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ASX Announcement

4 March 2009

Dispatch of Scheme Booklet and Letter to Ineligible Foreign Shareholders

On 25 February 2009 the Federal Court of Australia ordered a meeting of shareholders of People Telecom Limited (**People**) to be held on 6 April 2009 at Level 9, People Telecom Centre, 76 Berry Street, North Sydney, New South Wales at 10 am to enable a vote to be taken on a proposed merger of People and M2 Telecommunications Group Limited (**M2**) via a scheme of arrangement between People and its shareholders.

Under the terms of the Scheme, shareholders whose address on People's register of members is outside Australia and its external territories or New Zealand (**Ineligible Foreign Shareholders**) are ineligible to receive the shares to be issued in M2 under the Scheme.

People advises that it has sent each Ineligible Foreign Shareholder a letter concerning their participation in the Scheme (**Letter**), in addition to the Scheme Booklet, Notice of Meeting and Proxy Form. A copy of the Letter is attached.

Further details in relation to the Scheme and its implementation are set out in the Scheme Booklet dated 20 February 2009 (which is available at www.peopletelecom.com.au). Unless otherwise specified, capitalised terms in this announcement have the same meaning as in the Scheme Booklet.

If shareholders have any questions in relation to the Scheme or the Scheme meeting, please contact the Shareholder Information Line on 1300 850 505 (if calling within Australia) or +61 3 9415 4000 (if calling outside Australia).

Adam Zines
Company Secretary

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25 February 2009

Dear Foreign Shareholder,

People Telecom Limited

Scheme of Arrangement with M2 Telecommunications Group Limited

On 5 December 2008, People Telecom Limited ACN 009 273 152 (ASX Code: PEO) (**People** or **Company**) announced that it had entered into a scheme implementation deed (**Scheme Implementation Deed**) with M2 Telecommunications Group Limited ACN 091 575 021 (ASX Code: MTU) (**M2**) whereby M2 has agreed to acquire People via a scheme of arrangement pursuant to Part 5.1 of the *Corporations Act 2001 (Cth)* (the **Act**) (**Scheme**).

We refer to section 9.8 of the **enclosed** Scheme Booklet. Capitalised terms not defined in this letter have the same meaning given to those terms in the Scheme Booklet.

Under the terms of the Scheme Implementation Deed a wholly owned subsidiary of M2, M2 Telecommunications Pty Ltd ACN 090 251 424, will acquire all of the issued shares of the Company. In exchange each of the shareholders of the Company will receive:

- (a) 0.0916 M2 shares for every 1 People Share they hold as at the Scheme Record Date;
- (b) 0.6886 cents in cash for every 1 People Share they hold at the Scheme Record Date; and
- (c) up to 0.344 cents per 1 People Share held at the Scheme Record Date, payable in either M2 Shares or cash (at M2's election), subject to the Company's net cash position being at, or above \$4.7 million on the date 1 week prior to the meeting of People Shareholders convened pursuant to section 411(1) of the Act to consider the Scheme (**Additional Consideration**). This amount will be reduced on a dollar for dollar basis to no less than zero, to the extent the Company's net cash position is below \$4.7 million. Accordingly, if the Company's net cash position falls to \$3.7 million or below on the date 1 week prior to the Scheme Meeting, Scheme Shareholders will not receive any Additional Consideration.

Ineligible Foreign Shareholders

Under the terms of the Scheme Implementation Deed, M2 is under no obligation under the Scheme to provide any M2 Shares to an Ineligible Foreign Shareholder. An Ineligible Foreign Shareholder is a People Shareholder whose address on the People Register is a place outside of Australia and its external territories or New Zealand unless M2 (acting reasonably) determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with M2 Shares when the Scheme becomes Effective.

Where a Scheme Shareholder is an Ineligible Foreign Shareholder, the M2 Shares which would otherwise be issued to that Scheme Shareholder will be issued to the Sale Agent and:

- (a) M2 will procure that, as soon as reasonably practicable after the Implementation Date, the Sale Agent, in consultation with M2, sells or procures the sale of, in the ordinary course of trading on the securities market conducted by ASX, all the M2 Shares issued to the Sale Agent and remits to M2 the proceeds of sale (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges) (**the Proceeds**); and
- (b) M2 must pay, or procure the payment, to each Ineligible Foreign Shareholder the proportion of the Proceeds received from the Sale Agent that the M2 Shares that would otherwise have been issued to the Ineligible Foreign Shareholder bears to the total number of M2 Shares sold by the Sale Agent (**Respective Proportion**) on behalf of the Ineligible Foreign Shareholders.

The Sale Agent is Julian Constable of Bell Potter Securities Limited AFSL 243480. Ineligible Foreign Shareholders will receive under the Scheme:

- (i) the Cash Consideration; plus
- (ii) their Respective Proportion of the Proceeds.

People Shareholders resident in New Zealand

M2 Shares offered as Scheme Consideration are offered in New Zealand under the Securities Act (Overseas Companies) Exemption Notice 2002 (**Notice**). The Notice was renewed without amendment on 21 September 2007 and expires on 30 September 2012.

The Scheme Booklet may not constitute a prospectus or an investment statement under the *Securities Act 1978* and the *Securities Regulation 1983* (**New Zealand law**), and may not contain all the information that a prospectus or investment statement under New Zealand law is required to contain.

The offering and allotment of M2 Shares in New Zealand will be done in the manner specified in the Scheme Booklet.

Investing in M2 Shares will have Australian and New Zealand tax implications. New Zealand investors should seek their own advice and satisfy themselves as to the Australian and New Zealand tax implications of participating in the Scheme.

Further Information

If you have any queries in relation to the Scheme Shares or the Sale Agent, please contact me on +61 2 9458 5813.

Yours faithfully



Adam Zines
Chief Financial Officer and Company Secretary