



16 January 2006

**AUSTRALIAN STOCK EXCHANGE LIMITED**

**Electronic Lodgement**

Dear Sir / Madam

Attached please find a Notice of General Meeting, being despatched to shareholders.

Yours faithfully  
**POCKETMAIL GROUP LIMITED**

A handwritten signature in black ink that reads "D McArthur".

**DAVID McARTHUR**  
Company Secretary

Att

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**POCKETMAIL GROUP LIMITED**  
**ABN 96 008 719 015**

**NOTICE OF GENERAL MEETING**

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**TIME:** 10.00am (EST)  
**DATE:** 16 February 2006  
**PLACE:** Level 14  
15-19 Bent Street  
SYDNEY NSW 2000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*The Independent Expert reporting on Resolution 6 concludes that the acquisition referred to in that resolution is not fair but reasonable to the non-associated Shareholders of the Company.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact Philip Suriano on (02) 8257 6500.*

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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A General Meeting of the Shareholders of PocketMail Group Limited will be held at 10.00am (EST) on 16 February 2006 at:

**Level 14  
15-19 Bent Street  
SYDNEY NSW 2000**

**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Meeting as soon as possible and either:

- (a) send the proxy form by facsimile to the Company on facsimile number (02) 8257 6501 (International +61 2 8257 6501); or
- (b) deliver the proxy form to the Company at Level 14, 15-19 Bent Street, Sydney, NSW; or
- (c) send the proxy form to the Company at PO Box H101, Australia Square, NSW, 1215,

so that it is received not later than 10.00am (EST) on 14 February 2006. Proxy forms received later than this time will be invalid.

**Your proxy form is enclosed after the Explanatory Statement**

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## CONTENTS

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Notice of General Meeting (setting out the proposed resolutions)

Explanatory Statement (explaining the proposed resolutions)

Glossary

Independent Expert's Report

Proxy form

### **IMPORTANT INFORMATION**

The Notice of Meeting and Explanatory Statement are to be read in conjunction with the Independent Expert's Report set out at the end of the Explanatory Statement.

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## NOTICE OF GENERAL MEETING

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Notice is given that the General Meeting of Shareholders of PocketMail Group Limited will be held at 10.00am (EST) on 16 February 2006 at Level 14, 15-19 Bent Street, Sydney, NSW.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at close of business on 14 February 2006.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## AGENDA

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### 1. RESOLUTION 1 – RATIFICATION OF SHARE PLACEMENT

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

*"That, pursuant to ASX Listing Rule 7.4 and for all other purposes Shareholders ratify the allotment and issue of 72,000,000 Shares at 0.05 cents per Share (pre Consolidation) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by any person who participated in the issue and any associates of those persons.

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### 2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

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

*"That, subject to all other resolutions in this Notice being passed (other than Resolution 1), pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every twenty (20) Shares be consolidated into one (1) Share; and*
- (b) every twenty (20) Options be consolidated into one (1) Option,*

*and where this Consolidation results in a fraction of a Share being held by a Shareholder, the Directors be authorised to round that fraction up to the nearest whole Share."*

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### 3. RESOLUTION 3 – DISPOSAL OF ASSETS

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

*"That, subject to all other resolutions in this Notice being passed (other than Resolution 1), for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the Company to dispose of a number of its*

*wholly owned subsidiaries which are the legal owners of the existing business of the Company on the terms and conditions in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if this resolution is passed and any associates of those persons.

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#### 4. RESOLUTION 4 – RIGHTS ISSUE

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

*"That, subject to all other resolutions being passed (other than Resolution 1), for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company be authorised to undertake a non-renounceable underwritten rights issue of approximately 138,428,165 Shares to be issued at an issue price of \$0.01 per Share on the basis of 5 Shares for every 1 Share held on the record date (on a post consolidation basis) to raise approximately \$1,384,281 on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any substantial shareholder of the Company and any underwriter or sub-underwriter of the rights issue and any of their associates.

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#### 5. RESOLUTION 5 – RELATED PARTY UNDERWRITING OF RIGHTS ISSUE

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

*"That, subject to all other resolutions being passed (other than Resolution 1), for the purposes of Part 2E of the Corporations Act and for all other purposes, approval is given for Arthur Phillip Pty Ltd (an entity associated with proposed director Richard Poole) (or its nominee) to underwrite the Rights Issue (Resolution 4) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Arthur Phillip Pty Ltd and any of its associates.

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#### 6. RESOLUTION 6 – ISSUE OF CONVERTIBLE NOTES

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

*"That, subject to all other resolutions in this Notice being passed (other than Resolution 1), pursuant to ASX Listing Rule 10.11, Part 2E of the Corporations Act, Section 611 Item 7 of the Corporations Act and for all other purposes, approval is given for the Company to issue convertible notes with a total face value of \$150,000 on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by a person who is to receive securities in the Company pursuant to

this Resolution and any person who might obtain a benefit if the resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any of their associates.

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**7. RESOLUTION 7 – PLACEMENT OF SHARES**

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

*"That, subject to all other resolutions in this Notice being passed (other than Resolution 1), pursuant to ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to make a placement of 50,000,000 Shares (post Consolidation) at an issue price of \$0.01 per Share on the terms and conditions set out in the Explanatory Statement:*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit if the resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any of their associates.

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**8. RESOLUTION 8 – ELECTION OF MR ROGER STEINEPREIS AS A DIRECTOR**

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

*"That, subject to all other resolutions in this Notice being passed (other than Resolution 1), Mr Roger Steinepreis, being eligible and having consented to act, be elected a director of the Company effective immediately."*

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**9. RESOLUTION 9 – ELECTION OF MR RICHARD POOLE**

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

*"That, subject to all other resolutions in this Notice being passed (other than Resolution 1), Mr Richard Poole being eligible and having consented to act, be elected a director of the Company effective immediately."*

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**10. RESOLUTION 10 – ELECTION OF MR PHILIP SURIANO AS A DIRECTOR**

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

*"That, subject to all other resolutions in this Notice being passed (other than Resolution 1), Mr Philip Suriano being eligible and having consented to act, be elected a director of the Company effective immediately."*

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BY ORDER OF THE BOARD

*David McArthur*

DAVID MCARTHUR  
COMPANY SECRETARY

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at a General Meeting.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

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## GENERAL INFORMATION

### *Background*

The Company was re-instated to the official list of ASX in 1999 as a company involved in the provision of world wide mobile email services. The Company's services are available locally throughout the United States, Canada, Western Europe, Australia, New Zealand, the Bahamas, United Arab Emirates and internationally from every other country in the world. Development of the Company's core technology began in 1995, with the goal of offering simple and affordable email and information.

The operations were funded both from capital raisings and with the financial support of the major shareholder, Bindera Pty Ltd (**Bindera**), a company associated with Mr Andrew Kelly, a director of the Company. Notwithstanding some early success, over the past few years there has been a decline in subscriber numbers and subscription revenues for the Company.

In August 2004, the Company executed an agreement with Bindera to defer commencement of repayment by the Company of approximately \$2,506,734 in related party loans until August 2005. Under the terms of the then agreement, interest accrued but not paid to 31 January 2005 was payable in 18 equal, monthly instalments commencing in February 2005. Interest incurred from 1 February 2005 was payable monthly in arrears. The principal was repayable in 12 equal instalments commencing in August 2005.

The repayment terms have not been met and with the support of Bindera, the repayment of the related party loans was further deferred.

As at the date of this Notice, the related party loans to Bindera and another entity associated with Mr Kelly are approximately \$3,119,711.

### *Restructure*

As part of a recent review of the operations and financial position of the Company, and in particular, the Company's working capital position, it has been determined that the Company is in need of a restructure and recapitalisation to clear the related party loans and to ensure that its securities are re-quoted. To this end, and as announced by the Company on ASX, the Company agreed with a proposal presented by APB for the restructure and recapitalisation of the Company.

The effect of the restructure is to sell the main operating business of the Company while retaining the Australian rights to the PocketMail business. The related party loans will be repaid in part with the balance assumed by the party which acquires the business. The

Company will also undertake a placement and rights issue to provide the Company with sufficient funds to continue its operations and to seek new opportunities, as and when they may arise.

**It is considered by your Board that this is the only realistic option available for the Company to enable it to be released from its obligations to its major creditor, Bindera and to enable it to continue operating. If this restructure and recapitalisation is not approved by Shareholders, the Directors will need to consider appointing an administrator.**

For this reason, the Resolutions set out in this Notice are important for the future of your Company but ultimately, the proposal is for Shareholders to decide on.

The proposed restructure and recapitalisation (which is encompassed in this Notice) will involve the following:

- (a) the Company will seek approval to effect a 20:1 share consolidation, leaving the Company with 27,685,633 Shares on issue (Resolution 2);
- (b) the Company will dispose of its various wholly owned subsidiaries which hold the existing PocketMail business to Mr Warwick Mirzikinian and Mr Robert Melham, both non-related parties (**Purchaser**) and these subsidiaries assume all of the liabilities relating to the PocketMail businesses insofar as these liabilities are the obligation of the Company, all lease arrangements, rental agreements, employee liabilities and shall take a transfer of the loan owing by the Company to Bindera (other than an amount of \$555,000 which will be repaid to Bindera and a company associated with Mr Kelly out of the proceeds of the capital raisings). The Company will retain an exclusive licence to the PocketMail technology in Australia for a period of 10 years (Resolution 3). The Purchaser will cause the subsidiaries to appoint a company associated with Mr Richard Poole to manage the PocketMail Business on its behalf and PKT will also appoint this entity to manage the retained business on its behalf;
- (c) the Company will complete a rights issue of 138,428,165 Shares on the basis of 5 Shares for every 1 Share held on the record date (Resolutions 4 and 5), issue convertible notes and undertake a further placement (see below). In the event a Shareholder does not participate in the rights issue the percentage holding by the Shareholder in the Company will be significantly diluted; and
- (d) the Board of the Company will change. Existing Directors David Marchant, Andrew Kelly and Marol Kelly will resign as and from the Meeting. Mr Roger Steinepreis, Mr Richard Poole and Mr Phil Suriano will be appointed as Directors (Resolutions 8, 9 and 10).

The proposed restructure and recapitalisation is conditional upon ASX confirming it will re-instate the securities of the Company to official quotation. Pursuant to ASX Listing Rule 11.1.3, ASX may require that the Company re-comply with Chapters 1 and 2 of the ASX Listing Rules relating to admission to the official list before it allows the Company to be re-instated to official quotation.

To cover the expenses of the recapitalisation and restructure:

- (a) the Company will issue Convertible Notes with a total face value of \$150,000 (Resolution 6); and
- (b) the Company will make a placement of 50,000,000 Shares at an issue price of \$0.01 per Share to raise \$500,000 (Resolution 7).

***Terms of Letter Agreement, Proposed terms of the Share Sale Agreement, Management Agreement, Licence Agreement, Loan Deferral and Indemnity***

***Letter Agreement***

The Company, the Purchaser, Bindera and Arthur Phillip have entered into a letter agreement to record the matters set out in this Section. The terms of the letter agreement will be recorded in formal documents as set out below.

***Share Sale Agreement***

The Company proposes to enter into a formal share sale agreement with Mr Warwick Mirzikinian and Mr Robert Melham, both non related parties (together, the **Purchaser**), under which the Company agrees to sell to the Purchaser 100% of the issued capital of the Company's wholly owned subsidiaries, PocketMail Australia Pty Ltd and PocketMail Inc (USA) (together, the **PKT Companies**).

In consideration for the acquisition, the Purchaser's acknowledge that the PKT Companies assume all the liabilities relating to the PocketMail businesses insofar as those liabilities are the obligations of the Company, all lease arrangements, rental agreements, employer liabilities and the transfer of a loan owing by the Company to Bindera (other than an amount of \$555,000).

Settlement of the agreement is subject to and conditional upon the Company obtaining shareholder approval for:

- (a) the Consolidation (Resolution 2);
- (b) the sale of the wholly owned subsidiaries (Resolution 3)
- (c) the Rights Issue (Resolution 4);
- (d) the issue of the Convertible Notes (Resolution 6); and
- (e) the Placement (Resolution 7).

The share sale agreement shall contain terms and conditions which are standard for an agreement of this nature.

***Management Agreement***

The PKT Companies and Arthur Phillip Pty Ltd, a company associated with Mr Richard Poole (**Manager**) propose to enter into a management agreement pursuant to which the Manager agrees to manage and administer the PKT Companies. In consideration for the services provided by the Manager under the management agreement, the PKT Companies will pay the Manager a management fee to be determined but based on the Manager's normal commercial terms.

The management agreement has a fixed term of 2 years but may be terminated by either party at any time by 3 months written notice. The management agreement shall contain terms and conditions which are standard for an agreement of this nature.

***Licence Agreement***

The Company proposes to enter into a licence agreement with the PKT Companies. The PKT Companies will grant the Company an exclusive, royalty free licence to utilise the

PocketMail technology (and all associated intellectual property) in Australia for a period of 10 years, effective on completion.

The licence agreement shall contain terms and conditions which are standard for an agreement of this nature.

### ***Loan Deferral Agreement and Indemnity***

The PKT Companies and Bindera propose to enter into a loan deferral agreement whereby the PKT Companies shall be required to repay the loan to Bindera (as assumed) out of the profits of the PKT Companies or from the net proceeds of the sale of the PocketMail businesses owned by them.

It is considered that this is not a financial benefit to Bindera (a company associated with Mr Kelly, a current Director) given that this is an arrangement with the PKT Companies when they will be owned by non related parties, and, in any event, the loan is already in existence and has been for a significant period of time. This deferral simply provides a mechanism for repayment of the substantial funding commitment previously made by Bindera, there being no certainty that the loan will be repaid as it is dependent on the performance of those entities and, if it was to occur, the sale of the businesses owned by them. Notwithstanding this, this is a matter for Shareholders to be aware of as the disposal of the PKT Subsidiaries and the assumption of the Bindera loans by those entities means that Bindera may at some time in the future be repaid its loans.

As a separate matter, Bindera agrees to indemnify PKT for any liability incurred by PKT in respect of all leases and other cross facilities guaranteed by PKT that are not capable of being released. This indemnity is given in consideration of the repayment of the sum of \$555,000 to Bindera.

### ***Summary***

In considering the Resolutions in this Notice, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that the securities of the Company have been suspended from trading since 3 October 2005 and the Company requires recapitalisation to continue its operations and seek re-quotations of its securities on ASX. The Resolutions contained in this Notice are therefore important and affect the future of the Company. Shareholders are urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

**If all the Resolutions are passed and implemented, the Company will be debt free, it will be able to continue the PocketMail business in Australia and will be in a position to apply to ASX for the reinstatement of its securities to official quotation.**

### ***Capital Structure***

The capital structure of the Company assuming all the Resolutions in the Notice are carried into effect will be as follows:

<b>Capital Structure</b>	<b>Number of Shares</b>	<b>Number of Options</b>
<b>Securities currently on issue</b>	<b>481,712,653</b>	<b>166,125,000<sup>1</sup></b>
Placement (Resolution 1)	72,000,000	
Total Number pre Consolidation	553,712,653	166,125,000

<b>Post Consolidation Securities</b>	<b>27,685,633</b>	<b>8,306,250<sup>2</sup></b>
Rights Issue (Resolution 4)	138,428,163	
Conversion of Convertible Notes (Resolution 6)	60,000,000	60,000,000
Placement (Resolution 7)	50,000,000	
<b>Completion of all Resolutions in this Notice</b>	<b>276,113,796</b>	<b>68,306,250</b>

1. The Company currently has the following options on issue:
  - (a) 150,000,000 options exercisable at \$0.05 expiring 15 August 2006; and
  - (b) 16,125,000 options exercisable at \$0.02 expiring 16 July 2007.
2. Post Consolidation the Company will have the following options on issue:
  - (a) 7,500,000 options exercisable at \$1.00 expiring 15 August 2006; and
  - (b) 806,250 options exercisable at \$0.40 expiring 16 July 2007.

It is not expected that these options will be exercised as the exercise price is well in excess of the offer price under the rights issue.

#### ***Use of Funds***

The purpose of the capital raisings pursuant to Resolutions 4, 6 and 7 is to:

- (a) repay \$555,000 owing by the Company to Bindera and its associates pursuant to the Bindera Loan;
- (b) fund working capital for the existing Australian business; and
- (c) pay the ongoing administration costs of the Company and the expenses of the recapitalisation of the Company as contemplated in this Notice.

#### ***Statement of Financial Position and Proforma Statements should the proposed resolutions be passed***

<b>Statement of Financial Position</b>					
	<b>Unaudited 30/6/2005 \$</b>	<b>Post Resolution 3 \$</b>	<b>Post Resolution 4 \$</b>	<b>Post Resolution 6 \$</b>	<b>Post Resolution 7 and final statement post completion of the Share Sale Agreement \$</b>
Current Assets	-	-	829,282	979,282	1,479,282
<b>Total Assets</b>	<b>-</b>	<b>0</b>	<b>829,282</b>	<b>979,282</b>	<b>1,479,282</b>
Related Parties Loan	(2,997,585)	(555,000)	-	-	-
Controlled Entity Loan	(368,198)	-	-	-	-
<b>Total Liabilities</b>	<b>(3,365,783)</b>	<b>(555,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Deficiency in) / Net Assets</b>	<b>(3,365,783)</b>	<b>(555,000)</b>	<b>829,282</b>	<b>979,282</b>	<b>1,479,282</b>

#### **1. RESOLUTION 1 – RATIFICATION OF SHARE PLACEMENT**

On 1 December 2005, the Company issued 72,000,000 Shares at an issue price of 0.05 cents per Share (on a pre Consolidation basis) to raise \$36,000.

ASX Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to the issue of shares, or securities convertible into shares, representing more than 15% of the issued capital of that company in any 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in general meeting ratifies the previous issue of securities made without shareholder approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares. By ratifying this issue, the Company will retain the capacity to issue securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

Pursuant to, and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 1:

- (a) the total number of securities allotted was 72,000,000 Shares (pre Consolidation);
- (b) the price at which the Shares were issued was 0.05 cents per Share;
- (c) the Shares were issued on the same terms and conditions as the Company's existing Shares (pre Consolidation);
- (d) the name of the allottee of the Shares is BSJS Pty Ltd;
- (e) the allottee is not a related party or associate of the Company; and
- (f) the funds raised by the issue of the Shares (\$36,000) were used to fund administration costs of the Company for the purposes of the completion of the restructure.

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## **2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL**

### **2.1 Background**

Resolution 2 seeks Shareholder approval to consolidate the number of Shares on issue on a one (1) for twenty (20) basis.

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its Shares into a larger or smaller number.

If Resolution 2 is passed, the number of Shares on issue will be reduced from 553,712,653 to 27,685,633.

Please note that the Company also has on issue as at the date of this Notice:

- (a) 150,000,000 options exercisable at \$0.05 each on or before 15 August 2006; and
- (b) 16,125,000 options exercisable at \$0.02 each on or before 16 July 2007.

These options will be consolidated on the same basis and their exercise price amended in inverse proportions to the consolidation ratio, in accordance with the Listing Rules.

From the date of the Consolidation all holding statements for Shares and options will cease to have any effect, except as evidence of entitlement to a certain number of Shares and options on a post Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders and optionholders. It is the responsibility of each Shareholder and optionholder to check the number of Shares and options held prior to a disposal.

Following implementation of all Resolutions in this Notice, the capital structure of the Company will be as set out in this Explanatory Statement.

## 2.2 Fractional Entitlements and Taxation

Not all Shareholders and optionholders will hold that number of Shares and Options which can be evenly divided by twenty (20). Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option.

It is not considered that any taxation implications will exist for Shareholders or optionholders arising from the Consolidation. However, Shareholders and optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Directors (or the Company's advisors) accept any responsibility for the individual taxation implications arising from the Consolidation.

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## 3. RESOLUTION 3 – DISPOSAL OF ASSETS

As outlined in the General Information section of this Explanatory Statement, the Company has entered into an agreement pursuant to which the Company agrees, subject to Shareholder approval, to sell all its subsidiary entities which hold the existing PocketMail business (PocketMail Pty Ltd, PocketMail Australia Pty Ltd, PocketMail Inc (USA)) to Mr Warwick Mirzikinian and Mr Robert Melham, both non-related parties (**Purchaser**).

The PKT Companies and Bindera will enter into a separate agreement in respect of the repayment of the loan assumed by the PKT Companies to Bindera.

After completion of the Share Sale Agreement, the Company's pro forma balance sheet will be as set out in the General Information section of this Explanatory Statement and the Independent Expert's Report.

A term of the agreement is the grant of an exclusive licence by the PKT Companies to the Company of the PocketMail technology in Australia for a period of 10 years.

### *ASX Listing Rule 11.2*

ASX Listing Rule 11.2 requires that a disposal of the main undertaking of a Company be approved by Shareholders. The proposed sale of the subsidiaries by the Company to the Purchaser constitutes the disposal of the main undertaking of the Company. Accordingly, this Resolution seeks the approval for the proposed disposition.

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#### 4. RESOLUTION 4 – RIGHTS ISSUE

Resolution 4 seeks Shareholder approval for the allotment and issue of approximately 138,428,165 Shares (on a post Consolidation basis), at an issue price of \$0.01 per Share, to raise \$1,384,282 pursuant to a fully underwritten rights issue on the basis of 5 Shares for every 1 Share held on the record date.

The Company has obtained a waiver from ASX from ASX Listing Rule 7.11.3 to make a non-renounceable rights issue of greater than 1:1.

##### 4.1 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 1 of this Explanatory Statement.

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Rights Issue during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

The following information is provided in relation to the Rights Issue pursuant to and in accordance with ASX Listing Rule 7.3:

- (a) the maximum number of Shares to be issued under this Resolution is 138,428,165 Shares (post Consolidation);
- (b) the Shares will be issued at an issue price of \$0.01 each;
- (c) the Shares will be issued no later than three (3) months after the date of the Annual General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (d) the Directors will issue the Shares to Shareholders on the basis of 5 Shares for every 1 Share held on the record date set for the Rights Issue. The Rights Issue will be underwritten by Arthur Phillip or its nominee (refer to Resolution 5);
- (e) the Shares issued will rank equally with the Company's current issued Shares (post Consolidation); and
- (f) the funds raised from the Rights Issue (approximately \$1,384,282) will be used by the Company for the purposes set out in the "Use of Funds" part of the General Information section of the Explanatory Statement.

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#### 5. RESOLUTION 5 – RELATED PARTY UNDERWRITING OF RIGHTS ISSUE

##### 5.1 Background

Pursuant to Resolution 4, the Company will undertake the Rights Issue (on a post Consolidation basis). The Company has entered into an underwriting agreement with Arthur Phillip in respect of the Rights Issue whereby Arthur Phillip agrees, subject to certain terms and conditions, to underwrite the Rights Issue (**Underwriting Agreement**).

A term of the Underwriting Agreement is that Arthur Phillip secure sub-underwriting commitments for 100% of the Rights Issue. It is a further term of

the Underwriting Agreement that the share sale agreement with the Purchaser is unconditional in all respects and ASX approves the re-instatement of the Company to the official list.

In consideration for Arthur Phillip agreeing to underwrite the Rights Issue, the Company will pay Arthur Phillip an underwriting fee of \$75,000. Arthur Phillip will also receive a corporate fee of \$60,000 for managing the transaction. The Underwriting Agreement contains other standard terms and conditions typical for an underwriting of a rights issue.

## 5.2 Part 2E of the Corporations Act

Part 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company.

Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A “financial benefit” is defined in the Corporations Act in broad terms and includes the public company issuing securities and paying fees.

Arthur Phillip is an entity associated with one of the proposed directors, Mr Richard Poole. Accordingly, Arthur Phillip is deemed to be a related party of the Company for the purposes of the Corporations Act.

The Directors consider that the Underwriting Agreement is on arms length terms and accordingly, falls within the exceptions of the requirement to obtain Shareholder approval for the purposes of the Corporations Act. However, as a matter of prudence, the Directors are seeking the approval from Shareholders for the Underwriting Agreement.

In accordance with the requirements of Part 2E and in particular, Section 219 of the Corporations Act, the following information is provided to allow Shareholders sufficient information to determine whether they should approve Resolution 5:

- (a) the proposed financial benefit to be given to Arthur Phillip (an entity associated with one of the proposed Directors, Mr Richard Poole) is the payment of an underwriting fee of \$75,000 and a corporate fee of \$60,000;
- (b) David Marchant, Andrew Kelly and Marol Kelly (Directors of the Company) consider that the Underwriting Agreement is in the best interests of the Company because it is on arms length terms and subject to the completion by sub-underwriters, the share sale agreement being unconditional and ASX confirming it will re-instate the Company, it ensures that the full amount will be raised under the Rights Issue. Accordingly, the Directors of the Company recommend that Shareholders vote in favour of the Resolution;
- (c) Mr Richard Poole does not hold any securities in the Company. Upon implementation of all resolutions in this Notice, Mr Richard Poole and his associates will hold the number of securities as set out in Section 6.6 of this Explanatory Statement;
- (d) Mr Richard Poole does not currently receive any remuneration from the Company. After implementation of all resolutions in this Notice and in

addition to the fees set out above, Arthur Phillip will be contracted to manage the licensed business of the Company for the sum of \$10,000 per month for 12 months;

- (e) the Shares have been suspended since 3 October 2005. The highest, lowest and last trading price of the Shares on ASX in the 12 months before the date of this Notice is as set out below:

	<b>Date</b>	<b>Price</b>
Highest	24 November 2004	1.2 cents
Lowest	27 July 2005	0.2 cents
Last	3 October 2005	0.3 cents

- (f) the Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interest of the Company to pass the Resolution other than it is noted that the Independent Expert has commented on the transaction as a whole in its report and Shareholders are referred to that report.

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## **6. RESOLUTION 6 – ISSUE OF CONVERTIBLE NOTES**

Resolution 6 seeks Shareholder approval for the issue of Convertible Notes with a total face value of \$150,000 to APB or their nominees.

### **6.1 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires a company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

Directors and proposed directors are related parties of the Company. Arthur Phillip is an entity controlled by Mr Richard Poole (one of the proposed directors of the Company). Blueknight is an entity that is deemed, as at the date of this Notice, to act in concert with Arthur Phillip in respect of the completion of the resolutions set out in this Notice. Accordingly, Blueknight is a related party of the Company. Further, Mr Roger Steinepreis, a proposed director, is a director of Blueknight.

For the above reasons, approval for the issue of the Convertible Note to APB is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Convertible Notes to APB as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the Convertible Notes will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1 if the resolution is passed.

The following information is provided in relation to the issue of the Convertible Notes pursuant to and in accordance with ASX Listing Rule 10.13:

- (a) the maximum number of securities to be granted by the Company under this Resolution is the issue of Convertible Notes with a total face value of \$150,000 which is convertible into Shares at a deemed issue price of 0.25 cents per Share (post Consolidation) with 1 free attaching Option per Share issued;

- (b) it is intended that Arthur Phillip will subscribe for \$50,000 of the Convertible Notes, Blueknight will subscribe for \$50,000 of the Convertible Notes and the balance will be placed with third parties determined by APB;
- (c) the terms of the Convertible Notes are set out in Section 6.2 of this Explanatory Statement;
- (d) the Convertible Notes will be issued no later than 1 month after the date of this Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Convertible Notes will be issued on one date; and
- (e) the funds raised by the issue of the Convertible Notes will be used for the purposes set out in the General Information section of this Explanatory Statement.

## 6.2 Convertible Note Terms

The material terms of the Convertible Notes are as follows:

- (a) the Convertible Notes have a total face value of \$150,000;
- (b) no interest will be payable on the Convertible Notes;
- (c) the Convertible Notes are not transferable;
- (d) the Convertible Notes will mature 3 months after the issue date (**Maturity Date**). On this date the Convertible Notes on issue at that time will automatically convert to the number of securities in accordance with (f);
- (e) the Company may not redeem the Convertible Notes;
- (f) the Convertible Notes are convertible into Shares with a conversion price of 0.25 cents per Share (post Consolidation) with 1 free attaching Option per Share at any time after issue and prior to the Maturity Date; and
- (g) the Convertible Notes are an unsecured debt instrument ranking alongside general unsecured creditors.

## 6.3 Part 2E of the Corporations Act

A summary of Part 2E of the Corporations Act is set out in Section 5.2.

In accordance with the requirements of Part 2E and in particular, Section 219 of the Corporations Act, the following information is provided to allow shareholders sufficient information to determine whether they should approve Resolution 6:

- (a) the proposed financial benefit to be given to APB is the issue of Convertible Notes with a total face value of \$150,000 on the terms and conditions set out in Section 7.2;
- (b) APB is comprised of Arthur Phillip and Blueknight. Arthur Phillip is an entity associated with proposed director, Mr Richard Poole. Accordingly, Arthur Phillip is deemed to be a related party of the

Company for the purposes of the Corporations Act. Blueknight is an entity associated with proposed director, Mr Roger Steinepreis. Accordingly, Blueknight is deemed to be a related party of the Company. For the purposes of the Corporations Act, Blueknight and Arthur Phillip are deemed to be acting in concert in respect of the resolutions contained in this Notice;

- (c) David Marchant, Andrew Kelly and Marol Kelly (Directors of the Company) consider that issue of the Convertible Notes is in the best interests of the Company because they each consider that the Convertible Notes are on arms length terms and will provide needed funds to implement the recapitalisation and restructure of the Company as proposed in this Notice. Accordingly, the Directors of the Company recommend that Shareholders vote in favour of the Resolution;
- (d) neither Mr Richard Poole, Mr Roger Steinepreis, Arthur Phillip nor Blueknight hold any securities in the Company and Mr Poole and Mr Steinepreis do not receive any remuneration from the Company at present. It is likely that Mr Roger Steinepreis and Mr Richard Poole will receive a non-executive Directors fee following their appointment and Arthur Phillip will receive the fees set out in Section 5.2. Steinepreis Paganin, a law firm in which Mr Roger Steinepreis is a partner will receive legal fees for legal work performed in respect of this Notice and other matters related to the Company on reasonable commercial terms. Upon implementation of all Resolutions in this Notice, Arthur Phillip, Blueknight and their associates will hold the number of securities as set out in Section 6.6 of this Explanatory Statement; and
- (e) the Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution other than it is noted that the Independent Expert has formed an opinion on whether the transaction is fair and reasonable to non-associated shareholders and Shareholders are referred to that report.

#### 6.4 Item 7 of Section 611 of the Corporations Act

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (a) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting Shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:

- (i) a body corporate the first person controls;
  - (ii) a body corporate that controls the first person; or
  - (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with Shareholder approval.

Shareholder approval under Item 7 of the Section 611 of the Corporations Act is required because it is considered that the parties comprising APB (Blueknight and Arthur Phillip) are associates of each other. Arthur Phillip is also underwriting the Rights Issue. The combined relevant interest of APB after implementation of all resolutions in this Notice may exceed 20% of the issued capital of the Company.

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Policy Statement 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act for Resolutions 5 and 6. Shareholders are also referred to in the Independent Expert's Report prepared by Nexia Court & Co annexed to this Explanatory Statement.

## **6.5 Reason why Section 611 approval required**

Mr Richard Poole is a director of and has a controlling interest in Arthur Phillip. Mr Roger Steinepreis is a director of and has a voting power of 40% in Blueknight. Mr David Paganin is a director of and has a voting power of 40% in Blueknight.

As at the date of this Notice, none of Blueknight, Arthur Phillip, Mr Roger Steinepreis, Mr David Paganin or Mr Richard Poole hold any Shares or are entitled to hold any Shares.

The individual voting power of each of Blueknight, Arthur Phillip, Mr Roger Steinepreis, Mr David Paganin and Mr Richard Poole may exceed 20% after the completion of all Resolutions in this Notice. Additionally, for the purposes of the Corporations Act, Blueknight and Arthur Phillip are associates at the time of the Meeting and the aggregate voting power of these parties in the Company after the implementation of all Resolutions in this Notice (assuming the Convertible Notes are converted and the Options are exercised) will exceed 20%.

As Mr Richard Poole controls Arthur Phillip he is deemed to hold a relevant interest in the Shares that Arthur Phillip receives pursuant to the Resolutions.

As Mr Roger Steinepreis and Mr David Paganin each control in excess of 20% of the issued shares in Blueknight, Mr Roger Steinepreis and Mr David Paganin are each deemed to hold a relevant interest in the Shares that Blueknight receives pursuant to the Resolutions.

## 6.6 Specific Information Required by Section 611 Item 7 of the Corporations Act and ASIC Policy Statement 74

### Relevant Interests and Voting Power

The table set out below shows the percentage of Shares that Blueknight and Arthur Phillip individually and collectively will be entitled to and the voting power of Blueknight and Arthur Phillip individually and collectively after implementation of all resolutions in this Notice (assuming no existing options are exercised):

	Number of Shares (post Consolidation)	Maximum number of Shares to be issued pursuant to Resolution 3 (assuming no underwriting)	Conversion of Convertible Note (Resolution 7)	Exercise of Options that are issued on conversion of Convertible Note)	Placement (Resolution 8)	Share maximum total number of Shares after all Resolutions and exercise of Options (other than existing Options)	Voting Power
Blueknight	Nil	Nil	20,000,000	20,000,000	Nil	40,000,000	11.9%
Arthur Phillip	Nil	Nil	20,000,000	20,000,000	Nil	40,000,000	11.9%
APB	Nil	Nil	40,000,000	40,000,000	Nil	80,000,000	23.8%
Other shareholders (existing and new shareholders)	27,685,633	138,428,163	20,000,000	20,000,000	50,000,000	256,113,796	76.2%
Total	27,685,633	138,428,163	60,000,000	60,000,000	50,000,000	336,113,796	

The maximum relevant interest that each of Arthur Phillip and Blueknight will separately hold after implementation of all Resolutions (and after exercise of the Options that are issued on conversion of the Convertible Notes) is 20,000,000 Shares and 20,000,000 Options (post Consolidation) respectively.

The maximum voting power that each of Arthur Phillip and Blueknight will hold after implementation of all Resolutions (and after exercise of the Options that are issued on conversion of the Convertible Notes) is 11.9%. This represents an increase from 0% to 11.9% in respect of each of Arthur Phillip and Blueknight.

The maximum relevant interest that Blueknight and Arthur Phillip will collectively hold after implementation of all Resolutions (and after exercise of the Options that are issued on conversion of the Convertible Notes) is 40,000,000 Shares and 40,000,000 Options (post Consolidation).

The maximum extent of the increase in voting power of Blueknight and Arthur Phillip (collectively) (and their respective associates) is 23.8%. This represents an increase from 0% to 23.8%.

Mr Richard Poole, Mr Roger Steinepreis and Mr David Paganin will also have a relevant interest in the Shares in which Arthur Phillip and Blueknight have a relevant interest.

### **Intentions of APB**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that APB:

- (a) has no intention of making any significant changes to the business of the Company other than as set out in this Notice however it is intended the Company will consider new opportunities as and when they may arise;
- (b) do not intend to redeploy any fixed assets of the Company;
- (c) do not have any present intention to inject further capital into the Company;
- (d) do not intend to transfer any property between the Company or any person associated with any of them; and
- (e) have no current intention to change the Company's existing policies in relation to financial matters.

### **Capital Structure**

The proposed capital structure of the Company following completion of all the transactions the subject of this Notice is set out in the General Information section of this Explanatory Statement.

### **Identity, Associations and qualifications of proposed Directors**

It is proposed that Mr Roger Steinepreis, Mr Richard Poole and Mr Philip Suriano be appointed as Directors of the Company.

The experience and qualifications of these proposed directors is set out in the section of this Explanatory Statement under Resolutions 8, 9 and 10.

### **Interests and Recommendations of Directors**

The existing Directors of the Company recommend that Shareholders vote in favour of the Resolution as they consider the proposed restructure and recapitalisation to be in the best interests of Shareholders.

### **Independent Expert's Report**

The Independent Expert's Report prepared by Nexia Court & Co assesses whether the acquisition of the voting power by the various parties set out in Section 6.6 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the acquisition is not fair but reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

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## **7. RESOLUTION 7 – PLACEMENT OF SHARES**

Resolution 7 seeks Shareholder approval for the allotment and issue of up to 50,000,000 Shares (post Consolidation) at an issue price of \$0.01 to raise \$500,000.

### **7.1 ASX Listing Rule 7.1**

A summary of ASX Listing Rule 7.1 is set out in Section 1.

The effect of Resolution 7 will be to allow Directors to issue 50,000,000 Shares during the period of 3 months after the Meeting (or a longer period if allowed by ASX), without using the Company's 15% placement capacity.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to the ASX Listing Rules for Resolution 7:

- (a) the maximum number of Shares to be issued by the Company is 50,000,000 (post Consolidation);
- (b) the Shares will be issued at an issue price of 1 cent per Share (post Consolidation);
- (c) it is not known who the allottees of the Shares are but the Shares will be issued at the direction of APB to non-related parties of the Company;
- (d) the Shares to be issued pursuant to Resolution 7 will be issued and allotted on one date and not later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (e) the Shares issued will rank equally with the existing Shares on issue (post Consolidation);
- (f) the funds raised from the issue of the Shares pursuant to Resolution 7 will be applied as set out in the General Information section of this Explanatory Statement.

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## **8. RESOLUTIONS 8, 9 AND 10 – ELECTION OF DIRECTORS**

Resolutions 8, 9 and 10 seek the election of Mr Roger Steinepreis, Mr Richard Poole and Mr Philip Suriano as Directors of the Company pursuant to the Constitution of the Company and Section 201E of the Corporations Act.

### **Mr Roger Steinepreis - Director**

Pursuant to Resolution 8, Mr Roger Steinepreis seeks appointment as a Director, effective immediately.

Roger Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer for approximately 16 years.

He is the legal adviser to a number of public companies on a wide range of corporate related matters. His areas of practice focus on company restructures, initial public offerings and takeovers. Mr Steinepreis is a director of Imugene Limited, a company which he restructured and recapitalised with Mr Richard Poole after the Company (then VosTech Ltd) was placed in administration. Imugene Limited now has a market capitalisation of approximately \$25 million.

**Mr Richard Poole - Director**

Pursuant to Resolution 9, Mr Richard Poole seeks appointment as a Director, effective immediately.

Mr Richard Poole commenced his career as a lawyer specialising in mergers and acquisitions. He left the law in 1999 to focus on the start up of a small technology company. He successfully built that company from its early stages to a public listed vehicle and raised the necessary capital for the company's operations up to his departure in 1999. Since that time, Mr Poole has been involved in the start up of small technology companies and expanded into the provision of corporate finance services with Arthur Phillip and Bacchus Strategic Development Pty Ltd. Mr Poole is also a director of Merchant House International Limited with operations in China and the United States, Hudson Resources Limited and Microview Limited.

**Mr Philip Suriano- Director**

Pursuant to Resolution 10, Mr Philip Suriano seeks appointment as a Director, effective immediately.

Philip Suriano is currently CEO of Microview Solutions Pty Limited and works in corporate finance. Mr Suriano began his career in corporate banking with the Commonwealth Bank in 1989. Mr Suriano has spent the last 14 years in senior positions within the Australian Media Industry. Mr Suriano has gained wide knowledge and experience to give him a strong background in operations, sales and marketing in roles such as National Sales Director, MCN (the subscription TV joint venture company between Austar and Foxtel) and Group Sales Manager at Network Ten. Prior to joining MCN, Mr Suriano was employed within the Victor Smorgon Group of Companies (Alt Media and Brandhouse Advertising) and was closely involved with the development and launch of an interactive electronic outdoor medium.

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## GLOSSARY

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**Annual General Meeting** means the meeting convened by the Notice.

**APB** means collectively, Arthur Phillip and Blueknight.

**Arthur Phillip** means Arthur Phillip Pty Ltd (ACN 55 100 908 101).

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

**ASX** means Australian Stock Exchange Limited (ABN 98 008 624 691).

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

**Bindera Loan** means the loan of \$555,000 owing by the Company to Bindera Pty Ltd (ABN 38 089 157 095) after completion of the disposition by the Company of the various subsidiaries holding the PocketMail business (Resolution 3).

**Blueknight** means Blueknight Corporation Pty Ltd (ACN 006 962 219).

**Board** means the board of directors of the Company.

**Company** or **PKT** means PocketMail Group Limited (ABN 96 008 719 015).

**Consolidation** means consolidation of the share capital of the Company a 1:20 basis pursuant to Resolution 2 of this Notice.

**Constitution** means the constitution of the Company at the commencement of the General Meeting.

**Convertible Note** means a convertible note to be issued on the terms set out in Section 6.2.

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

**Directors** mean the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Independent Expert's Report** means the independent expert's report proposed by Nexia Court & Co which accompanies this Explanatory Statement.

**Notice** means the notice of meeting accompanying this Explanatory Statement.

**Option** means a free attaching option issued for every Share issued on conversion of the Convertible Note on the following terms and conditions:

- (a) each option entitles the holder, when exercised, to one (1) Share;
- (b) the options are exercisable at any time on or before 31 December 2008;
- (c) the exercise price of the options is 2 cents each on a post Consolidation basis;
- (d) subject to the Corporations Act, the Constitution and the ASX Listing Rules, the options are fully transferable;

- (e) the options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the option holder to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the options held does not affect the holder's right to exercise the balance of any options remaining;
- (f) all Shares issued upon exercise of the options will rank pari passu in all respects with the Company's then issued Shares;
- (g) the options will not be listed on the Official List of ASX;
- (h) there are no participating rights or entitlements inherent in the options and the holder will not be entitled to participate in new issues of options to Shareholders during the currency of the options. However, the Company will ensure that, for the purpose of determining entitlements to any issue, option holders will be notified of the proposed issue at least seven (7) business days before the record date of any proposed issue. This will give option holders the opportunity to exercise the options prior to the date for determining entitlements to participate in any such issue;
- (i) in the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the options, all rights of the option holder will be varied in accordance with the ASX Listing Rules; and
- (j) in the event the Company makes a pro rata issue of securities, the exercise price of the options will change in accordance with the formula set out in ASX Listing Rule 6.22.2.

**Resolution** means a resolution contained in the Notice.

**Rights Issue** means the non-renounceable fully underwritten rights issue of 138,428,165 Shares (post Consolidation) on the basis of 5 Shares for every 1 Share held on the record date, subject of Resolution 4.

**Schedule** means a schedule of this Notice and Explanatory Statement.

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

**Shareholder** means a holder of Shares.

**WST** means Western Standard Time.

**\$** means Australian Dollars.

23 December 2005

The Board of Directors  
PocketMail Group Limited  
Suite 303,  
Level 3, 275 Alfred Street  
NORTH SYDNEY NSW 2060

Dear Sirs

## **Independent Expert's Report**

**Issue of Convertible Notes with a total face value of \$150,000 to Arthur Phillip Pty Limited ('AP'), Blueknight Corporation Pty Limited ('BK') and their nominees in connection with the restructure of PocketMail Group Limited ('PKT').**

### **1 EXECUTIVE SUMMARY**

#### **1.1 Purpose of the Report**

We have been engaged by the non-associated shareholders of PKT to provide an Independent Expert's Report ('the Report') to consider whether the proposed transaction of PKT issuing Convertible Notes ('the Notes') with a total face value of \$150,000 to AP, BK and their nominees (jointly defined as 'APB') is fair and reasonable.

Such a Report is required in accordance with the *Corporations Act 2001* due to APB gaining an increased interest in the company. The Report is to be submitted to the non-associated shareholders of PKT, so that they can determine if approval should be given to the proposed transaction.

The concept of "fair" and "reasonable" is discussed further at Section 3.1 of this report.

#### **1.2 Conclusion**

In our opinion, and for the reasons set out in this Report, the potential issue of the Notes is not fair, but is reasonable to the non-associated shareholders of PKT.

The principal factors affecting our opinion are detailed in this Report and are summarised below:

- a. The potential issue of the Notes is not fair because:
  - i. The Notes are being issued at a discount to the value of the underlying assets of PKT after the restructure.
  - ii. The Notes are being issued at a discount to other similar securities issued to non associated shareholders.

## 1.2 Conclusion (continued)

- b. The potential issue of the Notes is reasonable because:
- i. PKT is currently suspended from the Australian Stock Exchange ('ASX'). As a result, current shareholders are constrained in their ability to exit their investment. The resolutions to be proposed at the general meeting ('GM') provides a means for PKT to be recapitalised, quoted on the ASX and have working capital for the directors to seek new business opportunities.
  - ii. If the resolutions are not passed the company may be forced to be placed into administration. This may result in current shareholders not receiving anything as the company has a deficiency in net assets.

## 2 BACKGROUND INFORMATION

### 2.1 Details of the Transaction

This Report is in respect of Resolution 6 detailed in the Notice of general meeting solely. However, it must be considered that each resolution of the GM (apart from Resolution 1) is subject to all other resolutions proposed being passed.

In summary, Resolution 6 to be put to PKT shareholders is to approve the issue of the Notes with a total face value of \$150,000 to APB or their nominees.

The Notes are proposed to be issued no later than one month after the GM and will mature and automatically convert to shares three months after the issue date. The Notes are convertible into shares at a deemed issue price of 0.25 cents per share with one free attaching option per share. Therefore the Notes will be convertible into 60,000,000 shares and have attached 60,000,000 options.

AP, BK and nominees of APB are expected to subscribe for the Notes in equal \$50,000 bundles.

### 2.2 PocketMail Group Limited

#### 2.2.1 Background

PKT was reinstated to official quotation on the ASX in January 2000 as a company involved in the provision of mobile email services. The operations of PKT have been funded both from capital raisings and financial support from the major shareholder, Bindera Pty Limited ("Bindera"), a company associated with Mr Andrew Kelly.

After some early success, PKT has suffered a decline in subscriber numbers and subscription revenue as strong competition entered the market. On 3 October 2005, due to PKT's failure to lodge audited full year accounts for the period ended 30 June 2005 the company was suspended from official quotation on the ASX.

The company has since undertaken a review of its operations and financial position and with the assistance of APB the proposed restructure of PKT as detailed in the Notice of GM has been proposed.

2.2.2 *Financial Position and Capital Structure of PKT*

Table A displays the latest unaudited Statement of Financial Position for the year ended 30 June 2005 and proforma Statements showing the effects should the resolutions proposed at the AGM be passed.

*Table A –Statement of Financial Position and Proforma Statements should the proposed resolutions be passed:*

<b>Statement of Financial Position</b>					
	<b>Unaudited 30/6/2005 \$</b>	<b>Post Resolution 3 \$</b>	<b>Post Resolution 4 \$</b>	<b>Post Resolution 6 \$</b>	<b>Post Resolution 7 and final statement post completion of the Share Sale Agreement \$</b>
Current Assets	-	-	829,282	979,282	1,479,282
<b>Total Assets</b>	-	<b>0</b>	<b>829,282</b>	<b>979,282</b>	<b>1,479,282</b>
Related Parties Loan	(2,997,585)	(555,000)	-	-	-
Controlled Entity Loan	(368,198)	-	-	-	-
<b>Total Liabilities</b>	<b>(3,365,783)</b>	<b>(555,000)</b>	-	-	-
<b>(Deficiency in) / Net Assets</b>	<b>(3,365,783)</b>	<b>(555,000)</b>	<b>829,282</b>	<b>979,282</b>	<b>1,479,282</b>

From the above, the passing of the proposed resolutions would result in PKT disposing of its operating businesses, settling all related party debt and being recapitalised, resulting in a net tangible assets position of \$1,479,282.

2.2.2 *Financial Position and Capital Structure of PKT (continued)*

Table B displays the effects the proposed resolutions would have on the capital structure of PKT:

*Table B – Proforma Schedule of Capital showing the resulting position if the proposed resolutions at the GM are passed:*

<b>Schedule of Capital</b>		
	<b>Shares</b>	<b>Options</b>
Total number securities on issue prior to AGM Placement ( <i>Resolution 1</i> )	481,712,653 72,000,000	166,125,000 -
Total Number of securities pre-consolidation	553,712,653	166,125,000
<b>Post consolidation - 20 to 1 consolidation (<i>Resolution 2</i>)</b>	<b>27,685,633</b>	<b>8,306,250</b>
Rights issue ( <i>Resolution 4</i> )	138,428,163	-
Convertibles notes ( <i>Resolution 6</i> )	60,000,000	60,000,000
Placement ( <i>Resolution 7</i> )	50,000,000	-
<b>Total number of securities upon the passing of all Resolutions</b>	<b>276,113,796</b>	<b>68,306,250</b>

The options that will exist in the restructured entity should the Resolutions be passed would consist of:

- 7,500,000 options exercisable at \$1.00 expiring 15 August 2006;
- 806,250 options exercisable at \$0.40 expiring 16 July 2007; and
- 60,000,000 free options exercisable any time prior to three months after issue (issue date is expected to be no later than one month after the AGM).

From the above, if all proposed resolutions are passed, the net tangible assets of PKT would be \$1,479,282 and the number of shares 276,113,796. This results in a value of 0.5358 cents per share for the post restructured PKT.

In coming to our opinion, consideration must also be given to the options. The options have a dilutive effect on the value of PKT per share if they are exercised. The following values per share would exist if the different classes of options were exercised. It is reasonable to expect that if options of higher strike prices are exercised, the options of lower strike prices will also be exercised:

- free options – 0.4401 cents per share
- free options plus \$0.40 options – 0.4391 cents per share
- all options are exercised –  
(free options plus \$0.40 options plus \$1.00 options) 0.4295 cents per share

### *2.2.3 Financial Performance of PKT*

As the restructure results in the operating business being disposed of, the Report's evaluation does not place any reliance on historic or future operating results of PKT. For this reason, no operations data or Statements of Financial Performance have been reviewed for the purposes of this Report.

## **2.3 APB**

### *2.3.1 Background information*

Information on AP and BK in relation to their stakeholders, background and intentions for PKT is presented in the Notice of GM.

Our report is relevant only to the non-associated shareholders of PKT. The financial statements for AP and BK or its related entities have not been reviewed or disclosed as their financial viability is not relevant once this funding has occurred.

## **3. VALUATION METHODOLOGY**

### **3.1 Introduction**

ASIC Policy Statement 75 states that what is fair and reasonable should be judged in all the circumstances of a proposal. The Independent Expert's Report must compare the likely advantages and disadvantages for the non-associated shareholders if the proposal is agreed to, with the advantages and disadvantages to the non-associated shareholders if it is not.

In accordance with the Policy Statement:

“An offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of securities that are the subject of the offer.”

“An offer is ‘reasonable’ if it is fair. It may also be ‘reasonable’ if, despite not being fair, but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.”

In forming our opinion, we have assessed:

- i. the value of the Notes proposed to be issued;
- ii. the value of PKT post the restructure; and
- iii. the commercial advantages and disadvantages to non-associated PKT shareholders as a consequence of the Note issue proceeding.

### 3.2 Value of PKT Post the Restructure

#### 3.2.1 Valuation Approach

We have considered the application of a number of valuation methodologies to arrive at an indicative value of PKT post the restructure.

- As the transaction will restructure PKT by disposing of its operating activities and leaving a recapitalised shell, a valuation based on Capitalisation of Maintainable Earnings Method would not be appropriate.
- As PKT has been suspended for official quotation on the ASX, no reliable market value could be obtained, and therefore a valuation based on the Market Value Method would not be appropriate.

As the restructure of PKT will result in the operations of the business being disposed of with a shell only remaining, a valuation based on the Orderly Realisation of Assets Method would be most appropriate.

#### 3.2.2 Value

As discussed previously at paragraph 2.2.2, the value of PKT after restructuring has been determined, depending on the level of options exercised, to be between 0.5358 cents and 0.4295 cents per security.

### 3.3 Value of the Notes Proposed to be Issued

As previously discussed at paragraph 2.1, PKT is proposing to issue convertible notes with a total face value of \$150,000. The notes are able to be converted to 60,000,000 shares with 60,000,000 free attaching options (one per share). Therefore, the value of the Notes on conversion is prima facie 0.125 cents per share.

## 4. ASSESSMENT OF FAIRNESS AND REASONABLENESS

We are of the view that the proposed Note issue by PKT is not fair but reasonable.

Based on the above, the restructured PKT value has been determined to be between 0.5358 cents and 0.4295 cents per share. The value of the Notes has been determined to be 0.125 cents per share. Therefore the Notes are being issued to related parties at a value lower than the value of shares in the restructured entity.

While it is noted that the value range of the restructured PKT has a 22% differential, the impact of this on our assessment is nil as the lowest value is still far in excess of the value deriving from the Notes proposed to be issued.

**4. ASSESSMENT OF FAIRNESS AND REASONABLENESS (Continued)**

In determining the reasonableness of the transaction, there are both advantages and disadvantages of the proposal to non-associated shareholders of PKT that must be considered.

Relevant advantages include:

- If PKT were put into administration, which current shareholders may receive little for their investments due to the company having a deficiency in net assets presently.
- If PKT is recapitalised, it would be in a better position to focus on pursuing new business opportunities as and when they arise.
- If PKT is quoted on the ASX, there may be a more liquid market for shareholders to realise their investment for value.

Relevant disadvantages include:

- The convertible notes are being issued at a discount to the value of the underlying assets of PKT after the restructure.
- The convertible notes are being issued at a discount to other similar securities issued to non associated shareholders.
- The successful passing of all resolutions results in dilution of current shareholders' voting rights. They will therefore have a lesser say on the future direction of PKT.

The potential issue of the Notes is not fair because:

- i. The Notes are being issued at a discount to the value of the underlying assets of PKT after the restructure.
- ii. The Notes are being issued at a discount to other similar securities issued to non associated shareholders.

However, the potential issue of the Notes is reasonable because:

- i. PKT is currently suspended from the Australian Stock Exchange ('ASX'). As a result, current shareholders are constrained in their ability to exit their investment. The resolutions to be proposed at the GM provides a means for PKT to be recapitalised, quoted on the ASX and have working capital for the directors to seek new business opportunities.
- ii. If the resolutions are not passed the company may be forced to be placed into administration. This may result in current shareholders not receiving anything as the company has a deficiency in net assets.

## **5. SOURCES OF INFORMATION USED**

- Notice of General Meeting for PocketMail Group Limited.
- Unaudited Financial statements for PocketMail Group Limited for the year ended 30 June 2005.
- Draft Share Sale Agreement and IP Licence Deed between PocketMail Group Limited, Warwick Mirzikinian and Robert Melham.
- Australian Securities and Investment Commission Company extracts.
- Discussions with directors of Blueknight Corporation Pty Limited.
- Various ASX announcements by PocketMail Group Limited for the period 1 January 2000 to 20 December 2005.

Except as stated, we have not undertaken an audit of the information provided to us and have relied upon that information.

## **6. QUALIFICATIONS, DISCLAIMER, CONSENT, FEE**

This report has been prepared by Stuart Cameron, a Director of Nexia Court Financial Solutions Pty Limited. He is a Bachelor of Economics and a Master of Laws, is a Fellow of the Institute of Chartered Accountants in Australia and has been admitted as a Barrister-at-law to the Supreme Court of New South Wales (non-practising). He was admitted as a Partner in Nexia Court & Co – Chartered Accountants in 1990, and has compiled many valuation and experts reports since then.

This Report has been prepared at the request of the Directors of PKT for disclosure in the Notice of General Meeting to be distributed to the shareholders of PKT. We consent to its use in the form and context in which it appears in that Notice of General Meeting. This Report was not prepared for any other purpose.

Save for the above, neither the whole of this Report or any part of this Report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without our prior written consent to the form and context in which it appears.

At the date of this Report, we did not have any interest in the outcome of the resolutions to be put to the shareholders of PKT, and did not have any associated relationship with any company or any person connected with PKT. With the exception of our fee to prepare this Report, we have not received and will not receive any pecuniary or other benefits, whether directly or indirectly, for or in connection with the preparation of this Report.

There are no pecuniary or other interests of ourselves that could be reasonably regarded as being capable of affecting the firm's ability to provide an independent expert's report on the matters addressed herein.

Yours faithfully  
**Nexia Court Financial Solutions Pty Limited**

**Stuart H Cameron**  
*Director*

PROXY FORM

APPOINTMENT OF PROXY
POCKETMAIL GROUP LIMITED
ABN 96 008 719 015

GENERAL MEETING

I/We

[Empty box for name]

being a member of PocketMail Group Limited entitled to attend and vote at the General Meeting, hereby

Appoint

[Empty box for name of proxy]

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 10.00am (EST) on 16 February 2006 at Level 14, 15-19 Bent Street, Sydney, NSW and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the Annual General Meeting

Table with 4 columns: Resolution, Description, FOR, AGAINST, ABSTAIN. Rows include Ratification of Share Placement, Consolidation of Capital, Disposal of Assets, Rights Issue, etc.

OR

In relation to the Resolutions, if the Chairman is to be your proxy and you do not wish to direct your proxy how to vote on these Resolutions, please place a mark in this box [ ]

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

IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO THE RESOLUTIONS YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO THE RESOLUTIONS WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006 \_\_\_\_\_%

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature [ ]

Director [ ]

Signature [ ]

Director/Company Secretary [ ]

Signature [ ]

Sole Director and Sole Company Secretary [ ]

**POCKETMAIL GROUP LIMITED**  
**ABN 96 008 719 015**

**Instructions for Completing 'Appointment of Proxy' Form**

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.