

AUSTRALIAN STOCK EXCHANGE RELEASE

FRESHTEL BUSINESS UPDATE

Melbourne, Australia, Wednesday 1st April 2009: Freshtel Holdings Limited's (ASX: FRE) Board and Management have conducted a strategic review of the Company, and are today providing an update of measures taken to restructure the Company's operations and significantly reduce expenditure.

Rhonda O'Donnell CEO of Freshtel said: "Freshtel is cognisant that the Company needs to improve its current cash position and is making immediate changes to conserve cash in the short term and deliver sustained cost savings.

"This is about securing the future of the company and as such cost containment and operational restructures will not be to the detriment of our existing partners and customers, nor will it prevent us from continuing to advance the opportunities that are currently within our sights. We are vigorously pursuing new opportunities and business continuity has not been affected by the measures we have taken."

Freshtel has implemented the following cost cutting measures which are expected to reduce cash burn by half in the next three months:

- Staff numbers have now been significantly reduced. Technical staffing has been largely retained to ensure maintenance of the network for existing customers and critical R&D projects leading to sustainable revenue opportunities are continued;
- Customer service has transitioned to an email and video help support system, in line with other VoIP providers, and will be run completely in-house;
- A small core of business development staff has been retained to pursue revenue and licensing opportunities;
- A full review of expenditure has been undertaken resulting in many items of expenditure being reduced or cut;
- All non-core contractors have been terminated. Other contractors have had their hours reduced and some have voluntarily restructured their remuneration to assure their contribution to the company's longevity;
- Management numbers have been pared to ensure essential technical services continue to be provided;
- Network rationalisation will be introduced in the future.

Ms O'Donnell said the measures taken were critical in ensuring significant and long-term cost savings.

"Reducing our staffing to essential technical and managerial roles and changing our customer support model will result in significant cost savings over the longer term and have been done in a way that ensures that current levels of technical support for our wholesale partners are maintained.

“The move to email based support actually brings us into line with other providers in the industry, and is a method that allows us to deliver personalised and timely support in a more cost-efficient manner. We’ll also be providing video help files via our website for basic and advanced set-up help which will allow users the freedom to pause, re-run and access help at their preferred time,” Ms O’Donnell said.

Ms O’Donnell added that there were many good opportunities for Freshtel to continue to grow in the future and that the company had excellent relationships with its existing partners and customers.

Freshtel also provides the following business updates:

- Negotiations are continuing with potential new partners in Asia;
- A beta version of the Freshtel softphone for Mac OSX operating systems has been released, opening Freshtel’s products to the Mac user market for the first time;
- The white label solution for the Christian Church Network via new partner, Yippii will be deployed shortly.
- Development of the Freshtel MobileLink application for Apple iPhone and other platforms is nearing completion and will also be licensable to third parties.

“We are firmly focused on converting opportunities to launch Freshtel’s products in new geographic markets and via new wholesale partners, increase revenue extraction from our existing commercial agreements, including those with Tesco, PTCL, Yippii and JB Hi-Fi,” Ms O’Donnell said.

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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 Freshtel’s retail site.

Freshtel Holdings: www.freshtelholdings.com

Voicedot Networks: www.voicedot.com

Freshtel retail: www.freshtel.net

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