

FY2012 EBITDA Guidance

- Reported EBITDA for the 2012 financial year likely to be a material loss
 - o Substantially lower than annualised 31 December 2011 EBITDA
 - o Based on management accounts, not yet audited
 - o Full year 2012 annual financial statement to be released by the end of August 2012
 - In addition, impairment testing is yet to be completed, with a likelihood of impairment of the Company's goodwill asset
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1 August 2012: The Board of Tel.Pacific Limited (ASX:TPC) met yesterday to review the preliminary full year financial statements, following preparation of the June management accounts. Those financial statements have not yet been finalised, and obviously have not yet been audited. However, it is clear that the result for the full year will be a material loss, which may not have been anticipated by the market given the positive EBITDA result reported for the first half of the financial year, as at 31 December 2011.

As the Company has indicated for some time, the business continues to operate in a challenging market, with a number of competitors offering products at or below cost.

As a consequence, the Company continues to implement appropriate cost reduction measures to provide the most competitive cost structure with which to compete in this challenging market. In addition, the Company recently completed a merger with gotalk to increase scale and assist with efforts to achieve the lowest cost operation possible. The Company had anticipated that these initiatives would also provide a platform from which to establish new products and services and assist with our efforts to grow the mobile business.

Given the ongoing competitive challenges, management has spent the period since merging with gotalk undertaking more aggressive cost reductions than expected rather than focusing on new products and services. These cost reductions, together with a number of unanticipated adjustments, have impacted this financial year's earnings. The Board anticipates these measures will enhance future profitability.

These costs include significant redundancy costs, provisions for onerous contracts in areas such as premises which are no longer required given the reduction of staff, and for a number of disputes arising from the acquired business which have also required provisions to be put in place.

As a consequence of these factors, the EBITDA loss for the full financial year is currently anticipated to be of the order of \$1.5m.

This figure may need to be further revised to reflect the earnings of the wholesale business, which was acquired from gotalk at the time of the merger with the expectation that it would be on-sold within the 2012 calendar year. The earnings of this business are attributable to the former shareholders of gotalk and are yet to be finalised.

In addition, the final profit result for the Company will be materially affected by the outcome of the necessary impairment testing of the goodwill carried on the Company's balance sheet.

The Company will continue to work closely with its auditors to produce its full annual financial reports, and have those financial statements audited and released to the market in the ordinary course by the end of August 2012.

The Board is confident that the changes implemented provide the best possible platform for the future success of the business, and will continue to seek to ensure that costs reflect the operating capabilities of the business, and the profitability of the future revenues is maximised.

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About Tel.Pacific

Established in 1996, Tel.Pacific is a significant participant in the Australian communications market. The Company's core business centres around the provision of pre-paid telephony products and services through extensive distribution networks.

Since its establishment Tel.Pacific has experienced strong and sustained revenue growth. Tel.Pacific sees continued growth opportunity in its pre-paid calling card business and intends to further expand its business activities in this area as part of its long-term growth strategy.

Tel.Pacific's core product line comprises more than 30 brands of low cost pre-paid calling cards mainly used for international telephone calls to over 230 countries and regions. The Company's portfolio includes the well known Hello, Joy and GPS brands.