

13th February 2007

Media/ASX Announcement

Project Runway Update #1*

On 18 December 2006, Pipe Networks announced the signing of a Memorandum of Understanding (MOU) with VSNL International Pte Ltd. This enterprise has been designated **Project Runway** and is our vision to rapidly improve Australia's international communications transmission capacity and transform the economics of the local internet and telecommunications markets. The project involves the construction of a new submarine cable linking Sydney to the key international telecommunications interconnection hub at Guam.

The project is still at a stage that incomplete and confidential negotiations are still under way, and many matters are insufficiently definite to be disclosed. PIPE Networks will provide updates to the market as information becomes available for disclosure. However, the progress has been encouraging and sufficient for the Directors of Pipe Networks to incorporate a wholly owned subsidiary company as the project vehicle. PIPE International (Australia) Pty Ltd will initially be headed by CEO Bevan Slattery who will continue to lead the development of the project and report to the Board of Directors. The project has been provided with sufficient internal funding to progress the study.

PIPE Networks has also now engaged Clayton Utz lawyers as legal advisors to the project. The Board of Directors will seek options on the legal, taxation and international operational structures of the project as well as assistance with international and domestic contract negotiations.

EGS (Asia) Ltd has been selected to conduct the desktop route survey for the international cable. They have extensive experience in undersea cable route surveying and will assist in rapidly identifying key issues relating to the construction of the network.

We continue to review our skills and future requirements to select highly qualified and experienced consultants to ensure the success of this project. A number of consultants have already been appointed and others will be considered as the board believes necessary.

Indicative interest from domestic and international parties for capacity has been significant and as such the board and management are working hard to convert that interest to binding commitments. PIPE Networks will not proceed with the project unless the firm commitments ensure the financial viability of the project. This is in line with our standard investment philosophy and no investment will be made without the support of sufficient final revenue generating contracts.

Regular updates on the project will be provided as appropriate or when market sensitive information becomes available and is able to be released.

Yours faithfully



Bevan Slattery
Managing Director

ENDS

For more information:

Bevan Slattery
Managing Director
PIPE Networks Ltd
T: 07 3233 9800
Bevan.Slattery@pipenetworks.com

***This update is to provide information on the progress of the Company's undersea cable project. In accordance with our continuous disclosure obligations, we will release further updates as information becomes available that can be released to the market.**