TELE-IP LIMITED
(ACN 010 568 804)

Supplementary Prospectus

This is a Supplementary Prospectus intended to be read with the Prospectus dated 14 April 2005 (*Prospectus*) relating to a renounceable rights issue of 5 New Ordinary Shares for every 2 Shares at an offer price of $0.02 per share in Tele-IP Limited to raise a minimum of $4,750,000 and a maximum of $8,951,660.

This Supplementary Prospectus is dated 20 May 2005 and was lodged with the Australian Securities and Investments Commission (*ASIC*) on 20 May 2005. None of ASIC, the ASX and their respective officers take responsibility for the contents of this Supplementary Prospectus.

Pursuant to section 719(4) of the Corporations Act, the information set out below is taken to be included in the Prospectus. Terms defined in the Prospectus have the same meaning in this Supplementary Prospectus except where otherwise defined in this Supplementary Prospectus.

1. **Interim Order**

On 6 May 2005, ASIC issued an interim stop order (*Stop Order*) in relation to the Prospectus. Section 8 Additional Financial Information of this Supplementary Prospectus addresses the points raised by ASIC in the Stop Order in relation to the Prospectus.

As a result of the issue of this Supplementary Prospectus, the Directors of Tele-IP have resolved to defer the closing date. **The closing date is now 20 June 2005.**

Completed Entitlement and Acceptance Forms must be forwarded to reach Tele-IP's share register no later than 5.00pm AEST on 20 June 2005. A new Entitlement and Acceptance Form is enclosed with this Supplementary Prospectus.

2. **Section 724 of the Corporations Act**

In accordance with section 724(2) of the Corporations Act, Tele-IP must give applicants that have already applied for New Ordinary Shares under the Prospectus the opportunity to withdraw their application within one month of the date of this Supplementary Prospectus.

3. **Shareholders May Withdraw and Receive a Refund**

If you have lodged an Entitlement and Acceptance Form prior to the date of this Supplementary Prospectus and do not wish to proceed with your acceptance, the Company will refund your application monies. Any applicant wishing to withdraw their application and be repaid their application monies (at $0.02 per New Ordinary Share applied for) has until 5.00pm AEST on 20 June 2005 to withdraw their application and request a refund.

To withdraw an application, applicants must complete and sign the attached Notice of Withdrawal Form and return it to Tele-IP's share register by no later than 5.00pm AEST on 20 June 2005. The details of the refund cheque (including the address to which it should be sent) must match the details set out in the Entitlement and Acceptance Application Form lodged by that applicant.

The Notice of Withdrawal Form must be sent to Tele-IP's share register, at:

- By mail: ASX Perpetual Registrars Limited
  GPO Box 2537
  BRISBANE QLD 4001

- By delivery: ASX Perpetual Registrars Limited
  Level 22
  300 Queen Street
  BRISBANE QLD 4000

The Notice of Withdrawal Form must be received by ASX Perpetual Registrars Limited by no later than 5.00pm AEST on 20 June 2005.

If you do not wish to withdraw your acceptance, do **not** complete and return the Notice of Withdrawal Form. If you do not wish to withdraw your acceptance, you need not take any action.

A Shareholder who gives a Notice of Withdrawal will be taken to have withdrawn their acceptance in relation to **all** (not just some) of the New Ordinary Shares that they originally applied for.

It is proposed that by no later than 23 June 2005 New Ordinary Shares will be issued to Shareholders who accept the Offer or who do not withdraw their application.

For all completed and signed Notice of Withdrawal Forms received before 5.00pm AEST on 20 June 2005 by ASX Perpetual Registrars Limited, Tele-IP will refund the application monies to the Shareholder by 24 June 2005.

4. Underwriting Agreement

The issue of the Stop Order by ASIC constituted an event of default under the Underwriting Agreement. The Underwriter has determined to waive its right to terminate the Underwriting Agreement as a consequence of the Stop Order. Accordingly, the terms of the Underwriting Agreement remain as per the Prospectus.

5. Indicative Timetable

The indicative timetable for the Rights Issue is now as follows:

Key dates	
Date of Original Prospectus	14 April 2005
Date of Interim Stop Order by ASIC	6 May 2005
Lodgement of Supplementary Prospectus with ASIC	20 May 2005
Final date to Lodge Notice of Withdrawal Form	5.00pm AEST on 20 June 2005
Closing date for acceptances	5.00pm AEST on 20 June 2005
Notify ASX of under subscriptions	23 June 2005
Date Subscription Price Refund paid to Shareholders	24 June 2005
Dispatch of New Ordinary Share transaction confirmation statements	28 June 2005
Expected date of quotation of New Ordinary Shares on a normal T+3 basis	29 June 2005
Final date for placement of any Shortfall	20 September 2005

These dates are subject to change and are indicative only. Tele-IP reserves the right to amend this indicative timetable. In particular, Tele-IP reserves the right, subject to the Corporations Act, the ASX Listing Rules and the approval of the Underwriters, to extend the Closing Date for receipt of Entitlement and Acceptance Forms or to withdraw the Offer without prior notice. Any extension of that Closing Date will have a consequential effect on the date for the issue of New Ordinary Shares.

6. Application for New Ordinary Shares

The offer of New Ordinary Shares is made in the Prospectus. If you wish to apply for New Ordinary Shares and you have not yet completed your personalised Entitlement and Acceptance Form, you must complete and return the updated version of that form which accompanies this Supplementary Prospectus. The updated version of the Entitlement and Acceptance Form must be received by 5.00pm AEST on 20 June 2005 and must be completed in accordance with the instructions in the Prospectus and the Entitlement and Acceptance Form.

7. **Continuous disclosure obligations**

The following is a list of continuous disclosure notices made by the Company since the lodgement of the Prospectus:

SUBJECT OF ANNOUNCEMENT	DATE LODGED
Results of Meeting	19 May 2005
AGM Presentation	18 May 2005
Renounceable Rights Issue – Update	11 May 2005
ASIC Interim Stop Order re Prospectus	9 May 2005
Commitments Test Entity – First Quarter Report	29 April 2005
Notice of Annual General Meeting	18 April 2005
Letter to Shareholders re: Renounceable Rights Issue	15 April 2005
Announces Renounceable Rights Issue Prospectus	14 April 2005
Appendix 3B – Renounceable Rights Issue	14 April 2005

8. **Additional Financial Information**

8.1. Historical financial information in respect of Able and PGS

PGS– Unaudited Profit and Loss

	$ '000's				
	2000/01	**2001/02**	**2002/03**	**2003/04**	**6 months to 31 December 2004**
Sales	3,754	4,027	3,449	3,661	2,076
less purchases	1,655	1,594	1,106	1,183	572
Gross Profit	2,099	2,433	2,343	2,479	1,504
Gross Profit Margin	*56%*	*60%*	*68%*	*68%*	*72%*
Expenses	2,051	2,164	2,254	2,226	1,319
Profit before tax	**48**	**269**	**89**	**252**	**185**

The unaudited results for PGS are for the financial years ending 30 June 2001 through to 30 June 2004 and for the 6 months to 31 December 2004. The gross profit margin has steadily improved over the period to 72% for the 6 months to 31 December 2004. PGS has accounted for gross profit after taking up only those expenses directly attributable to the sales revenue. Therefore, staff costs that have been incurred in generating some of the sales revenue have been accounted for as expenses thus reflecting a higher gross profit margin than would be expected under a standard costing method.

Able– Unaudited Profit and Loss

	$ '000's		
	2002/03	**2003/04**	**6 months to 31 December 2004**
Sales	6,363	6,430	3,559
less purchases	2,150	2,175	1,218
Gross Profit	4,213	4,255	2,341
Gross Profit Margin	*66%*	*66%*	*66%*
Expenses	4,377	4,611	2,136
Profit before tax	**(164)**	**(356)**	**205**

Able's results are also unaudited for the financial years ending 30 June 2003 and 2004, and for the 6 months ending 31 December 2004. Able's gross margin has remained steady over these periods.

Both Able and PGS are currently trading profitably based on their unaudited results to 31 December 2004 attributable to increased business from the VOTS (Victorian Office Telephony Services) contract. These results have continued based on unaudited trading performance in the first quarter of 2005.

The businesses of PGS and Able being acquired by Tele-IP will reflect similar financial performance as their respective legal entities, except where integration savings are forecast to be achieved. (See section 8.2 of this Supplementary Prospectus).

8.2. *Financial forecast of Tele-IP for 12 month period post-acquisition and integration*

	$ '000's			
	Able (unaudited)	**PGS (unaudited)**	**Tele-IP (audited)**	**Total**
Actual Gross Sales for year ended 30 June 2004 for Able and PGS, and 31 December 2003 for Tele-IP	6,430	3,661	4,573	14,664
Gross Sales for the 6 months ended 31 December 2004	3,559	2,076		
Gross Sales for year ended 31 December 2004	7,118*	4,152*	6,907	18,177
Increase over prior full year	**11%**	**13%**	**51%**	**24%**
Forecast Group Sales				**21,813**
Forecast sales increase for first 12 months of trading post acquisition and integration				**20%**

* Able and PGS sales have been annualised to reflect directors estimates of a comparable full year pre-acquisition, noting there are no material seasonal influences on historical sales. The unaudited sales results for the quarter ending 31 March 2005 were $1.0 m for PGS and $2.6 m for Able.

The table shows the revenue growth of each of the entities over their respective previous financial period. Tele-IP's financial year ends on 31 December and PGS and Able's financial year ends on 30 June. The Able and PGS sales results for the 6 months to 31 December 2004 have been annualised to reflect the directors' estimates of a comparable full year result pre-acquisition. The calculated combined growth rate for group sales to 31 December 2004 is 24%, which was largely attributable to the actual sales performance growth of Tele-IP. The Directors have taken a conservative view and forecast a growth rate of 20% for the first 12 months of trading post acquisition and integration. There have been no assumptions included to reflect the anticipated efficiencies in sales performance of the combined business. The forecast growth rate assumes no change to the current level of market activity. The Company has observed a trend of growth in the market for the products and services to be provided by the merged business.

Section 5.6 of the Prospectus states that historical sales revenues for the combined businesses have been increased by 20% for the forecast 12 month period post-acquisition and integration. This is based on a number of factors, including the VOTS contract continuing for NEC Business Solutions Ltd (*NEC*) and their ongoing sub-contracting for service delivery by Able and PGS, an increased share of NEC's direct sales business and more focus on carrier connections across the combined customer base.

The forecast 20% sales growth has been applied across the merged business. As detailed in Section 3 of the Prospectus, the Able and PGS businesses are primarily involved in the sale of voice products. Tele-IP's business is primarily focused on the sale of data products. The merged business will have a single sales team that will provide both of these complementary products. In addition, the merged business will undertake a marketing program to its entire customer base of approximately 4000 customers to promote the expanded product set and capabilities of the business.

Able and PGS were recently notified by NEC that they may now sell maintenance in their own right to their customers. This notification was anticipated by Tele-IP and was factored into the forecast sales growth. In the past NEC would sell maintenance services and pay Able and PGS a commission for each sale. It is anticipated that maintenance sales will constitute additional revenue of between 10% and 15% of all PBX equipment sales value. In anticipation of this opportunity Tele-IP has established a maintenance and data services division to focus on developing and promoting maintenance revenue opportunities in the voice market as a component of the maintenance division that currently exists within Tele-IP for its data network products.

The March 2005 quarter sales for Tele-IP were reported at $731,000. This lower than expected performance was impacted by:

(a) delays in delivery of Beam products. As detailed in the Appendix 4C Report dated 29 April 2005 "sales of Beam Products were being delayed due to technology changes required by Iridium Satellite LLC. As a consequence, sales revenue of Beam products for the 3 months to March 2005 was limited to accessories and minor items". However, as at 31 March 2005 Tele-IP had received approximately $650,000 of orders which had not yet been fulfilled across both the Beam and Network integration businesses. Sales of Beam products are no longer being delayed and Tele-IP is now in the process of fulfilling outstanding and new orders; and

(b) as a result of the volume and nature of products sold by the merged businesses, sales volumes may fluctuate from period to period. This fluctuation is evidenced by the level of Tele-IP and Able sales for the quarter ended 31 March 2005 varying materially from previous corresponding periods. See the table below for relevant sales data.

	$ '000's		
Sales Analysis	Able (unaudited)	PGS (unaudited)	Tele-IP (audited)
6 months to Dec 03	4,419	1,766	2,172
6 months to Jun 04	2,011	1,895	4,754
6 months to Dec 04	3,559	2,076	2,153
3 months to Mar 05	2,600	998	731

The sales forecast represents the performance of the combined group. The unaudited sales results for Able and PGS of $2.6m and $1.0m respectively for the first quarter of 2005 reflect favourably on the forecast for the 12 months post acquisition and integration. The Directors do not expect the Tele-IP trend to continue post integration, with more focus on sales goals, rather than the current capital raising activities, business divestment and dealing with the structural impacts of the initial integration of PGS and Able.

Post Acquisition & Integration Financial Forecast

Forecast for the first 12 months post acquisition and integration				
	$ '000's			
	Able	**PGS**	**Tele-IP**	**Total Group**
Sales	8,543	4,982	8,288	21,813
less cost of sales	2,756	1,529	5,438	9,723
Gross Profit	5,786	3,453	2,851	12,090
Gross Profit Margin	*67.7%*	*69.3%*	*34.4%*	*55.4%*
Expenses	4,009	1,803	2,328	8,140
Profit before tax	**1,778**	**1,650**	**523**	**3,951**

Each entity calculates its gross profit margin differently. However, the forecast gross margin has been calculated in each instance on a basis consistent with each entity's respective historical margin performance. The table above shows the different gross profit margins and how as a group they accumulate to the forecast 55.4%.

Each of Tele-IP, Able and PGS sell equipment as their primary sales focus. However, Tele-IP's low gross profit margin of 24% for the year ended 31 December 2004 as disclosed in Tele-IP's Annual Report, was impacted by research and development costs associated with Beam products. Tele-IP's actual gross profit margin for the six months ending 31 December 2004 was 34%. Tele-IP's actual gross profit margin for the year ended 31 December 2003 was 66%, which is consistent with Able and PGS's gross profit margin. The Directors have taken a conservative approach and incorporated Tele-IP's actual gross profit margin of 34% for the 6 months ended 31 December 2004 when forecasting the gross profit margin.

	$ '000's			
Expense Analysis	**Able**	**PGS**	**Tele-IP**	**Total**
Expenses for the respective last financial year	4,611	2,226	3,504	10,342
Forecasted expenses	4,009	1,803	2,328	8,140
Forecast savings comprise:				
Divestment of StratoSonde			800	800
Forecast integration savings	603	423	376	1,402
TOTAL	**603**	**423**	**1,176**	**2,202**

The integration savings comprise:

(a) Staff number reductions in all businesses primarily through the elimination of duplicated functions. These savings have largely been achieved within Tele-IP in anticipation of the change in business post 31 December 2004; and

(b) The PGS business will be relocated to the Able and Tele-IP offices thereby reducing office lease costs of approximately $80,000 per annum.

This Supplementary Prospectus has been approved by unanimous resolution of the Directors of Tele-IP Limited.

Dated: 20 May 2005

Ian May
Managing Director