



PROSPECTUS

Important Notice

Your Rights may have value. The Rights Issue is renounceable, which enables shareholders who do not wish to take up all of their entitlement to sell their Rights on the ASX. It is important that shareholders either accept their entitlement or deal with their entitlement as described in Section 3 of the Prospectus.

If you are in doubt as to the action you should take, consult your financial adviser immediately.

About this Prospectus

This Prospectus is dated 17 September 2003. A copy of the Prospectus was lodged with the ASIC on that date. The ASIC and the ASX take no responsibility for the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer.

Definitions of certain terms used in this Prospectus appear on the inside back cover.

A loose leaf Entitlement and Acceptance form accompanies this Prospectus.

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

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KEY INFORMATION SUMMARY

PowerTel Limited (ACN 001 760 103) is making a renounceable Rights Issue of 2.3 New Shares for every 1 Existing Share held by an entitled Shareholder on the Record Date, at an issue price of \$0.02 per New Share payable in full on application. The issue price represents a discount to the current market share price of PowerTel Limited shares of 72%.

The total number of New Shares to be issued pursuant to the Rights Issue will be about 2.5 billion. The gross proceeds (before the costs of the offer) will be \$50 million.

The Record Date for the purposes of the Rights Issue is close of business on 26 September 2003. The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. The Closing Date and time for acceptances and payment is 5.00pm Sydney time on 23 October 2003. Acceptances may be processed prior to this time.

The Rights Issue has been fully underwritten by TVG Consolidation Holdings SPRL ("TVG").

Issue Timetable

Day / Date

Lodgement of Prospectus with ASIC and announcement of Rights Issue	Wednesday 17 September 2003
Ordinary Shares quoted ex-Rights and Rights trading commences on the ASX	Monday 22 September 2003
Record date to determine entitlement to New Shares	Friday 26 September 2003
Last day of Rights trading	Thursday 16 October 2003
Last day for acceptance and payment in full	Thursday 23 October 2003
Final allotment of New Shares and dispatch of shareholding statements for New Shares no later than	Thursday 13 November 2003

PowerTel reserves the right to vary the timetable without notice, including by extending the Closing Date or closing the offer early (but subject to the requirements of the ASX Listing Rules).

Chairman's Letter to Shareholders

17 September 2003

Dear Shareholder

Following the change in PowerTel's controlling shareholder in August 2003 to TVG Consolidation Holdings SPRL (TVG), TVG is strongly committed to recapitalising PowerTel. This Prospectus offers you the opportunity to participate in a 2.3 for 1 renounceable Rights Issue of ordinary shares at 2 cents per New Share to raise \$50 million. In addition to committing to take up its entire Rights entitlements, the Rights Issue is fully underwritten by the Company's major shareholder, TVG.

The proceeds from the Rights Issue will be used to:

- repay \$25 million of the Company's Senior Debt Facility, which is currently drawn down to \$78.5 million,
- pay up to \$13 million to TVG for repayment in full of the TVG Bridging Facility provided by TVG to PowerTel, and
- provide PowerTel with additional working capital in order to strengthen the Company's financial position and assist the Company in building its reputation and financial stability as perceived by its customers in the marketplace.

Your entitlement to subscribe for New Shares in the Company and other matters required by law to be disclosed are set out in this Prospectus. I draw your attention to 'Section 3 – Actions Required by Shareholders', which contains the courses of action available to you. The closing date for acceptances and payment is 5.00pm Sydney time on 23 October 2003. Rights trading will commence on 22 September 2003 and the last day for Rights trading will be 16 October 2003.

Your entitlement to New Shares is set out in the accompanying Entitlement and Acceptance Form. I urge you to read the Prospectus thoroughly. Please note that the Prospectus is intended to be read in conjunction with the publicly available information relating to the Company, including the Annual Report of the Company for the year ended 31 December 2002, the half year financial report for the period ending 30 June 2003 and the recent disclosures relating to the General Meeting and takeover offer by TVG.

If you have any questions please contact PowerTel's Share Registry, details of which are set out at the end of Section 3 – Actions required by Shareholders.

With the significant debt reduction, improved perception by customers in the marketplace and backing by a strong major shareholder, the recapitalisation of PowerTel is vital to PowerTel's future and on behalf of your Directors, I commend the Rights Issue to you.

Yours sincerely



Richard M Griffin, AM
Chairman

1. Investment Overview

The Company

Since its launch in August 1998, PowerTel has established itself as one of the largest facilities based providers of telecommunications services to the corporate and wholesale markets in Australia.

Investment Opportunity

PowerTel is making a renounceable Rights Issue of 2.3 New Shares for every 1 Existing Share held by an entitled Shareholder on the Record Date, in order to raise approximately \$50 million.

Purpose of the Rights Issue

The proceeds from the Rights Issue will be used to:

- repay \$25 million of the Company's Senior Debt Facility, which is currently drawn down to \$78.5 million,
- pay up to \$13 million to TVG for repayment in full of the TVG Bridging Facility provided by TVG to PowerTel, and
- provide PowerTel with additional working capital in order to strengthen the Company's financial position and assist the Company in building its reputation and financial stability as perceived by its customers in the marketplace.

Key features of PowerTel

The key features of PowerTel as an investment opportunity include:

Revenue Growth

PowerTel's revenue increased significantly in 2002 to \$102.5 million, an increase of 106% from 2001 revenues of \$49.8 million. In the reviewed results to 30 June 2003, revenue has continued to grow to \$59.2 million, compared to \$44.1 million in the same period last year, an increase of 34%.

Despite the difficulties caused by negative perceptions in the marketplace, PowerTel has continued to acquire new corporate and wholesale customers and increase the share of existing customers' business throughout 2002 and 2003.

PowerTel believes that it has the potential to continue to grow its revenue based on its view that it could direct additional traffic to the PowerTel network from new and existing customers and develop the AccessAdvantage project (which is discussed in more detail below) because there is no longer uncertainty concerning its ownership and ability to obtain additional equity to fund its on-going operations and growth plans.

Early in 2003, an initiative to expand the PowerTel network reach by the development of a new service called 'AccessAdvantage' was implemented. AccessAdvantage is an integrated voice and Internet broadband service built on symmetrical high speed DSL technology that uses the recently 'unbundled' Telstra local copper network. AccessAdvantage enables PowerTel to cost effectively expand PowerTel's access to corporate customers as an alternative to building its own fibre. The AccessAdvantage service should allow PowerTel to expand its current market opportunities by providing low cost voice and data services to the small to medium enterprise market.

EBITDA Positive Financial Performance

Revenue growth, combined with strict cost containment, enabled PowerTel to reach a positive monthly EBITDA position in June 2002, a position which has continued to be positive since then. PowerTel's growth and financial performance has been achieved despite difficult trading conditions in the

Australian telecommunications market. In the reviewed results of the first 6 months of 2003, EBITDA has continued to grow to \$5.0 million compared with an EBITDA loss of \$5.5 million for the same period last year.

Macquarie Corporate Telecommunications Strategic Alliance

The strategic alliance with Macquarie Corporate Telecommunications Holdings Limited (Macquarie) began migrating traffic to the PowerTel network in January 2002. This alliance boosted network usage and revenue significantly in 2002 and continues to provide significant revenue for PowerTel into 2003 representing approximately 34% of the total year to date revenue.

Network Reach

PowerTel's network is a state of the art telecommunications network linking the east coast of Australia and includes fibre linking key buildings in the business areas of Sydney, Melbourne and Brisbane. The capability as a national network has been recently enhanced having negotiated a link to expand the eastern state network to South Australia and Western Australia. This locks in capacity for 15 years enabling PowerTel to provide customers with a competitive service nationally.

Advanced Network Design

The Company's fibre optic network is specifically designed to provide broadband telecommunications services to demanding high-end users such as corporations and governments. PowerTel's advanced network design eliminates significant costs associated with older equipment. The network is scalable, allowing PowerTel to respond to customer needs in a timely and low-cost manner. The network also serves as a platform for additional revenue generating initiatives (such as Digital Subscriber Lines - DSL) at relatively low incremental costs.

Risk Factors

Refer to section 8 of the Prospectus for a description of key risk factors.

2. Details of the Rights Issue

Key Dates

Day /Date

Lodgement of Prospectus with ASIC and announcement of Rights Issue	Wednesday 17 September 2003
Ordinary Shares quoted ex-Rights and Rights trading commences on the ASX	Monday 22 September 2003
Record date to determine entitlement to New Shares	Friday 26 September 2003
Last day of Rights trading	Thursday 16 October 2003
Last day for acceptance and payment in full	Thursday 23 October 2003
Final allotment of New Shares and dispatch of shareholding statements for New Shares no later than	Thursday 13 November 2003

PowerTel reserves the right to vary the timetable without notice, including by extending the Closing Date or closing the offer early (but subject to the requirements of the ASX Listing Rules).

The Rights Issue

PowerTel is making a renounceable Rights Issue of 2.3 New Shares for every 1 Existing Share held by an entitled Shareholder on the Record Date, at an issue price of \$0.02 per New Share payable in full on application.

Fractional entitlements to New Shares will be rounded to the nearest whole New Share.

The total number of New Shares to be issued pursuant to the Rights Issue will be approximately 2.5 billion. The gross proceeds (before the costs of the Offer) will be \$50 million.

Record Date

The Record Date for the purposes of the Rights Issue is close of business on Friday 26 September 2003. The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

Closing date for applications

All acceptances and payments must be received by no later than 5.00pm Sydney time on Thursday 23 October 2003. Acceptances may be processed prior to this time.

Rights Trading

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

Trading of Rights will commence on the ASX on Monday 22 September 2003 and will cease at the close of trading on Thursday 16 October 2003. 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.

The allotment of New Shares will be made pursuant to this Prospectus at a date expected to be no later than 30 October 2003 but in any event, all allotments will be completed by 13 November 2003. Shareholder statements for New Shares will be dispatched upon completion of each allotment.

Underwriting

The Rights Issue has been fully underwritten by TVG Consolidation Holdings SPRL, PowerTel's major shareholder. A summary of the Underwriting Agreement, including major terms and conditions, is set out in Section 9.

Information about TVG's interest in PowerTel is also set out in Section 9.

Overseas Shareholders

The Prospectus and Entitlement and Acceptance Form are being sent to Shareholders with registered addresses in Australia and New Zealand only. Entitlements of Shareholders with registered addresses outside these countries will be dealt with as set out in Section 9.

Market Prices of Ordinary Shares

The lowest and highest market sale prices of Ordinary Shares on the ASX during the three months immediately preceding the date of this Prospectus and the dates of those sales, were 5.4 cents on 12 August 2003 and 9.8 cents on 28 July 2003.

The last sale price for Ordinary Shares on the ASX prior to the date of this Prospectus was \$0.072 on 16 September 2003.

3. Action Required by Shareholders

What You May Do

The number of New Shares to which you are entitled (“your entitlement”) is shown on the accompanying Entitlement and Acceptance Form.

You may:

- take up your entitlement in full; or,
- sell all of your entitlement on the ASX; or,
- accept part of your entitlement and sell the balance on the ASX; or,
- accept part of your entitlement and allow the balance to lapse; or,
- transfer your entitlement to another person other than on market using the ASX (Issuer Sponsored holders only); or,
- allow your entitlement to lapse.

If you wish to take up your entitlement in full

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form. Forward your completed form, together with a cheque for the amount shown on the form to reach PowerTel’s Share Registry, Computershare Investor Services Pty Limited, Level 5, 115 Grenfell St, Adelaide, SA, 5000 by no later than 5.00pm Sydney time on 23 October 2003 in the enclosed pre-addressed envelope.

If you wish to sell all of your entitlement on the ASX

Complete the section on the front of the accompanying Entitlement and Acceptance Form marked “Sale of Rights: Instructions to Your Sharebroker” and forward the form to your sharebroker. Rights trading commences on 22 September 2003. You must deal with your entitlement by close of trading on the ASX on 16 October 2003, when Rights trading ceases.

If you wish to accept part of your entitlement and sell the balance on the ASX

Complete the accompanying Entitlement and Acceptance Form for that part of your entitlement that you wish to accept, and also complete the section on the front of the form marked “Sale of Rights: Instructions to Your Sharebroker” for the balance that you wish to sell on the ASX. The completed form should be forwarded to your sharebroker together with a cheque for the amount due in respect of the New Shares you intend to accept (being the number of New Shares you wish to accept multiplied by \$0.02).

Rights trading commences on 22 September 2003. You must deal with that part of your entitlement which you do not intend to accept by close of trading on the ASX on 16 October 2003, when Rights trading ceases.

If you wish to accept part of your entitlement and allow the balance to lapse

Complete the accompanying Entitlement and Acceptance Form for that part of your entitlement that you wish to accept and forward the form, together with a cheque for the amount due in respect of the New Shares you intend to accept (being the number of New Shares you wish to accept multiplied by \$0.02) to reach PowerTel’s Share Registry, Computershare Investor Services Pty Limited, Level 5, 115 Grenfell St, Adelaide, SA, 5000 by no later than 5.00pm Sydney time on Thursday 23 October 2003 in the enclosed pre-addressed envelope.

If you wish to transfer all or part of your entitlement to another person other than on market using the ASX – only if your rights are held on the Issuer Sponsored Sub-register

Forward a completed standard renunciation form (obtainable from your sharebroker or from PowerTel’s Share Registry) together with the accompanying Entitlement and Acceptance Form completed by the transferee and the transferee’s cheque for the amount due in respect of the New

Shares to reach PowerTel's Share Registry, Computershare Investor Services Pty Limited, Level 5, 115 Grenfell St, Adelaide, SA, 5000, by no later than 5.00pm Sydney time on Thursday 23 October 2003 2003 in the enclosed pre-addressed envelope. If your rights are held on the CHESS sub-register you will need to contact your Sponsoring Participant.

Entitlements not taken up

If you decide not to accept all or part of your entitlement to New Shares, you are advised to sell the Rights to New Shares rather than allow the Rights to lapse. Rights not taken up will lapse. The New Shares will be taken up by the Underwriter and you will receive no benefit. It is therefore important that you take action either to accept or sell your entitlement in accordance with the above instructions.

Payment

Acceptances for New Shares must be accompanied by payment in full of \$0.02 per New Share. Payments will only be accepted in Australian currency and as follows:

- bank cheque drawn or payable at any Australian bank; or
- a cheque drawn on and payable at any Australian bank.

Cheques should be made payable to "**PowerTel Limited Rights Issue**" and crossed "Not Negotiable". Shareholders must not forward cash. Receipts for payment will not be forwarded to Shareholders.

Taxation considerations

Shareholders should consult their own professional tax adviser in relation to the taxation implications of subscribing for New Shares under this Prospectus.

Enquiries

For further information on your entitlement or how to accept the Offer please contact PowerTel's Share Registry at:

Computershare Investor Services Pty Limited
Level 5
115 Grenfell St,
Adelaide SA 5000
Telephone: 1800 501 377 within Australia
(+61 3) 9615 5970 outside Australia
Facsimile: (08) 8236 2305

4. Financial Information

4.1 Consolidated Statement of Financial Performance

The Statement of Financial Performance for the 6 months ending 30 June 2003 and prior periods is tabled below. The Statements of Financial Performance presented below have been extracted from the financial reports for the years ended 31 December 2002 and 31 December 2001 and for the half years ended 30 June 2003 and 30 June 2002. The Statements of Financial Performance should be read in conjunction with the above financial reports and the respective independent audit reports and review statements:

	6 months to 30 June 2003 \$'000 (Reviewed)	12 months to 31 December 2002 \$'000 (Audited)	6 months to 30 June 2002 \$'000 (Reviewed)	12 months to 31 December 2001 \$'000 (Audited)
Operating Revenue	58,991	101,964	43,753	47,988
Other revenue	202	558	325	1,819
Total revenue	59,193	102,522	44,078	49,807
EBITDA (excludes interest income)	5,001	(2,421)	(5,500)	(42,809)
Depreciation and amortisation	(16,414)	(41,489)	(20,744)	(35,809)
EBIT	(11,413)	(43,910)	(26,244)	(78,618)
Net Borrowing Costs (including interest income)	(4,350)	(8,898)	(4,192)	(4,752)
Operating loss before significant items and tax	(15,763)	(52,808)	(30,436)	(83,370)
Significant items	(189)	(109,131)	(1,935)	(2,853)
Operating loss after significant items	(15,952)	(161,939)	(32,371)	(86,223)
Taxation	-	-	-	-
Operating loss after taxation	(15,952)	(161,939)	(32,371)	(86,223)

Commentary

Revenue

Total revenue for the year ended 31 December 2002 increased to \$102.5 million from the prior period (year ended 31 December 2001, \$49.8 million). In the reviewed results for the 6 months ended 30 June 2003, revenue has continued to grow to \$59.2 million, compared to \$44.1 million in the same period last year, an increase of 34%.

Revenue growth can be attributed to a number of factors including the transfer of Macquarie Corporate Telecommunications Holdings Ltd (Macquarie) voice traffic to the PowerTel network under the strategic alliance with Macquarie. The progressive increase in the handling of Macquarie voice traffic together with a continuous increase in signed orders for new business has resulted in an increase in revenue in the first half of 2003. Approximately \$21.3 million of new annual contracts for customer services were signed during the first 6 months of 2003 supporting the growth of revenue.

EBITDA

The EBITDA profit of \$3.1 million in the second half of 2002 contrasted to an EBITDA loss of \$5.5 million in the first half of 2002. This resulted in an EBITDA loss of \$2.4 million for the year, substantially improved from the previous year's \$42.8 million EBITDA loss. Revenue growth, combined with strict cost containment, enabled PowerTel to reach a positive monthly EBITDA position in June 2002, and subsequently improve the position throughout the second half of 2002 and into 2003. The EBITDA profit for the 6 months ending June 2003 was \$5.0 million.

Operating loss before significant items and tax

Operating loss before significant items and tax reduced by 37% in 2002 compared with 2001, with the reduction in the EBITDA loss described above being the major contributor. Operating loss before significant items and tax has continued to fall in the 6 months to June 2003 to \$15.8 million compared to a loss of \$30.4 million in the same period last year.

Depreciation and amortisation increased by \$5.7 million in 2002 compared with 2001. The increase is consistent with the completion of significant capital projects during that time. As a result of the write down in the book value of network assets as at 31 December 2002, it is anticipated that the annual depreciation and amortisation charge will decrease by approximately \$11 million.

Net borrowing costs increased from \$4.8 million in 2001 to \$8.9 million in 2002, which is consistent with the increased drawn down amounts from the senior finance facility and the establishment of the \$16 million subordinated loan with WilTel Communications LLC in February 2002. As a result of the subordinated and intercompany debt being settled by way of a \$10 million payment to WilTel Communications LLC by PowerTel, it is anticipated that borrowing costs of approximately \$1.6 million, that were booked in 2002, will no longer be incurred by PowerTel.

Operating loss after significant items

Significant items in the 6 months to June 2003 related to the write back of the book value of shares held in Macquarie to market rate as at balance date (profit of \$0.3 million) and equity raising and change in control costs of \$0.5 million.

Significant items in 2002 related to the write down of the book value of network assets (\$106.9 million) and the write down of the book value of shares held in Macquarie to market rate as at balance date (\$2.2 million).

The significant items in 2001 related to the write down of the book value of shares held in listed companies (including Macquarie) to market rate as at balance date (\$1.3 million) and staff restructure costs (\$1.6 million).

4.2 Statement of Financial Position and Pro Forma Statement of Financial Position

A Pro Forma Statement of Financial Position for the Company is provided below showing the net effect of the Rights Issue, as if the Rights Issue and the other adjustments listed below had occurred on 30 June 2003. This Pro Forma Statement of Financial Position is based on the Company's reviewed financial statements for the half year ended 30 June 2003.

	Notes	Actual 30 June 2003 (Reviewed)	Subsequent Events since 30 June 2003	Rights Issue	Use of Funds	Pro Forma 30 June 2003
		\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets						
Cash assets	4	4,679	(700)		(2,770)	15,869
	5	-		49,660		
	6	-			(25,000)	
	7				(10,000)	
Receivables		15,994				15,994
Other		3,976				3,976
Total Current Assets		24,649	(700)	49,660	(37,770)	35,839
Non-Current Assets						
Other financial assets		2,037				2,037
Property, plant and equipment		167,537				167,537
Other		1,320				1,320
Total Non-Current Assets		170,894		-	-	170,894
Total Assets		195,543	(700)	49,660	(37,770)	206,733
Current Liabilities						
Payables	2,7	25,396	10,000		(10,000)	23,432
	1		(1,964)			
	4		2,770		(2,770)	
Interest bearing liabilities	1	6,620	(5,312)			248
	1		(1,060)			
Other Provisions		1,182				1,182
Total Current Liabilities		33,198	4,434		(12,770)	24,862
Non-Current Liabilities						
Interest bearing liabilities	1	94,500	(16,000)			53,500
	6				(25,000)	
Other provisions		334				334
Other		7,148				7,148
Total Non-Current Liabilities		101,982	(16,000)		(25,000)	60,982
Total Liabilities		135,180	(11,566)		(37,770)	85,844
Net Assets		60,363	10,866	49,660	-	120,889
Equity						
Contributed equity	5	496,121		49,660		545,781
Accumulated losses	3	(435,758)	14,336			(424,892)
	4		(3,470)			
Total Equity		60,363	10,866	49,660	-	120,889

Notes relating to Pro Forma Adjustments

The Pro Forma Statement of Financial Position incorporates the following adjustments:

Subsequent Events

1. WilTel made an offer to PowerTel on 25 July 2003 that would allow the full settlement of the subordinated (\$16 million) and intercompany debt (\$5.3 million) and the writing off of the accrued interest on the subordinated (\$1.9 million) and intercompany debt (\$1.1 million) as at 30 June 2003 for the payment of \$10 million by PowerTel to WilTel. PowerTel accepted the offer on 15 August 2003.
2. On 20 August 2003, PowerTel drew down \$10.0 million under the TVG Bridging Facility provided by TVG on 15 August 2003 and made payment to WilTel per the WilTel debt cancellation agreement.
3. As a consequence of the transaction detailed in point 1 above, the Company incurred a gain on settlement in August 2003 of \$14.3 million. The Company has sufficient tax losses carried forward to offset any taxable income which may arise on the gain on settlement.
4. Other costs associated with the change in control transaction total \$3.5 million. These relate primarily to advisory services provided to PowerTel during the change in control process (\$2.5 million), bank fees incurred due to the change in financing arrangements as summarised below (\$0.3 million) and other related transaction costs of \$0.7 million. As at 17th September 2003, \$0.7 million had been paid and the balance of \$2.8 million becomes payable once PowerTel successfully raises the equity from the Rights Issue.

Rights Issue

5. Completion of the proposed underwritten Rights Issue, assuming a \$50 million capital raising, less related transaction costs of \$0.3 million.

Use of Funds

6. Repayment of \$25 million of the senior secured finance facility.
7. Settlement of the Company's \$10 million balance owing to TVG under the bridging finance facility.

4.3 Financing Arrangements

PowerTel has a syndicated senior secured medium term facility with six banks (equal share) for a five year term ending March 2006. The facility has been used by PowerTel for capital expenditure and working capital requirements associated with the development of its fibre optic network. On 15 August 2003, the Company renegotiated its finance facility with the Banks to provide PowerTel with a more flexible finance facility. Key variations to the finance facility are as follows:

- The facility limit will be reduced from \$100 million to \$60 million following the repayment of \$25 million from the proceeds from the Rights Issue. The amount drawn down will be \$53.5 million following the Rights Issue;
- The schedule of repayments has been adjusted resulting in 2.5% of the drawn down amount to be repaid in September 2004, 2.5% in December 2004, followed by 20% in 2005 and the balance at the maturity date, ie, 21 March 2006;
- The clause in the loan facility agreement requiring 15% of the net proceeds of any new equity raising to be applied towards the repayment of the loan facility has been removed;
- 75% of any excess cash flow generated by PowerTel each quarter will be applied towards the loan facility principal balance;
- Financial covenants have been amended to provide PowerTel with a more flexible financing facility; and
- The revised finance facility requires completion of the Rights Issue by 30 November 2003.

4.4 Accounting Policies

The accounting policies adopted in the preparation of the financial information are consistent with the accounting policies adopted and described in the company's published Annual Report for the year ended 31 December 2002 and financial report for the half year ended 30 June 2003. A copy of the Annual Report or half year financial report is available free on request by contacting the Company on 02 8264 3888.

4.5 Capital Structure

Following the completion of the Rights Issue, PowerTel will have the following securities on issue:

Security	Number
Ordinary Shares	3,589,990,143 approximately
Employee Options	7,981,338

Further details on the Employee Options are provided in section 9.

4.6 Independent Accountant's Report



■ The Ernst & Young Building
321 Kent Street
Sydney NSW 2000
Australia

■ Tel 61 2 9248 5555
Fax 61 2 9262 6565
DX Sydney Stock
Exchange 10172

GPO Box 2646
Sydney NSW 2001

17 September 2003

The Directors
PowerTel Limited
Level 11
55 Clarence Street
Sydney NSW 2000

Dear Sirs

Independent Accountant's Report

1. Introduction

We have prepared this Independent Accountant's report ('Report') at the request of the Directors of PowerTel Limited hereafter referred to as ('PowerTel') for inclusion in a Prospectus to be dated on or about 17 September 2003 relating to the offer of 2.3 new Ordinary Shares in the Company for every Existing Share held by the Shareholder, at an offer price of 2 cents per Ordinary Share.

Expressions defined in the prospectus have the same meaning in this report.

2. Background Information

PowerTel operates as a provider of telecommunications services to the corporate and wholesale markets in Australia.

In August 2003, WilTel sold its controlling interest in PowerTel to TVG Consolidation Holdings SPRL (TVG). As part of the change in controlling shareholder PowerTel settled amounts due to WilTel, using funds provided by TVG, and revised its financing arrangements with the banking syndicate on more flexible terms.

Subsequent to the above transaction TVG agreed to underwrite a rights issue of ordinary shares to recapitalise PowerTel, as described in the Prospectus.

The effect of these subsequent events and the completion of the Rights Issue, on the Statement of Financial Position as at 30 June 2003, is outlined in Section 4.2 of the Prospectus. Details of the revision of the Senior Debt Finance Facility are outlined in Section 4.3 of the Prospectus.

3. Scope

We have been requested to prepare an Independent Accountant's Report covering the Pro-Forma Statement of Financial Position as at 30 June 2003 which has been adjusted to report the following Pro Forma Adjustments:

Subsequent Events

1. Settlement of WiTel debt comprising the full settlement of the subordinated note (\$16.0 million) and intercompany debt (\$5.3 million) and the writing off of the accrued interest on the subordinated note (\$1.9 million at 30 June 2003) and intercompany debt (\$1.1 million at 30 June 2003) for a payment of \$10 million made by PowerTel in August 2003.
2. Drawdown of \$10 million from the bridging finance facility provided by TVG.
3. The gain on \$14.3 million arising on settlement of the WiTel debt described in point 1 above.
4. Payment of transaction costs related to the change of control in August 2003 totalling \$0.7 million.

Rights Issue

5. Completion of the proposed underwritten Rights Issue of ordinary shares, assuming a \$50 million capital raising, less related transaction costs of \$0.3 million.

Use of Funds

6. Repayment of \$25 million of the senior secured finance facility;
7. Settlement of the Company's \$10 million balance owing to TVG under the bridging finance facility.
8. Payment of the remaining transaction costs relating to the change in control in August 2003 totalling \$2.8 million.

The Statement of Financial Position at 30 June 2003 has been extracted from the statutory financial report of the Company which was reviewed by Ernst & Young and on which an unqualified review statement was issued. No adjustments have been made to the statutory financial report.

The Directors have prepared and are responsible for the Pro-Forma Statement of Financial Position. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

The Company's Directors are responsible for the preparation of the Pro Forma Statement of Financial Position including determination of the Pro Forma Adjustments. The Pro Forma Statement of Financial Position has been extracted from the reviewed financial report for the half year ended 30 June 2003 and adjusted to reflect the Pro Forma transactions set out above.

Review of Pro Forma Statement of Financial Position

We have conducted an independent review of the Pro-Forma Statement of Financial Position in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Pro-forma Statement of Financial Position is not presented fairly in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro-Forma Transactions set out above had occurred at 30 June 2003.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and analytical procedures applied to the financial

data. We have also determined whether the Pro-Forma Transactions form a reasonable basis for the preparation of the Pro-Forma Statement of Financial Position. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the proforma financial information.

4. Review Statement

Review of Pro Forma Statement of Financial Position

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the Pro-Forma Statement of Financial Position as set out in Section 4.2 of the Prospectus does not present fairly the financial position of Company as at 30 June 2003, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro Forma Adjustments set out in Section 3 of this report had occurred on that date.

5. Subsequent Events

Apart from the matters dealt with in this Report and in Section 4.2 of the Prospectus and having regard to the scope of our Report, to the best of our knowledge and belief, there have been no material transactions or events outside the ordinary business of the Company subsequent to 30 June 2003 have come to our attention which require comment on or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

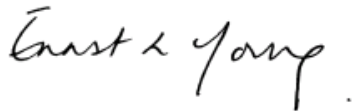
6. Disclosure

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young provides audit, tax, and other compliance services to the Company, and will receive a professional fee for the preparation of this Report.

The Company has agreed to indemnify and hold harmless Ernst & Young and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Company.

Consent to the inclusion of the Independent Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

5. PowerTel's Business

History

PowerTel was formed in August 1998 from an ASX listed company called Spectrum Network Systems Limited. PowerTel changed its name from Spectrum when the business changed ownership and was re-launched as a provider of infrastructure-based data and voice services to Australian corporations and wholesale customers.

PowerTel was granted a carriers' licence by the Australian Communications Authority in 1998 and in February 1999 commenced the rollout of its fibre optic communications network. This comprised of a fibre-optic and Asynchronous Transfer Mode ("ATM") network in the central business districts ("CBDs") of Sydney, Melbourne and Brisbane and a long-haul fibre backbone between each of these cities, as well as other regional centres. The intra-city links mostly utilised existing ducting and rights of passage owned or controlled by DownTown Utilities Pty Ltd ("DTU"). PowerTel has also established long-term rights over fibre capacity of other carriers to provide seamless links to Adelaide and Perth.

PowerTel's Business

PowerTel's strategy is to provide communications solutions and services to Australian corporate, small to medium size business, government and wholesale customers. PowerTel believes that the following competitive advantages will underpin its ability to achieve its strategy. These advantages include the following:

Rapid service delivery: PowerTel's network architecture and building access strategy enables rapid provisioning and commencement of customer services (i.e. 3 to 10 days for "lit" buildings). Industry standards appear to be between 20 to 90 days on a best efforts basis;

Network quality and reach: High performance, high availability network services are provided through professional management of PowerTel's high capacity, modern network. The PowerTel network development has been based upon four key elements that drive the revenue opportunities:

- (1) Geographic reach;
- (2) Customer requirements;
- (3) Buildings targeted; and
- (4) Type of services deployed.

The key CBD's along the eastern seaboard of Australia represent around 70% of the addressable telecommunications market in Australia. PowerTel currently has cable passing more than 600 buildings within the CBDs of Melbourne, Sydney and Brisbane together with legal access to over 400 buildings.

Low cost operations: PowerTel's modern network and systems environment is free from the legacy restrictions and cost burdens of the longer established carriers. This enables PowerTel to compete vigorously and maintain margins.

Pricing: Competitive pricing enabled by PowerTel's low cost network;

Flexibility: PowerTel's smaller size, and highly capable network and systems environment, enables the company to respond quickly to market opportunities. The network has scalable capacity to ensure that minimal further capital expenditure for upgrading is required in the near future; and

Products offered: PowerTel offers a suite of terrestrial based telecommunications products to its corporate, government, wholesale and SME clients including ATM, frame relay, leased lines, voice services, IP-VPN, internet, co-location and managed router services.

PowerTel's Network

Network description

PowerTel's network is a state-of-the-art telecommunications network linking the east-coast of Australia and includes fibre loops in the main business areas of Sydney, Melbourne and Brisbane. The capability as a national network has been recently enhanced having negotiated a link to expand the eastern state network to South Australia and Western Australia. This locks in capacity for 15 years enabling PowerTel to provide customers with a competitive service nationally.

Building Infrastructure

PowerTel uses the electricity utility duct network to enter the building via the substation. Equipment is installed within the Main Distribution Frame ("MDF") room or alternate location within the building. Customers are connected to the PowerTel network through direct connections of fibre optic and copper.

Network design

PowerTel's network architecture has the following features:

- Improved network management, network interface and service solution capabilities;
- Remote service activation capabilities as opposed to the need for physical connection of services;
- Greater scope to incorporate additional, innovative services; and
- No burden of legacy platforms and network overlays.

These features provide a high reliability and quality of service and a distinct "time-to-market" competitive advantage in the delivery of new services.

IT systems

PowerTel has invested in a complete set of IT systems to support all major functions including Customer Relationship Management, Billing & Financial Operations and Network Management.

These systems have been designed to grow to support a much larger customer and revenue base than is currently the case, without significant further capital investment.

Strategic Alliance - Macquarie Corporate Telecommunications Holdings Limited

PowerTel acquired a 10% shareholding in Macquarie in May 2001. In September 2001, PowerTel announced that it had formed a strategic alliance with Macquarie for the provision of voice services to Macquarie customers using PowerTel's national voice network. The broad commercial framework for this alliance agreement is for PowerTel and Macquarie to share the benefits of migrating Macquarie's voice customer traffic onto the PowerTel network.

DTU Access Agreements

PowerTel has entered into an Asset Use Agreement (AUA) with each of the members of DTU. Each agreement provides PowerTel with access to the Utility's facilities (i.e., ducts, poles, fibre optic cable, towers, etc.) for the installation of telecommunications equipment by negotiated Asset Use Licences that are issued in accordance with PowerTel's roll out plan. The Company pays asset use charges for the right to access these facilities. The agreement expires in 2018.

Building Access

In the majority of cases PowerTel has negotiated a contractual right of access to buildings to install, operate, maintain and repair subscriber connection equipment and associated cabling in the building. Where PowerTel has been unable to negotiate a commercial arrangement, it has accessed the building

for the installation and operation of low impact facilities under Schedule 3 of the Telecommunications Act 1997 Cth.

PowerTel's contractual right of access takes the form of either a lease in the relevant equipment location inclusive of riser access, or a licence which obligates the Licensor to require any incoming transferee to enter into a new agreement for the grant of the licence, on the same terms and conditions for at least the unexpired term and any options of renewal.

6. Industry and Competition

Present Capital Market Conditions

At present, global capital market conditions for telecommunications companies seeking to raise funds may be characterised as difficult, due in part to the following set of investor concerns:

- Duplication of networks and overstatement of asset values in the telecommunications sector.
- PowerTel, along with many other listed Australian telecommunications companies, has seen its share price decline over the course of the last 12 months in response to investor concerns about the telecommunications sector.

Wholesale Market

The development of facilities based competition has seen the emergence of a wholesale market for bandwidth, as new operators without, or with only limited, transmission infrastructure seek to obtain wholesale bandwidth services from the incumbent operators. These service providers and carriers without ubiquitous network coverage require interconnection to networks in order to service and access their customers. Within the CBD's of major cities, on major inter-capital routes, and international routes, new infrastructure based operators have entered the market creating a degree of competition together with lower pricing policies. This competition combined with intervention by the ACCC has resulted in lowering the cost of using the incumbent's and other carriers' networks.

Corporate Market

Until the early 1990's, the majority of network traffic was made up of traditional circuit switched voice telephony. Voice traffic continues to grow at a steady rate however the growth in data traffic is now beginning to dominate worldwide telecommunications traffic. Increasingly companies are demanding higher bandwidth driven by the use of data products. PowerTel offers its corporate customers a wide range of both data and voice solutions.

Demand

As competition increases, the cost of bandwidth is expected to fall, which means more businesses are able to afford to move their activities on-line, thereby fostering growth in bandwidth demand. Future demand for bandwidth will be driven by high bandwidth applications as businesses expand their use of internet access, e-mail, file transfer, corporate directories, electronic commerce, software distribution, application service providers, video services and other data uses.

Telecommunications voice services are a fundamental and on-going requirement of all businesses. The overall level of voice traffic continues to grow in real terms even though it has been impacted by the increasing availability of substitutes such as e-mail.

Price

It is expected that downward pressure on prices will continue in the short to medium term due to increased competition and reducing incremental costs. Although the current level of supply of bandwidth in this market should reduce prices, this is expected to be offset over time by increased volumes.

Competition

Within the CBD's in which PowerTel is providing services, Telstra and SingTel Optus are clearly the dominant competitors, able to provide ubiquitous connectivity across Australia and internationally. In the inter-capital and regional bandwidth market there are a range of competitors including Telstra, SingTel Optus, AAPT, NextGen (in receivership) and IP1 (in receivership). It is quite possible that there will be rationalisation of the inter-capital and regional bandwidth market.

7. Statutory Requirements and Additional Information

Continuous reporting and Disclosure Obligations

This Prospectus is issued under section 713 of the Corporations Act as a prospectus for the offer of New Ordinary Shares which will rank equally in all respects with the Company's fully paid Ordinary Shares currently on issue.

PowerTel is a Disclosing Entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. As a listed company, PowerTel is subject to the Listing Rules of the ASX which require immediate disclosure to the market of any information of which the Company is aware which a reasonable person might expect to have a material impact on the price or value of its shares, subject to limited exceptions for certain confidential information.

The ASX maintains detailed records of company announcements for all companies listed on the ASX. PowerTel's file is available for inspection at the ASX in Adelaide. Announcements are available from the ASX and some of the more recent announcements can be viewed at www.asx.com.au.

ASIC also maintains records in respect of documents lodged with it by the Company, and these may be obtained from or inspected at an office of ASIC.

The Company will provide free of charge to any person who requests it during the application period under this Prospectus a copy of:

- (a) PowerTel's financial statements for the financial period ended 31 December 2002 (being the last financial statements of a full financial period lodged with the ASIC before the issue of this Prospectus);
- (b) PowerTel's half year financial report for the period ended 30 June 2003; and
- (b) documents released to the ASX pursuant to the Company's continuous disclosure obligations under the ASX Listing Rules and of the Corporations Act since the lodgement of financial statements referred to in (a) above. The following is a list of such releases that are available:

DATE	DETAILS OF ANNOUNCEMENT
11.3.03	PowerTel announces non-cash asset write-down
14.3.03	Preliminary Final Report – 4B
14.3.03	PowerTel doubles 2002 revenue and improves EBITDA
25.3.03	Resignation of John Bumgarner
31.3.03	Financial Report for year ended 31 December 2002
14.4.03	Final Director's Interest Notice
29.4.03	Annual report and top 20 shareholders
9.5.03	funding and major shareholder to secure PowerTel's future
12.3.03	DTU will not exercise its pre-emptive rights with respect to WilTel's interest in PowerTel based on the Roslyndale proposal.
15.5.03	PowerTel funding agreement signed
30.5.03	PowerTel AGM Speeches
30.5.03	PowerTel AGM Presentation
30.5.03	Results of AGM
3.6.03	Notice of General Meeting
3.6.03	Independent Expert's Report
3.6.03	Cover Letter – Notice of Meeting and Independent Experts Report
3.6.03	Substantial Shareholders Notice – Data Investments Pty Ltd
10.6.03	TVG Submits Proposal
10.6.03	Covering Letter re TVG Proposal for PowerTel Shareholders
10.6.03	Covering Letter to Addendum
10.6.03	Addendum to Independent Expert's Report
16.6.03	Bidder's Statement by TVG Consolidation Holdings SPRL
20.6.03	TVG proposes RCPS Issue will be renounceable
23.6.03	Target's Statement – Off-market bid
24.6.03	Notice of Despatch of Bidders Statement from TVG
24.6.03	Updated Bidder's Statement – Off-market bid re Takeover by TVG
25.6.03	Supplementary Bidder's Statement by TVG Consolidation Holdings
25.6.03	Status of Conditions Precedent to the Roslyndale Proposal
26.6.03	Takeovers Panel: Application in Relation to PowerTel Limited

27.6.03	Updated status conditions precedent to Roslyndale Proposal
27.6.03	Becoming a substantial holder
27.6.03	First Supplementary Target's Statement
30.6.03	Takeovers Panel Declines to Commence Proceedings re PowerTel Limited
1.7.03	Roslyndale Undertaking
1.7.03	Downtown Utilities Announcement
1.7.03	TVG Increases bid price & reduces conditions to PowerTel bid
2.7.03	Results of General Meeting
2.7.03	Second Supplementary Bidder's Statement
2.7.03	Third Supplementary Bidder's Statement & s650D Notice
8.7.03	Fourth Supplementary Bidder's Statement
9.7.03	Second Supplementary Target's Statement
11.7.03	Takeovers Panel Receives Second Application in Relation to PowerTel
11.7.03	Fifth Supplementary Bidder's Statement
18.7.03	Sixth Supplementary Bidder's Statement
25.7.03	Takeover Panel decides second PowerTel Application
25.7.03	Extension of Offer Period by TVG Consolidation Holdings SPRL
28.7.03	Eighth Supplementary Bidder's Statement
29.7.03	Third Supplementary Target's Statement
30.7.03	Takeovers Panel receives third application in relation to PowerTel
1.8.03	Ninth Supplementary Bidder's Statement
8.8.03	Extension of offer / Tenth Supplementary Bidder's Statement
8.8.03	Decision on PowerTel (No 3)
12.8.03	Becoming a Substantial Shareholder – Packer & Co.
15.8.03	Change of WilTel Arrangements CEO
15.8.03	Change in Substantial Holding – DTU
15.8.03	New Issue Announcement – Appendix 3B
15.8.03	TVG Takeover bid for Ordinary Shares
18.8.03	Change in Substantial Holding
18.8.03	TVG becoming a substantial Shareholder

- 18.8.03 Ceasing to be a Substantial Shareholder – Packer & Co.
- 18.8.03 TVG Takeover Offer
- 19.8.03 Change to PowerTel Board
- 20.8.03 Becoming a Substantial Holder – Packer & Co.
- 20.8.03 Change in Substantial Holding - DTU
- 20.8.03 Final Director's Interest Notice x 4
- 22.8.03 Ceasing to be a Substantial Holder - WilTel
- 25.8.03 Initial Director's Interest Notice x 2
- 26.8.03 TVG Consolidated Holdings- Not to proceed with compulsory acquisition
- 26.8.03 Change in Substantial Holding - DTU
- 29.8.03 Half Yearly Report & Half Year Accounts
- 2.9.03 Change in Substantial Holding - Packer & Co
- 4.9.03 Change in Substantial Holding – DTU
- 4.9.03 Ceasing to be a Substantial Holder – DTU
- 8.9.03 Additional Information for meeting
- 11.9.03 Takeover Panel: Panel Publishes Reasons Re: PowerTel 1 to 3 Proceedings

Requests for documents should be directed to Simon McEgan at PowerTel, telephone 02 8264 3888. The documents are also available free of charge on PowerTel's website: www.powertel.com.au

8. Risk Factors

Activities of the Company are subject to a number of risks and other factors that may impact on its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many are outside the control of the Company and cannot be mitigated. There are also general risks associated with any investment in shares.

The major factors which investors should consider before they make a decision whether or not to take up their entitlement include those set out below.

General investment risks

A number of factors outside the control of the Company may impact significantly on the Company, its performance and the price of its shares, including:

- Economic conditions in Australia and internationally;
- Investor sentiment and local and international stock market conditions;
- Changes in fiscal, monetary and regulatory policies; and
- Developments in technology and telecommunications markets generally.

Investors should recognise that the price of shares in the Company may fall as well as rise.

Competition

PowerTel faces a range of competitors in each of the areas of the telecommunications market within which it operates. PowerTel's future performance will be dependent on its ability to compete effectively against its current and future competitors.

Increased competition in the market for the supply of bandwidth is likely to see margins contract over time.

PowerTel's future performance will depend on its ability to grow its business in such a market. Failure to achieve customer acquisition and revenue growth will have an adverse effect on the future results of PowerTel.

Industry regulation

The telecommunications industry regulatory framework and specific competition legislation may change, and future legislative changes in this area may impact on PowerTel's future performance.

Market consolidation

Due to a number of factors including the market share held by Telstra and SingTel Optus, the current level of supply of bandwidth, lower than expected growth in the use of broadband applications and the general down turn in the telecommunications industry, there are market expectations that some telecommunication companies must consolidate to effectively compete in the market.

The possibility or outcome of any future market consolidation or of PowerTel's role in this activity cannot be determined with any certainty.

Additional funding requirements

PowerTel's business to date has been highly capital intensive given the network rollout. PowerTel believes that, on completion of the Rights Issue and restructure of its balance sheet, it will have adequate funds available to enhance customer confidence and provide a sound basis for future growth. If however, future cash flows are lower than expected, or PowerTel identifies other market opportunities or acquisitions which it chooses to pursue, there is the risk that additional financing may be necessary. The availability or terms associated with any future financing requirements cannot be

determined with certainty. If PowerTel chooses to pursue an acquisition, it may necessitate the issue of further equity as consideration for, or to raise funding for, the acquisition.

Alliance with Macquarie

In 2001, PowerTel entered into a strategic alliance with Macquarie which now generates a significant portion of PowerTel's revenue. Should the terms of the alliance change in the future or be terminated, then this may have a significant impact on PowerTel's revenue and earning capability.

In addition to ongoing downward margin pressure on the services which PowerTel supplies to Macquarie due to strong competition, Macquarie has a right of termination on a change of control of PowerTel. Macquarie has confirmed that it would like the relationship to continue but has reserved its right of termination for a period of 6 months in order to evaluate the effects (if any) of the change of control on the Macquarie / PowerTel relationship. Macquarie has also confirmed that, if during the 6 month period PowerTel continues to approach the relationship in the normal course of business as conducted during the past year (as determined by Macquarie in its absolute discretion), then Macquarie would not exercise its right of termination. To date, the relationship has continued in the normal course of business and Macquarie has not exercised its right of termination.

Possible tax law changes

The future taxation regime for companies and other entities is in a state of change, and future legislative changes in this area may impact on the tax position of both the Company and individual shareholders.

9. Additional Information

9.1 Rights Attaching to New Shares

The New Shares issued under 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 ASX Listing Rules and Corporations Act, the Directors may issue or otherwise dispose of Ordinary Shares on such terms and conditions as they see fit.

The following is a broad summary of the rights which attach to the Ordinary Shares. It is not intended to be an exhaustive or definitive summary of the rights and obligations of Shareholders

Voting Rights

Subject to any rights or restrictions for the time being attached to any class of shares, at a meeting of shareholders, each holder of Ordinary Shares entitled to vote may vote in person or by proxy or attorney or, being a corporation, by representative duly authorised under the Corporations Act, and has one vote on a show of hands and one vote per fully paid Ordinary Share on a poll.

Dividend Rights

The profits of the Company which the Directors may from time to time determine to distribute by way of dividend are payable equally on all fully paid Ordinary Shares.

Rights on Winding-Up

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 a value as the liquidator considers fair upon the property to be so divided and may determine how the division is to be carried out between the shareholders.

Transfer of Shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and SCH Business Rules, Ordinary Shares in the Company are freely transferable. Subject to the ASX Listing Rules and the Corporations Act, the Directors may refuse to register a transfer or apply a holding lock to prevent a transfer of shares only in limited circumstances, such as where the Company has a lien on those shares.

Variation of Rights

The Company currently has only Ordinary Shares on issue. The rights, privileges and restrictions attaching to these shares, can only be varied by a special resolution passed at a general meeting of the relevant holders of each class of shares or with written consent of relevant holders of at least three quarters of the shares in each that class.

General Meetings

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

9.2 Effect of Shareholders not taking up their Rights

If Shareholders choose not to take up their entitlements under the Rights Issue, their relative shareholding in PowerTel will be diluted. To the extent that Shareholders do not take up their Rights (or other investors do not acquire these Rights on market and exercise them), TVG will be required to take up these Rights as underwriter, assuming the Underwriting Agreement is not terminated (see section 9.4 for a description of TVG's termination rights).

For example, the table below shows the relative Shareholder ownership in PowerTel prior to the Rights Issue and immediately subsequent to the Rights Issue assuming either 100% of Shareholders (or other investors acquiring Rights on-market) take up their Rights or 0% of Shareholders take up their Rights and none of these Rights are acquired on-market by other investors and exercised.

	Prior to Rights Issue	100% Take up of Rights	0% Take up of Rights
TVG shareholding	48%	48%	84%
Other shareholders	52%	52%	16%

9.3 Directors' and Executive Officers' Indemnity

Through its Constitution, and to the extent permitted by the Corporations Act, the Company has indemnified its Directors, alternate Directors and executive officers against losses or liabilities incurred in the performance of their duties.

9.4 Underwriting Agreement

The Company has entered into an Underwriting Agreement with TVG Consolidation Holdings SPRL ("the Underwriter") under which the Underwriter has agreed to underwrite the Rights Issue for no fee (but subject to PowerTel paying some of its expenses). The Underwriting Agreement requires TVG to take up its own entitlement under the Rights Issue and PowerTel expects to issue New Shares in response to TVG's exercise of Rights on or about the Record Date, whereupon PowerTel will have free access to the subscription money paid in respect of these Rights by TVG.

The Underwriting Agreement is conditional upon the following conditions having been fulfilled:

- no right of termination arising under the Underwriting Agreement;
- the Underwriter receiving an opinion letter from the Company's solicitors confirming due incorporation, power and authority, and due authorisation of or by the Company in relation to the Underwriting Agreement;
- the Federal Treasurer not having any objection under the Federal Government's foreign policy or under the Foreign Acquisitions and Takeovers Act.

The Underwriter may set off an amount of the shortfall equal to up to \$13 million against the money owed under the TVG Bridging Facility in accordance with the terms of that facility (which are summarised below at section 9.6). The Underwriter will pay the remainder of the shortfall to the Company in cash. The Company must use \$25 million of the application money received under the Offer to partially repay the Senior Debt.

If valid applications are not received for all underwritten Shares by the close of the Rights Issue and the Underwriting Agreement has not been terminated, the Underwriter must lodge or cause to be lodged valid applications for the shortfall by the business day following receipt of a notice from the Company specifying the amount of the shortfall.

Prior to its obligation to lodge valid application for the shortfall, the Underwriter may terminate its obligations under the Underwriting Agreement after the happening of any one of the following events:

- (a) the Underwriter becomes aware of any information in the Prospectus or any Supplementary Prospectus which is untrue, incorrect or misleading in its contents in a material manner or any omission from or non-disclosure in the Prospectus; unless the Underwriter was aware of or caused the misrepresentation or omission;
- (b) any default by the Company or its subsidiary in the performance of its obligations under the Underwriting Agreement or breach of warranty or covenant given by the Company under the Underwriting Agreement;
- (c) except as publicly announced to the ASX prior to the date of the Prospectus, no material adverse changes have happened to the business since 31 December 2002;
- (d) at any time before the closing date under the Offer, the Company or its subsidiary becomes unable to pay its debts when they fall due, becomes insolvent, is wound up or placed into administration;
- (e) any of the following occurs:
 - ASIC issues an order under section 739 of the Corporations Act in relation to the Rights Issue, the Prospectus, or any supplementary prospectus;
 - ASIC commences an investigation or hearing in relation to the Rights Issue, or the Prospectus or any supplementary prospectus;
 - any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - any person (but excluding the Underwriter) who has previously consented to the inclusion of their name in the Prospectus or any supplementary prospectus withdraws that consent;

- the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Part 6.10 of the Corporations Act or an application for such a declaration is made to the Takeovers Panel, other than arising out of the Underwriter's conduct, and that application is not dismissed within 14 days of being made or such longer period as the Underwriter may agree; or
- (f) any conditions in the Underwriting Agreement become affected by a claim, dispute or proceeding, including a claim, dispute or proceeding before ASIC, ASX or the Takeovers Panel, and that claim, dispute or proceeding is not discontinued or dismissed within 7 days after arising or being made.

The termination events listed above only apply to TVG's underwriting commitment. As noted, TVG is bound to take up the Rights it receives as a Shareholder and PowerTel intends to issue New Shares to TVG in respect of the exercise of these Rights on or around the Record Date.

The Company has also agreed to indemnify the Underwriter against any claim, judgment, damage, loss, expense or liability incurred in connection with any false or misleading statement in, or any omission from, the prospectus, and certain other wrongful conduct by the Company.

9.5 WilTel Debt Cancellation Agreement

On 25 July 2003 WilTel made an offer to PowerTel under the WilTel Debt Cancellation Agreement to forgive the Subordinated Debt of \$16 million (plus accrued interest) and the intercompany debt of \$5.3 million (plus accrued interest) owed by PowerTel to WilTel in consideration for a payment of \$10 million by PowerTel to WilTel. PowerTel accepted this offer and made the required payment on 20 August 2003. The funding for this payment was provided under the TVG Bridging Facility, which is described below.

9.6 TVG Bridging Facility

On 15 August 2003, the Company entered into the TVG Bridging Facility with TVG Asian Communications Fund II, L.P. (the "Lender"). Under this facility, PowerTel may borrow up to A\$13,000,000, interest free, except where amounts are not paid when due. When the balance is overdue, interest accrues each day on each amount due but unpaid at the bid rate on the Reuters BBSW page selected by the Lender, plus 3%.

PowerTel may only use advances made under the TVG Bridging Facility for:

- working capital requirements of up to \$3,000,000; and
- payment of up to \$10,000,000 to WilTel in satisfaction of the debt owing by the Company.

On 20 August 2003, PowerTel drew down \$10,000,000 from the TVG Bridging Facility to repay the debt owed to WilTel.

Repayment of all amounts owing under the TVG Bridging Facility must be made in one sum on the earlier of:

- the day after PowerTel receives any subscription money due from TVG under the Underwriting Agreement; or
- within 3 months of the first drawdown notice made under the TVG Bridging Facility.

The TVG Bridging Facility also requires PowerTel to indemnify the Lender against any liability, loss, cost and expense incurred as a result of an event of default occurring under the TVG Bridging Facility and the pay the Lender's legal costs (to a maximum of \$15,000) in relation to the preparation of the TVG Bridging Facility.

9.7 Information about TVG

TVG is a special purpose vehicle that is owned 99.5% by the TVG Asian Communications Fund II, L.P. (“Fund”) and 0.5% by Rosebud Securities Limited. The Fund is an international venture capital fund with a special focus on communications investments and a particular interest in investments in Australia and the surrounding region. Telecom Venture Group LLC is the general partner of the Fund. Mr John Troy, a Director of PowerTel, is a shareholder in Telecom Venture Group LLC. Rosebud is owned by the management team of Telecom Venture Group Limited.

9.8 Interests of Directors

Other than as set out below or elsewhere in this prospectus:

- No Director has, or has had in the two years before lodgement of this Prospectus, an interest in the formation or promotion of, or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in the Offer; and
- No amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

Directors' holdings of Shares

The Directors and or Prospective Directors have the following interests in Shares in the Company, either directly or indirectly:

	Ordinary Shares
<i>Directors</i>	
Richard Griffin	25,000
Paul Broad	-
John Troy*	523,718,616
Edward Sippel	-

*Mr Troy's relevant interest is deemed to arise because of his shareholding in Telecom Venture Group LLC, which in turn has an indirect interest in TVG, as outlined in section 9.7 above.

9.9 Existing Employee Options

Options in PowerTel have been issued to key employees, which under the terms of their issue, may be exercised before the Record Date.

Employee Options on issue are as follows

Date of Issue	No. of Options Exercisable	Expiry for Exercise Period	Exercise Price (\$)
6 May 1999	200,000	6 May 2004	\$2.16
1 December 1999	3,296,671	1 December 2009	\$2.32
2 February 2000	151,667	31 January 2010	\$2.43
27 March 2001	3,750,000	27 March 2006	\$0.70
27 March 2001	333,000	27 March 2006	\$0.56
15 May 2001	200,000	15 May 2006	\$0.67
24 July 2001	50,000	24 July 2006	\$0.34

All of the above options have been issued under the Company's Employee Option plans. If any option holder validly exercises their Options and therefore becomes registered as a holder of Ordinary Shares as at the Record Date, they will be entitled to participate in the Rights Issue.

Options not exercised prior to the Record Date will have no entitlement to participate in the Rights Issue. However, the terms of issue of the options provide for an adjustment to the exercise price in accordance with the formula set out in the ASX Listing Rules

9.10 Interests of experts or advisers and costs of Offer

Other than as set out below no expert or adviser involved in the preparation of this Prospectus or any firm in which any expert is a partner, has any interest in the promotion of, or in any property proposed to be acquired by, the Company and no amounts, whether in cash or shares otherwise, has been paid or agreed to be paid to any expert (or any firm in which he or she is a partner) for services rendered by the expert, the adviser or the expert's firm in connection with the promotion or formation of the Company.

- (a) TVG has acted as Underwriter to the Offer for no fee, however, the Company has agreed to meet certain of its expenses associated with the Rights Issue which are estimated to be \$30,000.
- (b) Baker & McKenzie has acted as solicitors to the Rights Issue. Baker & McKenzie has performed work in relation to a legal review of the Company and advised the Company generally in relation to the Rights Issue. The Company has paid or agreed to pay approximately \$100,000 plus applicable expenses for services relating to the Rights Issue to the date of this Prospectus.
- (c) Ernst & Young has acted as Independent Accountant and has prepared the Independent Accountant's Report included in this Prospectus. The Company has paid or agreed to pay approximately \$40,000 plus applicable expenses for those services to the date of this Prospectus.
- (d) ANZ Infrastructure Services Limited and The Toronto-Dominion Bank (via its subsidiary Toronto Dominion Securities Pty Ltd) have acted jointly in assisting PowerTel during the equity raising process and preparation of the Prospectus. The Company has agreed to pay approximately \$150,000 for those services to the date of this Prospectus.
- (e) The Company estimates that it will incur approximately \$20,000 in miscellaneous costs related to the Rights Issue. These include costs associated with notice of shareholder meeting for the Rights Issue and associated reports, printing, share registry and ASX costs.

9.11 Expenses of the Rights Issue

All expenses connected with the Rights Issue are being borne by the Company.

9.12 Consents

The following parties have given, and have not, before the lodgement of this prospectus, withdrawn their consents to the issue of this Prospectus:

- Baker & McKenzie has consented to being named as solicitors to the Rights Issue in the form and context in which it is named. Baker & McKenzie does not make any other statement in this Prospectus, nor is any other statement in this Prospectus based on a statement made by it;
- Computershare Investor Services Pty Ltd has consented to being named as Share Registry in the form and context in which it is named. Computershare Investor Services does not make any other statement in this Prospectus, nor is any other statement in this Prospectus based on a statement made by it;
- TVG Consolidation Holdings SPRL has consented to being named as Underwriter in the form and context in which it is named;
- Ernst & Young has given its consent to the inclusion of its Independent Accountant's Report in the form and context in which it is included and Ernst & Young has consented to be named in this Prospectus in the form and context in which it is named. Ernst & Young has consented to being named as Auditor of the Company in the form and context in which it is named and to the inclusion of extracts from PowerTel's audited and reviewed financial statements in this Prospectus in the form and context in which they appear. Ernst & Young does not make any other statement in this Prospectus, nor is any other statement in this Prospectus based on a statement made by it.
- Macquarie Corporate Telecommunications Pty Limited has consented to the inclusion of the statements in section 8 concerning its intentions regarding the continuation of the strategic alliance with PowerTel. Macquarie Corporate Telecommunications Pty Limited does not make any other statement in this Prospectus, nor is any other statement in this Prospectus based on a statement made by it.

9.13 References to publications

Other references are made in this Prospectus to material which is attributed to persons unrelated to the Company. These references are based on statements published in public official documents or a book, journal or comparable publication. Those organisations did not prepare those materials specifically for this Prospectus and have had no involvement in the preparation of any part of this Prospectus.

9.14 Overseas shareholders

The Rights Issue is made only to those Shareholders with registered addresses in Australia and New Zealand.

The Company is of the view that it is unreasonable to make the Rights Issue to other overseas shareholders (i.e. those without registered addresses in Australia and New Zealand) having regard to:

- (a) The number of overseas Shareholders;
- (b) The number and value of New Shares to be offered to overseas Shareholders; and
- (c) The cost of complying with overseas legal requirements.

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer, other than for Shareholders in Australia and New Zealand.

PowerTel is not required to make offers under the Prospectus to overseas Shareholders. Where the Prospectus has been dispatched to shareholders domiciled outside Australia and where that country's securities laws and legislation prohibits or restricts in any way the making of the offers contemplated by the Prospectus, the Prospectus is provided for information purposes only.

However, pursuant to ASX Listing Rule 7.7, the Company will appoint a nominee to sell the Rights to which overseas Shareholders are entitled, subject to there being a viable market for those Rights. The net proceeds of the sale of these Rights will then be forwarded as soon as practicable to the overseas shareholders, in proportion to their entitlement to such Rights.

Shareholders resident in Australia and New Zealand holding Existing Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Rights under the Rights Issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by PowerTel to constitute a representation that there has been no breach of such regulations.

New Zealand securities law requirements

The Rights Issue will be offered in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand) ("New Zealand Exemption Notice").

9.15 Directors' authorisation

All Directors have consented to the lodgement and issue of this prospectus, and have not withdrawn that consent prior to lodgement of this prospectus.

Definitions

“ACCC” means the Australian Competition and Consumer Commission

“Allotment Date” means the date on which the New Shares constituting the whole or part of the Issue are issued and allotted

“ASIC” means Australian Securities and Investments Commission

“ASX” means Australian Stock Exchange Limited

“ASX Listing Rules” means the official listing rules of the ASX from time to time

“ATM” or Asynchronous Transfer Mode, refers to a high bandwidth, low delay technology for transmitting voice, data and video signals, that offers separately assignable priority levels for different information types

“Backbone” means the part of the communications network which carries the heaviest traffic. It is also that part of a network which joins LANs together – either inside a building, across a city or the country – serves as a communications highway for LAN-to-LAN traffic

“Bandwidth” means the capacity of a communications link

“Board” means the Board of Directors of PowerTel

“Business Day” has the same meaning as in the ASX Listing Rules

“Closing Date” means 23 October 2003

“Company” or “PowerTel” means PowerTel Limited

“Constitution” means the Company’s constitution

“Director” means a director of the Company

“DTU” means DownTown Utilities Pty Limited

“EBIT” means earnings before interest and taxation.

“EBITDA” means earnings before interest, taxation, depreciation and amortisation.

“Entitlement and Application Form” means the application form accompanying this Prospectus

“Existing Shares” means the ordinary shares on issue at the Record Date

“Fibre-optic cable” refers to a transmission medium that uses glass fibres to transport data or voice signals. Because of its high bandwidth and lack of susceptibility to interference, fibre-optic cable is used in long haul or noisy applications

“Frame Relay” is a packet-switching technology for voice, data and video signals which uses packets of varying length, or frames

“Internet” is a vast global collection of interconnected networks that all use TCP/IP communications protocol and connects a vast number of independent networks into a global network

“IP” or Internet Protocol refers to the method or protocol by which data is sent from one computer to another on the Internet. Each computer on the Internet has at least one address that uniquely identifies it from all other computers on the Internet

“IP/VPN” means Internet Protocol Virtual Private Network; an open system based communications network facilitating the greatest degree of “open” interconnectivity of computers and other equipment

“Issue Price” means A\$0.02 per New Share.

“Listing Rules” means the Official Listing Rules of the ASX.

“Lit Building” means where like services are currently provided to that building

“Macquarie” means Macquarie Corporate Telecommunications Holdings Limited

“New Shares” means the new Ordinary Shares offered under this Prospectus.

“Offer” means The Offer of New Shares under this Prospectus via a renounceable Rights Issue of 2.3 New Shares for every Existing Share held by an entitled Shareholders on the Record Date.

“Offer Price” means \$0.02 per Share

“Ordinary Share” or “Share” means an ordinary share in PowerTel

“Prospectus” means this document

“Record Date” means close of business on 26 September 2003

“Right” means the renounceable right to subscribe for 2.3 New Shares for every 1 Existing Share held on the Record Date and “Rights” has a corresponding meaning.

“Rights Issue” means the offer of Ordinary Shares made under this Prospectus

“Senior Debt Facility” means the Senior Secured Medium Term Amortising Facility dated 20 March 2001 and subsequently amended on 27 September 2001, 12 April 2002 and as contemplated by the bidder’s statement of TVG dated 16 June 2003.

“Share Registry” means Computershare Investor Services Pty Limited

“Shareholder” means a holder of Existing Shares

“Subordinated Debt” means all indebtedness, liability (contingent or actual) or obligation on any account, including subordinated debt and intercompany loans, owing by the Company to the Underwriter by WilTel Communications Group Inc. and its Related Bodies Corporate and accruing up to the date of assignment together with any related or associated security but excluding any accrued interest

“Sydney time” means Australian Standard Eastern Time

“TVG” means TVG Consolidation Holdings SPRL

“TVG Bridging Facility” means the SA13,000,000 Cash Advance Bridging Facility dated 15 August 2003 between TVG Asian Communications Fund II, L.L.P and PowerTel Limited

“Underwriter” means TVG

“VPN” means Virtual Private Network, a communications network that shares core resource between numerous parties and allocates virtually private pathways for information transfer between parties

“WilTel” means WilTel Communications Pty Limited

“WilTel Debt Cancellation Agreement” means the agreement between WilTel and PowerTel under which WilTel has agreed to cancel the intercompany and Subordinated Debt owing to it in full for payment of \$10 million.

Corporate Directory

PowerTel

Registered Office

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55 Clarence St
SYDNEY NSW 2000
Telephone: (02) 8264 3888
Facsimile: (02) 8264 3777

Company Secretary

Simon McEgan
Telephone: (02) 8264 3888
Facsimile: (02) 8264 3777

Directors

Richard Griffin, AM
Paul A. Broad
John Troy
Edward Sippel

Legal Advisors

Baker and McKenzie
Level 26, AMP Centre
50 Bridge Street
SYDNEY NSW 2000
Telephone: (02) 9225 0200
Facsimile: (02) 9225 1595

Share Registry

Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
ADELAIDE SA 5000
Telephone: 1800 501 377 within Australia
(+61 3) 9615 5970 outside Australia
Facsimile: (08) 8236 2305

Auditors & Independent Accountants

Ernst & Young
321 Kent Street
SYDNEY NSW 2000
Telephone: (02) 9248 5555
Facsimile: (02) 6262 6565

Website

www.powertel.com.au

This prospectus is available on the above website.