



30 October 2006

The Australian Stock Exchange Limited
Companies Announcements Office

Freshtel Holdings Ltd.
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Freshtel Holdings Limited
Quarterly Cash Flow Statement to 30 September 2006

In accordance with the requirements of ASX Listing Rule 4.7B, Freshtel Holdings Limited ('Freshtel') hereby presents its Cash Flow Statement for the quarter ended 30 September 2006.

Total cash balances of the consolidated group amounted to \$10.0 million at 30 September 2006. Net cash outflow was \$1.4 million for the quarter.

Receipts from customers increased to \$1.5 million for the quarter, highlighting the continued strong global growth in the paying customer base of Freshtel. These receipts also include a research and development grant of \$0.28 million. The 580% increase in receipts from customers (excluding the research and development grant) over the previous quarter reflects the growth in subscriber numbers – increasing by over 66,500 during the September 2006 quarter. The growth also highlights the high proportion – over 92% - of new subscribers who generate revenue for Freshtel.

Freshtel made enormous progress during the quarter in furthering the dual distribution strategy in the UK. Not only did Tesco launch their major marketing campaign, but Freshtel also launched the Freshtel retail service in the UK. Freshtel products are now distributed not only through Tesco, but Binatone branded handsets, pre-configured to the Freshtel retail network also sold via other major electronics retailers including Argos and Woolworths.

In Australia, Freshtel continues to work towards replication of the dual distribution strategy launched in the UK. In August 2006 Freshtel signed an agreement with the NARTA group, the largest independent consumer electronics buying group in Australia to become its preferred supplier of internet telephony products.

Payments made have mainly increased in the areas of staff costs and cost of sales. The increase in cost of sales is directly related to the increase in sales activity. The increase in staff costs of \$0.3 million for the quarter reflects the growth in staffing numbers to allow Freshtel to capitalise on emerging global commercialisation opportunities and to continue to develop new product and remain at the leading edge of global internet telephony development. For example, Freshtel recently announced its success in making phone calls to and from the Freshtel Voicedot network using a 3G handset. Freshtel will continue to work to commercialise this exciting opportunity to expand into the mobile arena.

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

Freshtel Holdings Limited

ACN

111 460 121

Quarter ended ("current quarter")

30 September 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...3... months) \$A'000
1.1 Receipts from customers	1561	1561
1.2 Payments for		
(a) staff costs	-1434	-1434
(b) advertising and marketing	-13	-13
(c) research and development		
(d) cost of sales	-737	-737
(e) other operating expenses	-724	-724
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	146	146
1.5 Interest and other costs of finance paid	-3	-3
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	-1204	-1204

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	282
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	9395	10911
4.2 Deposits at call	576	450
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	9971	11361

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
 (Director/Company secretary)

Date: 30 October 2006

Print name: PETER WARNER

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.