16 November, 2004

The Manager
Company Announcements Platform
Australian Stock Exchange

Dear Sir,

Announcement for Immediate Release

Tele-IP details acquisition intentions and proposed capital raising

The company advises that it has completed the signing of Heads of Agreement to acquire two businesses based in Victoria. We attach details for immediate release to the market.

Yours faithfully,

Ian May
Managing Director

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Company Announcement

The company advises that it has entered into Heads of Agreement to acquire two businesses based in Victoria. Their activities are similarly focused on the convergence of voice and data networks, as is Tele-IP's existing network integration business and the extension into satellite communications. The intellectual property and systems developed by Tele-IP will be important to the future development of these businesses as their customers demand grows for access to emerging technologies for their voice and data requirements.

The companies which presently conduct the target businesses, PGS Communication Systems Pty Ltd (PGS) and Able Communications and Service Pty Ltd (Able), along with its associated company Telenet Communications, are profitable and have each been established for many years. These companies operate independently of one another, and in addressing the same markets with similar products and services, will provide substantial synergy following their acquisition by Tele-IP Ltd.

Tele-IP has identified the opportunity to merge these businesses with its existing network services business and its satellite communications division (Beam), to develop a totally integrated operation. This is the first phase in developing a national company that will expand the proposed benefits of the Victorian integration across the whole of Australia. Both Able/Telenet and PGS have existing national contracts in place, and the combined entity will have a large potential for growth with the opportunity for expansion in account development and profitability going forward.

The current aggregated profitability of the existing businesses will be considerably enhanced by rationalisation of duplicated overheads, cross selling of services to the customer base of each business, and the benefits of high volume channels to market in dealing with equipment providers.

PGS Communication Systems Pty Ltd

PGS, which has a present turnover of $3.7M, has a staff of 23 and was established 12 years ago. PGS is a senior channel partner for NEC Business Solutions Ltd and provides the following services to its large base of more than 2000 customers:-

- The sale, installation and servicing of NEC telephone systems including wireless telephone systems, voice over IP and unified messaging
- Provision of complex cabling solutions including blown fibre solutions
- Data network design, programming and installation
- Project management
- Provisioning of all Telstra Services
- Specialists in Call Centre applications

PGS has a number of national and multinational customers for whom it carries out extensive telecommunication and cabling work, including ABB Industries, Onesteel, Dennis Group, Corrs Chambers Westgarth, Southern Cross Broadcasting, Peninsula Health, Mayne Group, Affinity Health, Autoliv Australia and Unidrive.

Able and Telenet Communications

Able, which has a present turnover of $6.4M and a staff of 40, has been in business for 23 years and provides the following services to its base, which exceeds 2000 customers:-

- IP and Traditional PBX and Key Telephone Systems
- Voice, Data, Electrical and Fibre Cabling
- Communications Consultancy
- Systems Integration Services
- Point of Care Computing to the Health Industry
- Project Management
- Facilities Management
- Maintenance and Support Services

Able is a major supplier of NEC equipment and administers NEC's Business Solutions NECare support services to the Victorian regional PBX market. In addition, Able is a supplier of leading edge Voice over Wireless LAN technology to NEC and to its own customers.

Able is a major contractor for telephony equipment, telephone cabling, computer cabling, electrical wiring and reticulation works for a number of large companies. These customers include Ford Australia, Boral, Toyota, EDS, Telstra Statenet, Rio Tinto, Dept of Human Services, Norwich and State Trustees. Major computer and telephone cabling installations have been completed for a growing customer base including major enterprises such as Allens Arthur Robinson, Crown Casino, Deakin and Melbourne Universities.

Both Able and PGS have recently been involved in sub-contracting to NEC Business Solutions for the supply of its services to the Victorian government. NEC has recently been awarded a contract with the government that extends for three years

Tele-IP Ltd proposed Management Structure

Mr Ian May will continue as Managing Director of Tele-IP Ltd. The Managing Director of PGS, Mr Geoff Fennell, will join Tele-IP as Chief Financial Officer and the Managing Director of Able, Mr Vince Vecchi, will also join Tele-IP as Manager, Operations and Support, each reporting to the Managing Director. The joint Managing Director of Able, Mr John Kean, will take up a senior administration role working with Geoff Fennell.

- Geoff Fennell has over 30 years business experience, and is qualified with Bachelor of Business Accounting and Bachelor of Business Administration (majoring in Human Resources). He has been CEO of PGS for the past five years and prior to that was General Manager of Equity Trustees for 11 years.

- Vince Vecchi founded Able over 23 years ago. He previously held a number of technical positions at PBX and terminal supplier STC.

Major synergies will be exploited with the merging of these businesses including staff efficiency, premise efficiency and the capacity to bid for larger integration projects. Each company currently operates from separate premises and manage similar processes with different computer systems and like administrative overheads. It is expected that a number of these, and other areas, will be rationalised following the integration and the streamlining of the three companies in early 2005.

Further opportunities exist for the merged entity to then support a larger consolidated customer base, providing the potential for the cross-selling of current and future products to a substantially broader market.

There are no plans to reduce or rationalise any of the current lines of business within each of the three companies. This should ensure the maintenance of the on-going relationships and revenue streams and maximise the opportunity for the cross-selling of the various products and services.

As voice and data convergence accelerates in the market, the merged entity will be well positioned selling a convergent product, that of intelligent PBX-based solutions using wireless and Voice over IP products. This also opens up the opportunity to offer Managed Services, supporting all communications technologies to the user over 3 – 5 year period contracts, including maintenance, billing analysis, break/fix, "moves/adds/changes", leasing and insurance products creating a substantial annuity revenue stream.

Pre Acquisition Revenue Summary

Sales Revenue	**12 Months to End June 2003**	**12 Months to End June 2004**	**% Growth**
Able/Telenet	$6,363,000	$6,430,000	1
PGS	$3,449,000	$3,661,000	6

Sales Revenue	**12 Months to End December 2003**	**6 Months to End June 2004**	**Prorata %**
Tele-IP	$4,573,000	$4,755,000	108

Note the differing balance dates above for the Able and PGS Revenue Summary compared with the financial years reflected for Tele-IP for its 2003 accounting period January to December, with its 2004 half year to June showing audited actuals.

Capital Raising

To fund the cash component of these acquisitions and to further strengthen the financial resources of Tele-IP, it is currently proposed to raise approximately $7.0m by way of an underwritten non-renounceable rights issue to shareholders. The final terms and issue price of this rights issue have not yet been determined.

The consideration to acquire the Able and PGS businesses is $5.1m (Able - $2.9m and PGS - $2.2m) comprising a total cash component of $4.0m (Able - $2.5m and PGS - $1.5m) and shares to be issued by Tele-IP to the vendors to the value of $1.1m (Able - $0.4m and PGS - $0.7m). The number of shares issued to the vendors will not exceed 15% (26,823,106 shares) of the current shares on issue numbering 178,820,707. The company intends that the price at which these shares are issued will be the same as the Rights Issue subscription price, which is yet to be determined. If the final price of the Rights Issue reflects a value to the vendors of less than $1.1 million based on the above, then the company will either pay to the vendors the difference in cash or will seek shareholder approval to issue shares to make-up the balance.

Post Acquisition Financial Estimates

The projected earnings of the merged businesses for the year ending 31st December 2005 are summarised in the following table. The estimates below are based on unaudited management accounts and include a sales revenue growth rate of 20% per annum and expense savings attributable to the rationalisation of the combined entities for a full 12 month period. No assumptions have been included with respect to the outcomes due to the volume aggregations and potential for increased growth due to the addition of new products and services and the cross-selling of existing products into the customer base of each of the separate entities today.

Combined financial projections of Tele-IP Network Services & Beam divisions, Able and PGS

Sales	**$22,272,000**
Less Cost of Sales	$10,231,000
Gross Profit	$12,041,000
Expenses	$8,140,000
PBT	**$3,902,000**

The above table does not include allowance for corporate expenses associated with Tele-IP's continued listing on the ASX of approximately $200,000 and on-going research and development for StratoSonde. Any one-off expenses that may be incurred in the period immediately after acquisition and the rationalisation of activities are not expected to exceed $500,000.

Capital Structure

The following table summarises the movement in assets and liabilities of Tele-IP following the acquisitions of the PGS and Able businesses:

	Audited Balance Sheet of Tele-IP alone as at 30 June 2004	**Proforma Balance Sheet after Settlement ***
Current Assets	2,588,670	2,692,000
Non-Current Assets	510,077	770,000
Intangible Assets	-	4,616,000
Current Liabilities	3,025,872	1,813,000
Net Assets	**72,875**	**6,265,000**
Capital	10,531,137	18,110,000
Accumulated Losses	(10,428,262)	(11,845,000)
Shareholders Equity	**72,875**	**6,265,000**

Note: * The Proforma Balance Sheet is based on the Capital Raising structure as detailed and the assumptions and estimates included in the Post Acquisition Financials following.

The individual Heads of Agreement are conditional on finalisation of Due Diligence by Tele-IP and completion of negotiations with underwriters for the capital raising. It is currently anticipated that Due Diligence and negotiations with underwriters will be completed by the end of November with a prospectus to be issued at that time. The Prospectus will include further details of the financial transaction following the Due Diligence currently being undertaken by independent financial experts and the completion of negotiations with underwriters.

Summary

In late August this year, an industry journal in Australia, Zdnet, reported that IDC research found that one in seven medium to large Australian organisations already have an IP telephony system deployed, with another 47 percent planning to implement one in the next three years. IDC said these figures represented "almost an AU$1 billion market of enterprise IP telephony equipment and VoIP services".

In this market setting, the merger of these three businesses Tele-IP, Able and PGS, each operating with complementary products in the same market space, gives very good upside to efficiency gains, access to better product sourcing arrangements and a great position to leverage this surge towards IP enabled corporate and SME networks for voice and data.

The acquisition of these businesses and their integration with Tele-IP's existing business and the subsequent strengthening of financial resources, would see Tele-IP as a company with no long term debt and a profitable revenue base in excess of $20M with a strong position in the voice, data and converged markets.

Tele-IP sees this transaction continuing its own rapid growth path over the past 12 months and maintaining the strong focus of its core business in the telecommunications networking infrastructure sector with growing profitability.

Tele-IP will keep the market fully informed as to the progress of the capital raising and the on-going acquisition status of the target vendors.

Tele-IP is an Australian company specialising in the sale of products and services and the development of Intellectual Property in the communications markets in Australia and overseas, including the Beam satellite products and the on-going development and commercialisation of its StratoSonde atmospheric profiling technologies.