

**COMTEL CORPORATION LIMITED**  
**ABN 30 000 386 685 (the Company)**

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**ENTITLEMENT ISSUE PROSPECTUS**

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For a pro rata renounceable entitlement issue of two (2) new Shares for every one (1) Share held by Eligible Shareholders at an issue price of three (3) cents per Share to raise approximately nine million, one hundred and forty eight thousand, five hundred and twenty two Australian dollars \$9,148,522 (**Entitlement Issue**).

**LEGAL ADVISOR:**

**Middletons Lawyers**

**UNDERWRITER:**

**Co-Investor Capital Partners Pty Ltd ACN 110 402 134**

**IMPORTANT NOTICE**

This document is important, requires your immediate attention and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your financial or legal adviser immediately.

The Shares offered by this Prospectus should be considered as speculative.

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**1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES**
**TIMETABLE AND IMPORTANT DATES**

Lodgement of Prospectus with ASIC and announcement of Offer	3 November 2008
Ex Date and rights trading starts on the ASX	7 November 2008
Record Date for determining Shareholder Entitlements	13 November 2008
Prospectus and Entitlement and Acceptance Forms despatched to Shareholders	19 November 2008
Rights trading ends	27 November 2008
Securities quoted on a deferred settlement basis	28 November 2008
Closing Date of Offer	4 December 2008
Company notifies ASX of undersubscriptions	9 December 2008
Allotment date/Shares entered into Shareholders' security holdings	12 December 2008
Despatch of holding statements	by 17 December 2008

\* All dates (other than the date of lodgement of the Prospectus with ASIC) are subject to change and accordingly are indicative only. The Company reserves the rights to amend this indicative timetable. In particular, the Company reserves the rights, subject to the Corporations Act, the ASX Listing Rules and the approval of the Underwriter, to extend the Closing Date or to withdraw the Entitlement Issue without prior notice. Any extension of the Closing Date will have a consequential effect on the date of issue of the new Shares.

**IMPORTANT NOTES**

The Company is making a renounceable entitlement issue of two (2) new Shares for every one (1) Share held by Eligible Shareholders on the Record Date at an issue price of three (3) cents per new Share payable in full on application. The issue price represents a discount of 1% to the volume weighted average share price for the 5 traded days prior to the announcement of the Entitlement Issue on 22 September 2008. The total number of new Shares to be issued pursuant to the Entitlement Issue will be approximately 304,950,735. The gross proceeds (before the costs of the Entitlement Issue) will be approximately nine million, one hundred and forty eight thousand and five hundred and twenty two Dollars (\$9,148,522). The closing sale price of the Company's Shares on ASX on 31 October 2008 was 1.5 cents.

Shareholders should be aware that their Rights may be valuable. The Entitlements Issue is renounceable which enables Shareholders who do not wish to take up all or some of their entitlement to sell their Rights on the ASX or transfer all or part of some of their entitlement to another person other than on the ASX. It is important that Shareholders either accept their entitlement or deal with their entitlement as set out in the accompanying Entitlements and Acceptance Form. If an eligible issuer sponsored shareholder wishes to transfer all or part of their entitlement to another person other than on the ASX the shareholder will need to complete and forward a stamped renunciation and transfer form (which can be obtained by calling the ComTel Rights Issue Information Line on 1300 556 161) and your Entitlement and Acceptance form, together with the applicable transferee cheque in relation to those entitlements a shareholder wishes to transfer. CHESS holders are only able to trade their rights using their broker. Shareholders who take no action in respect of their new Shares and who do not deal with their entitlements may receive no benefit and their Rights will lapse and will form part of the shortfall available firstly under the Shortfall Facility and secondly form the Shortfall Shares underwritten by the Underwriter.

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors. Before applying for new Shares under this Prospectus, Shareholders should consider whether the new Shares are a suitable investment for them.

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Definitions of certain terms used in this Prospectus appear in Section 10.

This Prospectus is dated 3 November 2008 and a copy of this Prospectus was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is the date 13 months from the date of this Prospectus (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

The number of new Shares to which you are entitled is shown in the accompanying Entitlement and Acceptance Form. Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form.

The Entitlement Issue is being fully underwritten by Co-Investor Capital Partners Pty Ltd.

This Prospectus does not constitute an offer to Shareholders who are registered as holders of ordinary Shares on the Record Date but who do not have a registered address in Australia or New Zealand.

No person is authorised to give any information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

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**2. CORPORATE DIRECTORY****Directors**

Mr Kevin Weldon (Non Executive Director and Chairman)  
Mr David Sweet (Chief Executive Officer and Managing Director)  
Mr Roger Steinepreis (Non Executive Director)  
Ms Victoria Lord (Non Executive Director)

**Company Secretary**

Mr Campbell Nicholas

**Registered Office**

Level 10, 77 Pacific Highway  
NORTH SYDNEY NSW 2060

Telephone: (02) 8916 2200  
Facsimile: (02) 9954 3857

**Solicitors**

Middletons Lawyers  
Level 26, 52 Martin Place  
SYDNEY NSW 2000

**Underwriter**

Co-Investor Capital Partners Pty Ltd ACN  
110 402 134  
Level 3, 343 George Street  
SYDNEY NSW 2000

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 5  
115 Grenfell Street  
ADELAIDE SA 5000

Telephone: 1300 556 161

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### 3. MANAGING DIRECTOR'S LETTER

Dear Shareholder

On 22 September 2008 ComTel Corporation Limited announced a proposal to undertake a fully underwritten renounceable rights issue to all eligible Shareholders.

The Directors of the Company are pleased to offer Eligible Shareholders the opportunity to participate in this Entitlement Issue which seeks to raise a total of approximately \$9,148,522 before costs associated with the capital raising.

The Entitlement Issue is a renounceable offer of two (2) new Shares for every one (1) Share held on the Record Date at an issue price of three (3) cents per new Share. A Shortfall Facility is also being offered where each Shareholder (with the exception of Co-Investor) may apply for Additional Shares, over and above their Entitlement up to a maximum of 13,722,783 Shares at the Issue Price of three (3) cents per Share.

Proceeds from the Entitlement Issue will be used to reduce borrowings and pay amounts owing under the Empowered Acquisition. Specifically, the proceeds will be applied to:

1. pay deferred consideration of \$5,000,000 under the share sale agreement pursuant to the Empowered Acquisition;
2. repay the \$2,000,000 unsecured vendor loan that was entered into pursuant to the Empowered Acquisition;
3. pay \$883,482 in relation to the 2007/2008 financial year EBITDA earnout under the share sale agreement pursuant to the Empowered Acquisition; and
4. repay part of the bridging facility with Co-Investor Capital Partners Pty Ltd that was entered into to enable the Company to repay amounts owing to Australia and New Zealand Banking Group Limited pursuant to the Empowered Acquisition.

The Entitlement Issue is fully underwritten by Co-Investor Capital Partners Pty Ltd.

Your entitlement to subscribe for new Shares or dispose of your Rights and other matters that are required by law to be disclosed are set out in this Prospectus. Your entitlement to new Shares or the disposal of your Rights is set out in the accompanying Entitlement and Acceptance Form. Rights trading will commence on 7 November 2008 and the last day for Rights trading will be 27 November 2008.

I urge you to read the Prospectus thoroughly. Please note that the Prospectus is intended to be read in conjunction with publicly available information relating to the Company, including the Annual Report for the financial year ended 30 June 2008.

Shareholders with any queries in relation to the Entitlements Issue should contact myself on 0414 888 999 or Computershare Investor Services Pty Limited, the Company's Share Registry on 1300 556 161.

Yours faithfully,



**David Sweet**  
**Managing Director**

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## 4. DETAILS OF THE OFFER

### 4.1 Offer

By this Prospectus, the Company offers for subscription approximately 304,950,735 new Shares pursuant to a pro rata renounceable entitlement issue to eligible Shareholders of two (2) new Shares for every one (1) Share held on the Record Date at an issue price of three (3) cents per new Share, payable in full on application. The closing sale price of the Company's Shares on ASX on 31 October 2008 was 1.5 cents. The issue price represents a discount of 1% to the volume weighted average share price for the 5 traded days prior to the announcement of the Entitlement Issue on 22 September 2008. The gross proceeds (before the costs of the Entitlement Issue) will be approximately nine million, one hundred and forty eight thousand, five hundred and twenty two Dollars (\$9,148,522). The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

Fractional entitlements to new Shares will be rounded up to the nearest whole number of new Shares. The Company currently has Options and Notes on issue as set out in Section 5.3 of this Prospectus. Holders of Notes or Options will not be entitled to participate in the Offer. Options which have vested may be exercised by the Option holder prior to the Record Date in order to participate in the Offer. Note holders will only be entitled to participate in the Offer if converted by the holder prior to the Record Date.

### 4.2 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. You may apply for Additional Shares in excess of your Entitlement as shown on the Entitlement and Acceptance Form. Applications for Additional Shares will be dealt with in accordance with the Shortfall Facility described in section 4.5 below.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
    - (i) complete the Entitlement and Acceptance Form in accordance with the instructions set out on the form, filling in the details in the spaces provided; and
    - (ii) attach your cheque or pay by BPay for the amount indicated on the Entitlement and Acceptance Form; or
  - (b) if you only wish to accept part of your Entitlement and sell the balance of your Rights:
    - (i) fill in the number of new Shares you wish to accept and the balance of your Rights in the space provided on the Entitlement and Acceptance Form; and
    - (ii) attach your cheque or pay by BPay for the appropriate application monies (being the number of new Shares you wish to accept multiplied by three (3) cents); or
  - (c) if you wish to apply for Additional Shares in excess of your Entitlement, complete the Additional Shares section on the Entitlement and Acceptance Form. Applications for Additional Shares will be dealt with in accordance with the Shortfall Facility described in section 4.5 below. The same payment
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terms apply to applications for Additional Shares as applications for Shares accepted as part of your Entitlement; or

- (d) if you are an issuer sponsored shareholder and wish to transfer your Entitlement to another person other than on the ASX then the transferee must complete the Entitlement & Acceptance Form in accordance with the instructions set out on the form and the renunciation and transfer form (which can be obtained by calling the ComTel Rights Issue Information Line on 1300 556 161), and attach the completed Entitlement and Acceptance Form and renunciation and transfer form together with the transferees cheque; or
- (e) if you do not wish to accept all or part of your Entitlement, you have the ability to sell the Rights which you have decided not to accept rather than allow them to lapse. New Shares not taken up will form part of any shortfall and will be firstly available under the Shortfall Facility and then revert to the Underwriter and you will receive no benefit. It is therefore important that you take action either to take up your Entitlement or sell your Rights in accordance with the above instructions and the instructions on the back of the Entitlement & Acceptance Form.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "ComTel Corporation Limited – Entitlement Issue Account" and crossed "Not Negotiable". Alternatively, payment can be made by BPay (using the BPay details on the attached Entitlement and Acceptance Form).

Your completed Entitlement and Acceptance Form and cheque or payment by BPay must reach the Company's share registry no later than 5pm on the Closing Date. Shareholders must not forward cash. Receipts for payment will not be forwarded to Shareholders.

The Offer is renounceable. Accordingly, a Shareholder may sell or transfer all or part of their Entitlement. Refer section 4.6 for details.

#### **4.3 Minimum Subscription**

The Offer is fully underwritten (refer to Section 4.4). Accordingly, there is no minimum subscription.

#### **4.4 Underwriting**

The Offer is fully underwritten by Co-Investor Capital Partners Pty Ltd.

Refer to Section 8.2 of this Prospectus for further details of the terms of the Underwriting Agreement.

#### **4.5 Shortfall Facility**

Each Eligible Shareholder (with the exception of Co-Investor) may apply for Additional Shares, in addition to their Entitlement up to a maximum of 13,722,783 Shares at the Issue Price of three (3) cents per Share. If a Shareholder wishes to apply for Additional Shares in excess of its Entitlement the Shareholder must complete the Additional Shares section on the Entitlement and Acceptance Form and return it with payment by the Closing Date.

In the event that there is a Shortfall in the subscriptions under the Entitlement Issue, the Company in consultation with the Underwriter reserves the right to allocate in its absolute discretion any Shortfall of New Shares to subscribers for Additional

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Shares such that the provisions of the Corporations Act, in particular the takeovers prohibitions in Chapter 6, are complied with.

There is no guarantee that Shareholders will be successful in being allocated any of the Additional Shares that they may apply for. The Company in consultation with the Underwriter may reject in its discretion any application for Additional Shares or allocate fewer Additional Shares than applied for by subscribers for Additional Shares.

No interest will be paid on any acceptance monies received or returned.

Any Entitlement not taken up or sold pursuant to the Offer will form the Shortfall and will be dealt with, firstly in accordance with the Shortfall Facility and then in accordance with the Underwriting Agreement.

#### **4.6 Rights Trading and ASX Listing**

The Rights are renounceable. This enables Shareholders who do not wish to subscribe for some or all of their Rights to sell some or all of their Rights.

Trading of Rights will commence on 7 November 2008, and will cease at the close of trading on 27 November 2008. Rights to which you are entitled may be sold on the ASX between these dates should you choose not to accept your full entitlement of new Shares. Entitlements not sold or taken up by 5pm on 4 December 2008 will automatically lapse (unless the Closing Date is extended by the Company in which case the date Rights trading ceases will also be extended).

If an eligible issuer sponsored shareholder wishes to transfer all or part of their entitlement to another person other than on the ASX the shareholder will need to complete and forward a stamped renunciation and transfer form (which can be obtained by calling the ComTel Rights Issue Information Line on 1300 556 161) and your Entitlement and Acceptance form, together with the applicable transferee cheque in relation to those entitlements a shareholder wishes to transfer.

#### **4.7 ASX Quotation**

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If official quotation for the new Shares is not granted by the ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by ASIC), the Company will not allot or issue any new Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the new Shares now offered for subscription.

Eligible Shareholders who sell new Shares before they receive their holding statements will do so at their own risk.

#### **4.8 Allotment of Shares**

No allotment of new Shares will be made pursuant to this Prospectus until proceeds of the Rights Issue have been received and permission is granted for the quotation of the new Shares on the ASX.

It is expected that new Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of Shares issued is less than

the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date. Shareholders statements for the new Shares will be dispatched upon completion of allotment.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest, irrespective of whether allotment takes place.

If the Closing Date for applications is extended, the date for allotment of New Shares and the dispatch of shareholder statements will also be extended.

#### **4.9 Overseas Shareholders Excluded**

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and new Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Prospectus and Entitlement and Acceptance Form are only being sent to those Shareholders with registered addresses in Australia and New Zealand on the Record Date.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to accept their Entitlements under the Offer.

The Directors will offer the Rights which would otherwise have been offered to each of those Shareholders with registered addresses other than in Australia and New Zealand (**Foreign Shareholders**) to the Nominee. If there is a viable market in the Rights and a premium over the expenses of the sale can be obtained, the Nominee will sell the Rights. Any sale will be at prices and otherwise in a manner determined by the Nominee in its sole discretion.

Neither the Company nor the Nominee will be held liable for failure to sell the Rights or to sell the Rights at any particular price. The proceeds of the sale will be distributed to Foreign Shareholders for whose benefit the Rights are sold in proportion to their shareholdings (after deducting costs).

If there is no viable market for the Rights, the Entitlement will be allowed to lapse and the New Shares will revert to the Underwriter.

The Nominee will receive an engagement fee of \$2,000 (exclusive of GST) and brokerage charges if any of the Rights of Foreign Shareholders are sold.

#### **4.10 Taxation Implications**

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for new Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible

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taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the new Shares offered pursuant to this Prospectus.

#### **4.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Investors whose Applications are valid will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their holder identification number or securityholder reference number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

#### **4.12 Privacy Act**

If you complete an application for Shares, you will be providing personal information to the Company (directly or via 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 dividend 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's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share 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 (Cth) (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.

#### **4.13 Ranking of new Shares**

The new Shares will be fully paid, and upon issue will rank equally with existing Shares. A summary of the rights attaching to the new Shares is set out in section 6.

#### **4.14 Enquiries**

Any questions concerning the Offer or this Prospectus should be directed to Mr David Sweet, Managing Director, on 0414 888 999 or Computershare Investor Services Pty Limited, the Company's share registry on 1300 556 161.

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**5. PURPOSE AND EFFECT OF THE OFFER**
**5.1 Purpose of the Offer**

The purpose of the Offer is to raise approximately \$9,148,522 (before expenses and costs). The proceeds of the Offer are planned to be used in accordance with the table set out below:

<b>Proceeds of the Offer</b>	<b>\$</b>
To pay deferred consideration owing under the share sale agreement pursuant to the Empowered Acquisition (Note 1)	5,000,000
To pay amounts outstanding in relation to the 2007/2008 financial year EBITDA earn out under the share sale agreement pursuant to the Empowered Acquisition (Note 1)	883,482
To repay the unsecured vendor loan that was entered into pursuant to the Empowered Acquisition (Note 1)	2,000,000
To repay part of the \$1.75 million bridging facility with Co-Investor (Note 2)	855,036
To pay part of the expenses of the Offer (Note 3)	410,004
<b>Total</b>	<b>\$9,148,522</b>

**Notes:**

1. These amounts are payable under the Empowered Acquisition agreement and vendor loan agreement between the Company and vendors of Empowered Communications as previously disclosed by the Company. Refer to section 8.4 of this Prospectus.
2. The balance of the bridging facility will be repaid out of the proceeds of the Placement.
3. Refer to Section 8.7 of this Prospectus for further details relating to the estimated expenses of the Offer.

**5.2 Effect of the Offer and Pro Forma Consolidated Balance Sheet**

The Company wishes to raise additional equity to reduce borrowings and pay amounts owing under the Empowered Acquisition.

To illustrate the effect of the Entitlement Issue, a pro forma consolidated balance sheet has been prepared based on the audited financials as at 30 June 2008. It is important to note that the pro forma balance sheet is not intended to represent the financial position of the Company if the Entitlement Issue is implemented in full. It is provided as an illustration of the effect of the Entitlements Issue and certain other assertions. The actual impact on the Company is dependant on a range of factors, many of which are outside the control of the Company.

The unaudited pro forma balance sheet as at 30 June 2008 below has been prepared on the basis of the accounting policies normally adopted by the Company and reflects the changes to its financial position as noted below. They have been prepared on the assumption that all new Shares pursuant to the Offer in this Prospectus are issued.

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The pro forma balance sheet has been prepared to provide Shareholders with information on the pro-forma assets and liabilities of the Company. The pro forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	\$ Actual 30 June 2008	\$ Pro Forma 30 June 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,113,545	2,700,215
Trade and other receivables	4,639,424	4,639,424
Other financial assets	294,044	294,044
Other	138,310	460,035
Inventories	164,174	164,174
<b>Total current assets</b>	<b>8,349,497</b>	<b>8,257,892</b>
<b>Non-current assets</b>		
Trade and other receivables	0	0
Other financial assets	1,201,133	1,201,133
Plant and equipment	987,139	987,139
Investments	0	0
Deferred tax assets	1,074,865	1,074,865
Intangible assets	10,542,700	10,542,700
Goodwill	23,846,429	23,846,429
<b>Total non-current assets</b>	<b>37,652,266</b>	<b>37,652,266</b>
<b>Total assets</b>	<b>46,001,763</b>	<b>45,910,158</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	14,209,103	8,325,621
Provisions	388,432	388,432
Interest-bearing loans and borrowings	7,254,690	754,690
Income tax payable	255,902	255,902
Deferred income	871,647	871,647
<b>Total current liabilities</b>	<b>22,979,774</b>	<b>10,596,292</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	6,310,241	9,185,241
Other payables	1,573,424	1,573,424
Deferred tax liabilities	3,178,349	3,178,349
Provisions	120,020	120,020
<b>Total non-current liabilities</b>	<b>11,182,034</b>	<b>14,057,034</b>
<b>Total liabilities</b>	<b>34,161,808</b>	<b>24,653,326</b>
<b>Net assets</b>	<b>11,839,955</b>	<b>21,256,832</b>
<b>EQUITY</b>		
Contributed equity	93,450,938	102,867,815
Reserve	3,129,419	3,129,419
Accumulated losses	(84,740,402)	(84,740,402)
<b>Total equity attributable to equity holders of the parent</b>	<b>11,839,955</b>	<b>21,256,832</b>

**Notes:**

1. The consolidated balance sheet of 30 June 2008 has been extracted from the audited financial statements. No account has been taken of any trading or transactions of the Company since 30 June 2008 except for the transactions noted below.
2. The adjustment to share capital reflects the issue of approximately 304,950,735 new Shares pursuant to the Offer and the issue of the Placement shares to Co-Investor. The estimated expenses associated with the Placement are in the order of \$75,000.
3. The adjustment to the balance sheet reflects:
  - (a) the debt owed to the vendors of the Empowered Acquisition of \$2 million and the ANZ debt of \$6.6 million is repaid;
  - (b) the bridging finance facility of \$1.75 million provided by Co-Investor is repaid;
  - (c) the deferred purchase consideration owed to the vendors of the Empowered Acquisition of \$5.9 million is paid; and
  - (d) the \$5 million senior secured facility provided by Co-Investor is outstanding. The estimated expenses of establishing this senior debt facility including facility fees and associated legal costs are in the order of \$320,000.

**5.3 Potential Effect of Entitlements Issue on Capital Structure**

As at 30 October 2008 there were 132,587,276 Shares on issue. After issue of the Placement shares there will be 152,475,367 Shares on issue. After completion of the Entitlement Issue there will be approximately 457,426,102 Shares on issue.

The exact number of new Shares to be issued cannot be calculated until Entitlements have been determined following the Record Date.

Holders of Notes or Options will not be entitled to participate in the Offer. Options which have vested may be exercised by the Option holder prior to the Record Date in order to participate in the Offer. Noteholders will only be entitled to participate in the Offer if Notes are converted by the holder prior to the Record Date.

## Options

No new Options will be issued under the Offer. The Company currently has the following Options on issue.

<b>Options</b>	<b>Number</b>
Listed exercisable at 30 cents on or before 30 June 2009	7,891,921
Unlisted exercisable at 25 cents on or before 4 March 2010	600,000
Unlisted exercisable at 25 cents on or before 4 March 2011	600,000
Unlisted exercisable at \$1.00 on or before 31 December 2008	475,000
Unlisted exercisable at 40 cents on or before 31 July 2009	225,000
Unlisted exercisable at 50 cents on or before 31 July 2009	787,500
Unlisted exercisable at 60 cents on or before 31 July 2009	450,000
Unlisted exercisable at 50 cents on or before 31 May 2010	630,000
Unlisted exercisable at 30 cents on or before 30 November 2011	300,000
Unlisted exercisable at 40 cents on or before 30 November 2011	150,000
Unlisted exercisable at 60 cents on or before 30 November 2011	150,000
<b>Total</b>	<b>12,259,421</b>

In addition to the above, the Facilitation Options will be issued to Co-Investor within 3 business days of the AGM. Refer also to section 8.4 regarding the option to settle amounts by the issue of shares in the Company if amounts owing to the vendors of Empowered Communications are not paid by 31 December 2008.

## Convertible Notes

No new notes will be issued under the Offer.

The Company currently has Notes with a face value of \$1.5 million outstanding and a maturity date of 9 July 2010. Interest is payable at 11% per annum, accrued daily and payable quarterly in arrears. The notes may be converted into ordinary shares at the election of Noteholders at any time prior to the maturity date at an exercise price of 40 cents per share. For every one share issued on conversion, the Company must issue the holder one share option. The share options are exercisable before 30 June 2011 and each option has an exercise price of 50 cents.

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#### 5.4 The Underwriter's maximum potential shareholding in the Company

The Underwriter has agreed to underwrite the Entitlement Issue by acquiring all Shortfall Shares. At the date of this Prospectus it is not possible to confirm whether or not there will be any Shortfall Shares.

The following table sets out the Shareholding of Co-Investor Capital Partners Pty Ltd (and its related bodies corporate) after completion of the Entitlement Issue assuming different levels of acceptances by the existing Shareholders and subject to the Underwriting Agreement:

% acceptance of the Issue by Shareholders (Note 3)	Shares held by Co-Investor Capital Partners Pty Ltd (and related bodies corporate) after Entitlement Issue (Notes 1(a), 2, 4)	% of issued capital of the Company held by Co-Investor Capital Partners Pty Ltd (and related bodies corporate) after Entitlement Issue
100% (all Shareholders accept and therefore no underwriting)	86,964,273 (Note 1(b))	19.01%
0% (No Shareholders accept and Entitlement Issue is fully underwritten)	333,938,826	73.00%

**Note 1(a):** As at the date of this Prospectus Co-Investor Capital Partners Pty Ltd has a relevant interest in 28,988,091 Shares (which includes the Placement shares to be issued to Co-Investor within 3 business days of the AGM).

**Note 1(b):** This total assumes that Co-Investor acquires all New Shares under its Entitlement.

**Note 2:** The actual number of Shares acquired by Co-Investor Capital Partners Pty Ltd may be less than is shown if Shareholders subscribe for and are allocated Additional Shares under the Shortfall Facility and if sub-underwriters take up any Shortfall instead of the Underwriter.

**Note 3:** Calculations assume that 304,950,735 new Shares are issued under the Entitlement Issue. However, the exact number of new Shares to be issued cannot be calculated until Entitlements have been determined following the Record Date.

**Note 4:** 25,000,000 Facilitation Options will be issued to Co-Investor within 3 business days of the AGM. This table assumes that no Facilitation Options are exercised.

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## 6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

The new Shares issued pursuant to this Prospectus will be fully paid ordinary Shares and will rank equally in all respects with the Company's fully paid ordinary Shares currently on issue.

Subject to any restrictions on the allotment of Shares imposed by the Company's Constitution, the Listing Rules and the Corporations Act, Directors may issue ordinary Shares on such terms and conditions as they see fit.

The following is a broad summary of the rights and liabilities attaching to new Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, the Listing Rules and Corporations Act, a copy of the Constitution is available for inspection at the Company's registered office during normal business hours, or at ASX.

### 6.1 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to 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.

### 6.2 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:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) 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
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each fully paid Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

### 6.3 Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special rights or restrictions as to dividends attaching to a Share and subject to the Listing Rules and Corporations Act, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders

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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.

The Directors may from time to time grant to Shareholders or any class of Shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

#### **6.4 Winding-Up**

Subject to the Company's Constitution, the Listing Rules and the Corporations Act, 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.

#### **6.5 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 Company's Constitution, the Corporations Act and the Listing Rules.

#### **6.6 Future Increase in Capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

#### **6.7 Variation of Rights**

Under 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.

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## 7. RISK FACTORS

### 7.1 General

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business and Applicants should consult their professional advisers before deciding whether to apply for new Shares. The operations of the Company are subject to a range of business risks, both of a general nature and of a specific nature in respect of the business activities of the Company. There can be no guarantee that the Company will achieve its stated objectives.

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus and should consult their professional advisers before deciding whether to apply for new Shares.

The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and Applicants should examine the contents of this Prospectus in its entirety. These risks could result in loss of income and/or capital invested.

### 7.2 Economic Risks

Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital and industrial disruption have an impact on business costs, and stock market prices. The Company's share price, operations, business and profitability can be affected by these factors, which are beyond the control of the Company and its Directors.

### 7.3 Market conditions

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. These factors may include movements on international stock markets, interest rates and exchange rates, together with domestic and international economic conditions, inflation rates, commodity supply and demand, government taxation and royalties, war, global hostilities and acts of terrorism. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### 7.4 Security Investments

Applicants should be aware that there are risks associated with any investment in securities. Securities listed on the stock market have experienced price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

### 7.5 Industry Risks

The Company's current and future potential competitors include companies with substantially greater resources than it. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the current products or any of those being developed by the Company or which would render the products obsolete and/or otherwise uncompetitive. In addition, the Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position.

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## 7.6 Integration Risk

The Company has completed a number of acquisitions over the past eighteen months. The Company expects that value can be added for Shareholders by the efficient, timely and cost effective integration of the recently acquired businesses. However, a risk exists that any integration may take longer than expected, and/or the quantum of synergies and efficiencies achieved is less than expected. A failure to achieve integration in a timely manner or to achieve some or all of the synergies and efficiencies may have an adverse impact on the financial performance of the Company and therefore the value of its Shares.

## 7.7 Future Capital Requirements

The Company's ongoing activities may require substantial expenditures to exploit business activities it identifies. This may require the Company to raise additional capital from equity or debt sources. There can be no guarantees that Company will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

## 7.8 Reliance on Key Personnel and Employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

The Company is dependent on its management, the loss of whose services could materially and adversely affect the Company and impede the growth of its business.

There can be no guarantee that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis to develop its business.

## 7.9 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in complementary companies, products or technologies. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies.

## 7.10 Mobile Network Capacity Risks

The Company is supplied with mobile network services and capability through a third party carrier. The ability of the Company to continue to provide these services is contingent upon the carrier complying with all of its obligations under the network capacity agreement entered into with the Company.

The Company is unable to guarantee that the carrier will be able to continue to supply network capability and services in accordance with the network capacity agreement and any breach of the network capacity agreement by the Company or the carrier

could have a materially adverse effect on the Company's business, operations and financial prospects.

In addition, as a result of continued upgrades and changes to telecommunications technologies, the carrier may be prevented from providing the Company with network capability and services for short periods of time and may also be unable at all times to administer changes to the services offered by the Company that will allow flexibility in reacting to actions taken by competitors (such as reductions in tariffs charged to customers).

#### 7.11 **Probability of Achieving Mobile Connects and Retaining Mobile Customers**

An important task for the Company is to maintain commercialisation of its mobile products through attracting new customers who sign up for the telecommunications services offered by the Company (**Connects**). The possibility of the Company achieving sufficient Connects depends on the offerings of the Company's competitors, the sales and marketing capability of the Company and the distribution network of its sales agents. It is equally important that the Company retains its existing mobile customers, both wholesale and retail. The possibility of the Company maintaining a sufficient number of retail mobile customers largely depends on the number of retail customers who are contracted for the Company's telecommunications services. This in turn is dependent upon the cash flows of the Company to fund the provision of handsets to the retail customers who sign a contract. Failure to achieve a sufficient number of Connects and retain a sufficient number of retail and wholesale customers could have a material adverse effect on the Company and its prospects.

#### 7.12 **Pricing**

The Company's success depends upon its ability to take a highly competitive product to the market, utilising its marketing, network access and distribution channels. Notwithstanding this, the Company's success also depends on the charges it incurs from the network provider. The outcome of the pricing review which is in place under its network capacity agreement with the network provider, may adversely impact upon the Company's profitability.

#### 7.13 **Technology Risks**

The Company's products rely on the technology infrastructure of the network provider. If this infrastructure, such as the rate of data transfer or the quality of bandwidth, is not upgraded with technological advancements or becomes redundant, this may impact on the revenues generated by the Company if customers prefer the products of competitors.

#### 7.14 **Debt Facility Risks**

The Company has recently entered into new secured debt facilities with Co-Investor Capital Partners Pty Ltd and has existing debt on its balance sheet. The Company's ability to refinance that debt on favourable terms as it becomes due or to repay the debt, its ability to raise further finance on favourable terms for its businesses and to pursue opportunities, and its borrowing costs will depend on market conditions and the Company's performance. A negative change in the Company's performance may have an adverse effect on its ability to borrow and its cost of funds. If the Company is unable to repay any of its debt facilities as they fall due then this will have a material adverse effect on the Company.

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### 7.15 **Competitive and volatile nature of the Media industry**

Empowered Communications is subject to vigorous competition from other operators within the media industry. This competitive environment may result in Empowered Communications experiencing customer loss. In many cases, Empowered Communications provides a portion of its customers advertising and marketing needs only in particular geographic areas, thus enabling the customer to compare the effectiveness of Empowered Communications against other companies' results. In addition, customers put their advertising contracts up for competitive bidding at regular intervals and have the ability to move their accounts to competitors on relatively short notice.

Customers generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason. Empowered Communications relies upon personal relationships with a large number of customers within the advertising and marketing industries in order to maintain and grow its earnings. A significant reduction in spending by key customers, or the loss of key customers could adversely affect Empowered Communication's prospects, financial position and results of operations. Empowered Communications has in the past been able to grow its revenue notwithstanding customer loss, but there is no guarantee that this will continue.

### 7.16 **Other Risks**

Certain unavoidable risks which are incurred in the ordinary course of the Company's business, such as underperformance in the achievement of sales targets, failure to realise benefits from operational synergies, increased costs of sales and increases in overheads may have an adverse impact on the results of the Company. The future taxation regime for companies and individuals may impact on the tax position of both the Company and individual Shareholders.

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## 8. ADDITIONAL INFORMATION

### 8.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors and their professional advisers should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the audited financial statements of the Company for the financial year ended 30 June 2008 being the last financial statements for a financial year of the Company lodged with the ASIC before the issue of this Prospectus; and
  - (ii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement with ASIC of the 30 June 2008 audited financial statements and before the lodgement of this Prospectus:

Date Lodged	Description of Announcement
31/10/2008	Results of Annual General Meeting
20/10/2008	Ceasing to be a substantial shareholder from ANZ
14/10/2008	Becoming a substantial shareholder
30/9/2008	Update on FY09 Outlook
29/9/2008	Notice of Annual General Meeting/Proxy Form
23/9/2008	Annual Report to shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours. ASX announcements are also available from the ASX website, [www.asx.com.au](http://www.asx.com.au)

The announcements are also available through the Company's website [www.comtelcorporation.com.au](http://www.comtelcorporation.com.au).

## 8.2 Underwriting Agreement

By an agreement between Co-Investor Capital Partners Pty Ltd (**Underwriter**) and the Company (**Underwriting Agreement**) dated 3 November 2008, the Underwriter agreed to fully underwrite the Offer for approximately 304,950,735 Shares (**Underwritten Shares**) at three (3) cents each, being \$9,148,522.

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of the greater of \$457,426 and 5% of the Underwritten Amount as well as all reasonable costs and expenses incurred by the Underwriter in connection with the Offer.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if prior to 5pm on the Closing Date:

- (a) (**Indices fall**): any of the all ordinaries index or the small ordinaries index as published by ASX is, for a period of three consecutive days or greater after the date of the Underwriting Agreement, 7.0% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) (**Prospectus**): the Offer is withdrawn by the Company; or
- (c) (**No Official Quotation**): Official Quotation has not been granted by the shortfall notice deadline date or, having been granted, is subsequently withdrawn, withheld or qualified;

- (d) **(Supplementary prospectus):**
- (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of a new circumstance that arises that is materially adverse from the point of view of an investor, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require;
  - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter which shall not be unreasonably withheld;
- (e) **(Non-compliance with disclosure requirements):** it transpires that the Prospectus (having regard to the provisions of section 713 of the Corporations Act) does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
- (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
  - (ii) the rights and liabilities attaching to the new Shares the subject of the Offer;
- (f) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 713 and 716 of the Corporations Act as applicable) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive in each case that is materially adverse from the point of view of an investor;
- (g) **(Restriction on allotment):** the Company is prevented from allotting the new Shares the subject of the Offer within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (h) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (i) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the shortfall notice deadline date has arrived, and that application has not been dismissed or withdrawn;

- (j) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (k) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (l) **(Hostilities)**: except for the existing hostilities in Iraq, Afghanistan, North Korea, the Russian Federation, Indonesia and the Middle East and any aggravation of those hostilities, there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America or the Peoples Republic of China or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world and, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of the terrorist act is likely to have, or two or more terrorist acts together have or are likely to have, a Material Adverse Effect;
- (m) **(Authorisation)** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked, terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter acting reasonably;
- (n) **(Indictable offence)**: a director, officer or senior manager of a Relevant Company is charged with an indictable offence;
- (o) **(Suspension)**: the Company is removed from the ASX official list or the Shares become suspended from official quotation and that suspension is not lifted within 24 hours following such suspension.
- (p) **(Termination Events)**: subject always to whether an event has a Material Adverse Effect or could give rise to a material liability of the Underwriter under the Corporations Act or otherwise, any of the following events occurs:
- (i) (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (ii) (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
  - (iii) (Contravention of constitution or Act): a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (iv) (Adverse change): an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the

assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;

- (v) (Error in Due Diligence Results): it transpires that any of the due diligence results or any part of the verification material for the Prospectus was false, misleading or deceptive or that there was an omission from them;
- (vi) (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (vii) (Public statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus;
- (viii) (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (ix) (Quotation qualified): the official quotation is qualified or conditional other than as set out in the definition of "Official Quotation";
- (x) (Change in Act or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (xi) (Prescribed Occurrence): a prescribed occurrence (which includes a winding up or insolvency event) occurs in respect of a Relevant Company;
- (xii) (Suspension of debt payments): the Company suspends payment of its debts generally;
- (xiii) (Event of Insolvency): an event of insolvency occurs in respect of a Relevant Company;
- (xiv) (Judgment against a Relevant Company): a judgment in an amount exceeding \$250,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (xv) (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus;
- (xvi) (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the

Company before completion of the Entitlement Issue without the prior written consent of the Underwriter;

- (xvii) (Change in shareholding) there is a material change in the major or controlling shareholdings of a Relevant Company (other than as contemplated in the Prospectus) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xviii) (Timetable): there is a delay in any specified date in the timetable for the Offer which is greater than 5 Business Days;
- (xix) (Force Majeure): a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xx) (Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) (Capital Structure): any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus;
- (xxii) (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a Related Company or its officers;
- (xxiii) (Market Conditions): a suspension or material limitation in trading generally on ASX occurs for a period of three consecutive business days or greater after the date of the Underwriting Agreement or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, and the United States of America.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

### 8.3 Directors' interests / Related Party Transactions

Other than as set out below or elsewhere in this Prospectus and the Annual Report, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

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Directors' interests and proposed director's interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options (Note 4)	Entitlement
Kevin Weldon (Note 1)	4,280,935	1,012,500	8,561,870
David Sweet (Note 2)	383,385	1,615,843	766,770
Roger Steinepreis (Note 3)	5,178,601	153,125	10,357,202
Victoria Lord (Note 6)	nil	3,000,000	nil
Phillip Pryke (Note 5) (Proposed Director)	28,988,091	25,000,000	57,976,182

**Notes:**

- (1) Shares and options are held by WM Capital Pty Ltd, Weldon International Pty Ltd (companies which Kevin Weldon is a director and shareholder) and Kevin Weldon.
- (2) Shares and options are held by the Sweet Superannuation Fund, of which David Sweet is a director and beneficiary.
- (3) Shares and options are held indirectly through Blueknight Corporation Pty Ltd ACN 094 502 360 (**Blueknight**), a company of which Roger Steinepreis is a director and shareholder and directly by Roger Steinepreis.

Steinepreis Paganin, a law firm of which Roger Steinepreis is a partner, has previously received fees for legal services provided to the Company and Blueknight has previously received consultancy fees for providing services to the Company as disclosed in the Annual Report.

- (4) Unlisted options except for Roger Steinepreis.
- (5) As stated in the Notice of Meeting, Co-Investor has the right to appoint one nominee to the Board of the Company after the issue of the Placement shares. Mr Phillip Pryke is the proposed Co-Investor nominee director and upon appointment will be entitled to receive director's fees of \$50,000 plus GST per annum. Mr Pryke is a director and shareholder of Co-Investor, the Underwriter. The date of appointment as a director of Co-Investor's nominee has not yet been determined. Co-Investor has a relevant interest in 28,988,091 Shares (which includes the Placement shares to be issued within 3 Business Days of the AGM) and a relevant interest in 25,000,000 Facilitation Options to be issued within 3 Business Days of the AGM).
- (6) Victoria Lord is associated with Belgravia Group Pty Limited, a party related to the Company. As previously disclosed in the Notice of Meeting and Annual Report, Belgravia Group Pty Limited holds 3 million listed options which have an exercise price of 30 cents per share and has provided the Company with a bank guarantee of \$3 million in respect of the Company's facility with ANZ. The bank guarantee provided is for a term of 3 years from 15 November 2007 and interest is payable at 6.7% p.a, quarterly in arrears.

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Non executive directors, Roger Steinepreis and Victoria Lord are entitled to receive Directors' fees of \$50,000 per annum. Kevin Weldon is entitled to receive Director's fees of \$75,000 per annum and consulting fees of \$75,000 per annum.

For the current financial year Mr Sweet is entitled to receive consulting fees of \$350,000 per annum from the Company. In accordance with the Company's remuneration policy as set out in the Company's Annual Report, the performance of executive directors is measured against criteria agreed with each executive and is based on the Company achieving EBITDA targets. All bonuses and incentives must be linked to predetermined performance criteria. As disclosed in the Annual Report, Mr Sweet was granted 1 million performance options on 8 November 2007.

Directors, companies associated with the Directors, or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

As stated in the Notice of Meeting, the Company has reasonable grounds to believe Co-Investor is likely to become a related party of the Company at a time in the future. Co-Investor will be issued the Placement shares within 3 Business Days of the AGM, be paid an arrangement fee of \$45,000 for the Placement and will be issued the Facilitation Options within 3 Business Days of the AGM.

In addition, if requested by the Company, Co-Investor will tender to provide specific advisory and/or capital raising assignments at market rates.

Further, as stated in the Notice of Meeting, the Company has entered into a senior secured loan agreement for \$5 million and a bridging finance facility of \$1.75 million with Co-Investor as lender.

In summary, the key commercial terms of the loan facility agreement are as follows:

- (a) \$5 million three year 15% amortising senior secured loan;
- (b) \$1.75 million short term 20% interest only bridging facility;
- (c) the \$5 million facility and bridging finance are secured by a fixed and floating charge over the Company and first ranking fixed and floating charges over Empowered Technologies Pty Ltd, Empowered Communications (Holdings) Pty Ltd, Empowered Communications Pty Ltd and eRewards Pty Ltd; and
- (d) drawdown of the \$5 million loan and bridging finance is subject to a number of conditions precedent including Shareholders having approved at the AGM the issue of the Placement Shares and Facilitation Options to Co-Investor.

The facility agreement contains customary undertakings, events of default and other provisions of debt facility agreements. An establishment fee of \$250,000 will be paid to Co-Investor under the loan agreement for the provision of the bridging finance.

The proceeds of the Co-Investor \$5 million loan and the bridging facility will be used to discharge the Company's existing facility with ANZ.

#### 8.4 Empowered Communications

As disclosed in the Annual Report, in the event that the Company does not raise \$5,883,482 under this Entitlement Issue or in any alternative fundraising by 31 December 2008 and settle the deferred consideration amount of \$5 million and the 2008 financial year EBITDA earnout amount of \$883,482, the vendors of Empowered

Communications have the option, subject to prior shareholder approval, to settle these amounts through the issue of ordinary shares in the Company at an issue price of 90% of the 5 day volume weighted average price prior to issue.

Also, as disclosed in the Annual Report, if the vendor loan amount of \$2 million is not repaid to the vendors of Empowered Communications by 31 March 2009, then the vendors of Empowered Communications may exercise their call option under the vendor loan to buy back the Empowered Group. The exercise price of this option is the forgiveness of the \$2 million loan and the vendors would assume the responsibility for the then current outstanding indebtedness owing to the financier in relation to the Empowered Acquisition.

On 28 October 2008 the Company and vendors of Empowered Communications varied the Empowered Acquisition agreement to provide that at the request of either Risetime Media Pty Limited (**Risetime**) or Oaktel Investments Pty Ltd (**Oaktel**) (the vendors of Empowered Communications), the Company will grant a second ranking fixed and floating charge over the Empowered Group to Risetime and Oaktel if amounts due to Risetime and Oaktel under the Empowered Acquisition and vendor loan agreements are not repaid by 31 December 2008. The second ranking charges will secure all amounts payable by the Company to Risetime and Oaktel, will contain customary terms and conditions and will be granted promptly by the Company on the request of either Risetime or Oaktel.

## 8.5 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other 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, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Co-Investor Capital Partners Pty Ltd has given and has not withdrawn its consent to being named as underwriter to the Offer in the form and context in which it is named in the Prospectus. Co-Investor Capital Partners Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus, other than the reference to its name in the form and context in this Prospectus.

Co-Investor Capital Partners Pty Ltd will be paid an underwriting fee of approximately \$457,426 in respect of this Offer as set out in section 8.2. Co-Investor will be paid an arranging fee of approximately \$45,000 in respect of the issue of the Placement Shares. Co-Investor will also be paid an establishment fee of \$250,000 for the provision of the bridging finance.

Pursuant to Section 716 of the Corporations Act, Middletons Lawyers has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Middletons Lawyers has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus, other than the reference to its name in the form and context in this Prospectus.

Middletons Lawyers act as solicitors to the Company. Middletons Lawyers will be paid approximately \$56,000 plus GST for services in relation to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Computershare Investor Services Pty Ltd has given, and has not withdrawn its consent to being named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Ltd has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

#### **8.6 Legal Proceedings**

As far as the Directors are aware as at the date of this Prospectus there is no litigation, arbitration or proceedings actual or pending against the Company which is likely to have a material adverse effect on the financial position of the Company.

#### **8.7 Estimated Expenses of Offer**

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are \$554,061 plus GST.

#### **8.8 Market Price of Shares**

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC were:

Highest: 6.9 cents

Lowest: 1.5 cents

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 1.5 cents on 31 October 2008.

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9. **AUTHORITY OF DIRECTORS**

9.1 **Directors' Consent**

Each of the Directors of the Company and proposed Director, Mr Phillip Pryke has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated 3 November 2008



Signed for and on behalf of  
**COMTEL CORPORATION LIMITED**  
by David Sweet

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**10. DEFINITIONS**

**Additional Shares** means Shares forming part of any Shortfall that may be applied for by a Shareholder under the Shortfall Facility.

**AGM** means the annual general meeting of the Company convened on Friday 31 October 2008.

**Annual Report** means the annual report for the Company for the financial year ended 30 June 2008 and lodged with ASIC on 23 September 2008.

**Applicant** means a person who submits an application for New Shares pursuant to the Entitlements Issue.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC Settlement Rules** means the settlement rules of the securities clearing house which operates CHES.

**ASX** means the ASX Limited (ACN 008 624 691).

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means a Business Day as defined in the Listing Rules.

**Closing Date** means the closing date of the Offer, being 5pm on the closing date specified in Section 1 of this Prospectus (unless extended).

**Company** or **ComTel** means ComTel Corporation Limited (ABN 30 000 386 685).

**Co-Investor** means Co-Investor Capital Partners Pty Ltd and its associated entities.

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Dollar** or "**\$**" means Australian dollars.

**EBITDA** means earnings before interest, tax, depreciation, amortisation and impairment loss.

**Eligible Shareholders** means Shareholders at 5pm (Sydney time) on the Record Date with a registered address in Australia or New Zealand who are eligible to participate in the Entitlement Issue.

**Empowered Acquisition** means the acquisition by the Company of Empowered Technologies Pty Ltd, Empowered Communications (Holdings) Pty Ltd, Empowered Communications Pty Ltd and eRewards Pty Ltd in October 2007.

**Empowered Group** means Empowered Technologies Pty Ltd, Empowered Communications (Holdings) Pty Ltd, Empowered Communications Pty Ltd and eRewards Pty Ltd.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

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**Entitlement Issue** means the renounceable rights issue offer pursuant to the Prospectus of two new Shares for every one Share held by a Shareholder on the Record Date at 3 cents per Share.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus.

**Facilitation Options** means the 25,000,000 unlisted Options to be issued to Co-Investor within 3 business days of the date of the AGM with an exercise price of 6 cents per Share and on the terms set out in the Notice of Meeting.

**Issue** means the issue of Shares offered by this Prospectus.

**Listing Rules or ASX Listing Rules** means the Listing Rules of the ASX.

**Material Adverse Effect** means:

- (a) a material adverse effect on the outcome of the Offer or on the subsequent market for the new Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in the new Shares the subject of the Offer); or
- (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its Subsidiaries either individually or taken as a whole.

**Nominee** means DJ Carmichael Pty Ltd ACN 003 058 857, AFSL 232571 or such other nominee appointed by the Company.

**Notice of Meeting** means the notice of the AGM dated 29 September 2008.

**Noteholder** means a holder of Notes.

**Notes** means convertible notes issued by the Company convertible into Shares in accordance with their terms of issue.

**Offer** means the Entitlement Issue.

**Offer Period** means the period commencing on the Opening Date and ending on the Closing Date.

**Official List** means the official list of ASX.

**Option** means an option to acquire a Share.

**Placement** means 19,888,091 Shares that are to be issued to Co-Investor Capital Partners Pty Ltd at 4.5 cents per share within 3 business days of the date of the AGM.

**Prospectus** means this prospectus.

**Quotation and Official Quotation** means official quotation on ASX.

**Record Date** means 5pm on the record date specified in Section 1 of this Prospectus.

**Related Corporation** has the meaning given to that term in the Corporations Act.

**Relevant Company** means the Company and its subsidiaries.

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**Rights** means the right to subscribe for new Shares pursuant to this Prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Shortfall** means those Shares under the Offer not applied for by Eligible Shareholders under their Entitlement.

**Shortfall Facility** means the facility described in section 4.5.

**Shortfall Shares** means those Shares forming the Shortfall after allocation of any Additional Shares under the Shortfall Facility.

**Underwriter** means Co-Investor Capital Partners Pty Ltd ACN 110 402 134.

**Underwriting Agreement** means the underwriting agreement between the Company and Underwriter as summarised in section 8.2 of this Prospectus.