

**AUSTRALIAN STOCK EXCHANGE RELEASE**

**TESCO INVESTS IN FRESHTEL FOR FUTURE DEVELOPMENT**

*Melbourne, Australia, 22 November 2006*

Freshtel is pleased to announce that it has entered into a strategic alliance with leading UK retailer Tesco to continue its development of innovative and unique internet telephony products and services.

As part of the alliance, Tesco has agreed to invest \$12.3 million (£5 million) in Freshtel via a private placement to facilitate the development of the necessary hardware, software and network to commercialise future internet phone services.

The Board has called an EGM for 22 December 2006 to seek shareholder approval for the placement. Freshtel proposes issuing 17,135,453 shares to Tesco, at issue price of approximately \$0.72, the 5 Day VWAP price of Freshtel shares on 20 November 2006. After the placement Tesco will hold approximately 12.34 % of Freshtel's total issued capital on a fully diluted basis.

Further details of the alliance are set out in the Notice of Meeting to shareholders for the EGM which will be dispatched today.

Freshtel will in particular continue its development and plans for commercialisation of converged mobile internet telephony solutions.

Mr Michael Carew, Freshtel CEO, said "The opportunity that internet telephony presents on the global stage is enormous. Tesco has shown its commitment to this marketplace and this strategic alliance will firmly place Freshtel and Tesco at the forefront of the global internet telephony industry.

Freshtel's business model revolves around partnering with world leaders to establish a market presence. Its relationship with Tesco continues to evolve in new and exciting directions, and we are thrilled to have the opportunity to work together in helping to shape the market for years to come."

Mr Andy Dewhurst, chief executive officer of Tesco Telecoms, will as part of the transaction join the Board of Freshtel Holdings. He brings a wealth of retail and telecommunications customer service experience and will add enormous value to the Freshtel board.

Andy Dewhurst said "Tesco is delighted to be working in partnership with Freshtel to extend our range of exciting internet telephony products and services to UK consumers."

I look forward to working with the Freshtel Board to help deliver these exciting technological developments to consumers, and to help secure the support of new white label partners globally."

## About Freshtel Holdings

Freshtel Holdings Limited (ASX:FRE) is an Australian internet telephone technology company that develops and markets VoIP telephony products and services. Freshtel Holdings Limited offers end-to-end white label VoIP solutions to wholesale customers globally through its wholly owned subsidiaries, Voicedot Networks and Virbiage and has a direct-to-market retail channel through [www.freshtel.net](http://www.freshtel.net)

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