

PocketMail

23 July 2003

An Update to Shareholders

Dear Shareholder,

There have been a number of important developments at PocketMail over the past few months that as a shareholder should interest you.

Financial Performance

We have continued to build profitability and strengthen our balance sheet.

The Company has just reported a fourth successive quarter of EBITDA positive performance (for the quarter to 30 June 2003), and will announce revenues for the year of just over A\$10million (2002: A\$10,554,335). This is against the backdrop of a challenging economic climate in our largest market, the United States.

On 1 July 2003, we also reported that we had executed a loan agreement with Silicon Valley Bank of Santa Clara, California. The loan facilities, totaling US\$250,000 will be used to fund working capital and inventory acquisition.

Whilst the loan facilities are relatively modest, this is the first time that the Company has been able to secure financing in its own right, and independent of shareholder and director guarantees. This is a further indication of the Company's increasing financial maturity.

To date, the ongoing improvement in the Company's financial performance has largely been achieved by reducing our cost base.

Whilst we continue to maintain close control of all our costs, and always seek opportunities to operate more efficiently and cost effectively, we have for the most part completed our restructuring and rationalization of the business.

Future growth in profitability will now be determined by our success in growing our subscriber base, product sales and licensing revenues.

We continue to explore alternatives for raising additional working capital. Our current levels of working capital are a constraint on our ability to have product manufactured in the quantities we require, ensure continuity of supply and grow revenues as we would like.

Technology Development

In February 2003, we announced that we had implemented new global networking technology so that we could service all our worldwide customers from a single Network Operations Center ("NOC") in the US.

This allowed us to close our NOC in Sydney, rationalize our Australian based technical staff, relocate to cheaper premises, and reduce overall costs. All this was completed during the June quarter.

Besides reducing our ongoing operating costs, the new networking technology allows us to introduce the PocketMail service to new geographic markets quickly and without the need for significant capital expenditure.

It has also enabled us to extend local PocketMail access to certain overseas countries for our customers, so that for example, an Australian customer can now travel to North America and access their PocketMail mobile e-mail through our North American toll-free numbers (international PocketMail access from any country in the world has always been available, but at international toll rates). This new service offering has been well received by our existing customer base, and will create new opportunities for us.

We continue to develop both our product and service offerings, as well as the support systems and infrastructure on which the business relies. Examples of recent developments that have been introduced over the past few months include new anti-SPAM tools, longer message handling, additional WebMail features, enhanced customer service tools, improved security, and implementation of latest VPN (virtual private network) and VOIP (voice over Internet protocol) technology between Australia and the United States.

Business Development

For the first half of calendar 2003, we set ourselves the objective of exhibiting at a number of trade shows with a view to generating leads and building a sales pipeline.

Some of the shows at which we exhibited included the Consumer Electronics Show (Las Vegas, January 2003), Workamper Recruitment Fairs (Florida, Texas and Arizona – January 2003), National Association of Truck Stops (Orlando, February 2003), Mid-America Truck Show (Kentucky, March 2003), Coast Distribution RV & Marine Show (Las Vegas, March 2003), CeBIT (Hanover, Germany, March 2003), Oakland Sailboat Expo (Oakland, April 2003), Great America RV Rally (Kentucky, June 2003) and The International Truck Show (Las Vegas, June 2003).

Following these shows, we now have a pipeline of sales, distribution and licensing opportunities at various stages of development, a number of which should convert over coming weeks and months, and ensure we deliver future revenue growth.

Overseas Expansion

In May 2003, we announced the availability of local PocketMail mobile e-mail access in 12 countries in Europe. Local access is now available in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland, and the U.K. This adds to the existing local markets of USA, Canada and Australia.

We are now working to establish distribution and expand sales in Europe, and expect PocketMail to be available in some European markets before Xmas 2003.

Whilst we have always offered local PocketMail access in Canada, we have never distributed PocketMail nor marketed the service there. From late August 2003, we will begin selling PocketMail through RadioShack Canada, the leading national electronics retailer in Canada (800 store locations coast to coast). This is an exciting opportunity for PocketMail as we believe that RadioShack Canada, with its Canada-wide distribution and reputation for quality service and knowledgeable staff, makes for an ideal retail partner.

Outside of Europe, North America and Australasia, we are pursuing licensing opportunities. At this time, it is the continent of Africa which is showing most promise.

US Sales

We have continued to focus on our key vertical markets of Recreational Vehicle ("RV") owners and truckers.

In the United States, there are over 7 million RVs on the road, and an estimated 30 million RV enthusiasts (source R.V.I.A.). In addition, there are over 20 million trucks on the road (source NATSO).

Whilst PocketMail is distributed in the United States through Camping World, the world's largest retail supplier of RV parts, supplies and accessories, the RV retail industry is fragmented with a large number of small and independent players.

We are pleased that The Coast Distribution System Inc has recently added PocketMail to the line of products that it supplies to its 15,000 RV and marine customers through its 17 distribution centers located throughout the United States and Canada. This will significantly increase the retail availability of PocketMail within the RV and boating communities, but will take time to have impact.

We are making slow but steady progress in getting retail distribution through the truck stop and travel plaza industry. This is a huge industry in the United States, with some 4,500 travel plazas and truckstops, averaging annual sales of US\$7.8million each (source: NATSO). This is a crucial market for us to break into in order to reach our key trucking and RV demographics.

At the June 2003 International Truck Show in Las Vegas, we announced a partnership with The Internet Truckstop, the first and largest freight matching service on the Internet, to provide mobile load-matching services for North American truckers, without using a laptop or a PC.

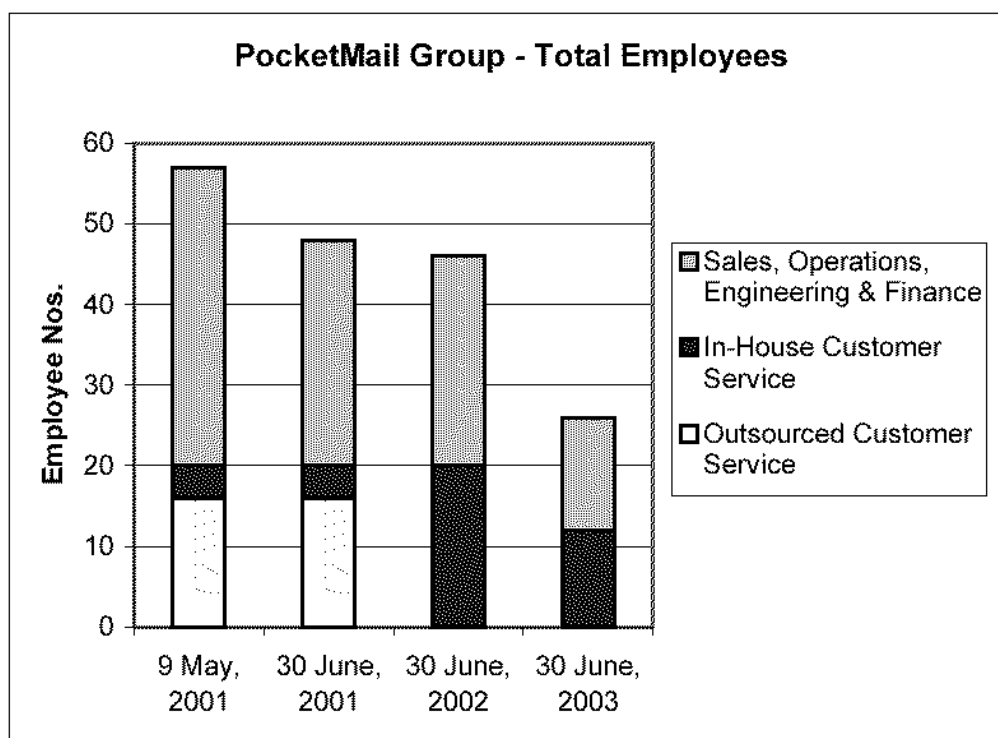
Using a PocketMail, and their Internet Truckstop account, truckers can now quickly and easily search The Internet Truckstop's large database of truck loads. It typically takes less than a minute to interrogate the database and receive available loads on their PocketMail.

We expect to begin marketing this service in August 2003 directly to the 300,000+ users of the Internet Truckstop. This continues our strategy of providing added value (and need) to our customers and prospective customers over and above our core mobile e-mail service.

Our People

Since acquiring the worldwide PocketMail business from Pocket.com back in May 2001, the business has gone through some major restructuring and rationalization.

The total number of employees (including outsourced staff) has decreased from 57 at time of acquisition to 26 as at 30 June, 2003.



Our world-wide customer service is now provided in-house, and from Sydney, Australia. A smaller in-house customer service team is now delivering a higher grade of service over longer opening hours, and more cost effectively than before.

Of the 26 current employees, just 8 remain from the business as at 9 May, 2001.

Over the past months, we have taken the opportunity to introduce new people to the business and strengthen the team. Additions at executive level include a new VP Sales, Dean Hanson, a new Chief Financial Officer, Richard Shaw, and a new Operations Manager, Paul Selby.

All bring considerable experience to their roles and have been instrumental in the progress that the Company has made over the period.

We also welcome Rob Hodges who joined the Board in March 2003. Rob has a strong retail and carrier background, and has been supporting our international business development activities.

On a personal level, I relocated with my family in September 2002 to the United States, being our largest market.

I thank all of our talented staff for their on-going commitment, hard work and dedication.

Summary

We continue to make steady progress throughout the business. Our goal now is sustainable and increased profitability through revenue growth.

I believe this can be achieved by continuing execution of our strategy outlined to you here.

We have invested in developing a sales pipeline that we expect to show return over the coming months.

We enter 2003/2004 with confidence and belief in our strategy and plans.

I thank you for your patience, and I look forward to updating you further on our progress.

Those shareholders wishing to receive automatic e-mail notification of all public announcements made by the Company should send an e-mail to announce@pocketmail.com or register on-line at www.pocketmail.com under Corporate - Investor Information.

A handwritten signature in black ink, appearing to read 'D Marchant', with a stylized, flowing script.

David Marchant
Chief Executive Officer