

14 January 2008

PROJECT RUNWAY IS CLEARED FOR TAKE-OFF

PIPE Networks Limited (ASX:PWK) announced today it has now signed sufficient contracts with keystone customers for the Board to approve the construction of a 6,900km, \$A200m undersea cable system linking Sydney, Australia to the communications hub of Guam with a spur connecting Madang, Papua New Guinea, referred to as PPC-1.

Representing a significant enhancement to Australia's international broadband capacity, the main trunk of the PPC-1 system will be a 2-pair fibre cable capable of delivering 1.92 Terabits of data per second.

Speaking from the 2008 Pacific Telecommunications Council conference in Hawaii, PIPE Networks Managing Director and CEO, Bevan Slattery said this was an exciting new international business for the Company which expands on our core business of being an independent network infrastructure builder, owner and operator.

"PIPE Networks has a strong track record of building profitable and competitive telecommunications infrastructure in response to market demand. Sure this is a large piece of infrastructure, but it is vital to break the stranglehold the Gang-of-Four have on capacity into Australia. PPC-1 will be the first submarine cable into Australia that will actually provide cost effective high speed connectivity to enable business and consumers to access increasing bandwidth required to engage in the global information revolution," Mr Slattery said.

Foundation customers who can be identified at this time include VSNL, Telikom PNG, iiNet, Internode and Primus. Other domestic and international customer contracts and counterparties cannot be disclosed due to confidentiality restrictions.

Mr Slattery said, "Foundation customers of PPC-1 are the real champions of competition. "These customers are leading the drive for change. They wanted a change from the same old overpriced bandwidth product available for the past 8 years. We all realised that this is the last chance to break the Gang-of-Four's stranglehold on international capacity pricing into Australia. All Australians will benefit from their vision and belief that the days of paying too much money for too little bandwidth had to end."

iiNet CEO Michael Malone agreed. "This is a significant announcement for all Australian Internet users," he said. "iiNet has been saying for years that the bottleneck in Internet access in this country is in the international links, not in the access network. This project signals the first entirely new cable delivered to Australia in eight years and will deliver more capacity for bandwidth-starved Australians."

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PPC-1 is predominantly aimed at providing more bandwidth capacity for Australia. The system will include branching units outside Sydney and the Gold Coast to allow the connection of future projects, along with a spur into Madang, Papua New Guinea.

Mr Slattery said PIPE Networks had been working with Telikom PNG for quite some time. "We realised that our project and service offering could be a unique opportunity to provide important bandwidth for the northern areas of PNG, particularly for the development of broadband and other important applications such as telemedicine. Telikom is very committed to working on delivering a better communications infrastructure for the residents of PNG and their participation in PPC-1 has been a testament to that."

In accordance with the Company's investment philosophy, the Board is satisfied that, with direct investment along with these customer contracts, it anticipates that the project will achieve positive cash recovery of the investment within 3-5 years. The Company expects that the cable ownership vehicle is expected to be debt free within 6 months following commissioning of PPC-1 (scheduled for the second quarter of 2009).

The Board is also of the view that PIPE Networks has no immediate requirement for capital raising. As at 31 December, 2007 PIPE Networks had a net cash position of \$3M, with an undrawn debt facility of more than \$20M. The Company expects to further negotiate an extension of its existing debt facility in light of the Company's strong financial growth during the preceding 12 months. Further funding arrangements are in the process of being finalised, including project finance. The Board plans to keep the market informed with respect to these matters.

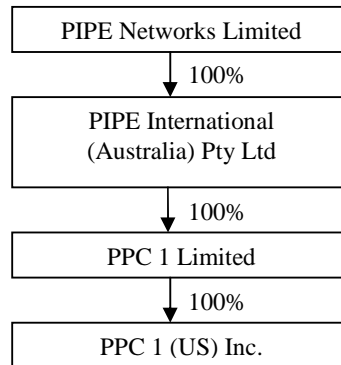
The project structuring has been resolved and will include a number of new wholly-owned subsidiaries (illustrated in the diagram below). These include PIPE International (Australia) Pty Ltd, which holds Australian based assets; PPC 1 (US), Inc., a Delaware corporation holding Guam landing station assets; and PPC 1 Limited, a Bermuda corporation owning international assets.

The Board reconfirms previous guidance issued for the 2008 and 2009 financial years. PIPE Networks expects revenue for the full year to 30 June 2008 be between \$33M and \$35M with NPAT of between \$7.0M and \$7.4M. First-half profit is expected to be between \$3.1M and \$3.3M. The Board and management expect revenues in the 2008/09 financial year to be between \$44M and \$46M, with NPAT to eclipse \$10M. While Project Runway is expected to have material impacts on profits beyond the 2009 financial year, there is no current expectation of material impact on previously issued forecasts. Accordingly, the Board expects to maintain dividends as per previous guidance.



The Company plans to conduct a media conference in Melbourne later this morning.

Diagram: Structure PPC-1



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