



ASX RELEASE

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STRONG END TO FINANCIAL YEAR AND PROJECT RUNWAY UPDATE

PIPE Networks Limited (ASX:PWK) today announced the Company's most successful sales quarter since operation. The substantial increase in contracted new monthly recurring revenue has been bolstered by increased demand for the Company's entire suite of products.

The official launch of PIPE Networks' Intercapital Transmission product in May this year was integral in achieving such outstanding results. Bevan Slattery, Managing Director said, "An Intercapital transmission product was a natural progression for us, particularly as we already have connectivity to most of Australia's major telecommunication providers and datacentres. While we were confident of its success, the product is surprisingly already at breakeven and we have over 80% spare capacity on our current intercapital network."

PIPE Networks also launched its third datacentre in Brisbane, dubbed 'DC3'. This new facility was constructed in 65 days, and as a means to inform the market, build progress and datacentre specifications were announced on a daily blog with live webcam footage. Mr Slattery said, "Only two weeks have passed since the launch and we are already finalising contracts which would secure almost 50% of the available datacentre space in our stage one release. We forecast the facility should be profitable within 6 months and begin to return good margins from that point forward. We are now confirming designs for stage two which will provide an additional 80% capacity. Works are expected to commence in November with a completion date set for March 2008."

Traffic over the existing peering business has also grown strongly. PIPE Networks Internet Exchange business exceeded the Petabyte milestone (or one million gigabytes) in April and now exchanges over 6,000Mb/s with some major customers now receiving more domestic data from PIPE Networks than from Telstra or Optus. "This really highlights the volume of traffic our IX network is generating and how important it is for our customers. Our IX business is currently increasing 10-20% per month and many customers are already upgrading to gigabit Ethernet ports. Earlier this week we upgraded one customer to Australia's first 10Gb/s peering port."

PIPE Networks Dark Fibre product continues to deliver strong results with new contracted recurring revenue at an all time high. The majority of agreements signed this quarter were 3 to 5 year contracts with ramp up periods that extend over the next 6 to 18 months. There will be no impact on these new contracts in



the 06/7 financial year with some impact in the 07/8 financial year and full impact in the 08/9 financial year.

Project Runway has been progressing well with vendor and network design running to schedule. An announcement regarding vendor selection is expected in approximately 4 weeks and a final decision on the project within a further 4 weeks there after. There was some delay as various international company structural challenges took longer than expected to address. These issues have now been mostly resolved.

Mr Slattery said, "This has been an outstanding and pleasing result. Our sales team are hitting their stride with new products and new investments moving into profitability within months of launch. We are set to generate good positive cash flows in the 07/8 financial year and beyond."

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