Tele-IP
...on the pulse

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31 October, 2006

The Manager
Company Announcements Platform

Announcement for Immediate Release

INVESTOR UPDATE MEMORANDUM

RESULTS FOR THE 3 MONTHS TO 30 SEPTEMBER 2006

The attached Appendix 4C report shows a cash surplus from operations of $58,000. After the payment of a further installment of $208,000 in relation to the acquisition of businesses in July 2005, there was an overall net decrease in cash for the period of $150,000.

Actual sales for the quarter were $3,698,000 which is $455,000 less than the sales for the previous quarter.

The market for experienced sales personnel is highly competitive and sales growth is limited short term by difficulties in recruiting and retaining sales personnel and delays in orders for major contracts which have been under negotiation for a considerable period of time.

IMMEDIATE OUTLOOK

The immediate outlook for each division of the group is as follows:

Network Services

The company anticipates an increase in sales of equipment and software and continued sales of cabling and maintenance services at previous levels for the quarter ending 31 December 2006. Orders held for immediate delivery at the end of the quarter were in excess of $1,000,000. The major project pipeline opportunities continue to grow and the sales outlook will improve significantly when any of these opportunities is confirmed.

Beam Communications

Beam continues to develop its business in line with its business plan and budget projections.

StratoSonde Divestment

The purchaser has proposed a further installment payment with the balance extended for a further period. The company will make a separate announcement on this proposal later this week.

FINANCIAL OUTLOOK

The company has reviewed all fixed expenses and business development programmes and any non-essential activities which do not have an immediate positive impact on the business have been deferred until such time as the company can foresee a continuing increase in sales revenue levels.

Yours faithfully,

Ian May
Managing Director

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000.

Name of entity

Tele-IP Limited

ABN	Quarter ended ("current quarter")
39 010 568 804	**30 September 2006**

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	4370	4370
1.2	Payments for (a) staff costs	(1661)	(1661)
	(b) advertising and marketing		
	(c) research and development		
	(d) leased assets		
	(e) other working capital		
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	13	13
1.5	Interest and other costs of finance paid	(30)	(30)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	- Operating Purchases	(2688)	(2688)
	- Rent	(74)	(74)
	- GST (Net)	(26)	(26)
	- Integration Costs	-	-
	- Other – R&D claim 2005	154	154
	Net operating cash flows	**58**	**58**

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (3 months) $A'000
1.8	Net operating cash flows (carried forward)	**58**	**58**
	Cash flows related to investing activities		
1.9	Payment for acquisition of: (a) businesses (item 5)	(208)	(208)
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets		
1.10	Proceeds from disposal of: (a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property – re StratoSonde	-	-
	(d) physical non-current assets		
	(e) other non-current assets		
1.11	Loans to other entities		
1.12	Loans repaid by other entities		
1.13	Other		
	Net investing cash flows	**(208)**	**(208)**
1.14	**Total operating and investing cash flows**	**(150)**	**(150)**
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc. – Funds raised via Renounceable Rights Issue	-	-
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings	-	-
1.19	Dividends paid		
1.20	Other – Payments re Renounceable Rights Issue	-	-
	Net financing cash flows	**-**	**-**
	Net increase (decrease) in cash held	**(150)**	**(150)**
1.21	Cash at beginning of quarter/year to date	(655)	(655)
1.22	Exchange rate adjustments to item 1.20		
1.23	**Cash at end of quarter**	**(805)**	**(805)**

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	40
1.25	Aggregate amount of loans to the parties included in item 1.11	NONE

1.26 Explanation necessary for an understanding of the transactions

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

NIL

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

NIL

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 – Bank debtor finance facility	1900	1011
3.2	Credit standby arrangements	NONE	NONE

+ See chapter 19 for defined terms.

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	206	248
4.2	Deposits at call		
4.3	Bank overdraft	-	-
4.4	Other (provide details) Bank debtor finance	(1011)	(903)
	Total: cash at end of quarter (item 1.23)	(805)	(655)

Acquisitions and disposals of business entities

		Acquisitions (Year to date) *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	PGS COMMUNICATION SYSTEMS P/L, ABLE COMMUNICATIONS & SERVICE P/L	
5.2	Place of incorporation or registration	MELBOURNE	
5.3	Consideration for acquisition or disposal	$208,000 BEING PART PAYMENT. (PART PAYMENTS SINCE 1/7/05 $3,212,000. EQUIVALENT TO 80% OF TOTAL CONSIDERATION).	
5.4	Total net assets	$5,100,000	
5.5	Nature of business	COMMUNICATIONS	

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law (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.

Ian May - Managing Director

31 October 2006.

+ 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.