

Swiftel Limited

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Dear Shareholders

ACQUISITION OF PEOPLE TELECOM LIMITED

Swiftel Limited (**Swiftel**) is pleased to announce that it has entered into a heads of agreement to acquire all of the issued shares in People Telecom Limited (**PTL**) (a telecommunications company) (**Acquisition**). The proposed material terms of the acquisition are as follows:

- (a) in consideration for the acquisition of all of the fully paid ordinary shares in the capital of PTL, Swiftel will issue the shareholders in PTL (**Shareholders**) fully paid ordinary shares in the capital of Swiftel (**Shares**) calculated in accordance with the following formulae:

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

Where:

A is total the number of Swiftel Options on issue immediately before Settlement (as that term is defined in clause 3) up to a maximum of 35 million;

B is the total number of Swiftel Shares on issue immediately before Settlement (as that term is defined in clause 3); and

C is the total number of Swiftel Options on issue immediately before Settlement (as that term is defined in clause 3) in excess of 35 million plus any unlisted options on issue immediately before Settlement (as that term is defined in clause 3).

By way of illustration, if there are 180 million Swiftel Shares, 35 million Swiftel Options and 5 million unlisted options on issue immediately before Settlement (as that term is defined in clause 3), the Shareholders and the Proposed Shareholders will be issued with 391,071,428 Swiftel Shares. The 391,071,428 shares is determined by the following:

“35,000,000 Swiftel Options / 2” (which equates to 17,500,000 Swiftel Shares) +
“[(35,000,000 + 180,000,000 + 5,000,000) / 0.35] * 0.65” - 35,000,000” (which equates to 373,571,428 Swiftel Shares).

- (b) Swiftel will make an offer to the holders of all current listed Options of one Share in consideration for cancelling every two (2) Options held by an optionholder (**Options Offer**);
- (c) shareholder approval will be sought for the above matters; and
- (d) Swiftel will prepare a prospectus in order to make an offer of Options pursuant to the Options Offer.

Swiftel's Background

Company Background

Swiftel is the parent company of Swiftel Communications Pty Ltd (**Swiftel Communications**), the operating entity of its telecommunications business. Swiftel funded the initial telecommunications infrastructure investment and working capital requirements of Swiftel Communications.

Swiftel Communications was established to service the needs of corporate and government customers with high quality, high capacity, cost-effective data, video and Internet services. Initially its connections were within the Perth CBD and in key Western Australian rural centres only. Recognising the need for Perth based companies to have secure connections to other national areas Swiftel Communications established a presence in Queensland, New South Wales and Victoria while maintaining its links to international markets.

Swiftel Communications has installed and operates a 'state of the art' telecommunications network, including fibre optic cable and modern switching technology, to support the transport needs of technologies such as Internet Protocol (IP) and other leading edge services.

Swiftel's initial strategy was to exploit a significant and rapidly growing niche in the WA Data communications market which the company believes is not being adequately serviced by other carriers. Now securely established in WA, the company has used its experience and position to leverage into other markets.

Swiftel has positioned itself to be the leading telecommunications provider in Western Australia. To meet these and future demands, Swiftel has implemented the first commercial carrier grade IP network in the metropolitan area.

Swiftel is breaking the last mile bottleneck in Western Australia by offering rapidly provisioned, high capacity transport services. Deploying a flexible, next generation optical technology platform results in the ability to provision large volumes of bandwidth, providing customers with the most efficient, reliable communications at a valued cost.

Swiftel now has more than 15,000 customers across its eastern Australian and West Australian markets, including more than 9000 in Sydney.

Summary historical financial information

The financial information in respect of Swiftel is based on audited accounts for the last 3 years are set out below:

\$ 000's	Year to 30 June 2003	Year to 30 June 2002	Year to 30 June 2001
Income	3,986	1,914	1,899
(Loss) before tax	(3,473)	(1,881)	(1,703)
(Loss) after tax	(3,473)	(1,881)	(1,703)
Net Assets	1,969	4,639	3,672

Set out below are Swiftel's half year results to 31 December 2003.

\$ 000's	Half Year to 31 December 2003
Income	5,815
Profit before tax	(1,213)
Profit after tax	(1,213)
Net Assets	3,748

Summary Information on PTL

Company Background

PTL was established in 2000 with a mission to provide telecommunications services to the Australian corporate and public markets

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

Initially, heavy investment was made in creating state of the art back office infrastructure to deliver this enhanced services level.

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

PTL's revenues are generated mainly out of voice billings for all fixed wire and mobile products and its core systems are linked directly in carrier service platforms. These carriers include Telstra Wholesale for fixed wire and CDMA mobiles, Optus Networks for fixed wire and GSM, MCI for international, AAPT for select inbound services, Request DSL and Swiftel for broadband, Ucomm for Fibre, MultieMedia for Satellite Broadband other for selected enhanced services such as conferencing and worldwide travel cards etc

PTL manages over 10,000 business customers nationally.

PTL Management

RYAN M O'HARE
CEO and Executive Director

Ryan O'Hare was one of the two co-founders of the corpTEL Group of companies, and served as its Chairman and Chief Executive Officer since its inception in January 1994 through to its sale to AAPT Limited in 1998. In 1998 prior to its sale to AAPT corpTEL was Australia's largest and most successful privately owned telecoms service provider with revenues exceeding \$100m. 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.

COLIN J MARLAND
Executive Director

Colin Marland is one of the initial founders of people telecom. He also co-founded the corpTEL Group being Australia's largest service provider prior to its sale to AAPT in 1998. Mr Marland has many years' experience in the Telecommunications industry being one of the industry pioneer's in the early days of the partially deregulated telecommunication environment.

He specialises in the conception and start up phase of telecommunication companies having successfully listed several companies on the ASX. Mr Marland is also CEO of the Chifley Group which specialises in telecommunication investment and property development and is a board member of Swiftel.

Mr Marland has served on several public company and statutory boards including the Telecommunication Industry Ombudsman in its formative years.

BARRY J HAMILTON
Executive Chairman

Mr Barry Hamilton was a founding shareholder and director of people telecom and chairman since September 2002.

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 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.

BRENDAN FLEITER
Non-Executive Director

Mr Brendan Fleiter has been a non-executive director of people telecom since September, 2002. He is Managing Director of the 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.

Summary historical financial information

The financial information in respect of PTL is based on consolidated audited accounts.

\$ 000's	Year to 30 June 2003	Year to 30 June 2002	Year to 30 June 2001
Income	\$42,209	\$32,243	\$5,332
Profit before tax	\$150	(\$7,978)	(\$9,747)
Profit after tax	\$150	(\$7,978)	(\$9,747)
Net Assets	\$2,130	\$6,253	\$9,267

Set out below are PTL's half year unaudited results to 31 December 2003.

\$ 000's	Half Year to 31 December 2003
Income	\$26,650
Profit before tax	\$814
Profit after tax	\$814
Net Assets	\$400

Reasons for Proposed Transaction

Swiftel is a data provider to the Australian Corporate and residential markets throughout Australia.

PTL is a voice reseller that has a large business customer base providing telecommunications services to the Australian corporate and public markets.

The telecommunications market is looking and moving toward requiring full service providers to increase competition against the incumbent players. i.e not only offering Data but telephone, mobile and content from one full service provider on a one bill solution.

The developed back office systems of PTL will allow Swiftel to integrate their data products and services into people telecom's system seamlessly and without the capital cost to Swiftel.

The PTL superior customer call centre will also allow Swiftel to merge their customer care staff into people's and save money by using one customer care framework.

The overall savings by merging the companies should see large economies of scale implemented and cost savings that should produce greater profitability.

The merged organisation will become the 7th largest full service telecoms group in Australia.

The merged entity to be known as "People Telecom Holdings Limited" will continue to deliver innovative service offering to the market coupled with a high service infrastructure. The mission of the company will still be that of 'talk to people' although in the new emerging consumer division will use the 'Swift' product line up reinforcing speed and reliability of its new age converged data and voice offerings.

The merged entity will offer an extensive array of telecom products and services including Voice (mobile & fixed) and Data (broadband & VPN) and voice over internet

products. The merged entity 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 Swiftdsl, Swiftmobile and Swiftvoice (VOIP).

The merged entity will be strongly Telstra network aligned without being exclusive. It is a service and marketing focused company with state of the art back office, billing and service application systems. It allows it to keep its main suppliers loyal and hungry due to over capacity of network in Australia while it maintains some of its own network infrastructure.

Summary of Proposed Transaction

Swiftel has entered into a heads of agreement (HOA) with PTL.

The material terms of the HOA are as follows:

- (a) Swiftel will seek to acquire 100% of the ordinary share capital of PTL for the consideration referred to above;
- (b) PTL will nominate three (3) new persons to be appointed to Swiftel's board of directors (intended to be Barry Hamilton, Ryan O'Hare and Brendan Fleiter), with such appointments to take place upon completion of the acquisition of PTL by Swiftel. Following the appointment of these nominated persons, it is proposed that all of the current directors of Swiftel (other than Colin Marland, David Vilensky and Malcolm Dick) will retire from the board on completion of the acquisition of PTL;
- (c) Completion of the transactions contemplated by the HOA will be subject to and conditional upon:
 - (i) Swiftel completing its due diligence investigations on PTL and the results of those investigations being satisfactory to the board of Swiftel in all respects, in its sole and absolute discretion;
 - (ii) Swiftel making the Options Offer;
 - (iii) Swiftel obtaining all necessary regulatory and shareholder approvals required to complete the transactions, including the Acquisition and the Options Offer, contemplated by this Agreement (including, without limitation, 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);
 - (iv) Swiftel meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules, including issuing a prospectus, as if Swiftel were applying for admission to the official list of ASX (as required by ASX Listing Rule 11.1.3). In order to satisfy to satisfy the minimum working capital requirement of \$1.5 million, Swiftel may be required to complete a capital raising through the issue of shares at an issue price of not less than \$0.20 each;

- (v) Swiftel preparing a prospectus to make the Options Offer;
- (vi) if required by ASX, Swiftel obtaining shareholder approval to consolidate its issued capital. In the event the Options Offer does not obtain 100% acceptances, it is likely that Swiftel will be required to consolidate its issued capital on a one (1) for two (2) basis;
- (vii) Swiftel obtaining shareholder approval for the appointment of 3 new directors to the board of directors of Swiftel as nominated by the Shareholders;
- (viii) PTL completing its due diligence investigations on Swiftel and the results of those investigations being satisfactory to the board of PTL in all respects, in its sole and absolute discretion;
- (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 (viii) 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 PTL (including but not limited to the operations, financial performance, assets and prospects in relation to PTL);
- (x) 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 (viii) above, there not having been any event (or series of events) having or which is likely to have a material adverse effect on the financial position or business prospects of Swiftel (including but not limited to the operations, financial performance, assets and prospects in relation to Swiftel); and
- (xi) Swiftel obtaining shareholder approval for various others matters in general meeting.

Proforma Statement of Financial Position

A Proforma Statement of Financial position of the merged entity is provided in Annexure 1.

Proforma Capital Structure

A Proforma Capital Structure of the merged entity is provided in Annexure 2.

Anticipated Timetable

The anticipated timetable for completion of the acquisition of PTL and the balance of the matters referred to above is set out below:

Event	Date
Announcement of PTL Transaction	12 March 2004
Complete Due Diligence on PTL/Swiftel	17 March 2004

Dispatch Notice of Meeting seeking approval for PTL Transaction	6 April 2004
Lodgement of Prospectus with the ASIC	23 April 2004
Swiftel's Securities suspended until such time as it recomplies with Chapters 1 and 2 of ASX Listing Rules	12 May 2004
General Meeting to approve PTL Transaction	12 May 2004
Closing Date of Offer under the Prospectus	12 May 2004
Anticipated date of quotation of the Merged Entity	14 May 2004

It is the Swiftel board's view that the acquisition of PTL by Swiftel will give all shareholders of the enlarged entity the opportunity to participate in a company with strong growth prospects operating in the telecommunications sector and the synergies that can be developed through more integrated operational management. Further, this expanded operational platform provides Swiftel with a much stronger base position from which to identify further acquisition and expansion opportunities.

Yours faithfully

CHRIS GALE
CHIEF EXECUTIVE OFFICER
SWIFTEL LIMITED

ANNEXURE 1

PRO-FORMA STATEMENT OF FINANCIAL POSITION

	Pre Acquisition Dec-03	Post Acquisition Dec-03
Current Assets		
Cash assets	1,818,796	4,321,872
Receivables	2,152,358	9,493,648
Other financial assets – term deposits	573,775	573,775
Inventories	7,184	7,184
Other	140,031	1,167,082
Total Current Assets	4,692,144	15,563,561
Non-Current Assets		
Property, plant and equipment	3,827,191	3,939,193
Intangibles	0	34,586,689
Investments In Subsidiaries		0
Other financial assets – term deposits	0	1,532,389
Other	0	271,327
Total Non-Current Assets	3,827,191	40,329,598
Total Assets	8,519,335	55,893,159
Current Liabilities		
Payables	2,875,740	13,237,019
Interest bearing liabilities	433,795	433,795
Provisions	167,215	584,740
Other – unearned revenue	996,536	996,536
Other	27,658	27,658
Total Current Liabilities	4,500,944	15,279,748
Non-Current Liabilities		
Interest bearing liabilities	270,599	270,599
Other	0	1,595,020
Total Non-Current Liabilities	270,599	1,865,619
Total Liabilities	4,771,543	17,145,367
Net Assets	3,747,792	38,747,792
Equity		
Contributed equity	20,335,171	55,335,171
Reserves	814,508	814,508
	-	-
Accumulated losses	17,401,887	17,401,887
Total Equity	3,747,792	38,747,792

ANNEXURE 2
PRO-FORMA CAPITAL STRUCTURE

Shares	Number
Current Shares	162 million
Issued to PTL shareholders	419.4 - 386.2 million
Shares Issued pursuant to Options Offer (refer below)	0 - 38.7 million
Total	581.4 - 586.9 million
Options	
Current Listed Options	77.4 million
Buy back by Swiftel (1:2 share offer)	(0 - 77.4)
Total	0 - 77.4 million
% of Fully Diluted Capital owned by PTL Shareholders	65%