Freshtel Holdings Limited
ABN 92 111 460 121
Suite 5, 651 Canterbury Rd,
Surrey Hills Vic 3127 Australia
Phone: +61 3 9898 0477
Fax: +61 3 9898 0499
Web:
www.freshtelholdings.com

18th October 2005

Dear Shareholder

You should now have received an Explanatory Memorandum dated 23 September 2004 with attached Notice of General Meeting and Proxy Form (**EGM Documentation**) in relation to an extraordinary general meeting of shareholders of Freshtel Holdings Limited (the **Company**) to be held on 24 October 2005 (**EGM**). The EGM Documentation sets out three resolutions to be voted on by shareholders at the EGM and the reasons why the Board believes shareholders should vote in favour of those resolutions.

You should also have now received a letter sent on 5th October 2005 to inform you of a further resolution (**Resolution 4**) which will also be put to shareholders for approval at the EGM, which forms part of the EGM Documentation (**Resolution 4 Letter**).

The Resolution 4 Letter enclosed a Proxy Form for Shareholders to vote on Resolution 4 by proxy (**Resolution 4 Proxy Form**). Unfortunately, that Proxy Form contained a typographical error and referred to the EGM of the Company being held on 27 October 2005. As set out in the EGM Documentation and Resolution 4 Letter, the EGM will be held at 3:00pm on 24 October 2005.

We attach a revised Proxy Form with the error in the date of the EGM corrected. If you have not yet completed the Resolution 4 Proxy Form and intend to vote on Resolution 4, please complete the attached Proxy Form. In order to vote by proxy in respect of Resolution 4, Shareholders should follow the directions on page 6 of the EGM Documentation titled 'TIME AND PLACE OF MEETING AND HOW TO VOTE'. If you have already returned the Resolution 4 Proxy Form, the Company will count those proxies in respect of Resolution 4 at the EGM and there is no need to also complete the attached revised Proxy Form.

If you have any queries in relation to the EGM Documentation or how to vote by proxy at the EGM, please feel free to contact the Company Secretary on (03) 9898 0477.

Yours sincerely,

Les Taylor
Chairman

FRESHTEL HOLDINGS LIMITED

Registered Office: Suite 5, 651 Canterbury Road
Surrey Hills, VIC, 3127

FORM OF PROXY

I/We, _____

of _____

being a shareholder in Freshtel Holdings Limited and entitled to vote, hereby appoint:

_____

of _____

or failing appointment, the Chairman of the meeting, as my/our proxy to vote all/ *** of my shares on my/our behalf at the Extraordinary General Meeting of the holders of the same class of shares held by me/us in the Company, to be held on the 24th day of October 2005 and at any adjournment of the meeting. The Chairman intends to vote in favour of all resolutions in respect of undirected proxies.

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

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. ☐

This form is to be used in favour of/against the resolutions as follows:

		For	Against
Item 4	Issue to Related Parties (Ordinary Shares)		

Signed this _____day of _____ 2005

_____

NOTES:

1. *** - insert % figure if appointing 2 proxies to vote and proxy voting on less than all shares held.

This form should be signed by the security holder. If a joint holding, either security holder may sign. If signed by the security holder's attorney, a certified copy of the power of attorney must be attached to this form. If executed by a company, the form must be executed in accordance with the security holder's constitution and the Corporations Act 2001 (Cth)

Completed proxy forms should be returned to the Company Secretary, Freshtel Holdings Limited, Locked Bag 3, Surrey Hills, VIC 3127

Freshtel HOLDINGS

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This letter is to inform you of a further resolution (**Resolution 4**) which will also be put to shareholders for approval at the EGM. This letter forms part of the EGM Documentation and should be read in conjunction with the EGM Documentation. References to 'Resolutions' in the EGM Documentation includes Resolution 4.

As discussed in section 3 of the EGM Documentation, up to 50,000,000 new ordinary shares are proposed to be issued under the Private Placement. The issue price will be $0.22 and the shares will rank pari passu in all respects with the existing ordinary issued shares of the Company. At the time the EGM Documentation was finalised, the Lead Broker had not determined the allottees under the Private Placement. The Lead Broker has now taken steps to finalise the names of the allottees. The Lead Broker has indicated that it may allot shares under the Private Placement to shareholders who are considered "related parties" under Chapter 10 of the ASX Listing Rules (**Related Parties**). Under ASX Listing Rule 10.11, the Company must obtain shareholder approval for any issue of shares to related parties. Accordingly, in order to comply with ASX Listing Rule 10.11, Resolution 4 will also be considered by shareholders at the EGM.

The Related Parties are Gluaff Investments Pty Ltd whose director Sebastian Filzek is also a director of the Company, Jan Macpherson who is the Company Secretary and General Counsel of the Company and Blairgowrie Pty Ltd whose director is Jan Macpherson, both in their capacity as Trustee of the Macpherson Toune Superannuation Fund, Ellenborough Securities Pty Ltd whose director is Les Taylor the Chairman of the Company and Mantroz Pty Ltd whose director David Elbourn is also a director of the Company.

Jan Macpherson and Blairgowrie Pty Ltd are not strictly considered "related parties" under ASX Listing Rule 10.11. However, as discussed above, Jan is involved directly with the business of the Company. For the purposes of good corporate governance, the Company is seeking shareholder approval for the issue of ordinary shares to these Related Parties. The Lead Broker has indicated that each Related Party may be allotted up to a maximum of the following number of shares each under the Private Placement:

Entity	Number of Shares
Gluaff Investments Pty Ltd (ABN 97 094 507 383)	50,000
Jan Macpherson & Blairgowrie Pty Ltd (ACN 009 605 403)	1,200,000
Ellenborough Securities Pty Ltd (ACN 092 277 195)	2,500,000
Mantroz Pty Ltd (ACN 003 032 184)	75,000

Any shares allotted to the Related Parties under the Private Placement will be issued on 26 October 2005 along with the other Private Placement Shares, but in any event no later than 24 November 2005.

Resolution 4 is set out below.

Resolution 4 – Issue to related parties (Ordinary Shares)

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

"That, subject to and conditional upon the passing of Resolution 3 in the Notice covering this general meeting, for the purposes of Rule 10.11 of the ASX Listing Rules and for all other purposes, approval is given for allotment and issue to Gluaff Investments Pty Ltd, Jan Macpherson & Blairgowrie Pty Ltd, Ellenborough Securities Pty Ltd and Mantroz Pty Ltd of up to a total of 3,825,000 ordinary shares of the Company at an issue price of $0.22 per share under the Private Placement, as explained and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

The Company will disregard any votes cast on Resolution 4 by the Related Parties and any of their associates unless the vote is cast:

1. by a person as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form; or

2. by the person chairing the meeting as proxy (or its corporate representative), for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 is conditional upon shareholder approval of Resolution 3, which is set out in detail in the EGM Documentation.

The Board of Freshtel unanimously recommends that Shareholders vote in favour of Resolution 4.

Sebastian Filzek has an interest in Resolution 4 as he is a director of Gluaff Investments Pty Ltd, Les Taylor has an interest in Resolution 4 as he is a director of Ellenborough Securities Pty Ltd and David Elbourn has an interest in Resolution 4 as he is a director of Mantroz Pty Ltd.

We attach a Proxy Form in relation to that Resolution 4. If you are unable to attend the EGM, please complete the attached Proxy Form in relation to Resolution 4.

To vote by proxy in respect of Resolution 4, Shareholders should follow the directions on page 6 of the EGM Documentation titled 'Time and Place of Meeting and How To Vote'.

I strongly recommend that you read this letter and the attached Proxy Form very carefully, along with the EGM Documentation.

Yours sincerely

Les Taylor

Chairman

FRESHTEL HOLDINGS LIMITED

Registered Office: Suite 5, 655 Canterbury Road
Surrey Hills, VIC, 3127

FORM OF PROXY

I/We, _____

of _____

being a shareholder in Freshtel Holdings Limited and entitled to vote, hereby appoint:

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of _____

or failing appointment, the Chairman of the meeting, as my/our proxy to vote all/ *** of my shares on my/our behalf at the Extraordinary General Meeting of the holders of the same class of shares held by me/us in the Company, to be held on the 27th day of October 2005 and at any adjournment of the meeting. The Chairman intends to vote in favour of all resolutions in respect of undirected proxies.

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

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. ☐

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		For	Against
Item 4	Issue to Related Parties (Ordinary Shares)		

Signed this _____day of _____ 2005

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NOTES:

2. *** - insert % figure if appointing 2 proxies to vote and proxy voting on less than all units held.

This form should be signed by the security holder. If a joint holding, either security holder may sign. If signed by the security holder's attorney, a certified copy of the power of attorney must be attached to this form. If executed by a company, the form must be executed in accordance with the security holder's constitution and the Corporations Act 2001 (Cth)

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