

**GENERAL MEETING OF SHAREHOLDERS**

**CHIEF EXECUTIVE OFFICER'S ADDRESS**

**24 OCTOBER 2005**

Thank you Chairman and good afternoon ladies and gentlemen.

We are at a very exciting stage of our development, and we are delighted with the progress we have made to date. 2005 was a year of product development and validation of our wholesale business models.

We signed our first wholesale agreements, with different types of alliance partners to launch white label Voice over Internet Protocol ("VoIP") telephony services for our clients. 2006 is a year of implementation and launch of these services.

We have an extremely busy first half of the 2006 financial year, with some of the key milestones being:

- ◆ the agreement to launch a service with Scandinavian telecommunications group, Maskina;
- ◆ a roll out with a major UK retail chain;
- ◆ the launch of a service in conjunction with Australian wireless broadband provider, Unwired; and
- ◆ the launch of the first of a number of services with Australian ISP aggregator, the Wholesale Communications Group.

These are major initiatives and, as such, will require quite substantial investment in terms of implementation lead time and expenditure.

We also made enormous advances during 2005 in terms of our product development. Until now, to utilise our VoIP service, our customers have either used their computer speakers and microphone, a headset, or purchased a handset to plug into their PC. In June 2005 we released our analogue telephone adaptor (3010 ATA) which won best product and service at a major Australian electronics trade show, called CeBIT. This allows customers to use their traditional telephone handset to access VoIP telephony.

These key milestones capture the bulk of the proposed uses of the funds to be raised. We will be scaling up our operation to accelerate our capacity to exploit the current market opportunities, both here in Australia and overseas.

A major investment will be in our UK rollout, including network infrastructure development, installation and project management, marketing and operating costs. This highlights our commitment to the European market.

The fund raising will also facilitate the roll out of hardware in the UK and in Australia.

Freshtel retail, which was originally the proof of concept of our wholesale model, has received great public and retail support. We will now seek to commercialise this retail aspect of our business to meet the market demand.

The final area of investment will be in the ongoing development of our business in the US, to fund initial infrastructure and operating costs. The US market is one that we believe offers us great potential.

Having said that, we are one of the few groups globally who can offer a fully integrated wholesale Internet Telephony service – a real opportunity for us to offer white label solutions to groups such as original equipment manufacturers, ISPs, retailers or other consumer driven groups who wish to offer Internet Telephony services to their existing customer base.

As you may be aware, we have opened offices in the UK and the US.

We would not have opened these offices unless we were confident that we could build substantial business in these markets.

We are encouraged by our progress to date in these markets and look forward to being able to update you on developments in coming months.

We have been excited by the global opportunities presenting to us since we listed on the ASX in April this year. The scale of these opportunities has been greater than we imagined and this proposed capital raising will facilitate the next stage of the global commercialisation of our white label VoIP products.

2006 will see us launch a number of wholesale business models in different countries, all using our core network technology. As such we will bear the implementation and launch costs in the current financial year. However we would expect the 2007 year to begin to more accurately reflect the earnings potential from some of these services.

Thank you