

AUSTRALIAN STOCK EXCHANGE RELEASE

QUARTERLY CASH FLOW STATEMENT TO 30 SEPTEMBER 2008

Melbourne, Australia, Tuesday, 28th October 2008:

For the quarter ending 30 September 2008, Freshtel Holdings (ASX:FRE) reported that the total cash balances of the consolidated group were \$6.6 million.

The net cash outflow recorded for the quarter was \$1.6 million compared to \$2.2 million for the preceding quarter.

Receipts from customers increased to \$0.93 million, mainly due to licence fees received for the white label deal with PTCL, Pakistan's largest telecommunications provider, which was signed in September. PTCL's calling card solution has just been launched to customers, and is expected to have further impact on revenue in the forthcoming quarter.

"We have a number of initiatives under way including the PTCL launch, promotion of our products and new business opportunities which we expect to have an impact on customer receipts in the coming quarter," said Rhonda O'Donnell, CEO of Freshtel Holdings.

Payments to suppliers and employees were \$3.0 million, a decrease of \$0.1 million on the previous quarter. Despite the overall decline, there was a spike in employee costs which rose by \$0.2 million to \$1.9 million. These employee costs included \$255,000 of termination and redundancy payments made to employees and a former director.

Administration and other costs were \$0.9 million, representing a decrease of \$0.3 million on the previous quarter.

"As we have reported previously, we are transitioning from an R&D focus to a sales focus. This has meant that we have needed to reduce the resources devoted to development, which in turn has contributed to a decrease in employee related costs. We expect further declines in general expenditure and employee related costs in the coming quarter, which should translate to further slowing of cash burn," Ms O'Donnell said.

-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 Freshtel's retail site.

Freshtel Holdings: www.freshtelholdings.com

Voicedot Networks: www.voicedot.com

Freshtel retail: 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 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...3... months) \$A'000
1.1 Receipts from customers	933	933
1.2 Payments for		
(a) staff costs	-1883	-1883
(a)(i) staff costs transferred to intangible assets	207	207
(b) advertising and marketing	-11	-11
(c) research and development		
(d) cost of sales	-205	-205
(e) other operating expenses	-888	-888
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	123	123
1.5 Interest and other costs of finance paid		
1.6 Income taxes received	364	364
1.7 Other (provide details if material)		
Net operating cash flows	-1360	-1360

+ 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	280
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

\$200k was paid to former director by way of termination payment.

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'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

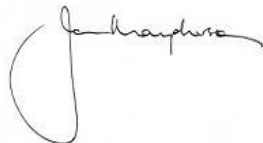
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	3641	1183
4.2 Deposits at call	2923	6976
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	6564	8159

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: Date:28 October 2008.....
 (Director/Company secretary)

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.