

AUSTRALIAN STOCK EXCHANGE RELEASE

21 December 2007

Exercise of Options and Issue under FRE Employee Share Option and Performance Rights Plan

The attached Appendix 3B reflects the exercise of options from ASX Code FREAW. The previous holding registered under FREAM (100,000) was incorrect as these should have been registered as FREAW options. Today's exercise leaves 87,500 options in code FREAW and nil in FREAM.

We also note that the lapse of 45,000 options from FREAC advised to the ASX on 13.11.07 does not appear to be reflected and advise there are now 450,000 options in that category.

The options registered in FREAY and FREAZ are respectively 1667 and 1666 short and it would be appreciated if you would correct those totals to 273,334 and 273,335 respectively.

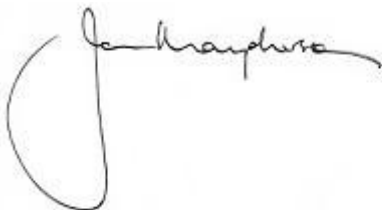
The following issue of unquoted options will issue on:

31 December 2007

Issue of **146,667** unquoted options, under the Freshtel Employee Share Option and Performance Rights Plan.

Exercise price: \$0

Expiry date: 31 December 2010



Jan Macpherson
Company Secretary

About Freshtel Holdings

Freshtel Holdings Limited (ASX:FRE) is an Australian internet telephone technology company that develops and markets VoIP telephony products and services. Freshtel Holdings Limited offers end-to-end white label VoIP solutions to wholesale customers globally through its wholly owned subsidiaries, Voicedot Networks and Virbiage and has a direct-to-market retail channel through www.freshtel.net

Enquiries:

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

FRESHTEL HOLDINGS LIMITED

ABN

92 111 460 121

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | 1. ORD
2. UNQUOTED OPTIONS |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1. 927,500
2. 146,667 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | 1. EXERCISE OF 927,500 20C OPTIONS EXPIRING 31.12.07
2. ISSUE OF EMPLOYEE OPTIONS
\$0.00 Exercise Price
Expiry Date: 31 December 2010 |

+ See chapter 19 for defined terms.

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>1. Yes</p>						
<p>5 Issue price or consideration</p>	<p>1. \$185,500 2. NIL</p>						
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>1. Exercise of Options 2. Issue of Options under the Freshtel Employee Share Option and Performance Rights Plan</p>						
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>1. 21.12.07 2. 31.12.07</p>						
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 2px;">Number</th> <th style="text-align: left; padding: 2px;">+Class</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">163,840,301</td> <td style="padding: 2px;">FRE Ordinary Shares</td> </tr> <tr> <td style="padding: 2px;">33,900,603</td> <td style="padding: 2px;">FREAP – COA (class A convertible shares last exercise 31.12.08)</td> </tr> </tbody> </table>	Number	+Class	163,840,301	FRE Ordinary Shares	33,900,603	FREAP – COA (class A convertible shares last exercise 31.12.08)
Number	+Class						
163,840,301	FRE Ordinary Shares						
33,900,603	FREAP – COA (class A convertible shares last exercise 31.12.08)						

+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	87,500	FREAW Unlisted 20c options expire 31.12.07
	146,663	FREAB Employee Options Expire 31.12.09
	450,000	FREAC Employee Options
	40,000	FREAX Employee Options Expiry 30/6/2009
	273,334	FREAY Employee Options Expiry 30/6/2010
	273,335	FREAZ Employee Options Expiry 30/6/2011
	250,000	FREAA 88 cent Options
	146,667	NEW EMPLOYEE OPTIONS
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

- | | | |
|----|--|--|
| 11 | Is security holder approval required? | |
| 12 | Is the issue renounceable or non-renounceable? | |
| 13 | Ratio in which the +securities will be offered | |

+ See chapter 19 for defined terms.

- | | | |
|----|---|--|
| 14 | +Class of +securities to which the offer relates | |
| 15 | +Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |

+ See chapter 19 for defined terms.

- | | | |
|----|---|--|
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do ⁺ security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do ⁺ security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | ⁺ Despatch date | |
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⁺ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38 Number of securities for which
+quotation is sought

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39 Class of +securities for which
quotation is sought

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40 Do the +securities rank equally in all
respects from the date of allotment
with an existing +class of quoted
+securities?

If the additional securities do not
rank equally, please state:

- the date from which they do
- the extent to which they
participate for the next dividend,
(in the case of a trust,
distribution) or interest payment
- the extent to which they do not
rank equally, other than in
relation to the next dividend,
distribution or interest payment

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41 Reason for request for quotation
now

Example: In the case of restricted securities, end of
restriction period

(if issued upon conversion of
another security, clearly identify that
other security)

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	Number	+Class
42 Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

 - There is no reason why those +securities should not be granted +quotation.

 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: 21.12.07
Company Secretary

Print name: Jan Macpherson

+ See chapter 19 for defined terms.