



23 November 2016

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

**FRESHTEL HOLDINGS LIMITED ENTERS INTO BINDING AGREEMENT
TO ACQUIRE FIELD SOLUTIONS GROUP PTY LTD**

HIGHLIGHTS:

- The Board of Freshtel Holdings Limited (ACN 111 460 121) (ASX:FRE) (the **Company**) is pleased to announce that it has entered into a binding heads of agreement (**Heads of Agreement**) pursuant to which it has agreed, subject to satisfaction of certain conditions precedent, to acquire 100% of the shares in Field Solutions Group Pty Ltd (**FSG**) (**Acquisition**).
- Proposed ownership interest of 100% in FSG subject to completion.
- FSG is a licenced Australian Telecommunications Carrier and provider of cloud computing infrastructure, applications and services, primarily to customers in regional Australia.
- FSG provides private cloud hosting services and generic cloud hosting services utilising its own nationwide IP network. These services include infrastructure as a service, private data networks and VOIP services.
- FSG is engineering and delivering regional broadband solutions to companies and individuals via its own infrastructure. FSG deploys a mixture of its own fibre and wireless solutions delivering broadband to individuals and business.
- FSG has had CAGR of 68% in the last 3 years and has revenues over \$5 million and EBIT circa \$1.25 million (subject to audit)
- FSG plans to grow its business further in regional Australia with expansions of its networks and by offering new services to its clients.
- Freshtel Holdings Limited will change its name to "Field Solutions Holdings Limited" upon completion of the Acquisition.

Change of Activities

The proposed Acquisition of FSG will constitute a change in the nature and scale of the Company's activities from telecommunication services to a telecoms and technology services provider. In this circumstance, the Company will be required, pursuant to ASX Listing Rule 11.1.2, to obtain approval from the Company's shareholders at a general meeting. The Company will also likely be required, pursuant to ASX Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The business of FSG is focussed on providing cloud computing infrastructure, applications and services, cloud hosting services and engineering and delivering regional broadband solutions. FSG intends to expand its regional network and providing cloud based software and services to small and medium-sized enterprises, and mid-size and Government clients.

Further details on FSG's business is set out below.

FSG business

FSG was founded in 2012, with the aim of providing cloud applications and connectivity to non-office based workers. As the business grew, it has focused on providing cloud services and telecommunications services to clients in regional Australia. FSG is in a unique position to provide cloud software, cloud services (hosting) and private networks to its clients.

FSG offers the following services to its clients:

(a) Telecommunications

FSG is fully licensed Australian Telecommunications Carrier. FSG is both ISO 27001 and ISO 9001 accredited. FSG also provides a range of VOIP and Data services.

FSG provides wholesale and retail telecommunications services via its own network (trading as JUST ISP) to regional Australia. It provides residential, business and community services and has clients in Tasmania, Victoria, NSW and QLD, and national clients of the cloud services, including regional and state government organisations.

(b) Software

FSG also provides specialised cloud application development and maintenance for its clients and currently provides this services to a range of governmental and commercial clients. Providing a solid and profitable recurring income stream.

FSG has also produced a number of cloud applications aimed at non-office based workers. Field Audit, a mobile inspection and auditing tool, and Field Entry a remote location site access and tracking tool.

(c) Cloud Services

FSG's cloud services are best defined as Managed Cloud Services that address the challenges faced by today's organisations, both corporate and government, in managing their portfolio of mission-critical applications.

FSG delivers cloud based hosting and tools to provide an internal IT department with a suite of cloud services to manage their day to day hosting, security and infrastructure needs. All these tools are delivered over the FSG private network.

For further details see: <http://www.fieldsolutions-group.com/>

Consolidation

As part of the Acquisition and the Company's proposed re-compliance with Chapters 1 and 2 of the ASX Listing Rules, the Company proposes to consolidate its issued capital on the basis that every forty (40) securities will consolidate into one (1) security (**Consolidation**) subject to shareholders' approval.

Acquisition Terms

Pursuant to the Heads of Agreement, the Company has agreed to acquire 100% of the issued share capital in FSG, subject to the satisfaction or waiver of conditions precedent. The shareholder of FSG (**Vendor**) is not related in any way to the directors of the Company as at the date that the parties entered into the Heads of Agreement. A summary of the key terms of the Acquisition is set out below.

- (a) (**Consideration**): Subject to satisfaction or waiver of conditions precedent to the Acquisition (summarised below), in consideration for acquiring 100% of FSG's shares, the Company has agreed to issue to the Vendor (or its nominee/s), upon settlement of the Acquisition, 125,000,000 fully paid ordinary shares in the capital of the Company (**Shares**) (on a post-Consolidation basis) (**Consideration Shares**).
- (b) (**Conditions Precedent**): the conditions precedent which must be satisfied (or waived) prior to the Company completing the Acquisition include:
 - (i) completion of due diligence by the Company on FSG's business, assets, operations, financial position, financial performance and any further matters relevant to the Company, to the absolute satisfaction of the Company;
 - (ii) completion of due diligence by FSG on the Company's business, assets, operations, financial position, financial performance and any further matters relevant to FSG, to the absolute satisfaction of FSG;
 - (iii) the Company, FSG and the Vendor entering into a formal share sale agreement;
 - (iv) FSG and each of its operating subsidiaries delivering to the Company audited accounts for the shorter period of three years and the date of incorporation of the relevant company;
 - (v) the Company completing a capital raising of not less than \$3,000,000, through the issue of not less than 60,000,000 Shares at an issue price of \$0.05 each (on a post-Consolidation basis) (**Capital Raising**);
 - (vi) the Company obtaining all necessary shareholder approvals pursuant to the *Corporations Act 2001* (Cth) (**Corporations Act**), the ASX Listing Rules or any other relevant law to allow the Company to lawfully complete the matters set out in the Heads of Agreement;

- (vii) if required, the Company obtaining an independent expert's report to discharge its obligations under section 611(7) of the Corporations Act;
- (viii) the Company obtaining all necessary third party approvals or consents to give effect to the matters set out in the Heads of Agreement to allow the Company to lawfully complete the matters set out in the Heads of Agreement; and
- (ix) the Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Company to lawfully complete the matters set out in the Heads of Agreement, including but not limited to, approval to reinstatement to official quotation on ASX on conditions satisfactory to the Company acting reasonably,

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

If the Conditions Precedent are not satisfied (or waived) on or before 5:00pm (WST) on 31 March 2017, the Heads of Agreement may be terminated and the parties released from their future obligations under the Heads of Agreement.

(c) **(Facilitator and Director Shares)**: At settlement of the Acquisition, the Company will also issue (on a post-Consolidation basis):

- (i) up to 4,000,000 Shares to facilitators of the Acquisition and/or advisors to the Company (**Facilitator Shares**); and
- (ii) up to 6,000,000 Shares to existing directors of the Company (**Director Shares**).

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

ASX Waiver

The Company is seeking the grant of a waiver from the requirements of ASX Listing Rule 2.1 Condition 2 to allow the Company to issue Shares at \$0.05 per Share under the Capital Raising as part of the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company is also seeking confirmation that ASX will not apply ASX Listing Rule 1.1 Condition 11 to the Options currently on issue in the Company with an exercise price below \$0.20.

Shareholder approval and terms of securities

A general meeting is proposed to be convened to approve the change in activities (pursuant to ASX Listing Rule 11.1.2) referred to above, as arising from the Acquisition, the Capital Raising, the Consolidation and associated business (**General Meeting**). A notice of meeting containing all necessary information is expected to be dispatched in early January 2017. The notice of meeting will contain substantial information in relation to the transaction and its effect on the Company.

Proposed change in the Company's board and management

On completion of the Acquisition, the board of directors of the Company is intended to comprise existing directors Matthila (Matt) Ranawake and Dr Ken Carr together with Andrew

Roberts and Wayne Wilson (**Proposed Directors**). It is intended that Peter Buttery will resign as a director of the Company on completion of the Acquisition. Mr Ranawake will also be appointed as Company Secretary.

A summary of the Proposed Directors' relevant experience and directorships is set out below.

(a) **Andrew Roberts** AICD

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

Mr Roberts has direct experience in building and growing IT and cloud-based companies from start-up to sale. He specialises in cloud strategy planning and execution.

He has previously been a director of Comops Limited (ASX: COM) and was recently head of strategy and cloud operations at Rubik Financial Limited (ASX:RFL). Andrew was also the deputy chair of the Young and Well Cooperative Research Council, a federally funded not-for-profit organisation focusing on the use of technology to assist wellbeing in young people lives.

(b) **Wayne Wilson** B Com (Melb), GradDipAppFin, GAICD

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

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

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

Lead Manager

The Company has agreed to engage Patersons Securities Limited as lead manager to provide capital raising and corporate services in relation to the acquisition of FSG.

Indicative Timetable

An indicative timetable for settlement of the Acquisition and associated transactions is set out below:

Event	Date
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Company's Shares are suspended from Official Quotation on ASX	6 October 2016
Announcement of Acquisition	23 November 2016
Notice of Meeting sent to Shareholders	16 January 2017
Lodgement of Capital Raising prospectus by the Company	19 January 2017
General Meeting held to approve the Acquisition	15 February 2017
Prospectus offer closes	16 February 2017
Settlement of the Acquisition	6 March 2017
Despatch of holding statements	6 March 2017
Commencement of trading of Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and subject to ASX agreeing to reinstate the Company's Shares to quotation)	Week commencing 13 March 2017

The above table is an indication only and is subject to change. Shareholders should also note that if shareholder approval of the Acquisition is obtained, the Company's securities may remain suspended until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.

Indicative Capital Structure

Set out below is the indicative capital structure of the Company following completion of the Acquisition (including completion of the proposed Capital Raising, issues to advisors in facilitating the Acquisition and issues to existing directors). The anticipated capital structure of the Company is only an estimate and is subject to variation.

SHARES	Minimum Subscription (\$3,000,000)	Full Subscription (\$4,000,000)
Shares currently on issue	1,723,037,677	1,723,037,677
Shares post-Consolidation (40:1)	43,075,942	43,075,942
Shares to be issued pursuant to the Capital Raising	60,000,000	80,000,000
Consideration Shares	125,000,000	125,000,000
Director Shares	6,000,000	6,000,000
Facilitator Shares	4,000,000	4,000,000
Total Shares immediately following the Acquisition¹	238,075,942	258,075,942

OPTIONS	
Options currently on issue (exercisable at \$0.0025 on or before 20 September 2020)	74,844,682
Options post-Consolidation (40:1) (exercisable at \$0.10 on or before 20 September 2020)	1,871,117

Options to be issued to sub-underwriters of the Company's rights issue completed in October 2016 ² (exercisable at \$0.10 on or before 20 September 2020)	1,170,496
Total Options immediately following the Acquisition	3,041,613

Notes:

1. This assumes that no Options in the Company are exercised and that none of the Performance Share milestones are satisfied.
2. These Options are subject to shareholder approval at the Company's upcoming Annual General Meeting and it is intended that they will be offered under the Capital Raising prospectus to ensure that the Options, and any Shares issued on exercise of the Options, are not subject to any trading restrictions on the sale of those Options and Shares.

Financial information

The annual financial report of the Company for the financial year ended 30 June 2016 was released to the ASX on 24 October 2016 and can be accessed from the ASX website (ASX: FRE).

FSG's financial information for financial year ended 30 June 2016 is in the process of being audited, however the highlights as relevant are as follows:

Revenue	\$5,053,461
Gross Profit	\$2,124,779
NPBT	\$1,304,824
Total Equity	\$1,244,962

Previous two years revenue were \$2,974,638 and \$1,228,558 respectively.

For further information please contact:

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Important Notice

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