Tele-IP

... on the pulse

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The Manager
Company Announcements Platform
The Australian Stock Exchange

Tele-IP Ltd
ABN 39 010 568 804
796 High Street
Kew East VIC 3102
Australia
T +61 3 8851 0300
F +61 3 8851 0388
info@tele-ip.com
www.tele-ip.com

Dear Sir,

Announcement for Immediate Release

INVESTOR UPDATE

Activities for the six months to 31 December 2005

During the six month period Tele-IP Ltd has successfully completed the acquisition and integration of two businesses and re-organized the merged operations to establish a platform for a national business with voice and data convergent network expertise and a strong presence and strategic position in this market sector.

Management focused on the integration of these businesses and programs for the re-organization of operating systems and rationalization of overheads. One off integration, premises relocation, rebranding and corporate promotion expenses were incurred during the period and a major program for staff training and technical accreditation with leading network equipment suppliers was undertaken.

Sales revenue from the businesses acquired was limited in the July to September period as no work in progress was transferred at the acquisition date. Actual sales for the July to September period were $2.2m which increased to $3.8m for the October to December period.

The additional expenses incurred in integrating and re-organizing the merged business and the delay in the commencement of sales described above were the major factors in the loss of $1.35m for the six month period.

The loss of $1.0m for the 3 months to September 2005 was reduced to $0.35m for the 3 months to December 2005 as revenue from sales increased.

Subsequent to 31 December 2005, overhead expenses have been reduced by $450,000 per annum through employment reductions and further streamlining of the merged operations.

The company raised $2.6m as additional share capital during the six month period to 31 December 2005 to partially fund the acquisition of those businesses and provide further working capital. Subscriptions for shares totalling $2.3m were received immediately prior to the 31 December 2005, but as the shares were not formally allotted until 3 January 2006, this amount was included as a liability in the balance sheet at 31 December 2005.

Current Activities

Tele-IP has established an office in North Sydney and is now a company that has repositioned itself in the market place through synergistic acquisitions and is currently undertaking due diligence of the Queensland NEC reseller, TSA Communication Solutions, to integrate that business with those of Tele-IP in Melbourne and Sydney, providing a full Eastern seaboard presence. Further developments with Beam and other satellite communications vendors and applications are progressing and these will be announced to market as they are concluded.

Voice and Data Network Services

As the Company has completed the integration of the skill sets of the initial three businesses (Tele-IP, Able and PGS Communications), the ability to enter into larger and more complex and traditionally higher margin projects has presented itself.

The pipeline for new revenue has substantially increased over the past few months and Tele-IP expects significant orders in the coming months. The Company has received major orders from the Victorian Government Department of Human Services, requiring Tele-IP to rollout integrated voice and video security systems for three housing commission buildings with a value exceeding $600,000. Additionally, Tele-IP secured the first major Huawei enterprise network order from Melbourne Business School in excess of $300,000 for a multi-campus voice and data network.

Whilst the objective of Tele-IP in maintaining its current focus in the SME market is important, the ability to engage in major projects with accelerated business growth is an emerging growth opportunity. This shift in strategy changes the sales cycle. The average SME sales cycle is 2 –3 months and with a move to major projects these are often extended to 6 – 9 months. As a result, revenues over the past few months have been slightly less than forecast, but there has been a substantial growth in the current forward order and revenue pipeline, with future sales from these expected to meet the forecast and fill the interim SME sales weakness as a result of this shift in strategy.

A major program has been initiated for the training and accreditation of the appropriate technical and sales staff for the new vendors Tele-IP have partnered with. These now include Huawei, Alcatel, Aruba and Zultys, in addition to the requisite training for on-going accreditation with our traditional vendor, NEC. We believe this multi-vendor strategy will provide significant major order opportunities and a platform for continued market growth in the coming year

Forward order Book

Following the formal integration of the three businesses, Tele-IP Limited, Able/Telenet and PGS Communications on 1st July, 2005, the new company has focused strongly on refining its "go to market" model, systems and resources over this first six months.

Whilst this extended integration period has incurred some additional cost, Tele-IP believes that the time and expense has been well justified and has built a strong and efficient platform and team for other acquisitions, and most importantly, for its own processes and structure going forward.

The current forward order book is strong with sales revenue in excess of $3m and a number of larger opportunities forecast to be closed before the end of the second half.

Beam Communications

Beam Communications a wholly-owned subsidiary of Tele-IP and is focused on the development and distribution of satellite terminals and accessories for the Iridium satellite network.

Beam's order pipeline is strong with major opportunities in Europe, Asia and Australia over the coming months.

Beam continues to develop new products to meet customer demands. The high value products manufactured and supplied by Beam, each require an Iridium transceiver module. Due to issues with supplier manufacture and lack of availability of these modules in the latter half of 1H05/06, Beam orders and revenue were delayed. Some opportunities for the sale of Beam products were also lost during this period as customers chose alternative satellite networks or vendors at the time.

Beam is currently considering the addition of other strategic satellite network providers to its portfolio that will provide complementary services to Iridium, such as high bandwidth data capabilities, and not only provide access to different markets for Beam, but will also reduce Beam's dependence on Iridium as its sole supplier.

Beam has continued to secure major distribution contracts with a number of high profile companies including Marlink AS of Norway, part of the Telenor group; Roadpost of Canada and USA; and France Telecom with over 200 dealers throughout 9 European and African countries and is now in discussions with a number of companies in Asia to further penetrate the mass growth countries, industries and applications. This distribution and partnership platform developed in 2005, is expected to deliver large growth opportunities into existing and emerging markets over the next 12 months.

A major order from Telstra was secured by Beam in November 2005, for new Beam in-car kits and also the order for the first of the new Remote Community Calling Point (RCCP) solution. The applications for the RCCP solution are worldwide and we hope to secure future orders locally and internationally.

Beam continues to have a close working relationship with Iridium Satellite LLC, and provided the central display and product demonstrations at the recent Iridium global conference in Bangkok.

Beam Federal Government grant update

The application for a Federal government TAPRIC grant is still under consideration by AusIndustry and Beam does not expect a decision until the new budget year commencing July 2006. This delay will give Beam the opportunity to upgrade its application with current information, particularly with advances in the design and functionality of the RCCP solution.

Medical Service provider update

Tele-IP is in on-going discussions with a medical services provider group in NSW. It is now anticipated that a trial implementation will commence within three months, based on a limited rollout including live testing of all systems and processes. Following the trial, it is anticipated that a number of major infrastructure rollouts will be completed statewide and continue over the next few years, including further interstate services.

The delays in proceeding with the project have been due to final decisions with a Federal Government funding grant. The consideration for an allocation has now been delayed until the new government budget later this year. Alternate funding of the medical group has now been sourced and following completion of the current negotiations, it is expected the project will be able to proceed to trail status in the near future.

StratoSonde Divestment

As announced to the market in October 2005, Tele-IP has entered into a conditional contract to sell its interest in the StratoSonde atmospheric profiling technologies for $1,000,000 plus agreed expenses incurred by Tele-IP, and additionally, a 2% royalty on all future revenues until the expiration of the Patents. The current date for completion has been extended to the end of March 2006. In consideration, the buyer has provided financial guarantees of a minimum of $100,000 to Tele-IP in support of its expense obligations, in the event that the buyer does not proceed at that time.

StratoSonde representatives are currently in the USA attending the WakeNet Conference and visiting NASA, FAA and major environmental authorities to update those corporations on the progress made since the previous visit two years ago.

New data has recently been accumulated at the site of the Department of Defence radio tower at Sale in Victoria. This testing will provide further comparisons that will enable calibration of the technology through various heights up to 400 meters. Initial results are very positive and are to be presented in the USA this week.

Yours faithfully,

Ian May
Managing Director