

**FRESHTEL BUSINESS UPDATE**

**Melbourne, Australia, Monday, 12<sup>th</sup> April 2010:**

Freshtel Holdings Limited ("Freshtel") is pleased to announce that the ATO has accepted and processed the companies claim for R&D tax refunds, to the value of \$364,326.90 and that those funds should be received within two weeks. Once received, the funds will be put to use as working capital for the company.

In a previous announcement, the Directors announced a probable capital raising by placement and rights issue. This is ongoing and will likely be presented to shareholders as a short form document in the next few weeks. It is not now envisaged to complete a share consolidation at this time.

Freshtel advises that it is a party to legal proceedings commenced by Newport Capital Group Pty Limited ACN 067 278 791 ("Newport") in the District Court of New South Wales. Newport is seeking success fees of \$525,546.88, which it alleges is owing to it pursuant to an engagement contract between Freshtel and Newport executed 29 August 2008 (as amended by a Variation to Engagement Contract dated 7 October 2008).

Freshtel disputes that the amount claimed, or any amount at all, is payable and is vigorously defending the proceedings.

The board will continue seeking opportunities as previously advised and keep shareholders advised of any future developments.

**-ENDS-**

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