



PocketMail

PocketMail Group Limited
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RESTRUCTURE AND RECAPITALISATION PROPOSAL

Following a recent review of the operations and financial position of PocketMail Group Limited (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 this end, the Company is pleased to announce that it has agreed with a proposal presented by Arthur Phillip Pty Ltd ("**Arthur Phillip**") for the restructure and recapitalisation of the Company. This proposal is subject to completion of due diligence and the re quotation (lifting of suspension) of the Company's shares on ASX.

The proposed restructure and recapitalisation will involve the following:

- (a) a consolidation of capital of the Company on a 1 for 20 basis;
- (b) the Company entering into a share sale agreement, pursuant to which it will sell its various subsidiary entities which hold the existing business of the Company in consideration for the assumption by the purchaser of all liabilities relating to the business insofar as these liabilities are the obligation of the Company, including all lease arrangements, rental agreements, employee liabilities and the transfer of loans made by Bindera Pty Ltd and Kelly Group Holdings Pty Ltd to the Company other than an amount of \$555,000. The purchaser of the subsidiaries is to be an independent third party or in the event final agreement cannot be reached an entity associated with Andrew Kelly;
- (c) the Company retaining an exclusive licence to the PocketMail technology in Australia for a period of 10 years and continuing with its Australian operations;
- (d) the Company undertaking a 5 for 1 non renounceable fully underwritten rights issue at 1 cent per share, subject to ASX approval to raise approximately \$1,384,281;

- (e) the Company making a placement of 50,000,000 shares at an issue price of 1 cent per share (post consolidation) to raise an additional \$500,000; and
- (f) a restructure of the board of directors of the Company as determined by Arthur Phillip.

The Company will also arrange to finalise its annual report for the financial year ended 30 June 2005, deliver a copy of that report to the ASX and seek a lifting of the suspension of its shares.

The Company will continue operating the PocketMail business in Australia (through a new entity) and will maintain its Australian subscriber base of approximately 4,000 subscribers. The restructure and recapitalisation will also allow the Company to seek out new opportunities as and when they arise and any such opportunity will be placed before shareholders.

To cover the expenses of the restructure and recapitalisation, the Company will:

- (a) undertake an immediate placement of 15% of the capital of the Company being 72,000,000 pre consolidation shares at 0.05 cents per share (this will represent 3,600,000 post consolidation shares at 1 cent each) to raise \$36,000; and
- (b) subsequently issue a convertible note with a face value of \$150,000, a term of three years and a conversion price of \$0.0025 per post consolidation share. The notes will be issued to Arthur Phillip or its nominees. The shares when issued will have an attaching 1 for 1 option.

A notice of meeting with an independent expert's report will be despatched to shareholders in the coming weeks to seek shareholder approval to give effect to the above and will contain detailed information on the Company, the proposed restructure and recapitalisation and the future direction of the Company.

For further information please contact David Marchant.



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