

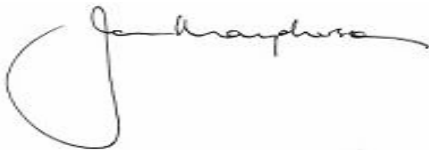
AUSTRALIAN STOCK EXCHANGE RELEASE

FRESHTEL HOLDINGS LIMITED – 2006 NOTICE OF ANNUAL GENERAL MEETING

Melbourne, Australia, Tuesday, 10th October 2006:

Please find attached the Freshtel Holdings Limited 2006 Notice of Annual General Meeting which has been dispatched to shareholders.

Yours faithfully,



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

Investor Relations & Media enquiries:

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Director / Corporate Affairs
Freshtel Holdings
Ph: (02) 8669 9600
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Buchan Consulting
Ph: (03) 9866 4722 / 040 101 8828
E: ktimms@bcg.com.au

FRESHTEL HOLDINGS LIMITED
ACN 111 460 121
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of the shareholders of Freshtel Holdings Limited will be held at Computershare Conference Centre, Yarra Falls, 452 Johnston St, Abbotsford, VIC 3067 on Monday 13th of November at 2pm.

Pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), a person's entitlement to vote at this Annual General Meeting will be determined by reference to the number of fully paid ordinary shares registered in the name of that person in the register of members as at 2.00pm on Saturday 11th November 2006.

ORDINARY BUSINESS

The ordinary of the business of the meeting will be to:

Annual Reports and Accounts

1. To receive and consider the annual financial report, directors' report and independent auditors' report, for the financial year ended 30th June 2006;

Remuneration Report

2. To consider and if thought fit pass the following resolution as an ordinary resolution:
That the Remuneration report for the year ended 30 June 2006, as disclosed in the Directors' Report be received and approved.

Election of Directors

3. To consider and if thought fit, pass the following resolutions as ordinary resolutions:
 - 3.1 That Leslie Taylor, having retired in accordance with Clause 13.2 of the Company's constitution, be re-elected as a Director.

Mr Sebastian Filzek, who retires in accordance with clause 13.2 of the Company's Constitution does not offer himself for re-election and the meeting records its thanks for Mr Filzek services as a Director.
 - 3.2 Mr Kenneth Loughnan AO, having been appointed as an addition to the existing Directors in accordance with clause 13.4 of the Company's constitution, retires and be re-elected as a Director of the Company.

**Directors' Remuneration
Resolution 4**

To consider and if thought fit, pass the following ordinary resolution:

That in accordance with clause 13.7 of the constitution of the Company the maximum aggregate remuneration to be paid to directors (other than those in full time employment with the Company) is the sum of \$500,000 per annum.

SPECIAL BUSINESS

Issue of 250,000 Performance Rights to Mr Kenneth Loughnan AO, Non- Executive Director under the Freshtel Option and Performance Rights Plan

Resolution 5

That, for all purposes including ASX Listing Rules 7.1 and 10.14, the Board of Directors of the Company be authorised, pursuant to the Freshtel Option and Performance Rights Plan to grant up to 250,000 Rights to subscribe for up to 250,000 fully paid ordinary Shares in the Company and to issue 250,000 fully paid ordinary Shares at an exercise price of 25% above the weighted average price over the five days prior to the AGM following the valid exercise of any such rights in the Company to Mr Kenneth Loughnan AO in accordance with the Freshtel Option and Performance Rights Plan and subject to the conditions set out in the Explanatory Statement, be approved.

Other Business

To transact any other business which may be lawfully brought forward in accordance with the Company's Constitution and Corporations Act.

Proxies

A Shareholder entitled to attend and vote at the meeting has the right to appoint a proxy to attend and vote instead of the member. The proxy need not be a member of the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint not more than 2 proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise half of the votes (disregarding fractions).

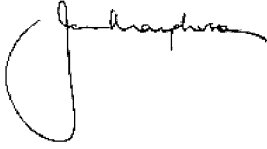
A form for the appointment of a proxy is enclosed with this Notice.

The Proxy Form must, to be effective be lodged at the registered office of the Company, Level 2, 8 Market Street, Melbourne 3000 or by facsimile on (03) 90952099 not later than 2pm on Saturday 11th November 2006.

Determination of entitlements to attend and vote

The Company has determined in accordance with Corporations Act Regulation Number 7.11.37 that the Shareholding of each Shareholder for the purpose of ascertaining the voting entitlements at the meeting will be determined by reference to the number of fully paid ordinary shares registered in the name of that person (reflected in the register of members) as at 2.00 pm Melbourne time 11th November 2006.

BY ORDER OF THE BOARD



Jan Macpherson
Company Secretary
9th October 2006



FRESHTEL HOLDINGS LIMITED
ACN 111 460 121

EXPLANATORY STATEMENT

IMPORTANT NOTICE

The Explanatory Statement explains and provides information regarding the Resolutions to be considered at the Annual General Meeting as set out in the accompanying Notice of Annual General Meeting, to assist Shareholders determine how they wish to vote on the Resolutions.

Shareholders should read this Explanatory Statement in full because individual sections do not provide a comprehensive appraisal of the Resolutions in their own right. This Explanatory Statement forms part of the accompanying Notice of Annual General Meeting and should be read together with the Notice of Annual General Meeting.

If you are in doubt about what to do in relation to the Resolutions contemplated in this Explanatory Statement, you should consult your financial or other professional advisor.

This Explanatory Statement is dated 9th October 2006.

Introduction

The Annual General Meeting is being held so that the Directors can table the financial statements and reports of the Company for the previous financial year and so that Shareholders can vote on the re-election of Directors. The company is required to present a Remuneration Report which is contained in the Directors Report. Shareholders are requested to vote on the adoption of this Report. Shareholders should be aware that votes in respect of the Remuneration Report are non-binding on the Company. Shareholders are also required to vote on formalising the appointment of Auditors and on an aggregate amount to be paid to directors who are not executives of the Company. This is known as the Ordinary Business of the meeting.

At the Annual General Meeting, Shareholders will also be asked to consider additional Resolutions set out in the accompanying Notice of Annual General Meeting under the heading Special Business. Details of these Resolutions and an explanation as to why the Company is putting these to Shareholders is set out in this Explanatory Statement.

Words or expressions used in the Notice of Annual General Meeting and in this Explanatory Statement are defined in the Glossary. Unless otherwise stated, all references to sums of money '\$' and 'dollars' are references to Australian currency.

Item 1 – Annual Reports and Accounts

The Annual Report including the accounts of the Company has been compiled in accordance with the Corporations Act 2001 (*Cth*) and is tabled for consideration and approval by Shareholders under a non-binding vote. Shareholders will have a reasonable opportunity at the meeting to ask questions and make comments on these reports and on the business and operations of the Company.



Item 2 - Remuneration Report

A detailed Remuneration Report, included in the Directors Report in the Annual Report has been compiled in accordance with the Corporations Act 2001 (*Cth*) and is tabled for consideration and approval by Shareholders under a non-binding vote. The vote on this resolution is advisory only and non-binding. The resolution gives the members the opportunity to ask questions or make comments on the Remuneration Report during the meeting.

Item 3 - Election to the Board of Non- Executive Directors

3.1. Mr Taylor retires in accordance with the Company's constitution. Mr Taylor offers himself for re-election.

3.3 Mr Loughnan AO was appointed on 22 June 2006 and, in accordance with the Company's constitution is required to retire and re-offer himself for appointment.

The Board recommends that shareholders vote in favour of the resolutions electing each of Messrs Taylor, and Loughnan as directors.

Information about these directors is contained in the 2006 Annual Report.

Item 5 - Issue of 250,000 Performance Rights to Mr Kenneth Loughnan AO, Non-Executive Director under the Freshtel Option and Performance Rights Plan

Shareholder approval is required for this Resolution under ASX Listing Rule 10.14 because Mr Kenneth Loughnan is a Director of the Company. ASX Listing Rule 10.15A requires this Notice of Meeting to include the following information in relation to rights and to the Shares which may be issued to Mr Loughnan pursuant to the Plan.

The date of grant of Performance Rights

The date by which Performance Rights will be granted to Mr Loughnan will be no later than 30th November 2006.

Exercise price of Performance Rights granted

Performance Rights will be granted with an exercise price that will be determined by the Board on the basis of an exercise price of 25% above the weighted average price over the five days prior to the AGM.

Performance Condition

Performance conditions are deemed to be an essential component of all senior executive equity incentives. The proposed issue of performance rights are designed to provide both motivation to perform and a retention incentive in this case for a key Non-Executive Director. The performance condition to be applied to Mr Loughnan's performance rights is based on the performance of the company increasing the share price to 25% above the weighted average price over the five days prior to the AGM.

Once the share price preaches this level there will be no further vesting conditions.

Other Information

ASX Listing Rule 10.15A requires disclosure of additional information in relation to offers of Shares or performance rights to Directors, including:-

- Performance Rights issued under OPRP will not be quoted on ASX;
- Shares issued under OPRP to Mr Loughnan will be offered for 25% above the weighted average price over the five days prior to the AGM consideration;
- Shares allocated, if any, on exercise of the Performance Rights will rank pari passu in all respects with Company's Shares listed on ASX, unless additional restrictions are imposed on the issue of the Shares;
- The Company will bear all costs associated with the administration of OPRP;
- The other Directors have previously received rights or options under OPRP;
- A voting exclusion statement is attached;
- Details of any Performance Rights and/or Shares issued under OPRP will be published in each annual report of the Company relating to the period in which Shares or rights have been issued, and that approval for the issue of Shares was obtained under Listing Rule 10.14.
- The date by which the Company will grant rights under OPRP in respect of Mr Loughnan will be 30th November 2006, a date after the date of the meeting.

Voting Exclusion Statement – Corporations Act

Section 224 of the Act prohibits:

- ♣ a related party of the Company to whom Resolution 3.1, 3.3, 4 or 5 would permit a financial benefit to be given; and
- ♣ an associate of that related party from voting on certain resolutions.

In accordance with the Listing Rules of the Australian Stock Exchange Limited ("ASX") the Company will disregard any votes cast as follows;

- Resolution 3.1 by Mr Leslie Taylor and his associates;
- Resolution 3.3 by Mr Kenneth Loughnan and his associates;
- Resolution 4 by Messrs Taylor, Elbourn, Carew, Loughnan and Warner and their associates;
- Resolution 5 by Mr Loughnan and his associates;

A director or his associated entity may vote if he or it has been appointed in writing as a proxy for a shareholder who is not prohibited from voting by section 224 of the Act **AND** that shareholder has instructed the director or entity in writing how to vote.

Recommendation

Subject to the abstentions set out below, the Directors unanimously recommend that eligible Shareholders vote in favour of all of the Resolutions set out in the accompanying Notice of Annual General Meeting.

Mr Taylor abstains from making a recommendation in relation to Resolutions 3 and 4, Mr Elbourn abstains from making a recommendation in relation to Resolution 4; Mr Carew abstains from making a recommendation in relation to Resolution 4; Mr Warner abstains from making a recommendation in relation to Resolution 4 and Mr Loughnan abstains from making a recommendation in relation to Resolutions 3.3, 4 and 5; because they have a material personal interest in each Resolution aforementioned.



GLOSSARY

In this Explanatory Statement:

Annual General Meeting means the annual general meeting of the company convened under the Notice of Meeting to which this Explanatory Statement is attached.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited ACN 008 624 691.

Board means the board of Directors of the company.

Company or **Freshtel** means Freshtel Holdings Limited ACN 111 460 121

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001(Cth)

Director means Director of the Company

Listing Rules means the listing Rules of ASX and **Rules** means a particular rule of the Listing Rules as applicable.

Notice of Annual General Meeting means the notice of Annual General Meeting that this Explanatory Statement accompanies and which the Resolutions are set out.

Resolutions means the resolutions referred to in the Notice of Annual General Meeting and **Resolution** means any one of them, as the context requires.

Share means a fully paid ordinary Share in the capital of the Company.

Shareholder means the holder of a Share.

Freshtel Holdings Limited

ABN 92 111 460 121

Proxy Form

All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2555
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



000001 000 FRE
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



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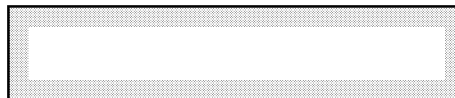
Appointment of Proxy

I/We being a member/s of Freshtel Holdings Limited and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR



If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Freshtel Holdings Limited to be held at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067 on Monday 13 November 2006 at 2.00pm(EST) and at any adjournment of that meeting.



IMPORTANT: FOR ITEMS 3.1, 3.3, 4 AND 5 BELOW

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 3.1, 3.3, 4 and 5 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 3.1, 3.3, 4 and 5 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

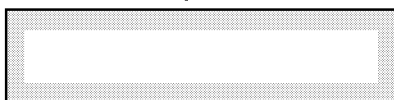
Voting directions to your proxy - please mark to indicate your directions

	For	Against		For	Against
Ordinary Business			Item 3.2 Mr Kenneth Loughnan AO		
Item 1 Annual Reports and Accounts	<input type="checkbox"/>	<input type="checkbox"/>	Item 4 Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	Item 5 Issue of 250,000 Performance Rights under the Freshtel Option and Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>
Election of Directors					
Item 3.1 Leslie Taylor	<input type="checkbox"/>	<input type="checkbox"/>			

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

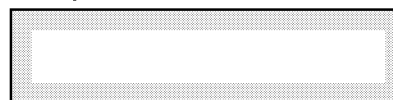
PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1



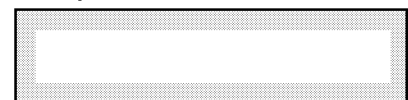
Sole Director and
Sole Company Secretary

Securityholder 2



Director

Securityholder 3



Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /

FRE

20PR



How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the two boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 2.00pm(EST) on Monday 13 November 2006. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

- IN PERSON Registered Office - Level 2, 8 Market Street, Melbourne 3000 AUSTRALIA
- BY MAIL PO Box 456, Flinders Lane, Melbourne, Victoria 8009 AUSTRALIA
- BY FAX 61 3 9095 2099