

AUSTRALIAN STOCK EXCHANGE RELEASE

QUARTERLY CASH FLOW STATEMENT TO 30 SEPTEMBER 2009

Melbourne, Australia Thursday, 29th October 2009: Freshtel Holdings Limited (ASX: FRE) releases its quarterly cash flow statement.

For the quarter ending 30 September 2009, Freshtel reported that the total cash balances of the consolidated group were \$1,372,731.

The net cash outflow recorded for the quarter was \$937k with an exchange rate adjustment of \$58k.

Receipts from customers amounted to \$420k with an additional \$340k received from the Australian Taxation Office in respect of FY07/08 Research and Development grant. Continued emphasis on recovery of outstanding receivables will give support to further decreasing the company's small debtor balances.

Payments to suppliers and employees amounted to \$1,671k, a decrease of \$400k from the previous quarter. This is due to a further reduction in employee costs of \$150k and implementation of management's focus on cost control. Administration and other costs were \$930k which was a decrease of \$250k from the previous quarter, with more savings expected in the next quarter.

The Company's focus remains on improving the quality and stability of our network; existing customer revenue growth; seizing new revenue opportunities and cost control whilst delivering on the business strategy. The Board is positive about growth opportunities for mobile applications, PBX applications and targeted calling card opportunities for the Group.

-ENDS-

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

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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 September 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (3 mths) \$A
1.1 Receipts from customers	420,046	420,046
1.2 Payments for (a) staff costs	(740,975)	(740,975)
(b) advertising and marketing	(4,216)	(4,216)
(c) cost of sales	(175,912)	(175,912)
(d) other operating expenses	(749,690)	(749,690)
1.3 Dividends received	-	-
1.4 Interest & other items of a similar nature received	11,583	11,583
1.5 Interest & other costs of finance paid	(1,879)	(1,879)
1.6 Income taxes received	339,731	339,731
1.7 Other (provide details if material)	-	-
Net operating cash flows	(901,312)	(901,312)

+ See chapter 19 for defined terms.

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Quarterly report for entities
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	Current quarter \$A	Year to date (3 mths) \$A
1.8 Net operating cash flows (carried forward)	(901,312)	(901,312)
Cash flows related to investing activities		
1.9 Payment for acquisition of: (a) businesses (item 5) (b) equity investments (c) intellectual property (d) physical non-current assets (e) other non-current assets	(55,893)	(55,893)
1.10 Proceeds from disposal of: (a) businesses (item 5) (b) equity investments (c) intellectual property (d) physical non-current assets (e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(55,893)	(55,893)
1.14 Total operating and investing cash flows	(957,205)	(957,205)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	21,103	21,103
Net financing cash flows	21,103	21,103
Net increase (decrease) in cash held	(936,102)	(936,102)
1.21 Cash at beginning of quarter/year to date	2,366,630	2,366,630
1.22 Exchange rate adjustments	(57,797)	(57,797)
1.23 Cash at end of quarter	1,372,731	1,372,731

+ 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
1.24	Aggregate amount of payments to the parties included in item 1.2	-
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

N/A

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	Amount used \$A
3.1	Loan facilities	1,000,000	-
3.2	Credit standby arrangements	N/A	N/A

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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	Previous quarter \$A
4.1 Cash on hand and at bank	1,157,332	1,998,406
4.2 Deposits at call	215,399	368,224
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,372,732	2,366,630

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	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

+ See chapter 19 for defined terms.

