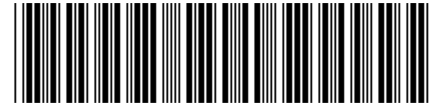


Tuesday 27 April 2010

000001 000 FRE
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



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Dear Shareholder,

Freshtel Holdings Limited

Renounceable Rights Issue To Raise Up to \$1,592,221 and Completion of Placement raising \$206,897

Freshtel Holdings Limited (Company) announced on 22 April 2010 that the Company will undertake a 1 for 1 pro-rata renounceable rights issue at an offer price of 0.375 cents (\$0.00375) per share to raise up to approximately \$1,592,221. A copy of the announcement can be found on the ASX website <http://www.asx.com.au>.

The rights issue is open to eligible Shareholders on the share register as at 7.00pm (AEST) on Wednesday 5 May 2010 with registered addresses in Australia and New Zealand or such other place in which, or to any person to whom, it would be lawful to make such an offer. Shareholders with registered addresses elsewhere (**Foreign Shareholders**) are not eligible to participate in the Rights Offer.

Shareholders will also have the right to apply for Shares in excess of their entitlement under a shortfall offer to meet any shortfall in applications under the rights issue. However, the maximum amount that will be raised under the rights issue and the shortfall issue (Offer) will be \$1,592,221.

The Offer is renounceable. This means that eligible shareholders who do not wish to accept all or part of their entitlement under the rights issue may sell that part of their entitlement that they do not wish to accept either on ASX or off-market during the rights trading period, and may sell their rights to a third party who need not be another shareholder of the Company. Eligible shareholders who wish sell their rights in full or part should complete the panel headed "Instructions to your Stockbroker" on the back of the Entitlement and Acceptance Form and lodge that form with their stockbroker.

If eligible shareholders do not wish to dispose of their entitlements through a broker, they should forward a completed renunciation form (which you can obtain by contacting the Company) together with the Entitlement and Acceptance Form.

Eligible Shareholders should refer to the offer document and the Entitlement and Acceptance Form which will accompany the offer document to determine how to deal with their entitlements. The entitlements may have a value. Rights which are not accepted, traded or transferred will lapse and eligible shareholders will receive no benefit.

The Company will transfer rights which would otherwise have been offered to Foreign Shareholders to a nominee appointed by the Company (**Nominee**). The Nominee will endeavour to sell the rights and the proceeds of any sale will be distributed to Foreign Shareholders for whose benefit the rights are sold in proportion to their Entitlements (after deducting costs). If the Nominee determines in its discretion that there is no viable market for the rights, the entitlements of Foreign Shareholders will not be sold and will be allowed to lapse.

The Offer is not underwritten. A maximum of approximately 424,592,354 new shares will be issued under the Offer.

The offer price represents a discount of around 46.4% to the last price at which shares in the Company traded on ASX on 20 April 2010, prior to the announcement of the Offer.

The proceeds raised from the Offer will be used to provide working capital, reduce existing debt and to position the Company for possible acquisitions of interests in new projects. From the proceeds of the rights issue, \$326,985 will be applied towards retiring part of the debt provided by Custodial Capital Management Pty Limited.

For personal use only

The indicative timetable for the Offer is set out below:

Despatch of Appendix 3B information to shareholders	27 April 2010
Shares trade <i>Ex</i> entitlements	29 April 2010
Rights Trading begins	29 April 2010
Record Date	5 May 2010
Despatch of Offer Document and Entitlement and Acceptance Form- Offer opens	11 May 2010
Rights Trading ends	18 May 2010
Deferred settlement trading commences	19 May 2010
Closing Date	25 May 2010
Expected Allotment Date	31 May 2010
Expected Despatch Date (deferred settlement trading ends)	2 June 2010
Expected commencement of normal trading in new shares	3 June 2010

An offer document has been lodged with ASX today and is available on the ASX website. It will be dispatched to shareholders on or about 11 May 2010. The offer document does not constitute a prospectus prepared in accordance with the Corporations Act and will not be lodged with ASIC.

Completion of Placement

The Company is pleased to announce it has agreed to place 55,172,752 new ordinary shares (Placement Shares) at 0.375 cents per Placement Share to raise a total of \$206,897 being the maximum allowed under Listing Rule 7.1.

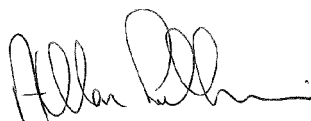
The Placement Shares will rank equally with all ordinary shares currently on issue.

Funds were sought to be raised through the Placement to fund working capital and position the Company for possible acquisitions of interests in new projects.

The Placement is being made to investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act.

The Placement Shares are expected to be allotted on 27 April 2010 and will participate in the rights Offer. The Placement Shares are issued under the Company's 15% share issue capacity under Listing Rule 7.1. Accordingly, no shareholder approval is required.

Yours faithfully



Dr Allan Sullivan
Chairman