

AUSTRALIAN STOCK EXCHANGE RELEASE

FRESHTEL SHAREHOLDERS APPROVE PLACEMENT TO TESCO

Melbourne, Australia, 22nd December 2006:

Freshtel is pleased to announce that shareholders have approved the issue of 17,135,453 shares to Tesco PLC, at \$0.72 at today's extraordinary general meeting.

The placement will raise approximately \$12.3 million, which will be used for software development, consumer hardware co-development and network infrastructure and development associated with the converged VoIP mobile solution presently being developed by the Company.

Mr Les Taylor, Chairman of Freshtel said "We are delighted that Freshtel shareholders appreciate the significance of our strategic alliance with Tesco and the enormous global opportunity we have before us. We look forward to continuing to work closely with Tesco to maximise the value of the foundation that Freshtel has created to date. It will be a pleasure to welcome Andy Dewhurst, CEO of Tesco Telecoms, to the Freshtel Board in 2007 where I'm sure he will make a terrific contribution."

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

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