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AUSTRALIAN STOCK EXCHANGE



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To: The Company Announcements Officer **From:** John Borshoff**Co.:** Australian Stock Exchange Limited **Pages:** 4**Fax:** 1300 300 021 **Date:** 1 November 2002

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- **Coretel Pty Ltd (Administrators Appointed) (Coretel)
Merger with e-span Solutions Pty Ltd (e-span)**



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1 November 2002

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir/Madam

Coretel Pty Ltd (Administrators Appointed) (Coretel) Merger with e-span Solutions Pty Ltd (e-span)

Paladin is pleased to announce that it has negotiated agreement with Avanti Group International Pty Ltd (AGI) to rearrange the existing debt that Paladin has with Coretel and so allow the AGI Deed of Company Arrangement for Coretel (DOCA) as proposed, to proceed. Prior to Coretel going into voluntary administration, Paladin had a right to an 85% equity in Coretel, if it elected to act on its convertible notes.

The quality of the AGI proposal to the creditors in general, along with the strategy for growth AGI envisages for Coretel and the arrangements made to accommodate Paladin, have in the opinion of the Paladin directors resulted in an outcome superior to the offers made to Paladin by the other 2 bidders.

Merger to Create a Stronger Company

AGI plans to merge Coretel with e-span a company that AGI currently owns. e-span which is an information technology/enhanced services solution company, also has developed an innovative "last mile" delivery technology called "the Mite" which is already deployed in regional Western Australia to give users access to a full range of facilities (including internet) not otherwise available. e-span is currently operating and has contracts with government and private entities providing a projected annual revenue of \$2.4M per annum. Coretel's projected revenue, based on existing contracts, is projected to be approximately \$800,000 per annum. In the opinion of the AGI directors, strong synergies exist between these two companies and therefore scope exists to expand revenue growth of the merged entity at an accelerated rate. AGI, through the e-span/Coretel merger, plan to establish a national presence within the next 12 months, focussed on providing enhanced service solutions to large corporations, local governments and state government which is consistent with the existing Coretel business plan. This will require considerable high quality bandwidth availability for the delivery of these services - hence the synergy with Coretel which has a telecommunications carrier licence and a high quality initial network infrastructure. To facilitate this growth on the national level, AGI has already targeted specific businesses throughout Australia and is currently negotiating for their acquisition into the e-span/Coretel merged group. AGI intends to publicly list the expanded entity once it has achieved annual revenue of approximately \$50M, expected to be within a 4 year period.

Skilled Management Team

The AGI executives and management comprises a highly skilled and credentialed group, ideally suited to grow and manage a telecommunications/information technology company. Key members of this team comprise **Mr Wesley Medford** who holds qualifications in Business Management and Marketing and is Managing Director of AGI. Mr Medford has more than 20 years in strategic and operational management in Australia and US and has carried out extensive consulting to organisations such as BHP, WMC, Government departments and educational institutions. Mr Medford will be a director of the merged e-span/Coretel group. **Mr Brian Sharpe** has 25 years in the IT industry and has successfully developed and operated his own companies. He will be Managing Director of the merged e-span/Coretel entity. **Adjunct Professor Michael Grant** has degrees in Law and Education and is an acknowledged specialist in the fields of telecommunications, interactive television and multimedia. He currently chairs the Western Australian government's Communication Advisory Committee and is a Board member of several institutions including the Central Metropolitan Board of TAFE. **Mr Bill McGinnis** has post graduate qualifications in political economics. Previously he has held positions of Manager Operations of the Australian Institute of Management (WA) and as Communications Policy Analyst for the Western Australian government. Mr McGinnis is Chairman of community television station Access 31. He is currently Managing Director of e-span and will be a director of the e-span/Coretel entity. **Mr Rodney Parker-Yules** has over 20 years experience in the IT and communications industries. He has carried out extensive consulting work for companies such as Visy Industries, Solution 6 and Alpha West. **Mr George Brown** is Programs Manager with AGI and is a recognised expert in the fields of IT and multimedia.

The group of people that AGI has assembled provides a strong backbone on which to build and ensure growth of the merged Coretel/e-span entity. The increased cash flows which will be immediately available from e-span, in addition to strong connections with AGI's sister company ecapita, (the financing arm of the business) will provide the necessary financial resources to ensure Coretel can reach its full potential in the telecommunications/enhanced services arena.

In addition, the services of **Mr Tony Lucassen** and **Mr William Temby** (founding shareholders of Coretel) will be retained in executive roles in the merged entity to maximise opportunity for the company.

Arrangement with Paladin

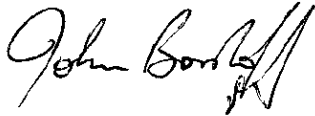
With this framework Paladin has negotiated the following terms with AGI:-

1. The AGI group will retain 94% of the merged entity and the original founding shareholders will retain a 6% shareholding.
2. Paladin will wind back its debt to Coretel to a convertible note of \$800,000 with a maturity date the sooner of 4 years from date of signing or the public listing of the merged Coretel/e-span entity. Election for conversion is at Paladin's discretion.
3. The present conversion value of the note will be 30% of the issued capital of the merged Coretel/e-span entity and will dilute commonly to all shareholders upon introduction of new capital or share issues resulting from future acquisitions.
4. The convertible note will carry interest at a rate of 5% per annum and at maturity this will result in a return of \$972,000 to Paladin.
5. Paladin will receive 30% of the net proceeds of any damages litigation with Nortel that Coretel will be pursuing through the Administrators (likely to be funded by an independent litigation financier).
6. In the event of public listing of the e-span/Coretel company (in whatever form) a priority offer will be made available to Paladin shareholders in respect of 30% of the IPO.

Paladin's wholly owned subsidiary, Etron Properties Pty Ltd has also secured improved terms for the rental of the office space and the microwave tower at its premises in Belmont. The combined e-span/Coretel group will operate from these premises. This arrangement will significantly improve both the value of property and its marketability. This property will be placed on the market immediately.

Overall, Paladin is confident it has voted for an agreement which will maximise benefits to its shareholders, while ensuring that the Coretel business will survive and grow and also that fairly treats other Coretel creditors and the Coretel staff. A strong recovery is expected for Coretel, once it gains the financial and human resources available to it through the e-span merger, thus enabling it to gain a substantial share in its niche market.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director