

19 December 2008

**PPC-1 TO PROCEED AS SCHEDULED**

**PIPE Networks Limited (ASX:PWK)** advised today that its subsidiary PIPE International (Australia) Pty Ltd and related companies have signed a Memorandum of Understanding with PPC-1 system supplier Tyco Telecom and a key customer allowing the PPC-1 to proceed as scheduled.

Whilst most terms of the MOU are confidential at this stage, PIPE Networks can disclose that a key change relates to the rescheduling of a number of supplier payments to align with customer receipts, along with a number of customer receipts being brought forward to more closely align with the timing of supplier payments.

PIPE Networks CEO, Mr Bevan Slattery said in the current credit climate this was a great outcome for all involved, not the least the Australian internet users. "It's been a tough few weeks, but there was an overwhelming commitment by everyone involved to ensure this project is a success.

"Everyone essentially got together and said 'how can we help to make this project happen'. Despite all the goodwill in the world, this would not have been possible without the support of our supplier Tyco Telecoms, as well as having already secured substantial capacity agreements from quality counterparties.

"Our counterparties are all keen to see PPC-1 create real competition in the Australian bandwidth marketplace," he said

On 1 December, 2008 PIPE Networks announced that given the unacceptable delays in the credit approval process, the Board of PPC-1 (Bermuda) Ltd had decided to withdraw from proposed arrangements with those financiers.

Mr Roger Clarke, Chairman of PIPE Networks said "It is a testament to the commercial potential and importance of the project that an alternative agreement could be reached that side-stepped the debt markets for primary project financing. I congratulate the team who have been working tirelessly over the past three weeks to bring about this outstanding outcome."

The MOU is comprehensive in outlining all major commercial terms and the Board is now confident that binding definitive agreements reflecting these terms will be completed in the next 4 weeks

On this basis, the company reiterates its previously issued financial guidance of revenues of \$45M and NPAT of \$11M for the 2008/9 financial year. Furthermore, it is expected that the terms of the new funding structure for PPC-1 will have no adverse effect on previously issued guidance for the 2009/10 financial year.

The Board will provide an update when further information is available.

**ENDS**

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