

28 March 2011

Dear Shareholder,

We have attached to this letter your Tel.Pacific Limited dividend statement and, if you have elected not to have dividends paid to your bank account, a cheque for the latest dividend paid by your Company.

I would like to take this opportunity to give you a brief report on your Company's performance during the six months ended 31 December 2010.

Review and Results of Operations

\$000's	Half-year Ended 31 December 2009	Half-year Ended 31 December 2010*	% of Previous Corresponding Period
Revenue	27,940	32,966	18.0%
EBITDA	2,499	83	-96.7%
NPAT	1,364	(368)	-127.0%

* Half-year EBITDA included Hello Mobile losses of \$2.7 million. In the absence of the Hello Mobile investment, EBITDA and NPAT would have been \$2.8 million (up 11.2%) and \$1.5 million (up 11.3%) respectively.

Revenue of the consolidated entity for the half year increased to \$33.0 million, up by 18.0% compared to the previous corresponding period (PCP), largely attributable to the growth of new mobile business in 2010. In addition to the developing Hello Mobile business, the increase in revenue was in part generated from the Mobile Real Time Monitoring (MRTM) intelligent network platform which was acquired on 30 June 2010, and from the interconnect and transit arrangements with carriers which were initiated in the period.

In an extremely competitive market, prepaid mobile was subject to fierce pricing pressure and continued to operate at a loss. Despite the threefold growth of mobile revenue to \$6.2 million during the period (compared to the six months to June 2010 of \$2.1 million), Hello Mobile incurred a net loss of \$2.7 million for the half year (compared to a loss of \$2.0 million at June 2010).

Gross margin for the half year of 20.9% (compared to the PCP 30.0%) was substantially down mainly due to the negative mobile margin.

The extensive investment in Hello Mobile expensed in the first half year (including negative mobile margins), resulted in earnings before interest expense, taxation, depreciation and amortisation (EBITDA) of \$0.1 million, down by 96.7%, compared to the PCP. The net loss after tax of the consolidated entity for the half year was \$0.4 million, down by 127.0% compared to the PCP.

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Excluding the Hello Mobile losses, EBITDA and NPAT would have been \$2.8 million (up 11.2% on the PCP) and \$1.5 million (up 11.3%) respectively.

The Company's cash balance is at expected levels after the acquisition of the MRTM platform and continued losses of Hello Mobile for the first half year, with a total of \$7.1 million in cash balance and bank deposits as at 31 December 2010.

Outlook

Given the learnings from the investment in Hello Mobile to date, management believes that it will be in a position to more closely manage the losses in that business, together with the flow on effect of the current extreme pricing into the traditional calling card market. Consequently, the Company anticipates a return to profit in the remainder of the year. This will be achieved by cautiously reviewing our position in the mobile market and reducing our sales resources focused on this area, but ensuring we are in a position to re-engage fully when market conditions are more favourable. Management will also continue to closely monitor the impact of mobile competition on its core calling card business.

I thank you for your continued support as a shareholder of Tel.Pacific Limited.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Greg McCann', with a stylized flourish at the end.

Greg McCann
Chairman