



MEDIA/ASX RELEASE

9th July 2008

PPC-1 (Sydney to Guam Submarine Cable) Update #3*

- *Survey completed*
- *Process of obtaining permits now two months ahead of schedule*
- *Australian Landing Station ahead of schedule, now due end of July 2008*
- *New sales pipeline exceeding expectations*
- *Improved asset value due to international volatility and cost trends*

PIPE Networks Limited's (ASX:PWK) wholly-owned subsidiary, PIPE International (Australia) Pty Ltd, is making strong progress in constructing the PPC-1 submarine cable between Sydney, Australia and Guam. Key milestones are now complete or ahead of schedule.

All survey works on the cable route have now been completed with no disruption experienced from adverse weather over some areas surveyed.

As noted in our previous updates, another key milestone in the delivery of PPC-1 is the granting of permits to operate and lay the submarine cable in various jurisdictions. At this point, all permit approvals are expected two months ahead of the original schedule. In this regard, the Company notes the professionalism and efficient processes exhibited by authorities in the Australian, Papua New Guinea and USA jurisdictions that have led to a faster than estimated processing of permit requests.

Construction of the Australian Landing Station has also proceeded significantly ahead of schedule, with some customer sections already commissioned, and full commissioning now planned by the end of July 2008. A series of private customer, media and institutional shareholder tours of the facility will be conducted later this month.

CEO and Managing Director, Mr Bevan Slattery said that interest from new customers in leasing additional capacity on the PPC-1 system is also ahead of expectations.

"The Company is currently in discussions with a number of new parties for additional significant capacity sales. This interest, received from a wide spectrum of users for access to well-priced international capacity, has been very strong and we continue to work hard to convert these opportunities to formal long-term contracts," Mr Slattery said.

In terms of capital costs for PPC-1, PIPE Networks' use of fixed-price contracting has insulated the Company from significant price rises in shipping, raw material and fuel costs that have emerged since the announcement of PPC-1 in January this year. The fixed-price nature of this contract continues to protect the Company from further price rises.

The Company has also benefited significantly from the appreciation of the Australian Dollar (AUD) against the US Dollar (USD) in recent months. Given the significant AUD



appreciation during 2008 since original PPC-1 pricing calculations were estimated, the Company has enjoyed a corresponding decrease in unit costs in AUD terms. Looking forward, the use of USD denominated revenue contracts provides a natural hedge for any future currency movement in USD denominated construction costs.

Due to these currency benefits and recent cost increases in the submarine cable industry, the Company estimates that replacement cost of the PPC-1 cable system would now be 20-25% higher than its currently contracted construction cost. Accordingly, it is estimated that the replaceable asset value of the PPC-1 cable system alone may exceed \$170M when completed in 2009.

On commissioning, the Company plans to review the valuation of the PPC-1 cable system and Australian Landing Station in light of expected increases in replacement cost in accordance with accounting standards. Assuming the current cost levels are maintained, grounds may exist for a material revaluation of PPC-1. Such revaluation is expected to have a significant positive impact on Net Tangible Asset Backing.

In summary, during the first half of 2008, PIPE Networks has benefited significantly from both currency movements and its fixed-cost contract for the delivery of PPC-1. Along with additional factors including fiscal discipline and strong cashflow from domestic operations, the Company is strongly positioned, with no requirement for additional external finance expected until early 2009, less than six months prior to completion of the system. Completion of additional capacity sales would further reduce the requirement for external finance.

Notwithstanding this situation, and with the prerequisite key permits tracking ahead of schedule, the Company is finalising construction financing terms with a major banking group and expects to agree construction finance arrangements by the end of the current quarter. However, it is important to note that both the term (now expected to be less than 12 months) and maximum facility amount will be less than assumed in previous guidance.

As stated in previous guidance, the Company expects to maintain a very low to nil gearing level for PPC-1 shortly after commissioning, subject to further opportunities arising.

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***This update is to provide information on the progress of the Company's undersea cable project. In accordance with our continuous disclosure obligations, PIPE Networks Limited will release further updates as information becomes available that can be released to the market. For more information on the project please visit www.pipeinternational.com.**