIFTEL LIMITED
ABN 31 009 273 152
TO BE RENAMED:

:: **people telecom Limited** Prospectus

**FOR THE OFFER OF UP TO 10,000,000 SHARES
AT AN ISSUE PRICE OF \$0.20 TO RAISE \$2,000,000**

Manager of the General Offer:



THIS PROSPECTUS ALSO CONTAINS AN OFFER TO THE HOLDERS OF LISTED OPTIONS TRADING UNDER ASX CODE "SWTOA".

THE OFFERS ARE CONDITIONAL UPON SHAREHOLDERS APPROVING VARIOUS MATTERS AT A GENERAL MEETING TO BE HELD ON 14 JUNE 2004. PLEASE REFER TO SECTION 4 FOR FURTHER DETAILS.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered speculative.

IMPORTANT NOTICE

This Prospectus is dated 4 June 2004 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is 4 July 2005 at 5.00pm WST (Expiry Date). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

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

WEBSITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the following website www.swiftel.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

:: corporate directory

Current Directors

Dr. Saliba Sassine
 Christopher Gale
 Colin Marland
 David Vilensky
 Malcolm Dick
 Adrian Paul

Proposed Directors

Ryan M O'Hare
 Barry Hamilton
 Brendan Fleiter
 Colin Marland
 David Vilensky
 Malcolm Dick

Company Secretary

David Vilensky

Registered Office

Level 18, QV1 Building
 250 St Georges Terrace
 PERTH WA 6000

Telephone: (08) 9480 1222
 Facsimile: (08) 9480 1223

Share Registry

Computershare Investor Services Pty Ltd
 Level 2, Reserve Bank Building
 45 St Georges Terrace
 PERTH WA 6000

Telephone: (08) 9323 2000
 Facsimile: (08) 9323 2033

Manager of the General Offer

Intersuisse Corporate Pty Ltd
 Level 7
 530 Collins Street
 MELBOURNE VIC 3000
 Telephone: (03) 9629 8288
 Facsimile: (03) 9614 8309

Solicitors to the Company

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 Lawyers & Consultants
 Level 14, Citibank House
 37 St Georges Terrace
 PERTH WA 6000

Bowen Buchbinder Vilensky
 Lawyers
 14th Floor
 251 Adelaide Terrace
 PERTH WA 6000

Independent Accountant

Pitcher Partners NSW Corporate Pty Ltd
 Level 3
 60 Castlereagh Street
 SYDNEY NSW 2000

Tax Advisers

K D Johns & Co
 15 Ord Street
 WEST PERTH WA 6005

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:: 01 chairman's letter

Dear Investor

On behalf of the Board of Directors, I am pleased to present the offers set out in this Prospectus to you.

Since its commencement of operations in April 2000 as a Perth based Data Communications company, Swiftel Limited (**Swiftel** or **Company**) has grown organically 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.

The Company will deliver an 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.

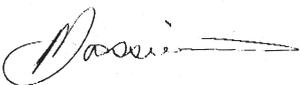
The Company will offer an extensive array of telecom products and services including voice (mobile & fixed) and data (broadband & VPN) and voice over internet products.

The Company 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.

After the merger, the Company will change its name to "People Telecom Limited".

This Prospectus contains two offers – one to the holders of Listed Options and the other to nominees of Intersuisse. I urge you to read this Prospectus in full before making any decision in respect of the Offers.

Yours sincerely



DR. SALIBA SASSINE
CHAIRMAN

4 June 2004

:: 02 investment overview

2.1 Important Notice

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

2.2 Summary of the Offers

By this Prospectus, the Company:

- (a) is offering up to 10,000,000 Shares at an issue price of \$0.20 to raise \$2,000,000; and
- (b) makes an offer to the holders of Listed Options to cancel every two (2) of their Listed Options in consideration for being issued one (1) Share.

2.3 Indicative Timetable

Opening Date	4 June 2004
Dispatch of Prospectus to holders of Listed Options registered as at 5.00pm (WST) on 4 June 2004*	9 June 2004
General Meeting of Shareholders	14 June 2004
Closing Date (5:00pm WST)	24 June 2004
Expected date for re-listing on ASX	2 July 2004

* You do not need to be registered as a holder of a Listed Option on 4 June 2004 in order to accept the Options Offer. Please refer to Section 16 for further details.

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offers (or either one of them) early without notice.

2.4 Objectives

The Company's objectives are to:

- (a) complete the acquisition of People Telecom;

- (b) satisfy the requirements of ASX in order to ensure the Company's securities are reinstated to trading;
- (c) allow the holders of Listed Options the ability to cancel their Listed Options in consideration for receiving Shares; and
- (d) proceed with the development and expansion of the merged entity's full service telecommunications business.

Following the completion of the Offers, the Company will have enough working capital to carry out these objectives.

2.5 Use of Proceeds

It is intended to apply funds raised from the General Offer as follows (assuming \$1,800,000 is raised).

Description	Amount
Expenses of the Offers	\$185,000
Development and expansion of business	\$1,615,000
Total	\$1,800,000

The development and expansion of the business includes cash required to:

- fund the set-up of a new data centre in Perth – approximately \$340,000;
- further expand the broadband network – approximately \$1,175,000; and
- fund the initial launch of the SwiftVoiceIP product – approximately \$100,000.

Please refer to Section 5 for further details.

Any funds raised in excess of \$1,800,000 are intended to be applied towards expenses of the offer (6%) and further development and expansion of the business (94%).

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2.6 Capital Structure

As at the date of this Prospectus, Swiftel had 161,975,262 Shares on issue, 77,352,011 Listed Options on issue and 8,419,834 unlisted options on issue. In addition, the Company has commitments to issue up to a further 658,861 unlisted options.

The one (1) for two (2) consolidation of Swiftel's issued capital proposed at the General Meeting will result in the number of Shares being reduced in accordance with the table set out below:

Shareholders	Pre-Consolidation No. of Shares	Post-Consolidation No. of Shares
Swiftel Ordinary Shareholders	161,975,262	80,987,631

Where a Shareholder holds an uneven number of Shares pre-consolidation that results in a fraction of a whole share post-consolidation, the Shares will be rounded up to the nearest whole Share.

A one (1) for two (2) consolidation of the outstanding Swiftel options (both listed and unlisted) will result in the number of outstanding Options being reduced to 43,215,354, as follows:

Option holders	Pre-Consolidation No. of Options	Post-Consolidation No. of Options
Swiftel Listed Option Holders	77,352,011	38,676,006
Swiftel Unlisted Option Holders	9,078,695	4,539,348
Total Options	86,430,706	43,215,354

Where an Option holder holds an uneven number of Options pre-consolidation that results in a fraction of a whole Option post-consolidation, the Options held will be rounded up to the nearest whole Option.

Calculation of the number of Shares to be issued under the Options Offer

Following consolidation of the Listed Options there will be 38,676,006 outstanding Listed Options subject to the Options Offer.

Under the terms of the Share Sale Agreement, certain Shareholders have agreed to accept the Options Offer, the approval of which will be voted on in Resolution 3 at the General Meeting. Assuming that Resolution 3 is approved, this will give rise to a minimum level of acceptance of the Options Offer.

The following table identifies the impact on Listed Options holders based on the minimum and maximum acceptance of the Options Offer:

Option holders	Pre-Options Offer	Post-Options Offer (Minimum Acceptance)		Post-Options Offer (Maximum Acceptance)	
	No. of Options	No. of Shares	No. of Options	No. of Shares	No. of Options
Swiftel Listed Option Holders	38,676,006	9,477,537	19,720,932	19,338,003	-

:: 02 investment overview

Following the issue of new Shares to the Listed Option holders the share capital structure of Swiftel will be as follows:

Shareholders	Pre-Options Offer No. of Shares	Post-Options Offer (Minimum) No. of Shares	Post-Options Offer (Maximum) No. of Shares
Swiftel Ordinary Shareholders	80,987,631	90,465,168	100,325,634

Calculation of the number of Shares to be issued to the shareholders in People Telecom

The number of Shares to be issued to People Telecom shareholders will be determined based on the share structure prior to settlement of the acquisition of People Telecom. The Share structure prior to settlement will be influenced by the take-up of the Options Offer, and as discussed above, there will be a minimum level of take-up. Maximum take-up of the Options Offer assumes 100% acceptance of that offer.

Based on the formula included in the Share Sale Agreement, the number of Shares issued to People Telecom shareholders following the Options Offer will be as follows:

Shareholders	Post-Options Offer (Minimum) No. of Shares	Post-Options Offer (Maximum) No. of Shares
People Telecom Shareholders	204,311,544	194,749,251

Assuming the offer of Shares to raise working capital under this Prospectus is fully subscribed, the number of Shares on issue post-completion of the Offers will be as follows:

Shareholders	Post-Offers (Minimum) No. of Shares	Post-Offers (Maximum) No. of Shares
Swiftel Ordinary Shareholders	304,776,712	305,074,885

:: 03 details of the offers

3.1 The General Offer

By this Prospectus, the Company offers for subscription up to 10,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$2,000,000.

The Company and Intersuisse have entered into an agreement pursuant to which Intersuisse has been appointed Manager of the General Offer and has secured binding firm commitments for approximately 5,000,000 of the Shares the subject of the General Offer.

Accordingly, the number of Shares available for subscription by the general public is less than 10,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

3.2 Application for shares

Applications for Shares by the nominees of Intersuisse must be made using the Application Form.

Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000 Shares. Completed Application Forms and accompanying cheques must be mailed or delivered to:

Swiftel Limited
C/- Intersuisse Limited
Level 7, 530 Collins Street
MELBOURNE VIC 3000

Cheques should be made payable to "Intersuisse Limited – Trust Account" and crossed "Not Negotiable". Completed Application Forms must reach Intersuisse Limited by no later than the Closing Date.

3.3 Allotment

Subject to ASX granting approval for the Company's securities to be reinstated to trading on ASX and the other terms set out in this Prospectus, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by Intersuisse Limited on trust. Irrespective of whether the allotment of Shares takes place, applicants will not be entitled to any interest earned on the application monies.

3.4 Minimum subscription

The minimum amount to be raised pursuant to the General Offer is \$1,800,000.

If the minimum amount has not been raised within 4 months after the date of this Prospectus, neither the General Offer or the Options Offer will proceed and all applications/acceptances will be dealt with in accordance with the Corporations Act.

3.5 Description of the Options Offer

By this Prospectus, the Company also makes an offer to all of the holders of Listed Options (**Options Offer**).

It is a condition of the Options Offer that all Key Swiftel Shareholders accept the Options Offer.

The full terms and conditions of the Options Offer are set out in Section 16 of this Prospectus.

Only holders of Listed Options may accept the Options Offer. Accordingly, do not complete the Acceptance Form unless you hold Listed Options.

To accept the Options Offer you must complete the Acceptance Form accompanying this Prospectus in accordance with the instructions accompanying it and deal with the Acceptance Form in accordance with the terms and conditions set out in Section 16 of this Prospectus.

If you acquired Listed Options after 5.00pm (WST) on 4 June 2004, please contact Computershare Investor Services Pty Ltd (08) 9323 2000 in order to obtain an Acceptance Form.

3.6 ASX listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares offered pursuant to this Prospectus within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act.

3.7 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. No action has been taken to register or qualify

:: 03 details of the offers

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus.

these Shares or otherwise permit a public offering of the securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

3.8 Firm commitments

As noted in Section 3.1 of this Prospectus, Intersuisse has secured binding firm commitments for approximately 5,000,000 of the Shares the subject of the General Offer.

The firm commitments with Intersuisse are subject to the same conditions as set out in Section 4 of this Prospectus.

The Company will pay a fee to Intersuisse in relation to its engagement as Manager of the General Offer. Please refer to Section 11.26 for further details.

3.9 CHES

The Company will apply to participate in the Clearing House Electronic Subregister System (CHES). CHES is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHES, the Company will not issue certificates to investors. Instead, investors will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHES statement.

3.10 Risk factors

Prospective investors in the Company should be aware that subscribing for securities the subject of this Prospectus involves a number of risks. These risks are set out in Section 12 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 12 and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

3.11 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a shareholder, facilitate distribution payments and corporate communications to you as a shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the Application for Shares, the Company may not be able to accept or process your application.

3.12 Financial forecasts

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

:: 04 conditions of the offers

4.1 The conditions

The General Offer and the Options Offer are each conditional upon:

- (a) all of the conditions precedent set out in the Share Sale Agreement being satisfied or waived by their due dates; and
- (b) Shareholders approving all of the resolutions to be considered at the General Meeting.

4.2 Share Sale Agreement

The conditions precedent set out in the Share Sale Agreement are disclosed in Section 11 of this Prospectus.

4.3 General Meeting

There are various resolutions that will be put to Shareholders at the General Meeting. All of the resolutions are interdependent.

In summary, Shareholders will be asked to approve the following at the General Meeting:

- (a) a change in the scale of the Company's activities as a provider of telecommunications services;
- (b) the acquisition of all of the issued securities in People Telecom and the allotment and issue of Shares in accordance with the Options Offer;

- (c) the election of Ryan O'Hare, Barry Hamilton and Brendan Fleiter to the board of directors of the Company;
- (d) a change of the Company's name to "People Telecom Limited";
- (e) a consolidation of the Company's issued capital on a one (1) for two (2) basis;
- (f) the allotment and issue of Shares pursuant to this Prospectus;
- (g) the adoption of incentive share plans for executives and employees of the Company;
- (h) the adoption of a dividend reinvestment plan;
- (i) the removal and appointment of the Company's auditors;
- (j) an increase to the aggregate remuneration to be paid to non-executive directors; and
- (k) the participation of related parties in the capital raising the subject of this Prospectus.

4.4 Consequence of conditions not being satisfied

If all of the conditions set out above are not satisfied within four (4) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act.

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5.1 Company profile - People Telecom

People Telecom is an Australian company that was founded in February 2000 by Ryan O'Hare, Colin Marland, Barry Hamilton and certain other parties who are no longer involved with the business.

Focusing on the rapidly growing small to medium enterprise market, People Telecom adheres to and achieves a consistent strategy of delivering a heightened service level for telecommunications products and services.

People Telecom's mission is to become a leader in service within the telecommunications landscape by offering high customer service levels accompanied by a full suite of standard and new-age telecommunications products such as voice over internet protocol (**VOIP**).

A focus of the company is the delivery of online service technology and reporting, assisting businesses to reduce their costs through the free flow of information directly from their desktops through the internet in near real time.

At the other end of the service spectrum, People Telecom has established a service centre that answers calls with an average response time of 36 seconds with no IVR (Interactive Voice Response) for inbound calls. In addition, most business customers are assigned their own personal account manager.

People Telecom provides multiple carrier access offering a range of telecommunications services with one front end whilst being price competitive.

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

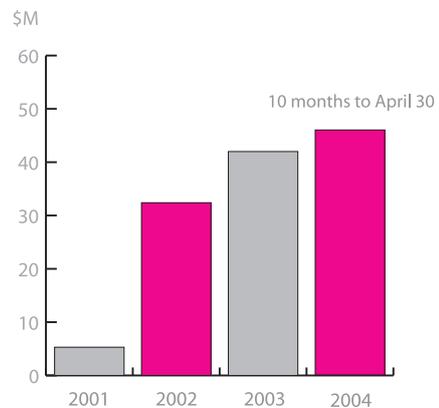
Since inception People Telecom has continued to increase its product range offering a significant line-up as follows:

- fixed wire outbound call products such as local, long distance, international and fixed calls to mobile;
- fixed wire inbound products such as 1300/1800 and 13 specialised region routing services;
- mobile call services such as GSM and CDMA including hardware/accessories;
- data services such as landline and satellite broadband, Virtual Private IP Networks and fibre optic networks;
- enhanced services such as fax and SMS broadcasting, voice and video conferencing;

- customer premises equipment including PABX systems and equipment, telephone equipment and softwares;
- enhanced billing, reporting, fraud management and near real time online self management services;
- specialised near real time reporting for all inbound and outbound call services; and
- personal account management both inbound and on customer premises.

People Telecom has invested heavily in back office infrastructure since inception to ensure high service levels whilst demanding internally a low cost to manage.

People Telecom has maintained its competitive advantage by keeping pace with technology such as VOIP, concentrating on the business markets and demonstrating that it can develop services to address specific customer requirements.



People Telecom Revenue Graph for 2004 is for the 10 months to April 30 based on unaudited management accounts

The management of People Telecom delivers many years of experience in the telecommunications industry with the CEO Ryan O'Hare co-founding corpTEL communications Pty Ltd in 1993 (it was sold to AAPT in 1998) and its Chief Operating Officer Kazim Reza, General Manager Northern Sales Gavin Roache, Channel Sales Manager Mark Manion and Systems Manager Sharon O'Neil all heavily involved in the corpTEL success story.

People Telecom is now merging with Swiftel to add two core levels of expertise: corporate data services: products, network and data solutions along with consumer ADSL broadband services.

The merger allows People Telecom to expand from its traditional Small Medium Enterprise (SME) market into the corporate markets with high-end data services and the consumer markets with broadband (ADSL) and voice over internet services.

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5.2 Key milestones of People Telecom

- 2000 People Telecom inception in February. Entered into key Telstra IT Systems Interface Agreement for provision of local access services. Entered into Long Distance Agreements with Global One and AAPT. Acquired the customers of Oxygen Communications. Began connecting first customers.
- 2001 Entered into a GSM resale agreement with Optus Mobile Pty Ltd. Entered into Optus Networks Pty Ltd agreement for long distance products. Acquired the customers and assets of Clariti Communications Pty Ltd. Reported annual revenues for the 2001 financial year of \$5,322,705.
- 2002 Entered into a supply agreement with Request DSL for broadband services. Reported annual revenues for the 2002 financial year of \$32,243,323.
- 2003 Entered into supply agreement with Multiimedia for broadband satellite, and Telstra for CDMA mobile services. Relocated Sydney Head Office to People Telecom House in North Sydney. Relocated Melbourne to larger offices in Albert Road. Entered into contract variation agreements with Telstra for Fixed Wire that improved fixed wire margins. Announced strategic alliance agreement with Swiftel Communications Pty Ltd to offer voice products and billing services. Launched dealer extranet online services known as partnerNet. Reported annual revenues for the 2003 financial year of \$42,209,655 and the first year of profit.
- 2004 Acquired the rights to the billing platforms with Intasys Billing Technologies Pty Ltd. Announced merger with Swiftel Limited in March to become one of the largest telecoms groups in Australia. Launched peopleNet, a new state of the art online customer self-management service. Launched the second version of partnerNet upgrading dealer interface services to new levels. Reported 2004 half-year revenues of \$26,755,502 and \$813,732 in profit.

5.3 Company profile – Swiftel

Swiftel Communications Pty Ltd (the main operating entity of the Company) was incorporated in 1999 by its founder Christopher Gale to deliver corporate data solutions to the Perth market, initially, before its national expansion. Today its network allows delivery of a point-to-point solution to all Australian cities as well as metropolitan and regional areas. Through its partners, Swiftel can connect customer branch offices to all parts of Australia.

National corporate private network solutions

Swiftel's solution allows national organisations to connect their interstate offices using a high-speed point-to-point VPN connection, allowing clients to significantly increase data connectivity between their offices and dramatically improve speed and efficiencies.

Swiftel provides a fully managed data solution including management of all router hardware and ongoing configuration changes. This solution allows Swiftel's customers to concentrate on their core business activities while totally outsourcing their WAN infrastructure.

Broadband DSL

The past year has seen enormous growth in the broadband telecommunications market throughout Australia. Swiftel has focused on providing customers with the most cost effective and high quality broadband ADSL plans in Australia.

Swiftel has developed a business-grade broadband service enabling fast, efficient access for internet, data and voice. Its Broadband DSL solution provides corporate clients with quality, high-speed, Australia-wide internet connectivity to 2Mbps. This DSL solution also enables Swiftel to connect customers to its private IP network, delivering point-to-point corporate solutions.

High-speed corporate and wholesale internet solutions

Utilising its fibre network infrastructure, Swiftel provides large corporate organisations and internet service providers with high-speed internet connectivity. Swiftel has developed and built a highly reliable best of breed network infrastructure to deliver these services. Swiftel has also connected with a number of tier 1 internet carriers and other local providers to provide reliable,

:: 05 company overview

diverse path internet solutions. Swiftel has been successful in providing these services and currently provides them to some of Australia's largest commercial organisations.

Co-Location

Swiftel's Co-Location services are used by a broad spectrum of organisations including carriers, large companies, government departments and internet service providers. Rather than build their own facilities, customers choose to outsource this function to Swiftel.

Swiftel's data centre was designed and built to leading industry standard specifications including Vesda fire detection, FM200 gas suppressant, back-up generators and individual circuit switch racks. Swiftel's data centre complements all of its other data services. A majority of its Co-Location customers also purchase internet and point-to-point VPN solutions.

Voice services

During the 2003/2004 financial year, Swiftel entered into an agreement with People Telecom to enable Swiftel to be a "full service carrier" and provide its customers with a complete range of telecommunications services.

The purpose of the alliance was to allow each company to provide the full range of data and telecommunications services to their customers on the one bill and under its own brand.

The merger with People Telecom will now further cement this business objective.

5.4 Key milestones of Swiftel

May 2000	Swiftel announced plans to install first IP on Optical Fibre Carrier grade network in Perth using state of the art high-end IP Cisco Router and Switch technology allowing Swiftel to connect customers in the Perth CBD with speeds of up to 1 gigabyte.	February 2001	Swiftel interconnects with COMindico Australia's national IP backbone and sets up a major redundant internet gateway providing high-speed internet connectivity to large corporate and wholesale customers.
August 2000	Perth Co-Location Data Centre established, enabling customers to retain control over the administration and maintenance of their equipment while having their equipment housed in a high quality facility connecting to a reliable high-speed data network.	June 2001	Swiftel interconnects with Request DSL utilising their significant investment to deliver high-speed point-to-point data connectivity to the Perth metropolitan area.
September 2000	Swiftel interconnects with SingTel to provide high-speed internet connectivity to large corporate and wholesale customers.	March 2002	Swiftel launches Brisbane, Sydney and Melbourne points of presence and interconnects with Request DSL in all States. This gives Swiftel a national backbone footprint and enables it to provide national point-to-point network services and high-speed internet connectivity to large corporate organisations.
		November 2002	Swiftel launches off-site data storage facilities through its Network Appliance Network Attached Storage. This allows Swiftel to provide off-site and archive back-up storage services. This service complements the high-speed fibre data network in delivering storage services to large corporate organisations.
		January 2003	Swiftel launches Perth SME and residential ADSL services after signing a wholesale supply agreement with Telstra.
		February 2003	Swiftel launches Sydney SME and residential ADSL services and builds a dual POP multi-redundant facility.
		July 2003	Swiftel launches Melbourne SME and residential ADSL services. Signs an agreement with People Telecom to provide local, calls to mobiles, national and international voice calls, as well as line equipment rental, to become a full service telecommunications provider.
		September 2003	Swiftel announces 5,000 DSL users on its network.
		February 2004	Swiftel announces 15,000 DSL users on its network.
		May 2004	Swiftel announces 20,000 DSL users on its network.

:: 05 company overview

5.5 The merged company

The merger of People Telecom and Swiftel will create one of Australia's largest and fastest growing telecoms groups that offers a comprehensive range of telecommunications products and services whilst overlaying a tangible high quality of service.

The Company will benefit from a quality management team, strong relationships with its suppliers and grow through its successful sales channels.

The merged company will offer products and services into the business and consumer markets:

Business market

The group will be delivering its products and services into both the Corporate and Small to Medium Enterprise (SME) business markets. Focus in the corporate market will be via the delivery and management of its high-end data solutions.

The Company will be leveraging off the products it has consistently delivered to the corporate market under the Swiftel brand such as national private networking, co-location capabilities and data storage facilities. On completion of the merger, the Company will be able to apply its full service capabilities that will include personalised account management, 24/7 call centre emergency services, detailed and flexible billing solutions as well as immediate access to the People Telecom online service console known as peopleNet.

While in the SME sector, in addition to the data services mentioned above, the full suite of People Telecom products and services will continue to be offered including:

- Fixed Voice Services;
- Mobile Voice Services (both GSM and CDMA);
- Fixed and Satellite Broadband products;
- Conferencing services;
- SMS and fax broadcasting services;
- Personalised Account Management;
- 24/7 emergency national call centre;
- Flexible tailored billing solutions; and
- Access to peopleNET.

Access to these markets will be via three main direct sales forces that include the existing People Telecom main sales channels of:

- Business Development - in Sydney and Melbourne;
- Direct Sales – in Sydney, Melbourne and Perth; and
- Channel Sales – nationally.

A new direct data sales team is being deployed in Sydney and Perth initially, followed by Melbourne.

The sales team is being rolled out to drive the data sales revenues and is led by the new national data sales manager whose focus will be a targeted, well trained sales force focusing on quality data solutions to the business market nationally.

Consumer market

As a result of the merger, the Company should be able to enter the consumer (residential) market on the back of its success in broadband (ADSL) sales and the final trials of its voice over internet services being a success.

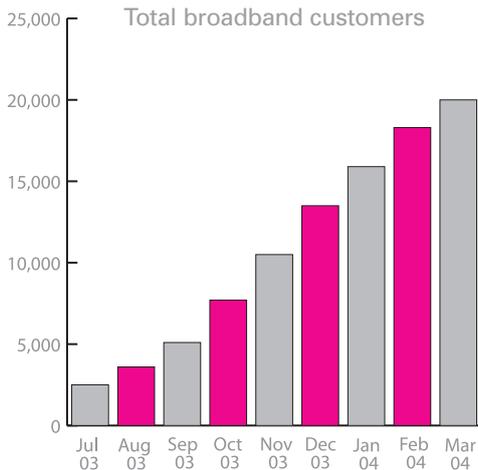
It is proposed that the Company will offer a bundled data and voice service to the consumer markets through the existing Channel sales force of People Telecom and its current successful website. The main product offerings are intended to be:

- Broadband via the new "Swiftbroadband" brand;
- A 2nd home phone that enables consumers to make calls over the internet - branded "SwiftvoiceIP";
- Ability to include the billing of the existing main home telephone on one managed People Telecom account - branded "Swiftvoice"; and
- Ability to add a GSM or CDMA mobile onto the same bill and service platforms - branded "Swiftmobile".

SWIFTBROADBAND

Currently marketed under the Swiftel brand as its ADSL service, Swiftbroadband will become the new consumer and home office brand for People Telecom's broadband service. It will continue to attract customers through its online portal as well as being rolled out through the current People Telecom indirect sales channels.

:: 05 company overview



Swiftbroadband will continue to be a value for money offering combining competitive pricing whilst offering customers a high quality broadband national network.

SWIFTVOICEIP

The concept of the SwiftvoiceIP service is to offer a second phone line to the home without the necessity of paying expensive line rental charges. In fact, this phone connects between the customer's modem and computer and allows calls to be made locally, nationally and internationally at prices significantly less than the incumbent carriers. This product also allows each SwiftvoiceIP customer to call another SwiftvoiceIP customer for free.

It does not replace the main telephone line to the home as the broadband service will need to be supplied through this main telephone line.

All the calls made on this service will be billed on the one managed online communications account.

SWIFTVOICE

This service is the re-billing of the main telephone service to the home so that one managed account is rendered each month from People Telecom. In many cases, this product is also supplied with a cost reduction compared to most competitors for national and international calls as well as calls to mobile phones.

SWIFTMOBILE

Swiftmobile is the consumer branded mobile offering that will include access to GSM and CDMA networks. Swiftmobile also delivers its customer services through peopleNET and is also included on the one monthly communications account.

Growth through the merger

Growth through the merger is expected by achieving three main deliverables:

- cost reductions in integration that will be reinvested in marketing and customer acquisition;
- revenue growth through product integration to existing sales channels of both companies; and
- revenue growth through the expansion of the Swift consumer products.

The main cost saving will be generated by utilising the existing management structure and back office services of People Telecom to manage the existing and growing Swiftel corporate data and broadband product sets.

This will mean that Swiftel will not need to implement such facilities as extensive call centre operations, improved and in-house billing services, upgrades and expansion of IT requirements or new customer relation management tools (CRM). Nor will it need the expansion required in office space, equipment and facilities. More importantly, Swiftel may not need to recruit the expected number of additional staff or need to provide extensive training in its growth phase.

Revenues should accelerate in new areas by the deployment of Swiftel's extensive data knowledge and data products across the People Telecom sales forces. Similarly, Swiftel customers can enjoy the benefits of all the People Telecom fixed and mobile voice services sold on one operating platform (rather than People Telecom just providing products to Swiftel as agreed in the strategic alliance of 2003).

While broadband is already offered in the consumer market, the addition of billing the main phone service, applying the new SwiftvoiceIP voice over internet service and bundling mobile phones should see the consumer revenues of the Company grow.

5.6 The telecommunications industry

Telecommunications resellers

The industry includes participants engaged in the sale of telecommunications services incorporating both mobile and fixed line products utilising the network infrastructure owned by a third party.

The Australian telecommunications industry has enjoyed significant growth over the past decade. Driving this growth has been a combination of factors including the liberalisation of the general industry, continued technological innovations (which in turn has spurred on a persistent stream of new products and

:: 05 company overview

services), strong underlying demand for telecommunications products and services (both existing and emerging) and the general trend of convergence between the telecommunications, entertainment and IT industries.

Over the past decade, the Telecommunications Resellers segment of the general Australian telecommunications industry has, to a large extent, benefited from these developments. In 2002-03 industry revenues for this segment were estimated at \$3.3 billion. In the same year the Telecommunications Resellers segment accounted for less than 10 percent of the overall Australian telecommunications industry.

Competition within the industry is generally price-based, but the quality of service is also important to consumers. Over recent years the cost of providing telecommunications services has declined with technological innovation, coupled with increased competition between both carriers and resellers in the domestic market leading to reduced margins.

This competition and margin reduction has seen a consolidation of industry players.

The ability of resellers to provide a single bill for all telecommunications services is important given the increase in the type of telecommunications products now available, including communications, information and entertainment products.

Given the nature of the industry, transmission and interconnection expenses are the single largest identifiable cost item. These are expenses incurred for the actual usage of a carrier's network (both domestic and international) and include usage payments made to carriers and other service providers. In 2002-03, these expenses were estimated to represent roughly 40 percent of revenue.

Wages are thought to be the second-largest expense, though in recent years

the increasingly competitive environment has seen a number of operators target this expense in various cost cutting exercises designed to improve operating efficiencies.

In comparison to telecommunications carriers, telecommunications resellers do not own or operate highly expensive telecommunications infrastructure such as cables, mobile phone base stations or satellites. This is reflected in the considerably lower depreciation expenses that accrue to telecommunications resellers.

Regulation of the telecommunications industry has seen new legislation enacted to benefit consumers, allowing increased competition. Recent regulatory changes have seen the introduction of number portability and the removal of the requirement to use dialling overrides to access other suppliers' networks. Access to Telstra's local network has also been opened up with amendments to the Trade Practices Act.

Internet Service Providers

This industry comprises companies primarily engaged in the provision of internet services to both businesses and households.

The provision of access services (both via dial-up or via broadband) is the main product segment, though industry participants may also be involved in the provision of support services including web page hosting and web development services, domain services, various technical and customised services (such as the development of intranets) and e-commerce based services.

Still in its infancy, the internet has been one of the fastest growing sectors of the telecommunications industry in recent years; between January 1998 and January 2003 the number of global internet hosts increased from 29.7 million to 171.6 million. According to OECD data, Australia

averaged 91 hosts per 1,000 inhabitants in 2001 (up from 30 in 1997) compared with an OECD average of 100, an EU average of 53 and 270 hosts per 1,000 inhabitants for the United States. Moreover with roughly 10.63 million Australians accessing the internet in early 2002, Australia is thought to have one of the highest internet penetration rates in the world.

According to ABS data, there were 554 ISPs in Australia as at the end of March 2003 offering internet access to just over 5 million active subscribers via 1,687 POPs (points of presence) and 857,470 access lines across the country. On the basis of information provided by the Telecommunications Industry Ombudsman, the number of industry participants is believed to be even higher, with 692 ISPs as at June 2003 compared to just 26 in late 1995.

With average growth rates of roughly 30 percent per annum (albeit derived from a very low base) over the past five years, revenue for the industry is estimated to have been worth \$2.5 billion in 2002-03.

However, following the dramatic increase in ISP numbers, recent times have witnessed the start of a consolidation phase as smaller players were forced out of business in view of the highly competitive operating environment, or were swallowed up by larger players looking to grow their operations in order to negotiate more favourable wholesale prices.

The global telecommunications shake-up, falling computer sales and a slow-down in internet penetration growth rates has also served to constrain the growth of the industry in recent months.

Given the large number of players within the industry, the Australian ISP industry is deemed to be among the more competitive segments of the general Australian telecommunications industry.

:: 05 company overview

Competition within the Australian Internet Service Providers industry is thought to have intensified in recent years as witnessed by aggressive pricing policies and falling access charges, various service levels, a vast array of promotional offerings and 'package deals' and high customer churn rates.

Competition has also intensified within particular segments such as the pre-paid segment, which is designed to attract lower usage customers. Recent months have also seen a growing level of competition within the broadband market segment. At the same time, these increased competition levels have prompted a move towards consolidation, in both the dial-up access service provision market and in the permanent access markets, and in both the wholesale and retail segments.

The past few years have witnessed a number of ISPs, small and large alike, pursue merger and acquisition strategies to increase their subscriber base, maintain or build national/regional coverage and achieve economic scale. These include the likes of AAPT, Austar, Asia Online, Chariot and Pacific Internet.

Others have formed strategic alliances, partnerships or joint ventures, often with players outside the industry, including content providers and multimedia operators. For example, AOL7 is a three-way joint venture between AAPT/Telecom New Zealand, Seven Network Ltd and America Online, one of the world's leading interactive internet services companies.

These developments are in line with the trend towards convergence, which is seeing an increasing degree of overlap between the communications, media and IT industry fields. Thus, as the distinctions between the various fields are becoming blurred, ISPs have expanded their product portfolio to include new media and information services.

Product portfolios

The performance period has witnessed a number of interesting developments in the range of products/services offered by various participants.

The performance period has witnessed a number of interesting developments in the range of products/services offered by various participants.

One interesting trend has been the move by industry participants to bundle their service offerings, providing cheaper access internet rates if the internet service is taken as part of a package deal incorporating other telecommunications services such as telephony.

The gradual emergence of broadband technologies is likely to be another force changing the dynamics of the industry. Receiving much media coverage in recent times, this access method allows high data rate internet access, including access to more diverse and richer audio and video based content. Despite its slow uptake, there are now thought to be 200 plus industry participants (there is thought to be nearly 200 ISPs alone offering ADSL connections through Telstra's wholesale division) involved in the provision of broadband internet services (in conjunction with or as instead of the traditional dial up access service) and as at June 2003 there were 516,200 broadband subscribers.

Given the mature nature of the dial-up segment, a number of industry players now view broadband as a key growth driver with many pinning their future plans on it. Even the likes of Telstra, who was

one of the first players to enter the broadband market two years ago, is heavily targeting this market segment having invested nearly \$1 billion in its national broadband network to date.

However, growth in broadband access has been relatively slow in Australia in comparison to other countries, partly because of the high price tag attached. According to a recent OECD study on the adoption of high-speed net services among 30 broadband connected countries, Australia has dropped from 13th place (December 2000) to 19th place (December 2002) whilst a recent Booz Allen Hamilton survey found that Australia's businesses had the lowest level of broadband adoption of the nine advanced countries it investigated.

Australia was found to have a level of just 20 percent connectivity compared to 60 percent for both Sweden and the United States. Similarly, NOIE's 2003 Information Economy Index put Australia in last place of the 12 benchmarked countries with just 4 percent of households having a broadband connection as at the end of 2002. A recent ITU (International Telecommunications Union) study put Australia at an even lower 29th place on a table of 30 countries with regards to the number of broadband subscribers per 100 inhabitants (just 1.4 broadband subscribers per 100 compared with 21.3 subscribers for Korea). A recent AT Kearney report puts the figure at a slightly higher 4 subscribers, compared with 9 for the United States and 14 for Canada.

Wired communications

This industry comprises companies involved in the provision of voice and data services via the use of landlines, microwaves or satellite linkups. These services include fixed wire telephony services (as opposed to wireless or mobile telephony services), wired network

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services and cable services, as well as the provision of traditional services such as payphones, telexes, telegraphs and telephone exchange operations.

Industry participants operate and maintain their own switching and transmission facilities used in the provision of such services or may actually own a fixed line telephone network system consisting of wires (copper) or cable (fibre optic). They may then sell spare capacity to other telecommunications carriers or resellers.

The Australian telecommunications industry, including the segment encompassing wired telecommunications carriers, has enjoyed strong growth over the past decade. Driving this growth has been a combination of factors including the liberalisation of the general industry, continued technological innovations (which in turn has spurred on a persistent stream of new products and services), strong underlying demand for telecommunications products and services (both existing and emerging) and the general trend of convergence between the telecommunications, entertainment and IT industries. Since deregulation in July 1997, the number of Australian telecommunications carriers alone has increased from 3 to 94 whilst product offerings have also proliferated.

In 2002-2003, the Wired Telecommunications Carriers Industry is estimated to have generated revenues of roughly \$20.1 billion, making it by far the largest telecommunications segment. However, it is also interesting to note its decline in relative importance in recent years in light of the strong growth enjoyed by those segments encompassing various mobile, internet and data services.

Basis of competition

Competition is principally based on price, service, product innovation (e.g. value adding), and marketing strategies.

Price

This is a major basis of competition, as it is often difficult to differentiate products; in some instances, the industry operators offer similar coverage with similar services. Price is, in turn, affected by service providers' cost structures.

Service

Customers in recent years have become increasingly sophisticated and are now placing even greater importance on reliable services and on fast resolution of problems. This, in turn, has seen an increasing reliance on the role of Customer Relationship Management (CRM) in an attempt to provide a superior level of customer care as a point of differentiation. According to industry analysts, customer service is thought to be of paramount importance in achieving customer loyalty.

The last few years have also seen a considerable increase in the range of services offered. A large range of services can provide competitive advantages in economies of scale and scope, as well as providing a means of 'adding value' to basic network connections. For example, the ability to offer local access and local calls can also boost demand for long distance calls and other services offered by the carrier. In addition, with many customers preferring to receive just one invoice (as opposed to a number of invoices from a range of service providers), the ability to offer an integrated communications, information and entertainment package is of increasing significance.

Product innovations

Given the speed of technological advances occurring within this industry, combined with the trend towards convergence, the ability to offer the latest value added features is of paramount importance in differentiating the various players.

Innovative packaging is also becoming an increasingly significant competitive point as players offer integrated combinations of the latest products and services to encourage customers to become multi-product users. Indeed, most of the major players now rely on various bundling initiatives.

Marketing

Innovative marketing strategies are also becoming an increasingly essential competitive tool. Marketing strategies which focus on cross-selling are of key importance.

A number of players cite the importance of branding as a means of differentiation. For example, Optus, an established player in the industry, has invested substantial resources into developing the 'Optus' brand, believing it to be a significant variable in customer acquisition and retention across most customer segments. It has also sought to market itself as the "challenger" brand under which it is the first to market with new and innovative value added products/services. Primus is another player that has also devoted considerable financial resources to strengthening its brand within key segments.

Other variables

A number of other variables can also provide a competitive edge, including:-

- An established customer base; incumbents such as Telstra and Optus are able to draw on a large, established customer base that can be used as a source of competitive advantage over newer players, especially for new product or cross-selling promoting purposes.
- The existence of an integrated network; this allows players to offer consumers a full suite of integrated products and

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services, which captures the trend towards the convergence of various telecommunications, media and information products.

- A strong presence in the wholesale segment; not only can this be a means of utilising any spare capacity in the operators' network, it can also be a means of increasing market presence.

The post-July 1997 regulatory regime has had fundamental implications for the level of competition in this industry. Prior to 1 July 1997 the fixed wired telecommunications industry was dominated by a Telstra/Optus duopoly. The new regime, however, has fundamentally changed the profile of the industry by removing limits on the number of carriers and by limiting anti-competitive behaviour. There are currently 90 plus licensed telecommunications carriers.

Another significant factor influencing the competitive backdrop of the Australian Wired Telecommunications Carriers Industry has been the staged introduction of number portability. This has meant that customers can now choose between competing telecommunications carriers on the basis of price, quality and service without the same lock-in effect as previously. Full local number portability came into effect on 1 January 2000, whilst local rate and freephone portability was implemented on 16 January 2000. The introduction of pre-selection in July 1997, which allows a customer to choose a carrier other than Telstra without the need to dial an override code, has also been important in influencing the level of competition within the industry.

As with many other industrialised countries who have recently liberalised their telecommunications segment, competition has been much slower to develop in Australia's local service market than in the long distance market.

Customer churn rates can also be a good indicator of the degree of competition within a particular market segment.

::: 06 current directors

DR. SALIBA SASSINE

Chairman – Non-Executive

Dr. Saliba Sassine is an experienced Director with over 15 years experience in several public companies, with an emphasis on technology and growth. Dr. Sassine is currently Chief Executive Officer of Visomed Group Limited and is also Chairman of Phylogica Ltd.

CHRISTOPHER GALE

Chief Executive Officer

Mr Gale, the founder of Swiftel Communications Pty Ltd, has more than 14 years experience in the data communications field, servicing customer needs for high quality data communications products and services, particularly in Perth. Mr Gale also has substantial experience in the emerging technologies for communications networks and has developed solid relationships with technology manufacturers and vendor suppliers.

COLIN J MARLAND

Executive Director

Mr Marland has more than 20 years experience in the telecommunications industry and specialises in the conception and start-up phase of telecommunications companies and has successfully listed several companies on ASX. Mr Marland was co-founder of People Telecom and the corpTel group prior to its sale in 1998 to AAPT Limited. He has served on the board of the Telecommunications Ombudsman and several listed telecommunications companies and is also the CEO of the Chifley Group. He is an executive board member and major shareholder of People Telecom.

DAVID VILENSKY

Non-Executive Director

Mr Vilensky is a practising solicitor and managing partner of Perth law firm Bowen Buchbinder Vilensky. He has more than 20 years experience in the field of corporate and business law and in commercial and corporate management. Mr Vilensky has a special interest in the duties and obligations of company directors under the Corporations Act 2001, and has acted for a number of listed and public companies.

MALCOLM DICK

Non-Executive Director

Mr Dick has extensive experience in the telecommunications industry including roles as the CEO of Netway Telecommunications, a joint venture between Telecom NZ and Freightways Group. Mr Dick has subsequently established Call Australia Pty Ltd, a switchless carrier that was sold to RSLCOM. Mr Dick is currently a part owner of CallPlus Limited, which is New Zealand's third-largest fixed line carrier and Slingshot, a dial-up Internet Service Provider. He is also a director and shareholder of Argent Networks Limited.

ADRIAN PAUL

Non-Executive Director

Mr Paul has spent his career working in financial markets following completion of a business degree. He has 15 years experience in investment firms and during that time has held senior positions including a period as partner. Presently, Mr Paul runs his own capital raising business for clients. He is also a director of listed company Sylvania Resources Limited.

:: 07 proposed directors

BARRY J HAMILTON

Non-Executive Chairman

Mr Hamilton is an experienced public company director with significant experience in capital and financial raisings 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.

RYAN M O'HARE

CEO and Executive Director

Mr 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 one of Australia's largest and most successful privately owned telecoms service providers 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 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.

COLIN MARLAND

Non-Executive Director

Refer to Section 6.

DAVID VILENSKY

Non-Executive Director

Refer to Section 6.

MALCOLM DICK

Non-Executive Director

Refer to Section 6.

:: 08 independent accountant's report

4 June 2004

The Directors
Swiftel Limited
Level 18, QVI Buildings
250 St George's Terrace
PERTH WA 6000



Dear Sirs

Independent Accountant's Report

We have prepared this Independent Accountant's Report (the "Report") at the request of the Directors of Swiftel Limited (hereafter referred to as "Swiftel" or "the Company") for inclusion in a Prospectus to be dated on or about 4 June 2004.

Expressions defined in the Prospectus have the same meaning in this Report.

Pitcher Partners NSW Corporate Pty Limited holds an Australian Financial Services License (No. 277719) issued by the Australian Securities and Investments Commission for providing financial product advice, including independent expert reports.

Scope

We have been requested to prepare an Independent Accountant's Report covering the following information:

- The historical statements of financial performance and statements of cash flows for the financial year ended 30 June 2003 and the half year ended 31 December 2003 for Swiftel Limited.
- The historical statements of financial performance and statements of cash flows for the financial year ended 30 June 2003 and the half year ended 31 December 2003 for People Telecom Limited ("People Telecom").
- The proforma consolidated statement of financial position as at 31 December 2003, which assumes completion of the following contemplated proforma transactions as at that date:
 1. the consolidation of every two (2) fully paid ordinary shares in the capital of the Company into one (1) fully paid ordinary share in the capital of the Company;
 2. the consolidation of every two (2) options (listed and unlisted) to acquire fully paid ordinary shares in the capital of the Company into one (1) option to acquire a share and that the exercise price of the options will be increased by a multiple of 2;
 3. the allotment and issue of up to 19,338,003 fully paid ordinary shares in the capital of the Company to holders of listed options in consideration for the cancellation of two (2) options for every (1) fully paid ordinary share in the Company issued to such option holders;
 4. the allotment and issue of between 194,749,251 and 204,311,544 fully paid ordinary shares, after the consolidation of the Company's capital referred to above, in the

:: 08 independent accountant's report

capital of the Company to the shareholders of People Telecom as consideration for the acquisition of all the issued shares in People Telecom; and

5. allotment and issue of up to a maximum of 10,000,000 fully paid ordinary shares in the capital of the Company and the receipt of up to a maximum of \$2,000,000 from the proceeds of the General Offer.

The Directors have prepared, and are responsible for, the historical and proforma financial information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

This Report should be read in conjunction with the full Prospectus.

Consideration paid for acquisition of shares in People Telecom

As set out in Note 5 (C) in Section 9 of the Prospectus, the actual consideration paid by Swiftel for the shares in People Telecom will vary as follows:

1. the actual quantity of shares in Swiftel to be issued to shareholders of People Telecom is to be determined once the number of listed options holders who elect to accept the offer to receive one ordinary share in Swiftel for every two listed options held, is known. The range of shares in Swiftel to be issued to the holders of the shares in People Telecom is between 194,749,251 and 204,311,544. The proforma consolidated statement of financial position has been prepared on the assumption that the maximum of 204,311,544 shares are issued and that all the holders of listed options in Swiftel accept the offer to receive one ordinary share in Swiftel for every two listed options held.
2. The "value" of the shares in Swiftel issued to the holders of the shares in People Telecom is required to be calculated in accordance with accounting standards, particularly AASB 1015 – Acquisition of Assets, and UIG Abstract 41 – Fair Value of Equity Instruments Issued As Purchase Consideration. Under the methodologies prescribed in the standards, it is not possible to determine the value until after the transactions are completed. For the purpose of preparing the proforma consolidated statement of financial position, an assumed value of 20 cents per share has been used.

Both of the above affect the amount by which equity has been increased and the calculation of Goodwill in the proforma consolidated statement of financial position as at 31 December 2003.

Historical financial information and proforma statement of financial position

The historical financial information set out in the Prospectus in Section 9 has been derived from the following:

1. financial statements of Swiftel for the year ended 30 June 2003 audited by Ernst & Young; and
2. financial statements of Swiftel for the half year ended 31 December 2003 which have been subject to independent review in accordance with AUS 902 by Ernst & Young; and
3. financial statements of People Telecom for the year ended 30 June 2003 which have been audited by Pitcher Partners; and

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4. financial statements of People Telecom for the half year ended 31 December 2003 which have been subject to independent review in accordance with AUS 902 by Pitcher Partners.
5. Historical consolidated statement of financial position as at 31 December 2003 adjusted for the completion of the proforma transactions referred to above.

The Directors are responsible for the preparation of the historical financial information. We have conducted our review of the historical financial information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- analytical review procedures on the audited and reviewed statements of financial performance, financial position and cashflows of Swiftel and People Telecom for the relevant historical periods;
- a review of work papers, accounting records and other documents compiled in the preparation of the financial statements of People Telecom;
- a review of the basis of preparation used to compile the historical financial information;
- a review of the assumptions used to compile the proforma consolidated statement of financial position as at 31 December 2003;
- a review of the adjustments made to the proforma historical financial information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Swiftel and People Telecom disclosed in Section 9 of the Prospectus; and
- inquiry of Directors, management and others.

Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the historical financial information included in the Prospectus.

Review of historical financial position and proforma statement of financial position

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

- the other historical financial information, as set out in Section 9 of the Prospectus, has not been properly prepared in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the entity disclosed in Section 9 of the Prospectus.
 - the proforma consolidated statement of financial position, as set out in Section 9 of the Prospectus, has not been properly prepared on the basis of the proforma transactions set out in Section 9 of the Prospectus.
-

:: 08 independent accountant's report

This Report has been prepared to provide potential investors with information on historical results and the financial position of the economic entity and Company as at 31 December 2003. This Report does not address the risks associated with the investment and is not to be relied upon for any purpose other than that for which it was prepared.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside the ordinary business of the company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Disclosure of interest

Pitcher Partners, a related entity of Pitcher Partners NSW Corporate Pty Limited, is the auditor of People Telecom Limited and the practice company, Pitcher Partners NSW Pty Limited, has provided taxation services.

Pitcher Partners NSW Corporate Pty Limited does not have any interest in the outcome of the offer and subsequent listing, other than in connection with the preparation of this Report and participation of due diligence procedures for which normal professional fees will be received.

The company has agreed to indemnify and hold harmless Pitcher Partners NSW Corporate Pty Limited, its employees, officers and agents from any claims arising out of mis-statement or omission in any material or information supplied by the Company for the purpose of this Report.

Consent for the inclusion of the Independent Accountant's Report in the Prospectus in the form and context in which it appears has been given. At the date of this report consent has not been withdrawn.

Yours faithfully

Pitcher Partners NSW Corporate Pty Limited



Deborah Cartwright
Director

:: 09 historical and proforma financial statements

Swiftel Limited Statements of Financial Performance

The Swiftel results have been compiled from the audited financial statements of the company for the year ended 30 June 2003 and the financial statements of the company for the six months ended 31 December 2003 which have been subject to an independent review in accordance with AUS 902.

	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
Revenues from ordinary activities	2A	5,815,158	3,985,919
Cost of sales		(4,498,470)	(2,089,552)
Employee benefits expenses		(790,961)	(1,164,676)
Depreciation and amortisation	3A	(369,102)	(613,587)
Borrowing costs	3A	(51,167)	(95,312)
Other expenses from ordinary activities	3A	(1,318,201)	(3,495,610)
Loss from ordinary activities before income tax		(1,212,743)	(3,472,818)
Income tax expense relating to ordinary activities	4A	-	-
Loss from ordinary activities after income tax		(1,212,743)	(3,472,818)
Share Issue costs		(148,512)	-
Total changes in equity other than those resulting from transactions with owners as owners		(1,361,255)	(3,472,818)

The accompanying notes form an integral part of these financial statements.

:: 09 historical and proforma financial statements

People Telecom Limited Statements of Financial Performance

The People Telecom results have been compiled from the audited financial statements of the company for the year ended 30 June 2003 and financial statements of the company for the six months ended 31 December 2003 which have been subject to an independent review in accordance with AUS 902.

	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
Revenue from telecommunications services	2B	26,650,141	41,994,801
Other revenue from ordinary activities	2B	105,361	214,854
Total revenue	2B	26,755,502	42,209,655
Airtime costs		(20,026,663)	(31,422,040)
Dealer charges		(661,644)	(887,957)
Wages and related expenses		(3,140,425)	(4,625,500)
Depreciation and amortisation	3B	(784,300)	(770,216)
Advertising and promotion expense		(134,885)	(114,336)
Billing system license and maintenance		(413,670)	(880,389)
Rental expenditure – operating leases	3B	(186,444)	(374,805)
Professional fees		(123,572)	(292,077)
Other expenses from ordinary activities		(470,167)	(2,691,972)
Profit from ordinary activities before related income tax expense		813,732	150,363
Income tax expense relating to ordinary activities	4B	-	-
Net profit attributable to members of the parent entity		813,732	150,363

The accompanying notes form an integral part of these financial statements.

:: 09 historical and proforma financial statements

Swiftel Limited Statements of Financial Position

	Note	Consolidated proforma 31 December 2003 \$	Consolidated historical 31 December 2003 \$
CURRENT ASSETS			
Cash assets	5A, 6	6,320,911	1,818,796
Receivables	7	9,683,350	2,152,358
Other financial assets	8	781,427	573,775
Inventories		7,184	7,184
Other	9	383,865	140,031
TOTAL CURRENT ASSETS		17,176,737	4,692,144
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,939,193	3,827,191
Other financial assets	11	1,324,736	-
Intangible assets	5C, 12	40,265,079	-
Other	13	864,842	-
TOTAL NON-CURRENT ASSETS		46,393,850	3,827,191
TOTAL ASSETS		63,570,587	8,519,335
CURRENT LIABILITIES			
Payables	14	13,119,056	2,875,740
Interest-bearing liabilities	15	433,795	433,795
Provisions	16	286,156	167,215
Other current liabilities	17	1,440,860	1,024,194
TOTAL CURRENT LIABILITIES		15,279,867	4,500,944
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	18	270,599	270,599
Other non-current liabilities	19	1,595,020	-
TOTAL NON-CURRENT LIABILITIES		1,865,619	270,599
TOTAL LIABILITIES		17,145,486	4,771,543
NET ASSETS		46,425,101	3,747,792
EQUITY			
Contributed equity	5D, 20	63,012,480	20,335,171
Reserves	21	814,508	814,508
Accumulated losses		(17,401,887)	(17,401,887)
TOTAL EQUITY		46,425,101	3,747,792

The accompanying notes form an integral part of these financial statements.

:: 09 historical and proforma financial statements

Swiftel Limited Statements of Cash Flows

The Swiftel results have been compiled from the audited financial statements of the company for the year ended 30 June 2003 and the financial statements of the company for the six months ended 31 December 2003 which have been subject to an independent review in accordance with AUS 902.

	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
Cash Flow from Operating Activities			
Receipts from customers		5,151,333	3,551,512
Payments to suppliers & employees		(4,982,176)	(4,337,717)
Interest received		10,604	21,547
Interest and borrowing costs paid		(51,167)	(95,312)
GST received/(paid)		25,179	(33,816)
Net cash generated by/(used in) operating activities		153,773	(893,786)
Cash Flow from Investing Activities			
Payment for property, plant & equipment		(784,617)	(667,443)
Proceeds from sale of shares		-	97,899
Investment in Term Deposits		(573,775)	-
Net cash used in investing activities		(1,358,392)	(569,544)
Cash Flow from Financing Activities			
Proceeds from share issue		3,140,000	853,172
Payment of share issue costs		(148,512)	(50,750)
Proceeds from loans		-	250,000
Payment of loan		(56,228)	(250,000)
Proceeds from borrowings - other		-	207,503
Repayment of finance lease principal		(253,032)	(166,610)
Net cash from financing activities		2,682,228	843,315
Net increase/(decrease) in cash held		1,477,609	(620,015)
Cash at the beginning of the financial period		341,187	961,202
Cash at the end of the financial period	6	1,818,796	341,187

The accompanying notes form an integral part of these financial statements.

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People Telecom Limited Statements of Cash Flows

The People Telecom results have been compiled from the audited financial statements of the company for the year ended 30 June 2003 and the financial statements of the company for the six months ended 31 December 2003 which have been

subject to an independent review in accordance with AUS 902. The Statements of Cash Flows has not taken into account any subsequent events that have arisen under normal trading conditions, except that, both the Cash Flow from Financing Activities and Cash Held have been adjusted to reflect a capital reduction and issue of shares on the exercise of options that People Telecom undertook post 31 December 2003.

	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
Cash Flow from Operating Activities			
Receipts from customers		27,052,912	42,205,582
Payments to suppliers & employees		(25,064,977)	(41,154,491)
Interest received		103,255	136,306
Net cash generated by operating activities		2,091,190	1,187,397
Cash Flow from Investing Activities			
Payment for property, plant & equipment		(113,385)	(126,281)
Payment for acquisition of debtors ledger		-	(173,471)
Net cash used in investing activities		(113,385)	(299,752)
Cash Flow from Financing Activities			
Return of surplus capital		(2,535,149)	(4,274,261)
Proceeds from issue of shares		188,735	-
Net cash from financing activities		(2,346,414)	(4,274,261)
Net (decrease) in cash held		(368,609)	(3,386,616)
Cash at the beginning of the financial period		3,055,724	6,442,340
Cash at the end of the financial period		2,687,115	3,055,724

The accompanying notes form an integral part of these financial statements.

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NOTES:

1. Statement of Significant Accounting Policies

(a) Basis of accounting

The historical and proforma consolidated financial information has been prepared in accordance with the recognition and measurement requirements, but not all the disclosure requirements, of Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

The reports are prepared on an accruals basis and based on historical costs and do not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial reports.

(b) Going concern

Swiftel made a loss from ordinary activities of \$1,212,743 for the six months ended 31 December 2003.

Swiftel has prepared its half-year financial report on a going concern basis. In arriving at this position the directors have had regard to the following pertinent matters:

- (i) Swiftel has significantly increased its revenues and customer base from its ADSL business over the past six months and expects to continue to do so over the next twelve months.
- (ii) Swiftel has improved its net working capital position from a deficit of \$1,080,027 at 30 June 2003 to a positive position of \$191,200 at 31 December 2003, principally due to successful capital raisings of \$3,140,000 during the six month period.

(iii) Swiftel expects to achieve positive cashflows from operations during the three month period ended 30 June 2004 as a result of improved margins in its ADSL business and via further growth in its customer base.

(iv) Additional capital requirements of Swiftel, which are expected to be in the vicinity of \$1,295,000 over the next twelve month period, will be primarily funded via finance lease facilities. Subsequent to 31 December 2003, the consolidated entity has entered into a finance lease amounting to approximately \$450,000, to fund its capital requirements for the period to 31 March 2004.

(v) In the unlikely event the Directors require access to additional working capital to continue to grow the ADSL business, the Directors are confident, based on the successful capital raisings over the past six months, of their ability to secure this working capital via a further capital raising.

(c) Principles of consolidation

The financial information includes separate historical Statements of Financial Performance and Statements of Cash Flow for Swiftel and its controlled entities and People Telecom and its controlled entities, as each company was conducting separate business activities over the reporting period.

The financial information includes the historical statement of financial position of Swiftel and its controlled entities as at 31 December 2003.

The proforma consolidated statement of financial position as at 31 December 2003 reflects the

financial position of Swiftel as if the transactions relating to the acquisition of People Telecom as disclosed in Note 5 had occurred on that date. The proforma consolidated statement of financial position reflects the consolidated entity, comprising Swiftel, its controlled entities and all entities that Swiftel will control as a result of the acquisition of People Telecom as disclosed in Note 5.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(d) Cash

For the purpose of the Statements of Cash Flows, cash includes:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii) investments in money market instruments with less than 90 days to maturity.

(e) Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for doubtful debtors. An estimate for doubtful debtors is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(f) Acquisition of assets

All assets acquired, including plant and equipment, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure is only recognised as an asset when the entity controls future

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economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(h) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value

attributed to its net assets at date of acquisition. Purchased goodwill is amortised on a straight-line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(i) Other assets and liabilities

Expenditure is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be reliably measured. Otherwise expenditure is expensed as incurred.

Mobile hardware/handset costs

The cost of mobile handsets purchased for or on behalf of a client are deferred and expensed in the statements of financial performance over an 18-month period. Generally, the handset is aligned to a 24-month contract of continuance service on the consolidated entity's network. Due to the possibility of a small percentage of customers breaking the contract or generating a bad debt, the company policy is to expense the phones over the average period over which benefits are expected to accrue.

Dealer upfront commission payments – fixed wire customers

Payments made to dealers for the acquisition of fixed wire customers are deferred and expensed in the statements of financial performance over a six-month period. The basis for this policy is that:

- the consolidated entity has the legal right to reclaim the payment from the dealers should the customer cancel their contract

within three months of signing up with the consolidated entity; and

- due to the possibility of a small percentage of customers breaking the contract or generating a bad debt, the company policy is to expense the dealer upfront commission payments for fixed wire customers over the shortest period over which benefits are expected to accrue.

Dealer upfront commission payments – mobile customers

Payments made to dealers for the acquisition of mobile customers are deferred and expensed in the statements of financial performance over an 18-month period. Generally, the payment is aligned to a 24-month contract of continuance service on the consolidated entity's network. Due to the possibility of a small percentage of customers breaking the contract or generating a bad debt, the company policy is to expense the dealer upfront commission payments for mobile customers over the average period over which benefits are expected to accrue.

Miscellaneous pre-paid expenses

All expenses that are pre-paid are expensed over the period that they occur.

Carrier commission/subsidies

A commission/subsidy is generated from certain carriers on the signing of a contract and/or the delivery of a new mobile number on the carrier's network. This commission/subsidy is taken to revenue and booked to the statements of financial performance over 24 months, the period over which commission is repayable to the carrier, if the contract is broken.

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(j) Recoverable amount

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

In determining the recoverable amount, the expected net cash flows have been discounted to their present value using a market denominated risk adjusted discount rate.

(k) Depreciation and amortisation

Plant and equipment

The depreciable amount of all fixed assets and capitalised leased assets is depreciated on a straight-line basis over their useful lives to the consolidated entity, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate
Telecommunications infrastructure	5% - 10%
Plant and equipment	20% - 33%
Billing system	33%
Computer equipment, software and website development	45%
Office plant & equipment	20% - 33%

Regular review of depreciation and amortisation rates

Depreciation and amortisation rates and methods are reviewed at least annually and will be adjusted to reflect the most recent assessments of the useful life of the respective assets.

Changes to depreciation rates and methods

When depreciation rates or methods are changed, the change is accounted for as a charge in the statements of financial performance. The effect is recognised in the financial year of the change as well as future periods. Depreciation recognised in previous financial periods is not changed or adjusted via the statement of financial performance or accumulated losses.

(l) Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(m) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

(n) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of obligation.

(o) Employee entitlements

Wages, salaries and annual leave

Liabilities for employee entitlements, to wages, salaries and annual leave, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on wage and salary rates including related on-costs expected to apply at settlement.

The value of the equity-based compensation scheme is not being recognised as an employee benefits expense.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

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Superannuation plan

The consolidated entity contributes to several defined contribution superannuation plans. Contributions to employee superannuation funds are charged against income as they are paid or become payable.

(p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares and listed options are recognised directly in equity as a reduction of the share proceeds received.

(q) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Rendering of telecommunications services

Revenue from the provision of telecommunications services is recognised (net of discounts) when the customer utilises the service.

Interest revenue

Interest revenue is recognised as it accrues.

(r) Borrowing costs

Borrowing costs are expensed as incurred except where they relate to the financing of projects under construction, where they are capitalised up to the date of commissioning or sale.

(s) Income tax

The consolidated entity adopts the liability method of tax-effect accounting, whereby the income tax expense is based on the result from ordinary activities adjusted for any permanent differences.

Timing differences that arise due to the different accounting periods in which items of revenue and expense are included in the determination of the accounting result and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(t) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
2A. REVENUE FROM ORDINARY ACTIVITIES			
Swiftel			
Operating activities			
Revenue from rendering telecommunications services		5,797,276	3,860,545
Revenue from telecommunications services		<u>5,797,276</u>	<u>3,860,545</u>
Other revenue			
Interest income		10,604	21,547
Proceeds from sale of shares	(3Aii)	-	97,899
Sundry income		7,278	5,928
		<u>17,882</u>	<u>125,374</u>
Total Revenue from ordinary activities		<u><u>5,815,158</u></u>	<u><u>3,985,919</u></u>
2B. REVENUE FROM ORDINARY ACTIVITIES			
People Telecom			
Operating activities			
Revenue from rendering telecommunications services		26,084,111	41,221,399
Commission/subsidies		566,030	773,402
Revenue from telecommunications services		<u>26,650,141</u>	<u>41,994,801</u>
Other revenue			
Interest		105,361	189,965
Miscellaneous income		-	24,889
Other revenue		<u>105,361</u>	<u>214,854</u>
Total Revenue from ordinary activities		<u><u>26,755,502</u></u>	<u><u>42,209,655</u></u>

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	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
3A. (LOSS) FROM ORDINARY ACTIVITIES			
Swiftel			
i) Expenses from ordinary activities include the following:			
Borrowing costs expensed			
Interest expense			
- Finance lease		49,283	62,924
- Other		1,884	7,132
Other borrowing costs		-	25,256
Total borrowing costs		51,167	95,312
Depreciation			
- telecommunications infrastructure		90,452	198,611
- plant and equipment - owned		160,877	160,455
- plant and equipment - leased		117,773	171,029
		369,102	530,095
Amortisation of goodwill		-	83,492
Total depreciation and amortisation		369,102	613,587
Other operating expenses			
Deferred costs written off		-	42,346
Goodwill written off		-	1,451,096
Allowance for doubtful debtors		-	38,465
Consultancy, accountancy & admin fees		355,916	403,705
Insurance expense		56,376	91,865
Public relations & marketing costs		105,245	116,197
Facilities based expenses		41,253	50,610
Rental expense on operating leases (minimum lease payments)		188,020	650,744

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	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
Auditors' remuneration:			
Auditing or reviewing the financial report			
Ernst & Young		25,000	26,402
Other Services			
Ernst & Young		1,015	1,300
Carrying amount of investments disposed	(ii)	-	59,364
Other operating costs		545,376	563,516
		<u>1,318,201</u>	<u>3,495,610</u>
ii) Losses/(gains)			
Net gain on disposal of shares		-	38,535

3B. PROFIT FROM ORDINARY ACTIVITIES

People Telecom

Expenses from ordinary activities include the following:

Depreciation of plant and equipment		16,633	27,418
Amortisation of upfront commission		488,866	38,914
Recoverable amount write down		-	98,863
Amortisation of deferred handset costs		278,801	605,021
Total depreciation and amortisation		<u>784,300</u>	<u>770,216</u>
Net expense from movements in provisions for:			
Bad and doubtful debts		335,800	536,819
Employee entitlements		755	143,490
Rental expenses relating to operating leases		186,444	374,805
Auditors' remuneration:			
Auditing or reviewing the financial report			
Pitcher Partners		-	39,500
Other Services			
Pitcher Partners		12,680	1,000

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	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
4A. INCOME TAX EXPENSE			
Swiftel			
Prima facie income tax benefit calculated at 30% of Loss from ordinary activities		363,823	1,041,845
Less tax effect of permanent differences;			
Amortisation of goodwill		-	(25,048)
Goodwill written off		-	(435,328)
Non-deductible costs		(2,201)	(3,307)
Less:			
Future income tax benefit not brought to account as realisation is not virtually certain		(361,622)	(578,162)
Income tax expense attributable to Loss from ordinary activities		-	-
Estimated unconfirmed and unutilised income tax losses available to offset future years taxable income		6,446,993	5,241,588
Tax benefit at 30%		1,934,098	1,572,476

The taxation benefits of tax losses not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

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	Note	Six months ended 31 December 2003	Year ended 30 June 2003
		\$	\$
4B. INCOME TAX EXPENSE			
People Telecom			
Prima facie income tax expense calculated at 30% of Profit from ordinary activities		244,120	45,110
Add/(Less) tax effect of permanent differences;			
Entertainment		43,892	15,137
Legal costs		17,842	23,799
Other		-	2,225
Miscellaneous income		-	(7,467)
Less:			
Transfer to future income tax benefit not brought to account		(305,854)	(78,804)
Income tax expense attributable to Profit from ordinary activities		-	-
Estimated unconfirmed and unutilised income tax losses available to offset future years taxable income		12,748,457	12,648,960
Tax benefit at 30%		3,824,537	3,794,688

The taxation benefits of tax losses not brought to account will only be obtained if:

- a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- b) conditions for deductibility imposed by the law are complied with; and
- c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

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5. ASSUMPTIONS USED IN COMPILING THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The proforma consolidated statement of financial position has been prepared to reflect the consolidated financial position of Swiftel as at 31 December 2003 as if the transactions noted below in respect of the acquisition of People Telecom and the General Offer had occurred on that date. The proforma consolidated statement of financial position has not taken into account any subsequent events that have arisen under normal trading conditions. The transactions are:

- the consolidation of every two (2) fully paid ordinary shares in the capital of the Company into one (1) fully paid ordinary share in the capital of the Company;
- the consolidation of every two (2) options (listed and unlisted) to acquire fully paid ordinary shares in the capital of the Company into one (1) option to acquire a share and that the exercise price of the options will be increased by a multiple of 2;
- the allotment and issue of up to 19,338,003 fully paid ordinary shares 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;
- the allotment and issue of between 194,749,251 and 204,311,544 fully paid ordinary shares, after the consolidation of the Company's capital referred to above, 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,
- allotment and issue of up to a maximum of 10,000,000 fully paid ordinary shares in the capital of the Company and the receipt of up to a maximum of \$2,000,000 from the proceeds of the General Offer.

A. Cash

Cash is reconciled as follows:

Cash held as at 31 December 2003	1,818,796
Cash held within People Telecom	2,687,115
Receipt of maximum proceeds of the General Offer	2,000,000
Payment of costs associated with the General Offer	(185,000)
Cash held as per proforma consolidated statement of financial position (see note 6)	6,320,911

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B. People Telecom Ltd Proforma Statement of Financial Position as at 31 December 2003

For the purpose of the proforma, the amounts below are taken to be the fair values of the net assets acquired by Swiftel from People Telecom as at 31 December 2003. The proforma

statement of financial position has not taken into account any subsequent events that have arisen under normal trading conditions, except that, both the Cash Assets and Contributed Equity have been adjusted to reflect a capital reduction and issue of shares on the exercise of options that People Telecom undertook post 31 December 2003.

	Consolidated proforma 31 December 2003
	\$
CURRENT ASSETS	
Cash assets	2,687,115
Receivables	7,530,992
Other financial assets	207,652
Other	243,835
TOTAL CURRENT ASSETS	10,669,594
NON-CURRENT ASSETS	
Property, plant and equipment	112,002
Other financial assets	1,324,736
Other	864,842
TOTAL NON-CURRENT ASSETS	2,301,580
TOTAL ASSETS	12,971,174
CURRENT LIABILITIES	
Payables	10,243,317
Provisions	118,941
Other	416,666
TOTAL CURRENT LIABILITIES	10,778,924
NON-CURRENT LIABILITIES	
Other non-current liabilities	1,595,020
TOTAL NON-CURRENT LIABILITIES	1,595,020
TOTAL LIABILITIES	12,373,944
NET ASSETS	597,230
EQUITY	
Contributed equity	18,144,325
Accumulated losses	(17,547,095)
TOTAL EQUITY	597,230

:: 09 historical and proforma financial statements

C. Goodwill on acquisition of People Telecom Limited

Goodwill represents the excess of purchase consideration over the fair value of identifiable net assets of People Telecom acquired as at 31 December 2003. The difference between fair value and the book value of the identifiable net assets of People Telecom have all been assigned to goodwill.

	\$
Fair value of shares issued as consideration ⁽¹⁾	40,862,309
Net assets of People Telecom acquired (see note 5B) ⁽²⁾	597,230
Goodwill on acquisition of People Telecom ⁽²⁾	<u>40,265,079</u>

(1) The fair value of shares issued as consideration above has been calculated on the basis that the maximum number of shares 204,311,544 were issued to acquire People Telecom at an assumed price of 20 cents per share. The actual price of the shares issued will be determined at the time of settlement in accordance with the appropriate accounting standards. If a lower number of shares are issued and/or the price is different, the consideration (and hence goodwill on acquisition) will change.

(2) The unaudited management accounts of People Telecom show it has continued to trade profitably since 31 December 2003 and accordingly the goodwill on acquisition will reduce by the amount of profits made by People Telecom between 31 December 2003 and the date all transactions referred to in the Prospectus are completed.

D. Contributed equity

	\$
Contributed equity as at 31 December 2003	20,335,171
Consolidation of every two (2) fully paid ordinary shares in the capital of the Company into one (1) fully paid ordinary share.	-
The allotment and issue of up to 19,338,003 fully paid ordinary shares 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.	-
The allotment and issue of between 194,749,251 and 204,311,544 fully paid ordinary shares, as consideration for the acquisition of all of the issued shares in People Telecom Limited (see Note 5C(1)) .	40,862,309
The allotment and issue of up to a maximum of 10,000,000 fully paid ordinary shares in the capital of the Company and the receipt of up to a maximum of \$2,000,000 from the proceeds of the General Offer, net of costs.	1,815,000
Contributed equity as per the proforma statement of financial position	<u>63,012,480</u>

:: 09 historical and proforma financial statements

	Swiftel Ltd consolidated proforma 31 December 2003 \$	Swiftel Ltd consolidated historical 31 December 2003 \$
6. CASH ASSETS		
Cash on hand	3,620	1,920
Cash at bank	2,799,342	113,927
Deposits at call	3,517,949	1,702,949
	<u>6,320,911</u>	<u>1,818,796</u>
7. RECEIVABLES (CURRENT)		
Trade debtors	10,120,035	2,148,809
Allowance for doubtful trade debtors	(664,936)	(35,000)
	<u>9,455,099</u>	<u>2,113,809</u>
Other debtors	228,251	38,549
	<u>9,683,350</u>	<u>2,152,358</u>
8. OTHER FINANCIAL ASSETS (CURRENT)		
Deposits	781,427	573,775
9. OTHER (CURRENT)		
Prepayments	351,107	140,031
Deferred upfront commissions – fixed wire	32,758	-
	<u>383,865</u>	<u>140,031</u>
10. PROPERTY, PLANT AND EQUIPMENT		
Written down value		
Telecommunications infrastructure	2,448,738	2,448,738
Plant and equipment	785,090	785,090
Plant and equipment – leased	421,437	421,437
Billing system	-	-
Computer equipment, software and website development	76,525	-
Office furniture and equipment	207,403	171,926
	<u>3,939,193</u>	<u>3,827,191</u>
11. OTHER FINANCIAL ASSETS (NON-CURRENT)		
Deposits ⁽¹⁾	1,324,736	-

(1) These financial assets are provided as security for bank guarantees given to third parties.

:: 09 historical and proforma financial statements

	Swiftel Ltd consolidated proforma 31 December 2003 \$	Swiftel Ltd consolidated historical 31 December 2003 \$
12. INTANGIBLE ASSETS		
Goodwill	40,265,079	-
	<u>40,265,079</u>	<u>-</u>
13. OTHER (NON-CURRENT)		
Deferred upfront commissions – mobile	593,515	-
Deferred handset costs	271,327	-
	<u>864,842</u>	<u>-</u>
14. PAYABLES		
Trade creditors	8,832,383	2,556,878
Accrued expenses	4,286,674	318,862
	<u>13,119,056</u>	<u>2,875,740</u>
15. INTEREST-BEARING LIABILITIES (CURRENT)		
Lease liabilities	<u>433,795</u>	<u>433,795</u>
16. PROVISIONS (CURRENT)		
Forfeited shares account	54,590	54,590
Employee entitlements	231,566	112,625
	<u>286,156</u>	<u>167,215</u>
17. OTHER CURRENT LIABILITIES		
Unearned Income	<u>1,440,860</u>	<u>1,024,194</u>
18. INTEREST-BEARING LIABILITIES (NON-CURRENT)		
Lease liabilities	<u>270,599</u>	<u>270,599</u>
19. OTHER NON-CURRENT LIABILITIES		
Unearned Income	<u>1,595,020</u>	<u>-</u>

:: 09 historical and proforma financial statements

	Swiftel Ltd consolidated proforma 31 December 2003	Swiftel Ltd consolidated historical 31 December 2003
	\$	\$

20. CONTRIBUTED EQUITY

Ordinary Shares fully paid

63,012,480	20,335,171
------------	------------

	Proforma 31 December 2003	Proforma 31 December 2003
	Number	\$

Movement in shares

Consolidated historical	161,975,262	20,335,171
Consolidation of every two (2) fully paid ordinary shares in the capital of the Company into one (1) fully paid ordinary share	(80,987,631)	-
Cancellation of two (2) options for every one (1) fully paid ordinary share in the Company	9,477,538	-
The allotment and issue of up to 204,311,544 fully paid ordinary shares, as consideration for the acquisition of all of the issued shares in People Telecom Limited (see Note 5C(1))	204,311,544	40,862,309
The allotment and issue of up to a maximum of 10,000,000 fully paid ordinary shares as part of the General Offer	10,000,000	1,815,000
	304,776,713	63,012,480

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	Swiftel Ltd consolidated proforma 31 December 2003	Swiftel Ltd consolidated proforma 31 December 2003
	Number	\$
Movement in Listed Options		
Consolidated historical	77,352,011	-
Consolidation of every two (2) options to acquire fully paid ordinary shares in the capital of the Company into one (1) option to acquire a fully paid ordinary share	(38,676,005)	-
Cancellation of two (2) options for every one (1) fully paid ordinary share in the Company	(18,955,076)	-
	<u>19,720,930</u>	<u>-</u>
	Swiftel Ltd consolidated proforma 31 December 2003	Swiftel Ltd consolidated historical 31 December 2003
21. RESERVES		
Option Premium reserve	<u>814,508</u>	<u>814,508</u>

22. SUBSEQUENT EVENTS

Other than as disclosed in this prospectus, there have not been any significant subsequent events after 31 December 2003.

:: 010 summary of tax consequences of the options offer

28 May 2004

The Directors
Swiftel Limited
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250 St Georges Terrace
PERTH WA 6000

Chartered Accountants
TAXATION SPECIALISTS
BUSINESS ADVISORS
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Dear Sirs

Taxation Summary - Offer to the Holders of Listed Options

This summary has been prepared at the request of Swiftel Limited for inclusion in a prospectus to be dated 4 June 2004 for the offer to Listed Option Holders ("Holders") to allot and issue one Swiftel share in consideration for the cancellation of every two Swiftel Listed Options on the terms and conditions of the Options Offer ("Offer").

Disclaimer

This summary outlines the general Australian income tax implications for Holders who are Australian residents holding Listed Options on capital account. The summary does not apply to Holders who hold Listed Options on revenue account, are not residents of Australia for taxation purposes or are exempt from Australian income tax.

This summary does not purport to give advice to any specific Holder, as each Holder's tax position will ultimately depend on their own particular circumstances. To the maximum extent permitted by law, neither this firm nor any employee accepts any responsibility to any Holder for any statements, conclusions or opinion expressed in this summary. Holders should seek their own professional tax advice regarding their individual circumstances.

Capital Gains Tax ("CGT")

The cancellation of options held on capital account constitutes a CGT event. A capital gain will arise to the extent capital proceeds received for the cancellation of Listed Options exceed the Holder's cost base of their Listed Options. A capital loss will arise to the extent that capital proceeds received are less than the reduced cost base of the Listed Options. Capital proceeds include the market value of property you have received, or are entitled to receive, in respect of the CGT event happening (worked out at the time of the event).

Capital proceeds for the cancellation will be equal to the market value at the date of acceptance of Swiftel shares to be issued. Cost base is generally the amount paid to acquire the Listed Options, and any associated costs (such as brokerage and stamp duty) incurred towards their acquisition.

Capital gains made by a Holder will be included in their assessable income and taxed as income. Capital losses made in the same or earlier years may be available to offset capital gains.

Some Holders will be entitled to a discount on any capital gains they derive from their Listed Options cancellation where they acquired those Listed Options at least 12 months prior to their acceptance of the offer. The discount percentage for a discount capital gain made by an individual or trust is 50%. The discount percentage for a discount capital gain made by a complying superannuation fund or a life insurance company from a CGT asset that is a virtual PST asset is 33%.

Capital losses must be applied to reduce any capital gains before applying the CGT discount provisions.

Goods and Services Tax ("GST")

Under the GST legislation, the issue or transfer of Swiftel shares and cancellation of Listed Options is a financial supply and therefore input taxed. Therefore, no GST will be payable in respect of the issue or transfer of Swiftel shares to Holders or in respect of the cancellation of Listed Options.

Yours sincerely

K D J O H N S & C O

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11.1 Share Sale Agreement – Swiftel Limited and People Telecom Limited

By an agreement dated 12 March 2004 between the Company, People Telecom, the shareholders of People Telecom (**PT Shareholders**) and the Key Swiftel Shareholders, the parties agreed to implement the proposal whereby the Company would acquire 100% of the issued capital of People Telecom (**Acquisition**) (**Share Sale Agreement**).

The material terms of the Share Sale Agreement are set out below:

- (a) the Company agreed to purchase and the PT Shareholders agreed to sell 100% of the issued shares in People Telecom. The consideration payable to the PT Shareholders for the acquisition consists of that number of shares calculated in accordance with the following formula:

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

Where:

A is the total number of listed and unlisted options in Swiftel on issue immediately before settlement, up to a maximum of 35 million;

B is the total number of shares on issue immediately before settlement; and

C is the total number of listed options in Swiftel on issue immediately before settlement in excess of 35 million plus any unlisted Swiftel options on issue immediately before settlement;

- (b) completion of the acquisition is subject to and conditional upon:
- (i) the Company making the Options Offer;
 - (ii) the Company obtaining all necessary regulatory and shareholder approvals required to complete the transactions, including the Acquisition, contemplated by the agreement (including shareholder approval in accordance with Section 208 and Item 7 of Section 611 of the Corporations Act and ASX Listing Rules 7.1, 10.1, 10.11 and, if required by ASX, 11.1.2);
 - (iii) the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules, including issuing a prospectus, as if the Company were applying for admission to the official list of ASX (as required by ASX Listing Rule 11.1.3);

- (iv) the Company preparing a prospectus to make the Options Offer;
- (v) the Company obtaining shareholder approval to consolidate its issued capital on a one (1) for two (2) basis;
- (vi) the Company obtaining shareholder approval for the appointment of 3 new directors (intending to be Barry Hamilton, Ryan O'Hare and Brendan Fleiter) to the board of directors of the Company and that Barry Hamilton be appointed Chairman;
- (vii) the Key Swiftel Shareholders accepting the Options Offer in respect of 100% of the Listed Options held by them;
- (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 (vii) 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
- (ix) 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 (vii) 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 the Company (including but not limited to the operations, financial performance, assets and prospects in relation to the Company).

In addition to the above, the Company, People Telecom and the PT Shareholders have provided each other with a number of warranties and representations as to their respective status, financial position and ownership of assets.

11.2 Carriage Service Provider Resale Supply Agreement – Telstra Corporation Limited

On 28 November 2000, People Telecom entered into a carriage service resale supply agreement with Telstra Corporation Limited (Telstra). This agreement was varied by the parties on 9 October 2003 and 4 December 2003.

Pursuant to this agreement, Telstra agreed to provide and People Telecom agreed to use the LinxOnline ebill automated billing system of Telstra. In addition, Telstra also agreed to provide

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fixed wire telecommunications services to People Telecom for resupply to the customers of People Telecom. In consideration for the provision of these services, People Telecom must pay Telstra specified monthly service fees.

The agreement commenced on 28 November 2000 for an indefinite term until terminated in accordance with the agreement. Telstra may immediately suspend or terminate the agreement in a number of circumstances, including, if People Telecom fails to pay any money owing under the agreement. In addition, either party may terminate the agreement by 3 months written notice to the other party.

Telstra has agreed to provide People Telecom with rebates in the event that certain volume targets are met. The monthly service fees charged by Telstra may be reviewed periodically throughout the term at the request of People Telecom.

People Telecom has agreed to indemnify Telstra in respect of any loss, liability or expense arising out of the use of the services provided by Telstra to People Telecom.

11.3 Customer Relationship Agreement – Telstra Corporation Limited

On 17 June 2003, People Mobile Pty Ltd (a wholly owned subsidiary of People Telecom) (**People Mobile**) entered into a customer relationship agreement with Telstra Corporation Limited (Telstra).

Pursuant to this agreement, Telstra agreed to provide CDMA mobile services to People Mobile for resupply to the customers of People Telecom for a term of 3 years expiring on 17 June 2006. In consideration for the provision of these services, People Mobile must pay Telstra specified monthly service fees.

Telstra may cease to supply any service to People Mobile by giving not less than 6 months written notice.

Telstra may immediately suspend or terminate the agreement in a number of circumstances, including, if People Mobile fails to pay any money owing under the agreement or breaches the agreement and, where the breach is capable of remedy, fails to remedy the breach within 10 days of receiving written notice to do so.

11.4 Service Provider Master Agreement – Optus Networks Pty Limited

On 15 October 2001, People Telecom entered into a master service provider agreement with Optus Networks Pty Ltd (**Optus**).

Pursuant to the agreement, Optus has agreed to supply People Telecom with fixed wire long distance services. In consideration for the provision of these services, People Telecom must pay Optus specified monthly service fees.

While the initial term of the agreement has expired, Optus is continuing to provide services to People Telecom under the agreement.

People Telecom has agreed to indemnify Optus in respect of any loss, liability or expense arising out of the use of the services provided by Optus to People Telecom or a breach of the agreement by People Telecom.

Optus may immediately suspend or terminate the agreement in a number of circumstances, including, if People Telecom fails to pay any money owing under the agreement or breaches the agreement and, where the breach is capable of remedy, fails to remedy the breach within 30 days of receiving written notice to do so.

11.5 Service Provider Agreement – Optus Mobile Pty Limited

On 14 March 2001, People Mobile Pty Ltd (a wholly owned subsidiary of People Telecom) (**People Mobile**) entered into a service provider agreement with Optus Mobile Pty Limited (**Optus**).

Pursuant to the agreement, Optus has agreed to provide People Mobile with GSM mobile services (**Services**) for resupply to the customers of People Mobile for a term of 5 years expiring in 2006. In consideration for the provision of these Services, People Mobile must pay Optus specified monthly service fees.

People Mobile has agreed and acknowledged that Optus will be its exclusive supplier of the Services and that it will not acquire the Services from a competitor.

People Mobile has granted Optus an option to acquire People Mobile's GSM mobile services customer base, which may be exercisable by Optus when the agreement is terminated by giving People Mobile notice of its intention to do so. If the option is exercised by Optus, the consideration payable by Optus to People Mobile for the acquisition of People Mobile's GSM mobile services customer base will be determined by an independent valuer in accordance with the valuation principles set out in the agreement.

In addition, People Mobile granted Optus a right of first refusal with respect to any sale of People Mobile's GSM mobile services business or the sale of any shares in People Mobile. The prior written consent of Optus was obtained in accordance with the

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agreement prior to the People Telecom shareholders accepting the offer from the Company to acquire all of the issued shares in People Telecom.

People Mobile has agreed to indemnify Optus in respect of any loss, liability or expense arising out of the use of the Services provided by Optus to People Mobile or a breach of the agreement by People Mobile.

Optus may immediately suspend or terminate the agreement in a number of circumstances, including, if People Mobile fails to pay any money owing under the agreement or breaches the agreement and, where the breach is capable of remedy, fails to remedy the breach within 30 days of receiving written notice to do so.

11.6 Network Access Agreement – AAPT Limited

On 3 August 2000, People Telecom entered into a network access agreement with AAPT Limited (**AAPT**).

Pursuant to the agreement, AAPT agreed to provide People Telecom with access to AAPT's fixed wire telecommunications network for resale to People Telecom's customers. In consideration for the provision of these services, People Telecom must pay AAPT specified monthly service fees.

The agreement is currently operating on successive periods of 1 year until either party terminates the agreement.

People Telecom has agreed to indemnify AAPT from any claims, demands, damages or costs which AAPT may suffer or incur with respect to the use of the services provided by AAPT to People Telecom.

AAPT may terminate the agreement in a number of circumstances, including, if People Telecom breaches the agreement and fails to remedy the breach within 14 days of receiving written notice to do so. In addition, either party may terminate the agreement by 3 months written notice to the other party prior to the expiry of each successive term of 1 year.

11.7 Licence Agreement – NOHA Systems (Asia Pacific) Pty Ltd

On 1 April 2001, People Telecom entered into an agreement with NOHA Systems (Asia Pacific) Pty Ltd (now known as Intasys Billing Technologies (Asia Pacific) Pty Limited) (**Intasys**) pursuant to which Intasys agreed to provide billing software to People Telecom.

The software is known as "J-Bill" and is integral to the operations of People Telecom. Intasys does not provide any support to People Telecom and in accordance with a Billing System Licence agreement executed on or about 20 January

2004, People Telecom has been provided with the a licence to amend the software.

This agreement has now been assigned by Intasys to ACE*COMM Solutions Australia Pty Ltd.

11.8 IT Systems Interface Agreement – Telstra Corporation Limited

In early 2000, People Telecom entered into an IT systems and interface agreement with Telstra Corporation Limited (**Telstra**) pursuant to which Telstra agreed to provide People Telecom with access to its LinxOnline data feed systems.

People Telecom has agreed to indemnify Telstra from any claims, demands, damages or costs which Telstra may suffer or incur with respect to the use of the services provided by Telstra to People Telecom.

Telstra may suspend or terminate the access of People Telecom to its systems if it considers that People Telecom has accessed the systems for a purpose or manner not permitted under the agreement.

11.9 Ebill Pilot Agreement – Telstra Corporation Limited

On 17 July 2000, People Telecom entered into an agreement with Telstra Corporation Limited (**Telstra**) pursuant to which Telstra agreed to provide People Telecom with access to its ebill billing system and billing interface.

Telstra may terminate the agreement in a number of circumstances, including, if People Telecom breaches a term of the agreement. In addition, either party may terminate the agreement by 1 month written notice to the other party.

11.10 Master Services Agreement – Uecomm Operations Pty Ltd

On 29 August 2002, People Telecom entered into an agreement with Uecomm Operations Pty Ltd (**Uecomm**).

Pursuant to this agreement, People Telecom has the ability to acquire various telecommunications services from Uecomm for up to 2 years from the execution date, though the provision of those services may occur for a longer duration. In consideration for the provision of the services, People Telecom must pay Uecomm a monthly service fee though it could receive up to \$500,000 credit for some services which can be ordered.

Uecomm may immediately terminate the agreement in a number of circumstances, including, if People Telecom breaches the agreement and, where the breach is capable of remedy, fails

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to remedy the breach within 10 business days of receiving written notice to do so.

11.11 Customer Relationship Agreement – Telstra Corporation Limited

On 15 October 2002, Swiftel Communications Pty Ltd (a wholly owned subsidiary of the Company) (**Swiftel**) entered into a customer relationship agreement with Telstra Corporation Limited (**Telstra**).

Pursuant to this agreement (as varied), Telstra has agreed to provide Swiftel with various internet services. In consideration for the provision of these services, Swiftel has provided Telstra with a bank guarantee in the amount of \$40,000 and must pay Telstra specified monthly service fees.

Telstra may cease to supply any service to Swiftel by giving not less than 6 months written notice.

Telstra may immediately suspend or terminate the agreement in a number of circumstances, including, without limitation, if Swiftel fails to pay any money owing under the agreement or breaches the agreement and, where the breach is capable of remedy, fails to remedy the breach within 10 days of receiving written notice to do so. In addition, either party may terminate the agreement by giving the other party 6 months written notice.

11.12 ISP Direct Agreement – Connect Internet Solutions Pty Ltd

On 2 May 2002, the Company entered into an agreement with Connect Internet Solutions Pty Ltd (**Connect**).

Pursuant to this agreement, Connect agreed to provide various internet services to the Company. In consideration for the provision of the services, the Company must pay Connect a monthly service fee.

The Company has agreed to indemnify Connect from and against any loss or liability reasonably incurred or suffered by Connect relating to a breach of the agreement by the Company.

The agreement is currently operating on a rolling monthly basis. Either party may terminate the agreement in a number of circumstances, including, if the other party breaches a term of the agreement and, where the breach is capable of remedy, the other party has failed to remedy the breach within 14 days of receiving written notice to do so.

11.13 Lease Agreement - Sprint International (Australia) Pty Ltd

On 8 April 2004, Swiftel Communications Pty Ltd (a wholly owned subsidiary of the Company) (**Swiftel**) entered into an

agreement with Sprint International (Australia) Pty Ltd (**Sprint**) for the provision of various internet dedicated services. In consideration for the provision of the services, Swiftel must pay Sprint a monthly service fee.

The agreement commenced on 1 April 2004 for a term of 1 year, and thereafter continues on a monthly basis until either party terminates the agreement.

11.14 Lease Agreement – MCI Worldcom Australia Pty Limited

On 29 August 2003, Swiftel Communications Pty Ltd (a wholly owned subsidiary of the Company) (**Swiftel**) entered into an agreement with MCI Worldcom Australia Pty Limited (**MCI**) for the provision of various internet dedicated services including, IP access and local loop services. In consideration for the provision of the services, Swiftel must pay MCI a monthly service fee.

The agreement commenced on 29 August 2003 for a term of 1 year, and thereafter continues until either party terminates the agreement.

11.15 Lease Agreement – Cisco Systems Capital Australia Pty Ltd

On 31 October 2000, Swiftel Communications Pty Ltd (a wholly owned subsidiary of the Company) (**Swiftel**) entered into a master lease agreement with Cisco Systems Capital Australia Pty Ltd (**Cisco**).

The agreement provides that Swiftel may lease various telecommunications equipment from Cisco and sets out the general terms and conditions that will govern any lease between the parties. Each time Swiftel leases any equipment from Cisco, the parties enter into a separate agreement (**Schedule**) which sets out the specific terms and conditions relating to the lease of the specific pieces of equipment.

As at the date of this Prospectus, the parties have entered into 3 separate Schedules, pursuant to which Swiftel must make total monthly rent payments of approximately \$37,085 per month (under all Schedules).

11.16 Master Lease Agreement – NetApp Financial Solutions Pty Ltd

On 12 September 2002, the Company entered into a master lease agreement with NetApp Financial Solutions Pty Ltd (**NetApp**).

The agreement provides that the Company may lease various equipment from NetApp and sets out the general terms and conditions that will apply to each piece of equipment leased by

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the Company from NetApp. Each time the Company leases equipment from NetApp, the parties will enter into a separate lease agreement (**Schedule**) which sets out the specific terms and conditions relating to the provision of the specific pieces of equipment.

As at the date of this Prospectus, the parties have entered into 1 Schedule, pursuant to which the Company must make monthly lease payments of approximately \$12,629.

11.17 Telehousing Agreement – COMindico Australia Pty Ltd

On 5 March 2001, Swiftel Communications Pty Ltd (a wholly owned subsidiary of the Company) (**Swiftel**) entered into an agreement with COMindico Australia Pty Ltd (**COMindico**).

Pursuant to this agreement, Swiftel agreed to provide COMindico with a telehousing facility for COMindico's telecommunications equipment and related support services. COMindico has access to the telehousing facility 24 hours a day, 7 days a week.

In consideration for the supply of the telehousing facility and associated support services, COMindico has agreed to pay Swiftel a quarterly storage fee and an hourly service for any support services provided.

Either party may terminate the agreement in a number of circumstances, including, if the other party breaches the agreement and, where the breach is capable of remedy, the other party has failed to remedy the breach within 7 days of receiving written notice to do so. In addition, either party may terminate the agreement at any time by giving 90 days written notice to the other party.

11.18 Service Agreement – Ryan O'Hare

People Telecom has entered into an agreement with Mr Ryan O'Hare pursuant to which he has been appointed as Chief Executive Officer of that company. It is proposed that this agreement will be replaced by a service agreement between the Company and Mr O'Hare, the material terms of which will be as follows:

- (a) Mr O'Hare will be appointed the Chief Executive Officer of the Company for a term of 24 months commencing on the date of settlement under the Share Sale Agreement;
- (b) the Company will pay Mr O'Hare a salary of \$280,000 per annum plus statutory superannuation. Mr O'Hare will also be entitled to be reimbursed for reasonable expenses incurred in the performance of his duties;

- (c) subject to meeting specific performance criteria, Mr O'Hare will be entitled to participate and receive shares in the "CEO Incentive Share Plan" (refer to Section 11.24 below). In addition, Mr O'Hare may be entitled to receive a performance based bonus of up to \$28,750 per quarter in the event certain key performance indicators are satisfied;
- (d) Mr O'Hare's engagement may be terminated by the Company by giving 3 months written notice in the event Mr O'Hare is unable by reason of illness or incapacity to perform his duties for a total of 180 days or more in any 12 month period; and
- (e) Mr O'Hare's engagement may be terminated by the Company by summary notice if Mr O'Hare is guilty of any serious breach of the agreement, unreasonably neglects to perform his duties under the agreement, brings the Company into disrepute or commits an act of bankruptcy.

11.19 Consultancy Agreement – Christopher Gale

The Company has entered into an agreement with Mr Christopher Gale pursuant to which he has been appointed the Chief Executive Officer of the Company. It is proposed that this agreement will be replaced by a consultancy agreement between the Company and Mr Gale (or one of his associated entities) (**Consultant**), the material terms of which will be as follows:

- (a) Mr Gale will be appointed the General Manager of Data Services from the date of settlement under the Share Sale Agreement until 22 May 2006;
- (b) the Company will pay the Consultant a fee of \$240,000 per annum (exclusive of GST). The Consultant will also be entitled to be reimbursed for reasonable expenses incurred in the performance of its duties and while Mr Gale is providing services away from Perth, the Company will provide him with a good standard of accommodation and meals;
- (c) subject to meeting specific performance criteria, Mr Gale will be entitled to participate and receive shares in the "Executive Incentive Share Plan" (refer to Section 11.23 below). In addition, the Consultant may be entitled to receive a performance based bonus in the event certain key performance indicators are satisfied;
- (d) the engagement of the Consultant may be terminated by the Company by giving 3 months written notice in the event Mr Gale is unable by reason of illness or incapacity to perform his duties for a total of 4 months or more in any 12 month period;

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- (e) the engagement of the Consultant may be terminated by the Company by giving 6 months written notice if the Consultant or Mr Gale is guilty of any serious breach of the agreement, is convicted of any major criminal offence that brings the Company into disrepute, unreasonably neglect to perform their duties under the agreement or commit an act of bankruptcy; and
- (f) the engagement of the Consultant may be terminated by the Company summarily if the Consultant is convicted of any major criminal offence that brings the Company into any lasting disrepute.

11.20 Property Lease Agreements

The Company, People Telecom and their associated entities have entered into the following material lease agreements:

Part 18th Floor, QV1 Building, 250 St Georges Terrace, Perth, Western Australia

- (a) Term - 5 years expiring on 30 July 2005; and
 (b) Rent - \$16,700 per month (plus GST).

Part 6th Floor, Suite 6.02, 107 Mount Street, North Sydney, New South Wales

- (a) Term - 4 years expiring on 31 October 2007; and
 (b) Rent - \$12,300 per month (plus GST).

Level 3, 20-22 Albert Road, South Melbourne, Victoria

- (a) Term - 3 years expiring on 1 December 2006 with a further option of 3 years; and
 (b) Rent - \$6,490 per month (plus GST).

Level 9, 76 Berry Street, North Sydney, New South Wales

- (a) Term - 5 years expiring on 1 April 2009 with a further option of 5 years; and
 (b) Rent - \$29,721 per month (plus GST).

In addition to the above, the Company is intending to enter into a new lease agreement in respect of premises to house the new data centre in Perth. The term of this lease agreement is likely to be approximately 3.5 years with rent of approximately \$14,000 per month commencing after the first year.

11.21 Employee Option Plan

The Company has established an employee share option plan (**Employee Option Plan**). The Employee Option Plan is designed to provide a long-term incentive for directors, employees and

contractors of the Company (or its subsidiaries) by providing them with an opportunity to participate in the future growth of the Company.

Subject to the Corporations Act and the Listing Rules, the Directors may issue invitations to eligible participants inviting them to apply for the issue of options under the Employee Option Plan on such terms as the Directors think fit. Invitations must not be issued under the Employee Option Plan if the number of Shares that would be issued pursuant to the exercise of all options the subject of the proposed invitation (when aggregated with the number of Shares that have been issued pursuant to all employee share schemes established by the Company during the previous 5 years) exceeds 5% of the total number of issued Shares as at the date the proposed invitation is considered.

The Directors also have the power to determine appropriate procedures for the administration of the Employee Option Plan including the right to resolve questions of fact or interpretation arising in connection with the Employee Option Plan and the right to amend the Employee Option Plan from time to time.

11.22 Exempt Employee Share Plan

The Company proposes to adopt an exempt employee share plan (**Exempt Employee Share Plan**) at the General Meeting. The Exempt Employee Share Plan 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. A summary of the terms of the Exempt Employee Share Plan is set out below.

General

Under the Exempt Employee Share Plan, 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 participates fully in the Exempt Employee Share Plan 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

:: 011 material contracts

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 Exempt Employee Share Plan may also be eligible employees. Any employee who participates in the Executive Incentive Share Plan (refer to summary below) 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 Exempt Employee Share Plan cannot be sold within three years of the initial purchase date.

11.23 Executive Incentive Share Plan

The Company proposes to adopt an executive incentive share plan (**Executive Incentive Share Plan**) at the General Meeting. The purpose of the Executive Incentive Share Plan 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. A summary of the terms of the Executive Incentive Share Plan is set out below.

General

Under the Executive Incentive Share Plan, 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 Executive Incentive Share Plan may also be eligible executives. Any executive who participates in the Executive Incentive Share 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 Executive Incentive Share 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.

Restrictions

Whilst the Shares may be allocated to an executive under the Executive Incentive Share Plan 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.

11.24 CEO Incentive Share Plan

The Company proposes to adopt a CEO incentive share plan (**CEO Incentive Share Plan**) at the General Meeting. The purpose of the CEO Incentive Share Plan 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. A summary of the terms of the CEO Incentive Share Plan is set out below.

General

Under the CEO Incentive Share Plan, 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 CEO Incentive Share Plan are 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 Incentive Share 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.

:: 011 material contracts

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 CEO Incentive Share 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.

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.

11.25 Dividend Reinvestment Plan

The Company proposes to adopt a dividend reinvestment plan (**Dividend Reinvestment Plan**) at the General Meeting. The Dividend Reinvestment Plan is designed to provide Shareholders with an opportunity to apply any cash dividend distributed by the Company towards the subscription for new Shares.

A summary of the Dividend Reinvestment Plan is set out below.

General

Participation in the Dividend Reinvestment Plan by Shareholders is optional.

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

Operation of plan

Each dividend that is payable to a participant in the Dividend Reinvestment 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 Dividend Reinvestment Plan.

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

It is intended that Shares allotted under the Dividend Reinvestment 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 Dividend Reinvestment 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 Dividend Reinvestment Plan.

Prospectus

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

11.26 Intersuisse Agreement

Intersuisse and the Company have entered into an agreement whereby Intersuisse has been appointed the Manager of the General Offer and has entered into firm commitment letters with various parties for some of the Shares the subject of the General Offer. The firm commitments are subject to the same conditions as set out in Section 4 of this Prospectus. The Company has provided to Intersuisse indemnities that are standard in agreements of this nature.

Intersuisse will receive from the Company a management fee of 3% of the value of the funds raised under the General Offer, plus for funds greater than \$900,000 an additional fee of 3% for the value of those funds.

:: 012 risk factors

12.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

In this Section, a reference to the "Company" also includes a reference to People Telecom.

12.2 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.

12.3 Market conditions

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and telecommunications stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

12.4 Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the General Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs as the case may be.

12.5 Loss of key clients

The Company and People Telecom have 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.

12.6 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 given that there will be no detrimental impact on the Company if one or more of these employees ceases their employment.

12.7 Technological developments

The Company and People Telecom rely on their ability to adopt 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.

12.8 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.

12.9 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.

12.10 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, 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.

12.11 Protection of proprietary technology

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

:: 012 risk factors

12.12 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.

12.13 Changes to Accounting Standards

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (**IFRS**). These changes will affect the way certain items are reported in the Company's financial statements. The most significant changes to accounting treatment under IFRS as it applies to the Company is related to the accounting for income tax, and intangible assets being patents, licences and goodwill.

In relation to income tax, under IFRS, deferred tax assets in respect of tax losses are to be recognised when it is probable that the tax losses can be recouped. This is less stringent than the current recognition requirements and the introduction of the IFRS may result in a deferred tax asset being recognised in respect of the tax losses disclosed in note 4A and 4B in Section 9 of the Prospectus. This in turn may result in an adjustment of the amount of goodwill on acquisition of People Telecom.

In relation to intangibles, and in particular goodwill on acquisition of People Telecom, under IFRS, this goodwill will not be amortised but will be subject to an annual impairment test. The Company will be required to test the values attributed to goodwill for impairment on at least an annual basis.

:: 013 additional information

13.1 Disclosure of interests

Directors are not required under the Company's constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests, on a post-consolidation basis, in Shares and options (either directly or through related entities) as set out in the table below:

Director	Shares	Options
Mr Christopher Gale	4,928,500	3,022,500 (listed) 500,000 (unlisted)
Mr Colin Marland ¹	2,166,667	Nil
Dr. Saliba Sassine	300,000	500,000 (listed) 2,000,000(unlisted)
Mr David Vilensky	412,500	150,000 (listed) 1,000,000 (unlisted)
Mr Malcolm Dick	5,050,834	4,450,000 (listed)
Mr Adrian Paul	5,681,925	8,016,108 (listed)

Notes: ¹ In addition, Mr Marland has an interest in a private company that holds 1,166,500 Shares.

On completion of the Offers, the maximum relevant interest that the Proposed Directors may have in Shares and options (either directly or through related entities) is set out in the table below (assuming each of the Proposed Directors accepts the Options Offer in relation to all of their Listed Options):

Director	Shares	Options
Ryan O'Hare ¹	50,292,066	Nil
Barry Hamilton ²	33,987,681	Nil
Brendan Fleiter ²	67,775,361	Nil
Colin Marland ¹	44,829,666	Nil
Malcolm Dick	7,275,834	Nil
David Vilensky	487,500	1,000,000 (unlisted)

Notes: ¹ In addition, Mr Marland and Mr O'Hare have an interest in a private company that holds 1,166,500 Shares.

² Mr Hamilton and Mr Fleiter may subscribe for an additional 2,000,000 and 4,000,000 Shares respectively under the General Offer.

13.2 Remuneration

The Company's constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration is to be set at an amount of \$500,000 per annum, subject to approval at the General Meeting.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary. As at the date of this Prospectus, the Company does not have any commitments or contractual obligation with respect to executive Directors.

:: 013 additional information

13.3 Fees and benefits

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

- (a) director or proposed director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter,

has, or had within 2 years before lodgment of this Prospectus with ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (iii) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of shares under this Prospectus.

Pitcher Partners have acted as the independent accountant and have prepared the Independent Accountant's Report which has been included in Section 8 of this Prospectus. The Company estimates it will pay Pitcher Partners a total of \$25,000 for these services. Subsequently, fees will be charged in accordance with normal charge-out rates. During the 24 months preceding lodgment of this Prospectus with ASIC, entities associated with Pitcher Partners have received fees of approximately \$53,000 for audit and other services provided to People Telecom.

Steinepreis Paganin have acted as the solicitors to the Company in relation to the Offers and have been involved in due diligence enquiries on legal matters involving the Company. The Company estimates it will pay Steinepreis Paganin \$25,000 for these services. Subsequently, fees will be charged in accordance with normal charge-out rates. During the 24 months preceding lodgment of this Prospectus with ASIC, Steinepreis Paganin has received or is entitled to receive fees of approximately \$55,000 for other legal services.

K D Johns & Co have acted as tax advisers to the Company and have prepared the summary of taxation implications which

has been included in Section 10 of this Prospectus. The Company estimates it will pay K D Johns & Co a total of \$3,500 for these services. Subsequently, fees will be charged in accordance with normal charge-out rates. During the 24 months preceding lodgment of this Prospectus with ASIC, K D Johns & Co has received fees of approximately \$77,000 for other services.

13.4 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Pitcher Partners have given their written consent to being named as independent accountant in this Prospectus and to the inclusion of the Independent Accountant's Report in Section 8 in the form and context in which the report is included. Pitcher Partners have not withdrawn their consent prior to lodgment of this Prospectus with ASIC.

Intersuisse have given their written consent to being named as the Manager of the General Offer in this Prospectus and have not withdrawn their consent prior to the lodgment of this Prospectus with ASIC.

Steinepreis Paganin have given their written consent to being named as the solicitors to the Company in this Prospectus and have not withdrawn their consent prior to the lodgment of this Prospectus with ASIC.

Bowen Buchbinder Vilensky have given their written consent to being named as the solicitors to the Company in this Prospectus and have not withdrawn their consent prior to the lodgment of this Prospectus with ASIC.

K D Johns & Co have given their written consent to being named as tax advisers to the Company in this Prospectus and to the inclusion of the summary of taxation implications in Section 10 in the form and context in which it is included. K D Johns & Co have not withdrawn their consent prior to lodgment of this Prospectus with ASIC.

Computershare Investor Services Pty Ltd have given their written consent to being named as the Company's Share Registry in this Prospectus and have not withdrawn their consent prior to lodgment of this Prospectus with ASIC.

:: 013 additional information

13.5 Rights attaching to securities

13.5.1 Ordinary Shares

The rights and liabilities attaching to Shares can be summarised as follows:

(a) General Meetings

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

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

(b) Voting Rights

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

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder, has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited and amounts paid in advance of a call).

(c) Dividend Rights

The Directors may from time to time declare a dividend to be paid to shareholders entitled to the dividend. The dividend shall (subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act. The Directors may from time to time pay to the shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) Transfer of shares

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

(f) Variation of rights

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

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

13.5.2 Listed Options

The material terms of the Listed Options are set out below:

- (a) The options shall expire at 5.00pm on 13 March 2005 (**Expiry Date**).
- (b) The options may be transferred at any time prior to the Expiry Date.
- (c) The options entitle the holder to subscribe (in respect of each option held) for a fully paid ordinary share in the capital of the Company for an exercise price of 10 cents.

:: 013 additional information

- (d) The options may be exercised at any time on or before the Expiry Date, in whole or in part, provided that options exercised in part may not be exercised in parcels of less than one thousand (1,000) except that if the option holder holds less than one thousand (1,000) options then these options may be exercised.
- (e) The exercise price of shares the subject of the options shall be payable in full on exercise of the options.
- (f) Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
- (g) There are no participating rights or entitlements inherent in the options to participate in any new issues of capital that may be offered to shareholders of the Company from time to time prior to the Expiry Date and the options shall not participate in any bonus issue of securities, unless and until the options are exercised. The Company will ensure that during the exercise period for the purpose of determining entitlements to any such new issues, the books closing date will be at least 10 days after such new issues are announced in order to afford the option holders an opportunity to exercise their options.
- (h) In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of reconstruction.
- (i) Exercise of the options is effected by completing the notice of exercise of options on the reverse side of the option statement and surrendering the statement to the Company, together with the requisite application monies by the Expiry Date.
- (j) Shares allotted and issued pursuant to the exercise of an option will be allotted and issued not more than 14 days after the receipt of a properly executed notice of exercise of the option and payment of the requisite application monies by the Expiry Date.
- (k) Application for official quotation of any shares allotted and issued pursuant to the exercise of the options will be made by the Company within three (3) Business Days after the date of allotment of such shares.
- (l) The Company will apply for official quotation on ASX of the Options.
- (m) A CHESSE statement will be issued for the options. On the reverse side of the CHESSE statement there will be endorsed a notice that is to be completed when exercising the options. If there is more than one option on a CHESSE statement and prior to the Expiry Date those options are exercised in part, the Company will issue another certificate for the balance of the options held and not yet exercised.

13.6 Corporate governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy that is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

13.7 Restricted securities

ASX has indicated that certain shareholders in People Telecom may be required to enter into agreements that restrict dealings in shares held by them. These agreements will be entered into in accordance with the Listing Rules.

13.8 Expenses of the Offers

The total expenses of the Offers are estimated to be approximately \$185,000 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)
ASIC and ASX Fees	\$22,000
Advisers' Fees	\$53,500
Broker Fees	\$93,000
Printing	\$16,500
TOTAL	\$185,000

13.9 Litigation

As at the date of this Prospectus, the Company and People Telecom are not involved in any material legal proceedings and the Company is not aware of any legal proceedings pending or threatened against the Company or People Telecom that would be material in the context of the Offers.

:: 014 directors' authorisation

DIRECTORS' AUTHORISATION

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

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



Christopher Gale
Director
For and on behalf of
Swiftel Limited

:: 015 glossary

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

A\$ or \$	means an Australian dollar.	Listed Option	means an option to acquire a Share on the terms and conditions set out in Section 13.5.2 which are listed on ASX and trading under ASX code "SWTOA".
Acceptance Form	means the acceptance form attached to or accompanying this Prospectus.	Listing Rules	means the official listing rules of ASX.
Application Form	means the application form attached to or accompanying this Prospectus.	Offers	means both the General Offer and the Options Offer.
ASIC	means Australian Securities & Investments Commission.	Official List	means the official list of ASX.
ASX	means Australian Stock Exchange Limited.	Official Quotation	means official quotation by ASX in accordance with the Listing Rules.
Board	means the board of Directors as constituted from time to time.	Options Offer	means the offer summarised in Section 3.5 and more particularly set out in Section 16 of this Prospectus.
Business Day	means a week day when trading banks are ordinarily open for business in Perth, Western Australia.	People Telecom	means People Telecom Limited (ABN 31 009 213 152).
Closing Date	means the closing date for receipt of Application Forms under this Prospectus, being 5.00pm (WST) on 24 June 2004 (unless extended or closed early).	Pitcher Partners	means Pitcher Partners NSW Corporate Pty Limited.
Company and Swiftel	means Swiftel Limited (ABN 31 009 273 152).	Proposed Directors	means the directors who will constitute the Board after settlement of the acquisition of People Telecom (some of whom will be appointed to the Board at the General Meeting), the details of which are set out in Section 7 of this Prospectus.
Constitution	means the constitution of the Company.	Prospectus	means this prospectus.
Corporations Act	means the Corporations Act 2001 (Cth).	Share	means a fully paid ordinary share in the capital of the Company.
Directors	means the directors of the Company at the date of this Prospectus.	Share Registry	means Computershare Investor Services Pty Ltd.
General Meeting	means the general meeting of Shareholders to be held on 14 June 2004.	Share Sale Agreement	means the agreement described in Section 11 of this Prospectus.
General Offer	means the invitation to subscribe for Shares as more particularly detailed in Section 3.1 of this Prospectus.	Shareholder	means a holder of Shares.
Intersuisse	means Intersuisse Corporate Pty Ltd (ACN 066 066 911).	Total Fixed Remuneration	means the total fixed remuneration of a participant before taxation and exclusive of superannuation.
Key Swiftel Shareholders	means the shareholders described in Schedule 5 of the Share Sale Agreement which are entities controlled by Christopher Gale, Malcolm Dick, Adrian Paul, Colin Marland and Ryan O'Hare.	WST	means Western Standard Time, Perth, Western Australia.

:: 016 offer to the holders of listed options

SWIFTEL LIMITED

ABN 31 009 273 152

:: 016 offer to the holders of listed options

TERMS OF OFFER

1. General terms

- 1.1 Swiftel Limited (Swiftel) offers to allot and issue you one (1) Swiftel Share in consideration for the cancellation of every two (2) of your Listed Options on the terms and conditions of this Options Offer.
- 1.2 If you accept this Options Offer, your Listed Options will be cancelled.
- 1.3 Swiftel will apply to ASX for quotation of the Swiftel Shares to be issued pursuant to this Options Offer within 7 days after the date of this Options Offer, in accordance with the Prospectus attached with this Options Offer.
- 1.4 The Swiftel Shares to be issued pursuant to this Options Offer will, from their date of issue, rank equally in all respects with the existing Swiftel Shares currently on issue.

2. Offer period

- 2.1 Unless withdrawn due to the failure of any of the Conditions, this Options Offer will remain open for acceptance during the period commencing on the date of this Prospectus and ending on the Closing Date.

3. How to accept this Options Offer

- 3.1 You may accept this Options Offer for all or a lesser proportion of your Listed Options.
- 3.2 You may only accept this Options Offer during the Offer Period using an Acceptance Form. If you do not have an Acceptance Form, please contact Computershare Investor Services Pty Ltd on (08) 9323 2000.
- 3.3 The method by which you can accept this Options Offer will

depend on whether your Listed Options are in an Issuer Sponsored Holding or a CHESS Holding. Your Listed Options are in an Issuer Sponsored Holding if they are sponsored directly by Swiftel as issuer. Your Listed Options are in a CHESS Holding if they are sponsored by a Broker or other CHESS participant or if you are a Broker or Non-Broker Participant.

- 3.4 Issuer Sponsored Holdings: If your Listed Options are held on Swiftel's issuer sponsored subregister when you accept, you must:
 - (a) complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form; and
 - (b) ensure that the Acceptance Form together with all other documents required by the instructions on it (including the certificates in respect of any of your Listed Options which are certificated) are received at the following address before the end of the Offer Period:

Mailing Address:

Swiftel Limited
C/- Computershare
Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

Delivery Address:

Swiftel Limited
C/- Computershare
Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

- 3.5 CHESS Holdings: If your Listed Options are in a CHESS Holding when you accept this Options Offer, you must comply

with the ASTC Settlement Rules. Accordingly, to accept this Options Offer in respect of your Listed Options, you should:

- (a) instruct your Controlling Participant to initiate acceptance of this Offer in accordance with Rule 14.4 of the ASTC Settlement Rules before the end of the Offer Period. For non-institutional shareholders, your "Controlling Participant" will normally be the stockbroker through whom you either bought your Listed Options or through whom you ordinarily acquire shares on ASX; or
- (b) if you are a Broker or a Non-Broker Participant (i.e. CHESS participants who are not brokers eg institutions, custodian, trustees), initiate acceptance of this Options Offer in accordance with Rule 14.4 of the ASTC Settlement Rules before the end of the Offer Period.

Alternatively, you may sign and complete the accompanying Acceptance Form in accordance with the terms of this Options Offer and the instructions on the Acceptance Form and ensure that it is received before the expiry of the Offer Period at the address specified in Section 3.4. In that case, you will be deemed to have authorised Computershare Investor Services Pty Ltd to forward your instructions to your Controlling Participant, who will then accept this Options Offer on your behalf during the Offer Period in accordance with the ASTC Settlement Rules and the Corporations Act.

CHESS holders should note that acceptance of the Options Offer will not be effected until it is received by their Controlling Participant and processed by them electronically through CHESS.

:: 016 offer to the holders of listed options

- 3.6 The return of the Acceptance Form to Computershare Investor Services Pty Ltd by facsimile does not satisfy the requirements of Sections 3.4 or 3.5 (unless you have made prior arrangements with Swiftel). If your Acceptance Form is returned by post, it will be deemed to have been received in time if the envelope in which it is sent is post-marked before the end of the Offer Period.
- 3.7 Once you have accepted this Options Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you.
- 3.8 Swiftel may, in its sole discretion, at any time deem any Acceptance Form it receives to be a valid acceptance in respect of your Listed Options even if a requirement for acceptance has not been complied with.

4. The effect of acceptance

- 4.1 By following the procedures set out in this Options Offer you will be deemed to have:
- accepted this Options Offer in respect of your Listed Options registered in your name to which this Options Offer relates the details of which are specified in the Acceptance Form (Accepted Options);
 - agreed that your Accepted Options will be cancelled in accordance with the terms of this Options Offer;
 - authorised Swiftel to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for the purpose of effecting acceptance of the Options Offer and the cancellation of your Accepted Options;
 - represented and warranted to Swiftel that you have acquired good title to and beneficial ownership of all the Accepted Options free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and other third party interests of any kind;
 - appointed Swiftel or any nominee of Swiftel as your agent and attorney to exercise all the powers and rights attaching to your Accepted Options and have agreed not to revoke that appointment during the period from the date of your acceptance of this Options Offer and the Settlement Date; and
 - if you wish to accept this Options Offer and receive Swiftel Shares in consideration for the cancellation of your Listed Options and you are not resident in the Commonwealth of Australia or your acceptance is for any reason governed by a foreign law, then you must

comply with any relevant foreign law. It is your sole responsibility to satisfy yourself as to full compliance with the foreign law and any other necessary formality and to obtain any necessary governmental or other consents.

This Options Offer is not registered in any jurisdiction outside Australia. If you are subject to a foreign law which you believe precludes you from receiving Swiftel Shares, then you may not accept the Options Offer.

5. Swiftel obligations in respect of your Listed Options acquired

Subject to this Options Offer, Swiftel will provide the consideration for your Accepted Options to you on the Settlement Date or an earlier date in Swiftel's discretion. A holding statement for the Swiftel Shares to which you become entitled by accepting this Options Offer will be sent by pre-paid mail to your address as shown on the Acceptance Form.

6. Who may accept

- 6.1 This Options Offer is being made to each holder of Listed Options registered, or entitled to be registered, in the register of optionholders of Swiftel as at 5.00pm (WST) on the date of this Prospectus.
- 6.2 A person who:
- is able during the Offer Period to give good title to a parcel of Listed Options; and
 - has not already accepted this Options Offer which relates to those Listed Options, may accept as if an Options Offer from Swiftel on terms identical with this Options Offer had been made to that person in relation to those Listed Options.
- 6.3 If at any time during the Offer Period and before this Options Offer is accepted you hold your Listed Options in two or more distinct portions (for example, as trustee, nominee or otherwise on account of another person), then:
- this Options Offer is deemed to consist of a separate corresponding offer to you in relation to each distinct portion of your Listed Options; and
 - to accept any of those corresponding offers, you must specify by written notice to Swiftel that your Listed Options consist of distinct portions and the number of the Listed Options to which the acceptance relates.

:: 016 offer to the holders of listed options

7. Conditions of the Options Offer

7.1 This Options Offer and any contract that results from acceptance of this Options Offer are each conditional on:

- (a) the satisfaction of all of the conditions set out in Section 4 of the Prospectus; and
- (b) ASX confirming that it will reinstate the Company's securities to trading following completion of the acquisition of People Telecom (on terms and conditions acceptable to the Company); and
- (c) ASX granting quotation of the Swiftel Shares to be issued pursuant to this Options Offer, subject to any restrictions imposed under the Listing Rules.

7.2 The condition in paragraph 7.1(a) is a separate, several and distinct condition, operates as a condition subsequent and is for the benefit of Swiftel alone. Swiftel may waive this condition in its discretion.

8. No stamp duty or other costs

All costs and expenses of the preparation, dispatch and circulation of this Options Offer and any stamp duty payable in respect of the transfers will be paid by Swiftel.

9. Definitions

In this Section, defined terms have the same meaning given to them in Section 15 of the Prospectus, unless they are separately set out below:

Acceptance Form	means the acceptance form attached to or accompanying this Prospectus.
ASX	means Australian Stock Exchange Limited (ABN 98 008 624 691).
Closing Date	means 5pm (WST) on 24 June 2004 (unless the Options Offer is extended or closed early).
Conditions	means the conditions set out in paragraph 6.
Corporations Act	means the Corporations Act 2001 (Cth) as amended from time to time.
Foreign Law	means a law of a jurisdiction other than Australia.
Listed Options	means the options to acquire Shares trading on ASX under the ASX code "SWTOA" on the material terms described in Section 13.5.2 of this Prospectus.
Listing Rules	means the Official Listing Rules of ASX, as amended from time to time.
Offer Period	means the period during which the Options Offers will remain open for acceptance as set out in paragraph 2 of this Options Offer.
Options Offer	mean an offer, referred to in paragraph 1, made or to be made by Swiftel to acquire Listed Options on the terms set out in this document and Options Offers means any one or more of those offers.
Prospectus	means the prospectus to which this Options Offer forms Section 16.
Settlement Date	means that date which is 2 business days after the date on which the last of the Conditions is satisfied.
Swiftel Share	means a fully paid ordinary share in Swiftel.
WST	means Australian Western Standard Time.
\$	means Australian dollars.

:: application form

complete this application form if you wish to subscribe for new Shares under the Offer.

SWIFTEL LIMITED
REGISTERED OFFICE:

ABN 31 009 273 152
Level 18, QV1 Building,
250 St Georges Terrace,
PERTH WA 6000

MANAGER OF THE OFFER: Intersuisse Corporate Pty Ltd
Level 7, 530 Collins Street,
MELBOURNE VIC 3000
Tel: (03) 9629 8288 **Fax:** (03) 9614 8309

APPLICANTS DETAILS:

Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or Company Name

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Post Code

ABN, Tax File Number or Exemption

Applicant #2

Applicant #3

CHESS HIN or Existing SRN

(where applicable)

Number of New Shares applied for	Application Money enclosed at \$0.20 per New Share
<input type="text"/>	A\$ <input type="text"/>

I/We whose full name(s) and address appear above hereby apply for the number of New Shares shown above (to be allocated to me/us by the Company in respect of this Application) under the Prospectus on the terms set out in the Prospectus.

Cheque Details:

PLEASE ENTER
CHEQUE DETAILS
THANKYOU

Drawer	Bank	BSB or Branch	Amount
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

My/Our contact numbers in the case of inquiry are:

Telephone ()

Fax ()

NOTE: Cheques should be made payable to "Intersuisse Limited - Trust Account", crossed "NOT NEGOTIABLE" and forwarded to Intersuisse Limited Level 7, 350 Collins Street MELBOURNE VIC 3000 to arrive no later than the Closing Date.

Declaration

This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application money this Applicant hereby:

- (1) applies for the number of New Shares specified in the Application Form or such lesser number as may be allocated by the Directors;
- (2) agrees to be bound by the constitution of the Company; and
- (3) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions.

:: instructions to applicants

Please post or deliver the completed Application Form together with a cheque to the share registry of the Company. If an Applicant has any questions on how to complete this Application Form, please telephone Intersuisse Limited on 03 9629 8288. The Form must be received by Intersuisse Limited no later than the Closing Date.

A. Application for New Shares

The Application Form must only be completed in accordance with instructions included in Prospectus.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registerable title. Applications using the incorrect form of registerable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registerable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

F. CHESSE HIN or existing SRN Details

The Company participates in CHESSE. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESSE HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to "Intersuisse Limited - Trust Account" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Application Form.

H. Declaration

By completing the Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Application Form does not need to be signed.

If a Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Application Form, and how to construe, amend or complete it, shall be final. An Application Form will not however, be treated as having offered to subscribe for more New Shares than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

Swiftel Limited, C/- Intersuisse Limited, Level 7, 530 Collins Street, MELBOURNE VIC 3000

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registerable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

:: application form

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