



Rule 4.7B

Australian Stock Exchange Limited
Companies Announcement Office

Dear Sir/Madam,

Freshtel Holdings Limited
Quarterly Cash Flow Statement to 30 June 2005

In accordance with the requirements of ASX Listing Rule 4.7B, Freshtel Holdings Limited ('Freshtel') presents its Cash Flow Statement (Appendix 4C) for the quarter ended 30 June 2005.

Total cash balances of the consolidated group were \$2.318m as at 30 June 2005.

In April 2005 Freshtel issued 15,000,000 shares at .20 cents per share to raise \$3,000,000 including \$1,000,000 of oversubscription. Net proceeds, after listing costs were \$2.738m.

Net cash outflow for the financial quarter ended 30 June 2005 was \$1.429m, including \$0.2m of non-recurring items. These non-recurring items included the payment to Mr Michael Carew of Directors' fees associated with prior years (\$0.1m) and the recent rebranding of Freshtel (\$0.1m).

Freshtel's net operating cash outflow for the quarter ended 30 June 2005 reflects the company's emphasis in research and development and commercialisation of its in Voice over Internet Protocol ('VoIP') technology and services.

Freshtel has been validating its business models for the target wholesale customer base during the June 2005 quarter. As a result, Freshtel has secured a contract with Scandinavian telecommunications group, Maskina and a letter of intent with a major UK retailer for a phased rollout of a Freshtel managed internet telephony solution. In addition Freshtel has a reseller agreement with one of Australia's largest ISP aggregators, Wholesale Communications Group ("WCG") to provide a VoIP solution to WCG's ISPs'.

WCG, next week, commences the commercial release of the VoIP solution. Maskina and the major UK retailer are in the implementation phase, with commercial launches expected in the December quarter.

Yours faithfully,

Jan Macpherson
Company Secretary

+ See chapter 19 for defined terms.

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 June 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (..... months) \$A'000
1.1 Receipts from customers	151	
1.2 Payments for		
(a) staff costs	-357	
(b) advertising and marketing	-248	
(c) research and development	-356	
(d) leased assets		
(e) other operating expenses	-634	
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	53	
1.5 Interest and other costs of finance paid	-6	
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	-1397	

+ See chapter 19 for defined terms.

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

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	246
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Included at 1.24 is an amount of \$100,000 for directors' fees to Michael Carew for his past two years of unpaid services. This amount was accrued in the November 2004 management accounts.

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.

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	2157	
4.2 Deposits at call	161	
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2318	

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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: Date:
(Director/Company Secretary)

Print name:

Notes

+ See chapter 19 for defined terms.

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

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.