

30 January 2007

The Australian Stock Exchange Limited
Companies Announcements Office

Freshtel Holdings Limited
Quarterly Cash Flow Statement to 31 December 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 31 December 2006.

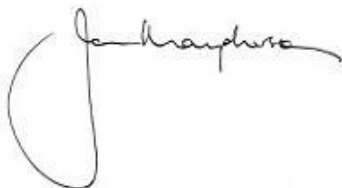
Total cash balances of the consolidated group were \$19.9 million as at 31 December 2006. Net cash inflow was \$10.0 million for the quarter. This included \$12.3 million raised via the issue of an additional 47 million shares to Tesco Plc in December 2006 at an approximate price of \$0.72 per share.

During the quarter, Freshtel continued in the development of new business opportunities, its own systems, business infrastructure and people. Net operating cash outflow of \$2.1m for the quarter ended 31 December 2006 was in line with the previous corresponding quarter.

Receipts from customers were \$0.9 million for the quarter, totalling \$2.4 million for the six months to 31 December 2006, an increase of 566% over the previous corresponding half. While underlying operating revenue has grown broadly in line with growth in subscriber numbers during the half, the September quarter cash flow did, however, include an R&D grant of \$0.3 million and a significant reduction in receivables.

Freshtel is now aggressively pursuing additional white label partners and is continuing to invest in and expand its range of technology, products and services available to those partners.

Yours faithfully,



Jan Macpherson
Company Secretary

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")

31 December 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...6.... months) \$A'000
1.1 Receipts from customers	871	2431
1.2 Payments for (a) staff costs	-1596	-3030
(b) advertising and marketing	-64	-77
(c) research and development	-545	-1282
(d) cost of sales	-893	-1617
(e) other operating expenses		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	132	279
1.5 Interest and other costs of finance paid	-3	-6
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	-2098	-3302

+ 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	267
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 li 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 reportin 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

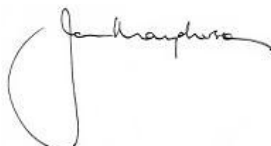
Reconciliation of cash at the end of the quarter (as set out in the consolidated statement of cash flows) to the related items in the balance sheet accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	19357	9395
4.2 Deposits at call	575	576
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	19932	9971

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:
 (Company secretary)

..... Date: .30 January 2007.....

Print name: Jan Macpherson

+ 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.