

3 November 2008

Dear Shareholder

**RIGHTS ISSUE PROSPECTUS**

ComTel Corporation Limited ACN 000 386 685 (**ComTel or Company**) (ASX: CMO) advises that the prospectus in relation to the Company's pro rata fully underwritten renounceable rights issue offer of 2 new shares for every 1 share held by shareholders at the record date at an issue price of \$0.03 per share (**Prospectus**) was lodged with the Australian Securities and Investments Commission, and a copy was given to the Australian Securities Exchange (**ASX**), on 3 November 2008.

Copies of the Prospectus are available on the website of ASX ([www.asx.com.au](http://www.asx.com.au)).

The key information in respect of the rights issue is as follows:

<b>Type of offer:</b>	Renounceable pro rata offer of approximately 304,950,735 ordinary shares to shareholders resident in only Australia and New Zealand as at the record date
<b>Offer price:</b>	3 cents per share
<b>Offer ratio:</b>	2 shares for every 1 share held as at the record date
<b>Underwriter:</b>	Co-Investor Capital Partners Pty Limited ACN 110 402 134
<b>Funds raised:</b>	Approximately \$9,148,522 before expenses
<b>Use of proceeds:</b>	Pay amounts owed under the Empowered Communications acquisition agreement and repay part of the bridging finance facility from Co-Investor Capital Partners Pty Limited ACN 110 402 134 as trustee of the Co-Investor No 1 Fund, Co-Investor No 2 Fund and Co-Investor No 3 Fund

The current proposed timetable for the rights issue is as follows:

Event	Proposed Date
'Ex' date and rights trading starts	7 November 2008
Record Date to identify whether security holders entitled to participate in the rights issue	13 November 2008
Prospectus and entitlement and acceptance forms sent to persons entitled. Announcement that despatch has been completed.	19 November 2008
Rights trading ends	27 November 2008
Securities quoted on a deferred settlement basis	28 November 2008
Acceptances close	5pm, 4 December 2008
Shortfall Notification Date: ASX and underwriter notified of shortfall	9 December 2008
Despatch date/deferred settlement trading ends. Last date for ComTel to issue shares and to be entered into holder's security holdings. Last day for ComTel to confirm to ASX all information required by Appendix 3B	5pm 12 December 2008

If you are a participating shareholder, the number of shares to which you are entitled will be shown on the Entitlement and Acceptance Form accompanying the Prospectus.

A shortfall facility is also being offered where each eligible shareholder (with the exception of Co-Investor) may apply for additional shares, over and above their Entitlement up to a maximum of 13,722,783 Shares after completion of the Issue at the Issue Price of 3 cents per Share. There is no guarantee that eligible shareholders will be successful in being allocated any of the additional shares that they may apply for. ComTel in consultation with the Underwriter may reject in its discretion any application for additional shares or allocate fewer additional shares than applied for by subscribers for additional shares.

As the shares are offered on a renounceable basis, shareholders who do not wish to take up all or some of their entitlement may sell or transfer their rights. Shareholders are able to renounce (sell) their rights which they do not wish to accept.

If you have any questions in relation to the rights issue, please do not hesitate to contact David Sweet, Managing Director on 0414 888 999 or ComTel's share registry, Computershare Investor Services Pty Limited on 1300 556 161.

Yours sincerely



Campbell Nicholas  
Company Secretary

3 November 2008

Dear Optionholder

**COMTEL CORPORATION LIMITED**  
**RENOUNCEABLE RIGHTS ISSUE**

On 3 November 2008, Comtel Corporation Limited ACN 000 386 685 (**Company**) announced a pro rata renounceable entitlement issue of 2 new shares for every 1 share held by shareholders registered at the record date of 13 November 2008 (**Record Date**) at an issue price of 3 cents per share to raise approximately \$9,148,522 (**Rights Issue**). The Rights Issue will be fully underwritten by Co-Investor Capital Partners Pty Ltd ACN 110 402 134 (**Co-Investor**). A copy of the Rights Issue prospectus lodged by the Company with the Australian Securities & Investments Commission on 3 November 2008 is available on the ASX's website or the Company's website. Key indicative dates of the Rights Issue offer are:

- record date - 13 November 2008;
- rights trading ends - 27 November 2008;
- acceptances close - 4 December 2008; and
- despatch date/last date for shares to be issued under Rights Issue - 12 December 2008.

Holders of Options are not entitled to participate in the Rights Issue. Options which have vested may be exercised by you (subject to any takeover restrictions under the Corporations Act 2001 (Cth)) prior to the Record Date in order to participate in the Offer.

If you exercise your options, pay the relevant exercise price monies and are entered into the register of shareholders by the Record Date you will be sent by Computershare Investor Services Pty Ltd (the Company's share registry) a prospectus for the Rights Issue which will have attached to it a shareholder's rights entitlement and acceptance form.

If you have any questions concerning this letter please contact me on (02) 8922 2572.

Yours faithfully



**Campbell Nicholas**  
**Chief Financial Officer and Company Secretary**

For personal use only

3 November 2008

Dear Foreign Shareholder

**COMTEL CORPORATION LIMITED  
RENOUNCEABLE RIGHTS ISSUE**

On 3 November 2008, Comtel Corporation Limited ACN 000 386 685 (ASX Code: CMO) (**Company**) announced a pro rata renounceable entitlement issue of 2 new shares for every 1 share held by shareholders at the relevant record date at an issue price of 3 cents per share to raise approximately \$9.1 million to all eligible shareholders (**Rights Issue**). The Rights Issue is fully underwritten by Co-Investor Capital Partners Pty Ltd ACN 110 402 134 (**Underwriter**).

Section 9A of the *Corporations Act 2001* (Cth) (the **Act**) requires offers to be made to every person who holds securities or interests in the relevant class. However, pursuant to s9A(3) of the Act and *ASIC Regulatory Guide 189*, at RG189.64, entities may restrict their rights issue to holders with a registered address in Australia or New Zealand if they determine that it is unreasonable to offer securities or interests to other holders (**Non Residents**) but they must advise the Non Residents that they will not be included. If the rights issue is renounceable, s9A(3)(c) requires the entity to appoint a nominee to sell the Non Residents' rights and remit the net proceeds to them.

The Company has decided that the Rights Issue will not be extended to shareholders with registered addresses outside Australia or New Zealand as the Company has formed the view that it would be unreasonable to extend the offer in such a way having regard to:

1. the number of shareholders outside Australia and New Zealand as a proportion of the total shares of the Company;
2. the number and value of securities to be offered to shareholders outside of Australia and New Zealand; and
3. the costs of complying with the legal requirements and requirements of regulatory authorities in overseas jurisdictions.

Although the Company is unable to extend to you the opportunity to participate in the Rights Issue directly, in accordance with s9A(3) of the Act, the Company, with ASIC's consent, has set up DJ Carmichael Pty Ltd AFSL 232571 as your nominee (**Nominee**) to sell the rights and remit net proceeds to all Non Residents.

For personal use only

If there is a viable market in the Rights and a premium over the expenses of the sale can be obtained, the Nominee will sell the Rights. Any sale will be at prices and otherwise in a manner determined by the Nominee in its sole discretion. Neither the Company nor the Nominee will be held liable for failure to sell the Rights or to sell the Rights at any particular price. The proceeds of the sale will be distributed to Non Resident Shareholders for whose benefit the Rights are sold in proportion to their shareholdings (after deducting costs). If there is no viable market for the Rights, the Entitlement of Non Residents will be allowed to lapse and the New Shares will revert to the Underwriter.

The Nominee will receive an engagement fee of \$2,000 (exclusive of GST) (which is payable by the Company) and brokerage charges if any of the Rights of Non Resident Shareholders are sold.

If you have any queries in relation to the Rights Issue or the Nominee, please contact David Sweet, Managing Director on +61 2 8922 2573.

Yours faithfully



**Campbell Nicholas**  
**Chief Financial Officer and Company Secretary**

For personal use only