

PIPE Networks Prospectus 2006

FOR AN OFFER OF 4,392,857 ORDINARY SHARES BY WAY OF A RENOUNCEABLE RIGHTS ISSUE
AT AN APPLICATION PRICE OF \$1.50 EACH TO RAISE \$6,589,286

FOR THE ISSUE OF UP TO 200,000 OPTIONS IN ACCORDANCE WITH THE COMPANY EMPLOYEE SHARE OPTION PLAN

PIPE Networks Limited ABN 21 099 104 122

Underwriter and Lead Manager
ABN AMRO Morgans Corporate Limited ABN 32 010 539 607

Broker to the Offer
ABN AMRO Morgans Limited ABN 49 010 669 726

TABLE OF CONTENTS

Important Information	5
Key Investment Highlights	6
Key Rights Issue Statistics	7
Chairman's Letter	8
Details of Offers	9
Company Overview	13
Financial Information	18
Investigating Accountant's Report	22
Directors And Officers	43
Risk Factors	45
Additional Information	49
Definitions	56

"We succeed where others fail because we continue to ignore the limitations of technology and create new and innovative solutions to the problems that stand in our way."

Bevan Slattery CEO

IMPORTANT INFORMATION

This Prospectus is dated 4 January 2006. A copy of this Prospectus has been lodged with ASIC. ASIC takes no responsibility for the contents of this Prospectus.

No Shares or Options will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus.

PIPE Networks has applied to ASX for quotation of the New Shares. ASX takes no responsibility for the contents of this Prospectus. The Options will not be quoted on ASX.

The fact that ASX may quote the Shares is not to be taken in any way as an indication of the merits of PIPE Networks.

Before deciding to invest in PIPE Networks, you should read and understand the entire Prospectus and in particular, in considering PIPE Networks' prospects, you should consider the assumptions underlying the Directors' financial forecasts and the risk factors that could affect PIPE Networks' performance. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding whether to invest. Investing in PIPE Networks involves risks. See 'Risk Factors' in Section 6 for a discussion of certain risks that you should consider before deciding to invest in PIPE Networks.

No person is authorised to give any information or to make any representation in connection with the Offers that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offers.

Restrictions on distribution

This Prospectus does not constitute an offer of, or an invitation to subscribe for, any of the Shares or Options in any place in which, or to any person to whom, it would be unlawful to make such an Offer or invitation.

No action has been taken to register or qualify the Shares and Options being offered under the Offers or otherwise permit a public offering of the Shares or Options in any jurisdiction outside Australia and New Zealand. Neither the Shares nor the Options have been or will be registered under the United States Securities Act of 1933, and may only be offered, sold or resold in, or to persons in, the United States of America under an available exemption from registration.

It is the responsibility of any Applicant to ensure compliance with any laws of the country relevant to their Application. Return of a duly completed Entitlement and Acceptance Form will be taken by PIPE Networks to constitute a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder, and that the Applicant is physically present in Australia or New Zealand.

For shareholders outside Australia and New Zealand, see section 1.12 for details of how your Entitlements will be dealt with.

Rights trading

If you decide not to exercise all or part of your Rights and take up New Shares, you should consider whether to sell (renounce) the Rights. It is important that you either exercise or sell your Rights in accordance with the instructions in section 1.9 of this Prospectus and on the back of the accompanying Entitlement and Acceptance Form.

Individual applicants are responsible for determining their allocations of Rights and New Shares before trading in them. Eligible Shareholders trade in Rights or New Shares before receiving confirmation of their allocation at their own risk.

Prospectus availability

This Prospectus is available in electronic form on the Internet at www.pipenetworks.com only for persons within Australia. Persons who access the electronic form of this Prospectus must ensure that they down-load and read the entire Prospectus.

A printed copy of this Prospectus is available free of charge by calling Link Market Services Limited on (02) 8280 7454.

Privacy

If you make an Application, you will be required to provide personal information to the Company and the Share Registrar. The Company and the Share Registrar will collect, hold and use your personal information to assess your Application, service your needs as an investor, provide the facilities and services that you request and carry out appropriate administration. All personal information will be collected in accordance with the National Privacy Principles as set out under the Privacy Act 1988. Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed.

The Company and the Share Registrar may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1998:

- (a) The Share Registrar for ongoing administration of the Company's share and option register.
- (b) The Underwriter to confirm applications.
- (c) Printers and mailing houses to prepare and distribute statements and to handle mail.

The information may also be disclosed to members of the PIPE Networks group and to their agents and service providers on the basis that they deal with the information in accordance with the Company's privacy policy.

Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company or the Share Registrar. You can request access to your personal information by telephoning or writing to the Company through the Share Registrar as follows:

**PIPE Networks Limited Rights Issue Offer
c/- Link Market Services Limited
GPO Box 2537
Brisbane QLD 4001 AUSTRALIA
Phone: (02) 8280 7454**

In certain circumstances, the Company or the Share Registrar may charge a fee to access your personal information, particularly where your request requires compilation of personal information that has been archived or is of a significant size.

A copy of the Company's privacy policy can be viewed at the Company's web-site.

Definitions and Glossary

Certain terms and abbreviations used in this Prospectus have defined meanings set out in the Glossary. The financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. References to time are to Sydney time.

Pictures and other representations may not be drawn to scale and are for illustrative purposes only and do not and are not to be taken to represent assets that are either owned or controlled by PIPE Networks unless stated to be.

Enquiries

For further information in relation to the Offers, please call PIPE Networks Company Secretary on 07 3233 9800.

KEY INVESTMENT HIGHLIGHTS

- PIPE Networks is a profitable, high-growth Australian telecommunications network infrastructure owner and operator, ranked 7th in the Deloitte Technology Fast 50 growth companies for 2005.
- The Company derives a growing mix of revenues from
 - Internet Exchange,
 - Dark Fibre leasing and
 - Co-location services
- PIPE Networks has a rapidly expanding network throughout East Coast cities with its Fibre Optic network footprint growing over 100% in the past 7 months.
- PIPE Networks has recorded a significant increase in interest for its products from leading corporate and government organisations with the company's sales pipeline increasing over 700% during the past 12 months and the company being awarded over \$15M in contracts during the Oct–Dec quarter.
- Typical customer contracts are on a medium-to-long-term basis with the majority of the revenue being recurring in nature over the contract period.
- PIPE Networks is Australia's leading IX provider, facilitating Peering for over 78 ISPs and CSPs including Primus, PowerTel, UeComm, WebCentral, Hostworks, Australian Broadcasting Commission (ABC) Internode, iiNet/OzEmail and Asia Netcom. The Company is in a strong position to leverage this market leading position with complementary products and services to empower customers in areas such as triple play and latest generation internet services.
- PIPE Networks is rapidly becoming well recognised as a competitive, alternative independent communication infrastructure provider for large corporate and telecommunication sector participants and in March 2005, PIPE Networks won the annual ATUG award for Best Communication Solution for Large Business for its Dark Fibre product.
- The Company is experiencing rapid growth in revenue and profits. PIPE Networks has been EBIT positive for the past three financial years - \$32,397 (2002/03), \$932,514 (2003/04) and \$1,155,703 (2004/05). The Board expects that 2005/06 after-tax profit will grow by 110% over that reported for the 2004/05 financial year.
- The proceeds from the Rights Issue will be used for expanding the Fibre Optic network in Sydney, Melbourne and Brisbane based upon recently awarded contracts and future customer demand.
- PIPE Networks' Board and management team has a proven track record of establishing and managing profitable, high-growth technology businesses along with an appropriate mix of financial and corporate governance expertise and believe the Company is positioned to take advantage of numerous opportunities within the telecommunications marketplace.
- PIPE Networks is continually expanding its team to keep 'intelligent' operations in house, such as infrastructure construction management, whilst outsourcing 'manual' components to organisations dedicated to those tasks.
- The Company is planning to launch a series of new value added services that further leverage existing infrastructure.
- The Company has existing revenue generating infrastructure that is paid for, profitable and has over 85% spare capacity available for 'sale'.

KEY RIGHTS ISSUE STATISTICS

Application Price \$1.50 per New Share
New Shares being offered 4,392,857
Number of Shares on issue post-offer 35,142,857

Financial summary (1)

	AUDITED YE JUNE 2005	FORECAST YE JUNE 2006
EBITDA	\$1.470 MILLION	\$3.331 MILLION
EBIT	\$1.155 MILLION	\$2.619 MILLION
NPAT	\$0.845 MILLION	\$1.784 MILLION

(1) Rounding may apply to the numbers in the above table.

Important Dates *

Prospectus Date 4 January 2006

Rights Trading begins 9 January 2006

Record Date 7:00pm 13 January 2006

Despatch of Prospectus 18 January 2006

Rights Trading ends 4:00pm 27 January 2006

Rights Issue closes 5:00pm 3 February 2006

Expected Allotment of New Shares 10 February 2006

Expected Listing of New Shares under offer 13 February 2006

Employee Option Offer opens 9:00am 9 January 2006

Employee Option Offer closes 5:00pm 9 February 2006

Employee Share Option Plan allotment 13 February 2006

This timetable is indicative only. PIPE Networks may vary all or any of these times and dates without notice.

* References to time are Sydney time.

CHAIRMAN'S LETTER

Dear Shareholder or Employee,

On behalf of your Board, it is my pleasure to invite Eligible Shareholders to participate in a Rights Issue and further investment in PIPE Networks Limited, and to invite our valued employees to participate in the Employee Option Offer.

Since listing in May 2005, the Company has experienced significant demand for its services in excess of that contemplated by Directors at that time. Our network has grown significantly and the Company's human resource capability has also been enhanced.

This momentum is continuing and the Directors have endeavoured to keep shareholders informed by issuing guidance for the likely results for 2006. Currently, the Directors have forecast after tax profitability to grow by 110% over the 2005 result.

Significant contracts currently being entered into or potential contracts are unlikely to have a material effect on the results for the 2006 year due to the contractual timing of receipts, but should provide growth in the results for future years. Promotional activities are under way and are expected to increase the utilisation rates of our award winning Fibre Optic services. The Company has also increased capacity in our fibre network throughout East Coast cities, with the network footprint growing over 100% in the past 7 months. These activities will underpin and extend the level of revenue and profit growth into future years.

The Directors believe it is prudent to increase the financial resources of the Company at this time so that it is in a position to take advantage of this increase in demand for the Company's products, especially its Dark Fibre product. The Directors believe the trends in the telecommunications wholesale market, which have led to an increased level of enquiry, are likely to mean that demand will be strong for the foreseeable future.

The majority of the funds raised by the Rights Issue will be used for strategic network investment to further extend the Fibre Optic networks in Sydney, Melbourne and Brisbane in areas of strong customer demand.

The Directors have also decided to activate the Company's Employee Share Option Plan by making an offer of Options to employees. The intention of this offer is partly to reward the Company's employees for their contribution to the Company's growth to date and partly to provide an incentive going forward to continue that growth and create further shareholder value.



Roger Clarke
Chairman

DETAILS OF OFFERS

1.1 DESCRIPTION OF RIGHTS ISSUE

PIPE Networks is offering, by way of a 1-for-7 renounceable Rights Issue, approximately 4,392,857 New Shares at an Application Price of \$1.50 per New Share to each Eligible Shareholder to raise approximately \$6,589,285. On completion of the Rights Issue, the Company will have approximately 35,142,857 Shares on issue.

1.2 DESCRIPTION OF EMPLOYEE OPTION OFFER

PIPE Networks is offering to employees up to 200,000 Options under the ESOP. Individual employees allocations of Options are set out in the personalised application form accompanying this Prospectus. Further details of this Offer are set out in Section 1.13.

1.3 IMPORTANT DATES

Important dates relevant to the Offers are set out on page 7 of this Prospectus. The Closing Date for the Rights Issue is 3 February 2006. The Closing Date for the Employee Option Offer is 9 February 2006. PIPE Networks may at its discretion vary all or any of these times and dates without notice.

1.4 USE OF PROCEEDS

PIPE Networks expects to raise \$6,589,285 under the Rights Issue before offer costs and will use the proceeds as set out in Section 3.7.

Any funds raised from the subsequent exercise of Options will be used for the general working capital requirements of the Company.

1.5 DIVIDEND POLICY

The Directors expect that the Company will continue to be profitable for the year ending 30 June 2006. The Directors' dividend policy is to pay dividends representing between 30% and 50% of after-tax profits. The Directors will consider the payment of a dividend in respect of the 2006 financial year in the context of the Company's expansion plans and based on the requirement for funding for growth opportunities and capital expenditure commitments. However, the Directors can give no assurance about the payment of a dividend for the 2006 financial year.

In any case, any determination about PIPE Networks' paying dividends will be at the Directors' discretion having regard to, among other things, the availability of earnings for distribution to shareholders, the Company's operating results, capital expenditure requirements and general business and market conditions.

Until exercised, Options do not carry any dividend rights.

1.6 UNDERWRITING OF RIGHTS ISSUE

The Rights Issue is fully underwritten by ABN AMRO Morgans Corporate Limited. A summary of the Underwriting Agreement (including the circumstances in which that agreement may be terminated) is set out in Section 7.5.

1.7 PRICING OF AND ENTITLEMENT TO RIGHTS ISSUE

The Application Price is \$1.50 per New Share, which Applicants must pay in full upon Application. New Shares are offered to Eligible Shareholders, being the holders of Shares as at the Record Date with registered addresses in Australia or New Zealand, on the basis of 1 New Share for every 7 Shares held.

The Application Price of \$1.50 represents a discount of 31.8% to the closing price of Shares of \$2.20 on 20 December 2005, being the day prior to announce the ment of this Rights Issue on ASX.

The number of New Shares to which Eligible Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form. In addition, Eligible Shareholders may apply for Additional New Shares pursuant to section 1.10. Fractional entitlements to New Shares are rounded up to the nearest whole number of Shares. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. Where PIPE Networks considers that holdings have been split in order to take advantage of this rounding, PIPE Networks reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

1.8 INTENTIONS OF MAJOR SHAREHOLDERS

It is the present intention of each Major Shareholder not to take up his Entitlement. Each Major Shareholder is intending to instruct the Underwriter to place his Rights for sale during the Rights Trading Period. If the Rights are not sold, the Major Shareholders intend that their Rights will lapse. The New Shares in respect of the lapsed Rights will become available to Applicants for Additional Shares or will be taken up by the Underwriter.

1.9 HOW TO APPLY IN RIGHTS ISSUE

An Application for New Shares under the Rights Issue may only be made, and will only be accepted, on the accompanying Entitlement and Acceptance Form. Each Entitlement and Acceptance Form includes detailed instructions on how to complete it.

All Entitlement and Acceptance Forms must be lodged with the Registry by 3 February 2006. Eligible Shareholders should allow sufficient time to ensure that Entitlement and Acceptance Forms reach the Registry by the specified time, whether lodged directly or by your stockbroker.

PIPE Networks may in its discretion and in accordance with the ASX Listing Rules vary this date to make it earlier or later.

The Rights are renounceable. This provides Eligible Shareholders who do not wish to subscribe for some or all of the New Shares to which their Rights relate, an opportunity to sell those Rights.

WHAT YOU MAY DO – CHOICES AVAILABLE

Eligible Shareholders may take any of the following actions:

- Take up your Rights in full and/or apply for Additional Shares up to a maximum of 5,000 Additional Shares;
- Sell your Rights in full on ASX;
- Sell part of your Rights on ASX and take up the balance;
- Transfer all or part of your Rights to another person other than via ASX, with or without taking up the balance; or
- Do nothing.

DETAILS OF OFFERS (CONTINUED)

IF YOU WISH TO TAKE UP ALL OF YOUR RIGHTS AND/OR APPLY FOR ADDITIONAL SHARES

If you are an Eligible Shareholder and you wish to take up all of your Rights, you can apply for New Shares by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. If you have applied to take up all of your Entitlement to New Shares you may apply for up to a maximum of 5,000 Additional Shares by completing the relevant section on the Entitlement and Acceptance Form.

You should then forward the completed Entitlement and Acceptance Form, together with your cheque or bank draft for the Application Monies, to the Registry by no later than 3 February 2006.

IF YOU WISH TO SELL ALL OF YOUR RIGHTS ON ASX

If you wish to sell all of your Rights on ASX, complete the section headed "Instructions to your Stockbroker" on the back of the accompanying Entitlement and Acceptance Form and lodge the form with your stockbroker as soon as possible. You can sell your Rights on ASX from 9 January 2006. All sales must be effected by 27 January 2006, when Rights trading ends on ASX.

PIPE Networks accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Persons buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

IF YOU WISH TO SELL PART OF YOUR RIGHTS ON ASX AND TAKE UP THE BALANCE

If you wish to sell part of your Rights on ASX and take up the balance, complete the accompanying Entitlement and Acceptance Form, including the section headed "Instructions to your Stockbroker", in accordance with the instructions set out on that form and lodge the form, together with your cheque or bank draft for the Application Monies for the New Shares for which you wish to subscribe, with your stockbroker as soon as possible.

- You can sell your Rights on ASX from 9 January 2006.
- Any sale of part of your Rights on ASX must be completed by 27 January 2006, when Rights trading ends on ASX.

To take up the remaining part of your Rights and subscribe for New Shares, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form reaches the Registry by no later than 3 February 2006.

PIPE Networks accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Persons buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

IF YOU WISH TO TRANSFER ALL OR PART OF YOUR RIGHTS TO ANOTHER PERSON OTHER THAN ON ASX

If you are an Eligible Shareholder, hold shares registered on the issuer sponsored sub-register and wish to transfer all or part of your Rights to another person other than on ASX, forward a completed renunciation form (which can be obtained from the Registry) together with the accompanying Entitlement and Acceptance Form and the applicable transferee's cheque or bank draft for any Application Monies, to the

Registry by no later than 3 February 2006.

If you are an Eligible Shareholder, hold Shares registered on CHESS and wish to transfer all or part of your Rights to another person other than on ASX, you should contact your sponsoring participant.

Persons accepting a transfer of Rights as referred to above will need to pay the Application Monies to take them up.

If you wish to transfer part of your Rights to another person as described above, but also want to take up some or all of the balance of your Rights, you will need to complete the accompanying Entitlement and Acceptance Form in respect of the Rights you wish to take up. Together with the completed Entitlement and Acceptance Form lodge a cheque or bank draft for the Application monies in respect of the Rights you are taking up.

If the Registry receives both a completed renunciation form and a completed Entitlement and Acceptance Form in respect of the same Rights, the renunciation will be given effect in priority to the acceptance.

RIGHTS NOT TAKEN UP – IF YOU DO NOTHING

If you decide not to take up all or part of your Entitlement to New Shares, you are advised to sell the Rights to the New Shares rather than allow them to lapse. Rights not taken up will lapse. In these circumstances, the New Shares will be taken up by the other Applicants or the Underwriter and you will receive no benefit. It is therefore important that you take action either to accept or sell your Entitlement in accordance with the above instructions.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted.

PAYMENT

The Application Price for the New Shares is payable in full on application by a payment of \$1.50 per New Share. Entitlement and Acceptance Forms must be accompanied by a cheque or bank draft for the Application Monies. Cheques or bank drafts must be in Australian currency only, made payable to "PIPE Networks – Share Offer Account" and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payment will not be issued.

You should ensure that sufficient funds are held in relevant account(s) to cover the cheque(s). If the amount of your cheque(s) for Application Monies (or the amount for which those cheque(s) clear in time for allocation) is not sufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form) or your Application may be rejected.

CHEQUES SHOULD BE MADE PAYABLE TO "PIPE NETWORKS – SHARE OFFER ACCOUNT" AND CROSSED NOT NEGOTIABLE.

DETAILS OF OFFERS (CONTINUED)

1.10 APPLICATION FOR NEW SHARES BEYOND YOUR ENTITLEMENT

Eligible Shareholders may, in addition to their Entitlement, apply for up to a maximum of 5,000 Additional Shares, regardless of the size of their present holding.

By example, if an Eligible Shareholder owns 7,000 Shares, they will be entitled to apply for 1,000 New Shares under the Rights Issue. The shareholder may also wish to apply for up to a maximum of 5,000 Additional Shares. In the case of applications exceeding the total number of New Shares available, the Directors will exercise their discretion whether to permit Eligible Shareholders to increase their holding.

Entitlements not taken up become available as Additional Shares in the first instance. It is possible, particularly in the event of an active Rights trading market, there will be few or no Additional Shares available for issue. It is an express term that Applicants shall be bound to accept a lesser number of Additional Shares allotted to them than applied for in which case Applicants shall be bound to accept a refund of money in respect of the number of Additional Shares applied for but not allotted to them.

No interest will be paid on any money refunded to Applicants in these circumstances.

1.11 ALLOTMENT AND APPLICATION MONEY

New Shares will be allotted only after all Application Money has been received and ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be allotted on 10 February 2006, and trading of the New Shares on ASX is expected to commence 13 February 2006.

All Application Money received before New Shares are issued will be held in a special purpose account. After Application Money is refunded (if required), and New Shares allotted to Applicants are issued, the balance of the funds in the account plus any accrued interest will be payable to PIPE Networks.

If the New Shares are not quoted by ASX within three months after the date of this Prospectus, PIPE Networks will refund all Application Money in full.

1.12 TREATMENT OF OVERSEAS SHAREHOLDERS

This Prospectus and accompanying Entitlement and Acceptance Form do not constitute an offer in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer. It is the responsibility of any Applicant to ensure compliance with any laws of the country relevant to their Application. Return of a duly completed Acceptance and Entitlement Form will be taken by PIPE Networks to constitute a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder, and that the Applicant is physically present in Australia or New Zealand.

Eligible Shareholders resident outside Australia should consult their professional advisers as to whether, in order to enable them to accept their entitlements, any governmental or other consents are required or other formalities need to be observed.

Eligible Shareholders holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Rights and subscribing for New Shares under the Rights Issue does not breach regulations in the relevant overseas jurisdiction. Eligible Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not holders on the Record Date are not entitled to apply for any New Shares.

The Rights and New Shares have not been, and will not be, registered under the US Securities Act and are not being made in the United States or to "US persons" as defined in Regulation S of the US Securities Act of 1933. Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to investors outside Australia or otherwise distributed outside Australia (other than to Eligible Shareholders).

NON-QUALIFYING FOREIGN SHAREHOLDERS

This Offer is not being extended to any shareholders whose registered address is outside Australia or New Zealand ("Non-Qualifying Foreign Shareholders") having regard to:

- The number of Non-Qualifying Foreign Shareholders;
- The number and value of the New Shares which would be offered to Non-Qualifying Foreign Shareholders; and
- The cost of complying with the legal requirements and requirements of the regulatory authorities, in the respective overseas jurisdictions.

PIPE Networks has appointed the Underwriter to sell the Rights of Non-Qualifying Foreign Shareholders on ASX if there is a viable market in the Rights and a premium over the expenses of sale can be obtained.

Any sale will be made at prices and otherwise in such a manner as the Underwriter may in its absolute discretion determine.

Any interest earned on the proceeds of the sale of Rights will be applied against expenses of such sale, including brokerage.

The proceeds of sale (if any) will be distributed to the Non-Qualifying Foreign Shareholders for whose benefit the Rights have been sold in proportion to their shareholdings (after deducting brokerage commission and other expenses) save that individual amounts of less than A\$10 will be retained by PIPE Networks.

Neither PIPE Networks nor the Underwriter will be liable for a failure to sell Rights or to sell Rights at any particular price. If there is no viable market for the Rights of Non-Qualifying Shareholders, their Rights will be allowed to lapse and the relevant New Shares will revert to the Underwriter.

DETAILS OF OFFERS (CONTINUED)

1.13 DETAILS OF EMPLOYEE OPTION OFFER

The Employee Option Offer is made under the ESOP. A total of up to 200,000 Options are offered to employees.

The number of Options offered to each employee is set out in the personalised application form accompanying this Prospectus. If you are an employee and you have received this Prospectus but did not receive a personalised application form, please contact the Company Secretary.

You may apply for the number of Options set out in your personalised application form or a lesser number, subject to a minimum of 100 Options and thereafter in multiples of 100 Options.

No money is payable by you when you apply for the Options. If you exercise an Option in accordance with its terms, you must pay the Exercise Price to receive a Share in the Company.

The Options are issued subject to the terms set out in the ESOP. The other terms attaching to the Employee Option Offer are set out below.

Expected date of grant of the Options	10 February 2006
Expected first exercise date of the Options	17 May 2006
Expected last exercise date of the Options	16 May 2008
Exercise Price	\$1.80

The ESOP is incorporated in this Prospectus by reference under section 712 of the Corporations Act and a copy of it has been lodged with the ASIC. A summary of the plan is set out in section 7.2. You may obtain a copy of the plan, free of charge, from the Company Secretary by contacting him on 07 3233 9800. Alternatively, a copy of the plan is available at www.pipenetworks.com.

Further information about the taxation effects of applying for options under the Employee Option Offer are contained in section 7.3.

1.14 STAMP DUTY AND BROKERAGE

No stamp duty or brokerage will be payable in respect of Shares or Options issued to Applicants.

1.15 RISK FACTORS

There are a number of risk factors, both specific to PIPE Networks and of a general nature, which may affect the future operating and financial performance of PIPE Networks and the value of an investment in PIPE Networks. These risk factors are discussed in more detail in Section 6 of this Prospectus.

1.16 WITHDRAWAL AND EARLY CLOSURE OF OFFERS

PIPE Networks may, in its discretion withdraw or close either of the Offers at any time before the closing date for the Offer. If the Rights Issue is withdrawn, any Application Money received will be refunded.

1.17 NO INTEREST ON APPLICATION MONEY

If Application Money held by the Company is refunded or returned to an Applicant or Applicants for any reason, no interest is payable on that Application Money.

COMPANY OVERVIEW

2.1 BUSINESS AND INVESTMENT

PIPE Networks is a provider of facilities-based telecommunications services to Australian Internet Service Providers (such as WebCentral, iiNet, Netspace and Pacific Internet), telecommunications carriers (such as Nextgen, Agile and Primus Telecom) and the corporate marketplace (such as Flight Centre, Virgin Blue Airlines, ABN AMRO Morgans, Hitachi Data Systems and Rio Tinto).

Incorporated by its founders in December 2001, PIPE Networks was initially established to provide robust carrier-neutral IX services and Co-location services to the Internet industry.

In July 2002, PIPE Networks was granted a Telecommunications Carrier Licence by the Australian Communications Authority as part of the Company's plans to interconnect each of its Internet Exchange (IX) locations in the same city via its own Fibre Optic network. Upon constructing the Fibre Optic network between its Brisbane IX locations, PIPE Networks recognised there was substantial demand from corporate and government organisations seeking direct access to Dark Fibre.

Since that time, PIPE Networks has negotiated a range of Facility Access Agreements (FAAs) with telecommunications, rail authorities and other companies for the purpose of constructing and expanding its network. The Directors believe that these FAAs are essential for efficient network deployment.

PIPE Networks' objective is to extend and maximise the utilisation of its network and to grow revenues and earnings. PIPE Networks does this by installing additional Fibre Optic capacity commensurate with anticipated demand for Dark Fibre services. Further, PIPE Networks is continually evaluating new products and services with the aim of expanding its customer base and driving additional traffic onto its network.

PIPE Networks' corporate growth has been recently recognised with a top 10 ranking in the Deloitte Technology Fast 50. The Deloitte Technology Fast 50 ranks the 50 fastest growing technology companies, public or private, based on percentage revenue growth over three years (2003 to 2005) and includes all related industry sectors: Communications; Software; Semiconductors, Components and Electronics; Life Sciences; Internet; and Computer Peripherals. PIPE Networks was ranked 7th in this highly competitive field of growth companies.

INFRASTRUCTURE INVESTMENT APPROACH

In most circumstances, PIPE Networks undertakes a phased network construction approach, whereby new network is only built where either:

- a) customer contracts are in place so as to ensure that a significant share of the installation costs would be recovered directly by those customer contracts either upfront or over the life of those contracts, or
- b) where there is demonstrated market demand in that geographical area of proposed network expansion and management is confident that such expansion is likely to generate further revenue and return on investment.

2.2 PRODUCTS AND SERVICES

The Company derives its revenues from growing and profitable:

- Dark Fibre Services
- Internet Exchange (IX) or Peering Services
- Co-location Services

DARK FIBRE

'Dark Fibre' is dedicated fibre optic capacity allowing users to create a private fibre optic network. The fibre is called 'Dark' as the fibre is given to the client without any terminating equipment to 'light' the fibre. Key benefits over 'managed' alternatives include flexibility, scalability, security and lifespan. Put simply it is equivalent to a very long fibre optic patch lead.

Dark Fibre generally competes with Managed Ethernet services in the Metro Ethernet subscriber market. 'Managed Ethernet' is typically whereby the carrier installs fibre circuits from the customer premises to their "central" Ethernet core. All traffic flowing between the two (2) sites must traverse the carriers core network which allows the carrier to manage and in most cases restrict the speed and nature of the data flow across the fibre in accordance with the product offered to the client.

Why customers prefer Dark Fibre to Managed Ethernet

Feature	Dark Fibre	Managed Ethernet
Security	Very High	Less Secure
Throughput/performance	Unlimited	Restricted
Flexibility to support different technologies	Very High	Restricted
Ability to support new and future technologies	Very High	Very Limited
Value	Very High	Typically Limited

Recognition of this quality product occurred in March 2005 when PIPE Networks won the annual ATUG award for Best Communication Solution for Large Business for its Dark Fibre product, enhancing the Company's profile with corporate customers throughout Australia.

Key Drivers for Dark Fibre services

- Disaster Recovery (DR) requirements under corporate governance, commercial necessity and regulatory requirements
- Outsourcing datacentre operations
- Intracity connectivity between offices
- ISP's and carriers requiring high-speed backhaul capacity to other carriers, DSLAM's and/or wireless base station infrastructure
- Increase in network "talk" requiring higher bandwidth
- Our price competitive offering making upgrading a real option for business

COMPANY OVERVIEW (CONTINUED)

Our core Fibre Optic Cable network has grown significantly since the company listed in May 2005. This growth has seen the Sydney Network grow rapidly over the past 12 months and a new Melbourne network is now in place and already fielding enquiries for services. The Company expects that fibre network coverage will continue to grow substantially over the next 12 months in areas of strong customer demand and in line with our investment philosophy.

The growth in the new markets of Sydney and Melbourne provides the Company with significant revenue generating opportunities. Approximately 77% of recurring Dark Fibre revenue currently comes from the more mature Brisbane Network with less than 21% of revenue being from the newly operational Sydney network. To take advantage of this expanded capacity the Company has increased Sales Personnel to more than double that available in May 2005.

Key to increased profitability is the leveraging of fibre infrastructure to attract 'On Net' customers. The Company's Infrastructure Investment Philosophy, where new core network construction is only undertaken where customer contracts provide a pay-back period of less than three years means that the existing network is profitable. Any additional 'On Net' sales from this infrastructure attract very little new ongoing cost and improve the profit margin on the asset. Over 85% of fibre assets are unutilised and available for sale.

PEERING

'Peering' is the practice of exchanging Internet traffic between multiple Internet Service Providers (ISPs) and Content Service Providers (CSPs). It involves three elements:

- the physical interconnection of the networks,
- technical liaison between the networks to allow exchange of routes, and
- the commercial and contractual peering agreements.

An IXP is a physical infrastructure that allows different CSPs and ISPs to exchange Internet traffic (eg. e-mail, web content and other internet downloads) between their autonomous systems by means of mutual peering agreements. IXPs are typically used by ISPs to reduce dependency on their respective upstream providers or Transit arrangements. Furthermore, IXPs are used to increase efficiency and fault-tolerance

PIPE Networks' Status in Australian Peering

PIPE Networks is Australia's leading IX provider, facilitating Peering for over 78 ISPs and CSPs including Primus, PowerTel, UeComm, WebCentral, Hostworks, Australian Broadcasting Commission (ABC), Internode, iiNet/OzEmail and Asia Netcom. Our exchanges currently exchange over 1,500Mbps for the Australian Internet community representing a significant percentage of all Australian based traffic.

Peering – Key Revenue Drivers

- PIPE Networks is Australia's largest IX provider
- Network infrastructure is being upgraded to carry the core applications required in 'triple play' voice, video and data
- Leveraging market leading position to bring on-line new applications and value-added services through strategic partnerships

Peering – Key Profit Drivers

- Peering infrastructure can support at least 5 times the existing customers base with little increase in direct or overhead costs
- Leveraging profitable new services to existing customer base

CO-LOCATION

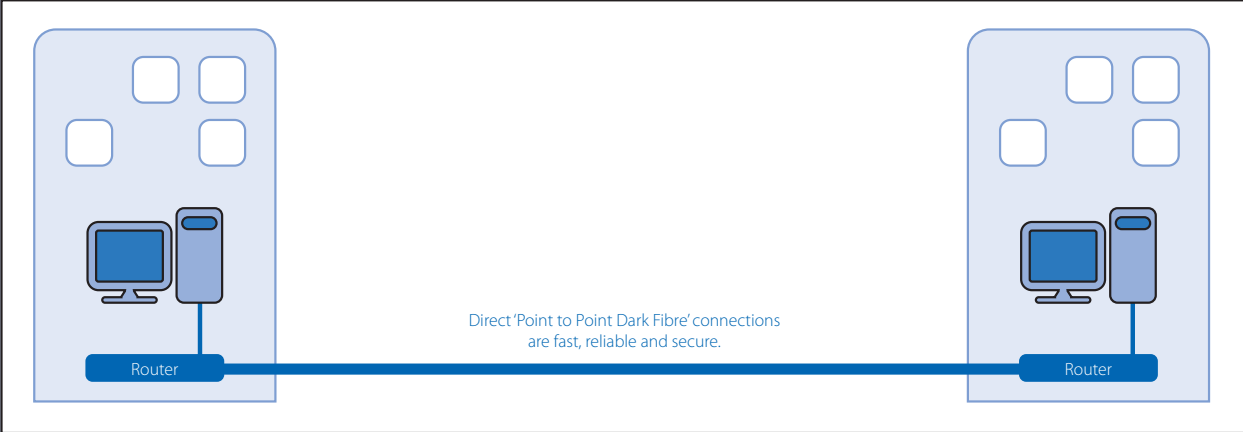
Co-location is the provision of space for a customer's telecommunications, network, and/or computer equipment on the Co-location provider's premises. It allows the customer to retain full management responsibility for day-to-day running of their co-located equipment, while enjoying access to security-enhanced, reliable data centres and high-bandwidth Internet connectivity. The Co-location provider generally manages the data centre 24 x 7, providing redundant power, security management and air conditioning.

PIPE Networks operates datacentres in 5 cities around Australia with a total capacity of over 400 metres of available space.

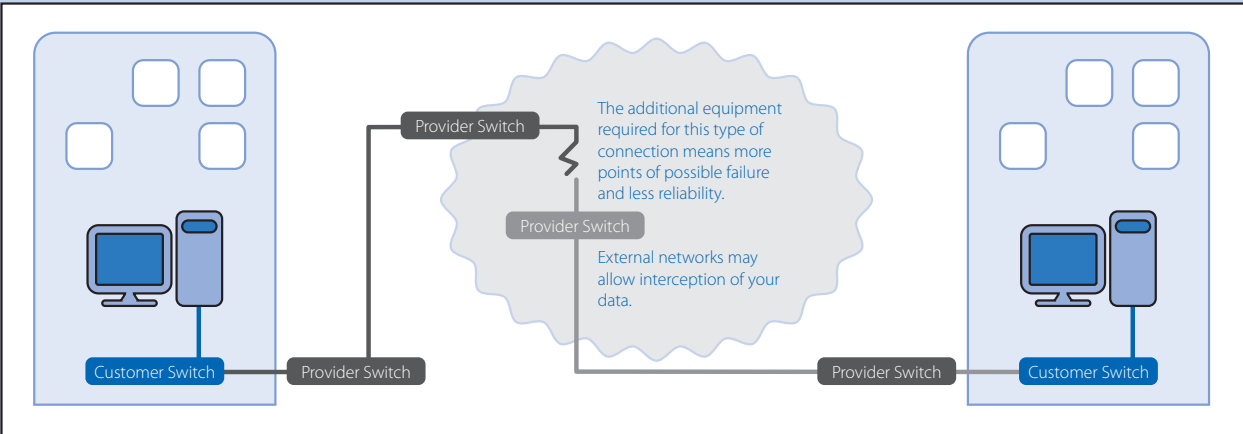
Growth in this area is being driven by trends within the commercial sector to outsource such facilities to specialist centres to provide for secure, reliable and flexible data storage options.

COMPANY OVERVIEW (CONTINUED)

Wide Area Network With Dark Fibre



Wide Area Network Without Dark Fibre



2.4 GROWTH TO DATE

FIBRE

PIPE Networks has been able to secure arrangements to supply Fibre Optic services to several of Australia’s major carriers (including PowerTel, Agile and Primus), and corporations (including Flight Centre, Virgin Blue Airlines, ABN AMRO Morgans and Rio Tinto) each typically on medium to long-term contracts. These arrangements have enabled PIPE Networks to build a substantial Fibre Optic network with significant ‘spare’ capacity available for future growth.

PIPE Networks intends to further leverage the Company’s existing fibre infrastructure and undertake network expansion into strategic geographical areas based upon customer demand.

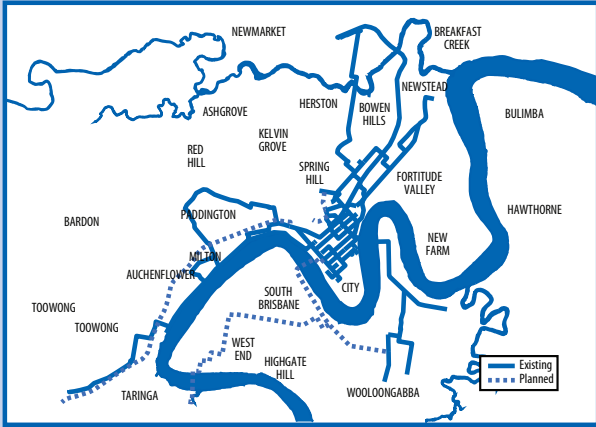
PEERING

Since launching its first Peering/IX point in May 2002 servicing a small number of ISP’s in Brisbane, PIPE Networks is now recognised as Australia’s leading Peering provider. PIPE Networks has expanded its Peering operations to now include 16 IX points in 6 cities with currently over 130 active connections and customers including some of Australia’s largest content and internet service providers such as WebCentral, The Australian Broadcasting Corporation, iiNet, Primus, TPG and AsiaNetcom. These IX points service an estimated 1.5 million Internet users connected to each east coast IX location (Brisbane, Sydney and Melbourne) and currently exchange over 1,500Mbps for the Australian Internet community representing a significant percentage of all Australian based traffic.

CO-LOCATION

PIPE Networks further intends to partner with network and solutions integrators, data centre providers, storage and networking vendors with a view to integrating its Dark Fibre service as part of its overall product offering.

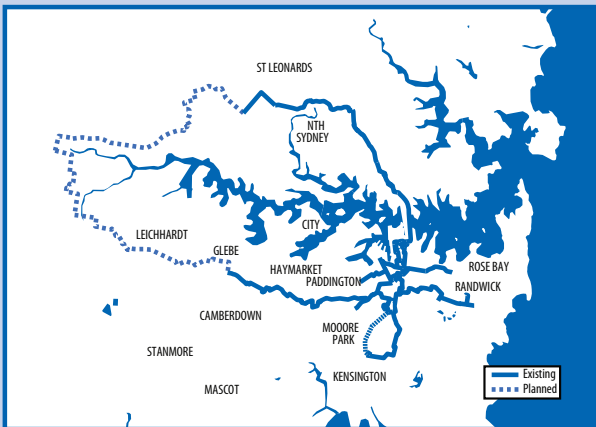
COMPANY OVERVIEW (CONTINUED)



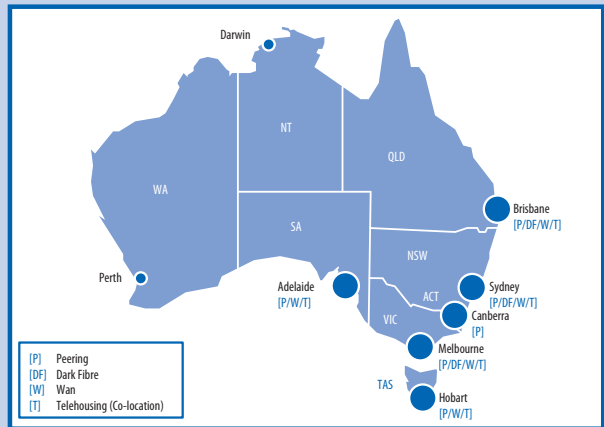
Brisbane Dark Fibre Network



Melbourne Dark Fibre Network



Sydney Dark Fibre Network



Operations by Location (Australia)

COMPANY OVERVIEW (CONTINUED)

Corporate Timeline

The timeline below provides a summary of the achievements and major milestones of PIPE Networks since its December 2001 registration.

Dec 2001 IX Services Australia Pty Ltd registered	May 2004 Entered fibre swap with Queensland Rail
Mar 2002 Lease head office: Level 9, 127 Creek Street Brisbane	Jun 2004 Built first Dark Fibre network in Hobart
May 2002 Started peering operations with 3 customers	Jun 2004 100 Peering connections nationwide
Jul 2002 Issued with Carrier Licence number 101	Sep 2004 Signs first Dark Fibre customer in Sydney
Aug 2002 FAA signed with Telstra	Oct 2004 Commissions first customer Dark Fibre server in Sydney
Dec 2002 15 Peering connections nationwide	Nov 2004 Commence construction of second Co-location facility in Brisbane
Jan 2003 2 Sydney POPs for peering operations opened	Dec 2004 Changed name to PIPE Networks and converted status to a public company
Mar 2003 Built first Dark Fibre network in Brisbane	Dec 2004 PIPE Networks undertakes private equity placement
Apr 2003 Issued with GITC agreement for Queensland	Dec 2004-Mar 2005 Appointed additional Non-Executive Directors to the Company's Board
May 2003 Melbourne POP opened for peering operations	Mar 2005 Core Sydney Dark Fibre Network Completed
May 2003 Adelaide POP opened for peering operations	Mar 2005 Won 2005 ATUG Award for Best Communication Solution Large Business for Dark Fibre product
Jun 2003 Built Co-location and peering operation in Hobart	Apr 2005 IPO Prospectus lodged
Jun 2003 Built Co-location operation in Sydney	May 2005 PWK shares quoted on the Australian Stock Exchange (ASX)
Jun 2003 Entered FAA with PowerTel	May 2005 \$1.2 Million contract signed and construction started on Melbourne Fibre Network.
Jun 2003 Built first Dark Fibre network in Adelaide	Jun 2005 Internode selects PIPE Networks as preferred supplier of backhaul services for ADSL2+ rollout
Jul 2003 Built Co-location operation in Adelaide	Oct 2005 Annual Report released
Jul 2003 Built Co-location operation in Melbourne	Nov 2005 Springfield selects PIPE Networks to supply DF services
Jul 2003 40 Peering connections nationwide	Nov 2005 First Annual General Meeting held
Jul 2003 Built first Dark Fibre network in Sydney	Dec 2005 \$15 million of contract value signed for Oct-Dec quarter
Dec 2003 Entered FAA with Optus	
Dec 2003 70 Peering connections nationwide	

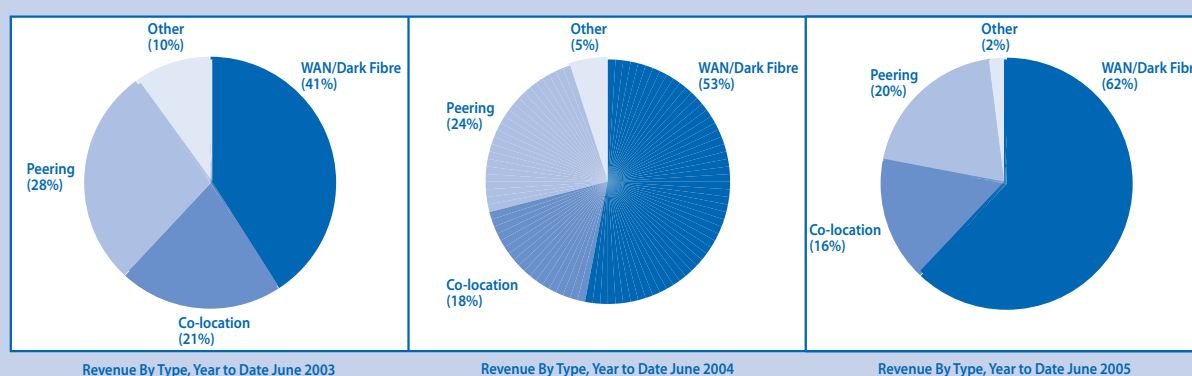
FINANCIAL INFORMATION

3. FINANCIAL INFORMATION

The historical and forecast financial information on PIPE Networks Limited are set out below and include the operating results for the financial years ended 2003, 2004 and 2005 and forecast financial year 2006.

The historical statements of financial performance have been included for comparative purposes and financial year ended 2004 and 2005 have been audited by Hacketts Chartered Accountants. An Investigating Accountant's Report has been prepared by Hacketts Corporate Advisory and is included in Section 4 of this Prospectus.

The historical and forecast financial information has been compiled in accordance with the accounting policies of the Company. All information presented in this section should be read in conjunction with notes and assumptions outlined in Sections 3.2 and 3.3, the risk factors in section 6 and the Investigating Accountant's Report in Section 4 of this Prospectus.



3.1 SUMMARY OF HISTORICAL AND FORECAST FINANCIAL INFORMATION

The following table summarises key financial information extracted from the audited accounts of the Company and management forecasts.

Summary Financial information

Figure 9 - Summary Financial information. Historical vs Forecast

	2003	2004	2005	FORECAST 2006
	\$,000	\$,000	\$,000	\$,000
TOTAL REVENUE (INCL. INTEREST)	529	2,510	4,716	10,047
EBITDA	43	1,065	1,470	3,331
EBIT	29	932	1,156	2,619
NPAT	32	659	845	1,784
TOTAL ASSETS	853	1,976	6,298	11,578
SHAREHOLDERS' EQUITY	-17	642	5,116	13,437
CAPITAL EXPENDITURE AND INVESTMENTS	333	1,331	2,291	7,640

3.2 HISTORICAL FINANCIAL INFORMATION

PIPE Networks has historically financed operations and asset expansion through equity investment and strong business cash flow. Revenue growth has been significant and is linked to the investment in increased capacity of revenue generating fixed assets. This can be seen with the strong growth in revenue from the financial years from 2004 to 2005 as the Brisbane and Sydney fibre networks became operational and capacity was leased. The financial year ended 2005 highlights this trend, as existing contracts flow through to provide a base-level of revenue against assets employed and unused capacity is sold to new customers.

FINANCIAL INFORMATION (CONTINUED)

Revenue growth has been driven primarily by the expansion of the fibre network and expanded Co-location facilities. Peering income has remained strong with steady growth contributing to cashflow. A solid customer base and this expanding infrastructure base have facilitated increases in income from sales to year ended 30 June 2005 to \$4.7 million from annual revenue for the year ended 30 June 2004 of \$2.5 million. Total assets have increased to \$6.3 million as at June 2005 from \$2.0 million at June 2004. A lag in revenue is evident in last financial year's accounts due to the Sydney network becoming available very late in the financial year.

Due to the fixed-cost nature of its infrastructure investment and related ongoing costs, the relative level of direct costs associated with provision of the Company's services compared to revenues reduces as asset utilisation rates have risen after commissioning. Where new infrastructure is commissioned there is an initial lag on this measure as the effective utilisation rate falls. This is illustrated over the 2004-2005 period, where direct costs for the 2004 financial year were 25% of operating revenue, while the 2005 year experienced a cost-to-revenue of 33%. This reflects the lower overall utilisation rate due to the commissioning of the Sydney fibre network.

At this time, the Company has taken a conservative approach to depreciation of Fibre Optic cable assets and has elected to apply a conservative depreciation period of 15 years for this asset class. This approach will be reviewed in light of our obligations under accounting standards.

Employee-related expenses have grown in response to geographic expansion of the network and the introduction of sales personnel to capitalise on capacity available for sale within these areas. Personnel costs associated with network engineering previously remained relatively stable due to the relatively low-maintenance nature of the Company's infrastructure and outsourcing of ad-hoc response and maintenance services, however management of fibre infrastructure construction has been brought in-house and will result in an increase in related personnel costs.

3.3 MATERIAL BEST ESTIMATE ASSUMPTIONS UNDERLYING THE DIRECTORS FORECASTS

The Director's forecast financial information assumes the successful completion of the Rights Issue which is the subject of this Prospectus. All forecasts are based upon a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its Directors, and upon assumptions with respect to future business decisions which are subject to change.

The inclusion of any forecasts in this Prospectus should not be regarded as a representation or warranty with respect to their accuracy or the accuracy of the underlying assumptions or that the Company will achieve these particular results. In this regard, events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecasts. These differences may be material. There is no present intention to update the Director's forecasts or to publish forecast financial information in the future.

The Company has accrued a profit after tax for the financial year to 30 June 2005 of \$0.85 million on revenues of \$4.72 million. The directors forecast a profit after tax for the full financial year to June 2006 of \$1.78

million. This forecast is based on the audited financial statements to 2005, analysis of existing customer contracts and assumptions on sales of available capacity through to June 2006. Management has refined these calculations based on unaudited management reports to October 2005.

In most cases, the Company typically engages customers on contracts of not less than one year, thus providing a stable revenue base on a monthly basis. Management has chosen a conservative approach to sales growth based on historical sales not adjusted for additional sales personnel and resources that have now been deployed.

Expense and asset projections incorporate the expansion of the fibre network in Sydney and Melbourne, expected ad-hoc customer connection costs and other costs associated with expansion of infrastructure. In this regard, the Company has taken a conservative approach to depreciation of Fibre Optic cable assets and has elected to apply a depreciation period of 15 years for this asset class. This approach may be reviewed in future years as more information about the future value of Fibre Optic assets becomes available.

Where a new customer is situated in a building near the core network but not On Net, it is necessary to build a "tail" from the core network to the customer site. These short fibre builds occur on an ad-hoc basis and calculation of likely future requirements are based on the relative number of buildings within two city blocks of the core network that are not On Net and have a tenancy profile that would indicate high probability of fibre uptake. Fibre laid in third party access areas is generally subject to a rental charge and is included in any forecast as an ongoing cost of service delivery.

Employee salaries and related costs are based on historical costs but increased in line with additional staffing requirements identified to build the networks and provide sales presence in primary markets. These costs are based on current salary levels, and increased based on additional expected labour market salary increases.

Other costs include all other costs not directly attributable to the categories above and are based on historical levels. They primarily include legal, accountancy and advisory fees, advertising, marketing and travel.

Where appropriate, operating expenses have been escalated by assumed CPI rates unless otherwise specified by contract. Taxation assumptions reflect a forecast effective tax rate of 30%. This is the standard Australian tax rate applicable to companies as at the date of this Prospectus.

FINANCIAL INFORMATION (CONTINUED)

3.4 SENSITIVITY ANALYSIS

The forecasts are based on assumptions that are considered by the Directors to reflect the expected performance of the Company. A summary of the assumptions underlying the forecast are set out in section 3.3 of this Prospectus. The forecasts are sensitive to the movements of a range of key variables which influence revenue and expenditure.

The following table illustrates the impact of changes to these key variables on the forecast NPAT for the year ended 30 June 2006. The range presented for each sensitivity is not intended to be indicative or predictive of the low and high points likely to be experienced with respect to each sensitivity.

Sensitivity Analysis – Impact on forecast NPAT

Changes to utilisation rates of assets, particularly the Fibre Optic network, act as a key driver to revenue and profit. The following table demonstrates the effect of improved utilisation rates of existing fibre assets on the NPAT. This table assumes no expansion of the network and existing margins are maintained.

UTILISATION	14%	20%	25%	30%
NPAT (\$,000)	1,784	2,683	3,484	4,284

Care should be taken in interpreting this information. This analysis treats each movement in an assumption in isolation from possible movements in other assumptions, which may not be the case. Movements in one assumption may have off setting or compounding effects on other variables, the effects of which are not reflected in the above analysis. In addition, it is possible that more than one assumption may move at any one point in time, giving rise to cumulative or off setting effects, which are also not reflected in this analysis. Typically, the Company would respond to any material adverse change in conditions by taking appropriate action to minimise, to the extent possible, any adverse effect on profits and dividends. The effect of any such mitigating action has been excluded from the analysis.

3.5 FUTURE CAPACITY AND EARNINGS POTENTIAL

While the Company's Dark Fibre customer connections and On Net building numbers have grown substantially during the past two-year period, unutilised network capacity remains at more than 85% at the date of this Prospectus.

Network capacity is expected to increase with the future expansion of the Company's Brisbane, Sydney and Melbourne Dark Fibre network.

The Directors are therefore forecasting NPAT growth of approximately 110% for the financial year ended 30 June 2006, when compared with the financial year ended 30 June 2005.

A significant facilitator of expected future growth is the increased level of planned capital expenditure. With additional network extensions and expected new customer orders arising from increased marketing efforts, the Directors expect this level of capital expenditure will be further increased during the year to 30 June 2006.

This unprecedented level of new investment in the Company's network assets (particularly in new geographic markets and supported by customer orders) is expected to significantly enhance the Company's revenue and earnings prospects.

Key drivers of enhanced revenue and profitability include the combination of network expansion in Brisbane and the entry into the new markets of Sydney and Melbourne. In addition, the Directors are expecting an improvement in the current network utilisation for existing Dark Fibre network assets, with new On Net customers and increased utilisation from existing customers to be targeted as a key focus of the Company's marketing strategy.

The Directors believe the Company's proven model of investing in the construction of new networks that are principally matched with customer orders will continue to deliver enhanced prospects for future financial returns for Shareholders, along with a manageable level of risk.

3.6 CAPITAL STRUCTURE

Following completion of the Rights Issue, the Company will have 35,142,857 Shares on issue. 19,800,000 shares or 56.3% of the total issued Shares will continue under voluntary escrow arrangements to 16 May 2006.

Following completion of the Rights Issue, it is expected that the Company will have two substantial shareholders, being the Company's founders, Bevan Slattery and Stephen Baxter each separately holding approximately 28.1% of the total issued Shares.

3.7 USE OF FUNDS

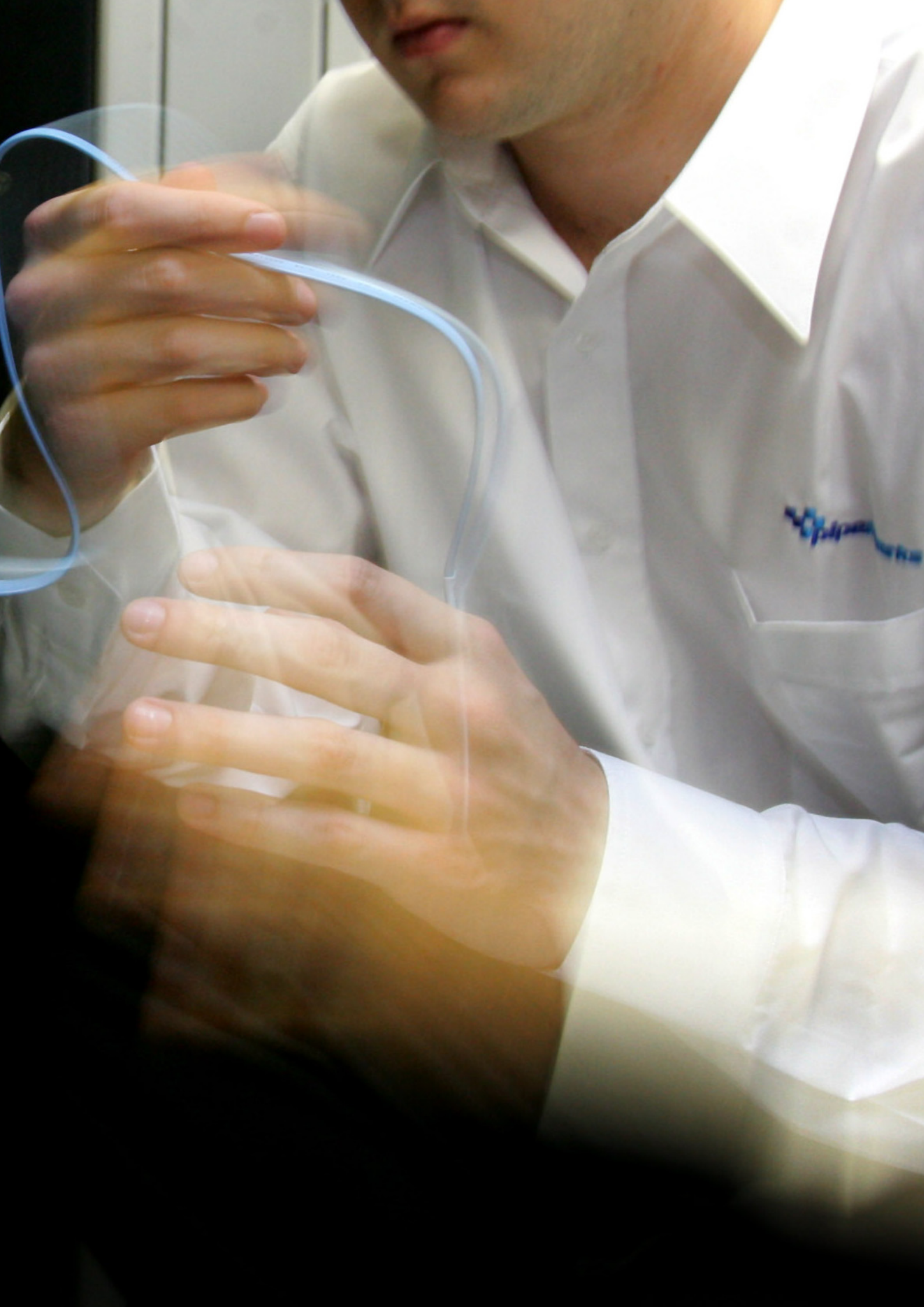
Following completion of the Rights Issue, the Company is expected to have \$6.6 million of funds available to it. The Directors believe, on the basis of the Company's contracted revenues, current business plan and expected capital expenditure, that the Company has sufficient resources to fund its operations.

The proceeds of the Rights Issue will be applied as follows:

COMMITTED CAPITAL INVESTMENTS (1)	\$4,613,947
PLANNED CAPITAL INVESTMENTS (2)	\$1,648,352
COSTS OF ISSUE	\$326,986

(1) Funds set aside for existing capital commitments for fibre optic infrastructure construction.

(2) Investment fund to provide for funding of future infrastructure builds due to customer demand.



INVESTIGATING ACCOUNTANT'S REPORT

4 January 2005
The Directors
PIPE Networks Limited
Level 9, 127 Creek Street
Brisbane, QLD 4000



LEVEL 3
549 QUEEN STREET
BRISBANE QLD 4000

TELEPHONE « +617 3839 9733
FACSIMILE « +617 3832 1407

EMAIL « advice@hacketts.com.au
WEBSITE « www.hacketts.com.au

Dear Sirs,

Investigating Accountant's Report

Introduction

This report has been prepared at the request of the Directors of Pipe Networks Limited ("the Company") for inclusion in a Prospectus to be lodged by the Company with the Australian Securities and Investments Commission on or about 4 January 2006. The prospectus will be offering a pro-rata renounceable rights equity offer under which existing shareholders of the Company are offered the opportunity to subscribe for 4,392,857 ordinary shares on a renounceable basis in the proportion of one New Share for every seven shares held on 13 January 2006 (Record Date) at a price of \$1.50 per New Share to raise a minimum of \$6,589,285. In addition, the prospectus will include an offer of up to 200,000 options to employees under the Company's Employee Share Option Plan.

All amounts are expressed in Australian Dollars unless otherwise stated and expressions defined in the prospectus have the same meaning in this report.

Background

The Company was incorporated in Queensland as IX Services Australia Pty Ltd on 19 December 2001 and following a shareholders resolution on 1 December 2004, changed its name and company type to PIPE Networks Limited, a public company limited by shares. The change took effect from 21 January 2005.

As detailed in Section 2 of the Prospectus the Company is a rapidly growing Australian network infrastructure provider offering a fibre optic cable network and Internet Exchange services to corporate Australia. The Company derives a growing mix of contracted revenues from Dark Fibre services, Internet Exchange services and Telehousing services. The Company has an established fibre optic network in the metropolitan areas of Brisbane, Sydney and Melbourne, and plans to expand its network into other Australian capital cities and metropolitan markets.

Details of the Offer together with details of options issued are summarised in Section 1 of this Prospectus. Significant transactions entered into by the Company during the last financial period and prior to the issue of the prospectus are outlined in Significant Transactions and Agreements, Appendix B of this report.

Basis of Preparation of Our Report

This report has been included in the Prospectus to assist investors and their financial advisors to make an assessment of the financial position and performance of the Company. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. Investors and their professional advisors should make their own inquiries and assessment in respect of the future prospects of the Company. We therefore disclaim any assumption of responsibility for any reliance on this report or other information to which it relates for any purpose other than that for which it was prepared.

INVESTIGATING ACCOUNTANT'S REPORT (CONTINUED)

Scope

You have requested Hacketts Corporate Advisory to prepare an Investigating Accountant's Report (the Report) covering the following information:

Historical Financial Information

- (i) Historical financial information limited to the Company for the year ended 30 June 2003, 30 June 2004 and 30 June 2005. Hacketts Chartered Accountants were appointed auditors of the Company on 15 July 2004, and have audited the financial report of the Company for the year ended 30 June 2004 and for the year ended 30 June 2005. The financial report of the Company for the year ended 30 June 2003 was unaudited. Extracts from the financial report of the Company for the periods ended 30 June 2003, 30 June 2004 and 30 June 2005, comprising the statement of financial performance, statement of financial position, statement of cashflows and significant notes to the financial statements are detailed in Appendix A to C to this report;
- (ii) The Pro-forma statement of financial position of the Company as at 30 June 2005, adjusted to include funds to be raised by the prospectus and the completion of other transactions referred to in Note 2 of Appendix C to this report are detailed in Appendix A to this report.

Forecast Financial Information

- (i) The forecast statement of financial performance of the Company for the year ending 30 June 2006 as detailed in Section 3 of the Prospectus.

Scope of Review of Historical Financial Information

The Historical Financial Information set out in Appendix A to C to this report has been extracted from the unaudited financial statements of the Company for the year ended 30 June 2003 and the audited financial statements of the Company for the year ended 30 June 2004 and year ended 30 June 2005, which were audited by Hacketts Chartered Accountants who issued an unmodified audit opinion on the financial statements. The Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports in accordance with the Corporations Act 2001. The Directors are responsible for the preparation of the Historical Financial Information, including determination of any adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company for the relevant historical period
- a review of work papers, accounting records and other documents
- a review of the assumptions used to compile the Pro-forma statement of financial position
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Appendix C of the Prospectus, and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Scope of Review of Forecast Financial Information

The Directors of the Company are responsible for the preparation and presentation of the Forecast Financial Information, including best estimate assumptions on which it is based. The Forecast Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report or on the Forecast Financial Information to which it relates for any purpose other than for which it was prepared.

INVESTIGATING ACCOUNTANT'S REPORT (CONTINUED)

Our review of the best estimate assumptions underlying the Forecast Financial Information was conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review procedures consist primarily of enquiries as to the process used in preparing the Forecast Financial Information and comparison and other such analytical review procedures as we consider necessary. These procedures include discussion with Directors and management of the Company in relation to the data supporting the assumptions and testing of the expression of the assumptions in the Forecast Financial Information.

The Forecast Financial Information has been prepared by the Directors of the Company to provide investors with a guide to the Company's potential future financial performance and cash flows based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Forecast Financial Information. Actual results may vary materially from the Directors forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 6 of the prospectus and the Sensitivity Analysis set out in Section 3 of the Prospectus.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Forecast Financial Information.

Review Statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Pro-forma statement of financial position, as set out in Appendix A, has not been properly prepared on the basis of the Pro-forma transactions;
- the Pro-forma transactions do not form a reasonable basis for the Pro-forma statement of financial position;
- the Historical Financial Information, as set out in Appendix A of this Report does not present fairly:
 - the historical financial performance of the Company for the year ended 30 June 2003, 30 June 2004 and 30 June 2005; and
 - the historical and the Pro-forma statements of financial position of the Company as at 30 June 2005.

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Company disclosed in Appendix C of this Report.

Review Statement on Forecast Financial Information

Based on our review, which is not an audit, and based on our investigation of the reasonableness of the Directors' best estimate assumptions giving rise to the Forecast Financial Information, nothing has come to our attention which causes us to believe that:

- a) The directors best estimate assumptions set out in Section 3 of the prospectus, do not provide a reasonable basis for the preparation of the Forecast Financial Information; and
- b) The Forecast Financial Information, is not properly compiled on the basis of the Directors' best estimate assumptions and is not presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Appendix C of this Report, as applied in Australia for presenting forecasts in prospectuses. It is the nature of forecasts that it is not feasible to present all of the disclosure that would be required by applicable Accounting Standards.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Company and the Directors. If events do occur as assumed, actual results achieved may vary significantly from the

INVESTIGATING ACCOUNTANT'S REPORT (CONTINUED)

Forecast Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Forecast Financial Information, as future events, by their very nature, are not capable of independent substantiation. Investors should have regard to the Sensitivity Analysis detailed in Section 3 and Risk Factors detailed in Section 6 of the Prospectus.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

Hacketts Chartered Accountants is the auditor of the Company.

Hacketts Corporate Advisory does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Consent for the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears has been given. At the date of this report consent has not been withdrawn.

Yours faithfully,
Hacketts Corporate Advisory



Michael Hackett
Director

APPENDIX A

PIPE Networks Limited Statement of Financial Performance For the Year Ended 30 June 2005

		Unaudited Year ended 30 June 2003	Audited Year ended 30 June 2004	Audited Year Ended 30 June 2005
	Note	\$	\$	\$
Revenues from ordinary activities	3	530,289	2,509,912	4,715,732
Expenses from ordinary activities				
Direct costs of providing services		(321,530)	(629,397)	(1,540,313)
Network operating and maintenance costs		(83,543)	(194,544)	(313,937)
Marketing and Selling costs		(769)	(13,320)	(66,154)
Staff and related costs		(9,673)	(402,450)	(1,001,665)
Building and equipment rental costs		(44,488)	(169,915)	(215,998)
Depreciation and amortisation		(13,934)	(132,651)	(315,324)
Other operating expenses		(23,972)	(28,507)	(80,527)
Profit from ordinary activities before income tax expense	4	32,380	939,128	1,181,814
Income tax expense relating to ordinary activities		-	(280,446)	(336,005)
Net profit from ordinary activities after income tax expense attributable to members of the Company		32,380	658,682	845,809
Total revenues, expenses and valuation adjustments attributable to members of the Company recognised directly in equity		-	-	-
Total changes in equity other than those resulting from transactions with owners as owners	13	32,380	658,682	845,809

The statement of financial performance should be read in conjunction with the notes set out in Appendix C of this Report.

APPENDIX A (CONTINUED)

PIPE Networks Limited Statement of Financial Position As at 30 June 2005

		Unaudited 30 June 2003	Audited 30 June 2004	Audited 30 June 2005	Reviewed Pro Forma
	Note	\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	7	255,483	245,888	2,116,411	3,764,763
Receivables	8	189,048	176,320	665,587	665,587
Other	8	101,290	35,418	23,194	23,194
TOTAL CURRENT ASSETS		545,821	457,626	2,805,192	4,453,544
NON-CURRENT ASSETS					
Property, plant and equipment	9	307,426	1,506,021	3,481,778	8,095,725
Deferred tax asset	5	-	12,493	11,111	11,111
TOTAL NON-CURRENT ASSETS		307,426	1,518,514	3,492,889	8,106,836
TOTAL ASSETS		853,247	1,976,140	6,298,081	12,560,380
CURRENT LIABILITIES					
Payables	10	172,703	202,802	193,114	193,114
Deferred revenue	10	145,766	267,377	259,622	259,622
Advances from directors	10	146,186	198,820	-	-
Current tax liability	5	-	292,939	334,623	334,623
Provisions	11	721	35,084	86,082	86,082
Other	10	1,825	78,987	266,842	266,842
TOTAL CURRENT LIABILITIES		467,201	1,076,009	1,140,283	1,140,283
NON-CURRENT LIABILITIES					
Deferred revenue	10	402,754	250,877	36,000	36,000
Provisions	11	-	7,280	5,781	5,781
TOTAL NON-CURRENT LIABILITIES		402,754	258,157	41,781	41,781
TOTAL LIABILITIES		869,955	1,334,166	1,182,064	1,182,064
NET ASSETS		(16,708)	641,974	5,116,017	11,378,316
EQUITY					
Contributed equity	12	2,000	2,000	3,630,234	9,892,533
Retained profits	13	(18,708)	639,974	1,485,783	1,485,783
TOTAL EQUITY		(16,708)	641,974	5,116,017	11,378,316

The statement of financial position should be read in conjunction with the notes set out in Appendix C of this Report.

APPENDIX A (CONTINUED)

PIPE Networks Limited Statements of Cash Flows For the Year Ended 30 June 2005

	Unaudited 12 Months ended 30 June 2003	Audited 12 Months ended 30 June 2004	Audited 12 Months ended 30 June 2005
Note	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	946,298	3,083,106	4,847,558
Payments to suppliers	(429,900)	(1,820,702)	(4,141,419)
Interest received	4,745	6,614	26,051
Net cash provided by (used in) operating activities	<u>521,143</u>	<u>1,269,018</u>	<u>732,190</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	<u>(322,707)</u>	<u>(1,331,247)</u>	<u>(2,291,081)</u>
Net cash provided by (used in) investing activities	<u>(322,707)</u>	<u>(1,331,247)</u>	<u>(2,291,081)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issues	-	-	4,050,000
Cost of Share Issue	-	-	(421,766)
Advances from/(to) related parties	<u>25,564</u>	<u>52,634</u>	<u>(198,820)</u>
Net cash provided by (used in) financing activities	<u>25,564</u>	<u>52,634</u>	<u>3,429,414</u>
Net increase (decrease) in cash held	(224,000)	(9,595)	1,870,523
Cash at beginning of year	<u>31,483</u>	<u>255,483</u>	<u>245,888</u>
Cash at end of year	7 <u>255,483</u>	<u>245,888</u>	<u>2,116,411</u>

The statement of cash flows should be read in conjunction with the notes set out in Appendix C of this Report.

APPENDIX B

PIPE Networks Limited Significant Transactions and Agreements

The Company entered into the following significant transactions and agreements since 30 June 2005 year and prior to the issue of this prospectus.

Details on material agreements, deeds and other contracts are outlined in the Additional Information Section 7 of this Prospectus.

Pre Rights Issue Transactions:

- On 18 July 2005, the Company entered into a multi-option facility with ANZ Banking Group Limited (ANZ) with a limit of \$2,000,000 and a term of 2 years. In addition, ANZ have also agreed to provide a guarantee and indemnity facility, credit card and additional multi-option facility totalling \$500,000. The facility is secured by first registered company charge over all the assets and undertakings of the Company and an authority to appropriate and set-off the sum of \$1,500,000 held by the Company in an ANZ term deposit. To date the Company has drawn down the sum of \$1,500,000 which is held in an ANZ term deposit and has issued bank guarantees totalling \$113,678 under the guarantee and indemnity facility.
- Since the 30 June 2005, the Company has issued bank guarantees totalling \$113,678 principally in relation to the lease of premises in Brisbane, Melbourne and Sydney.
- On 14 November 2005, the Company lodged a Form 312 Release of Charge with ASIC to remove the fixed and floating charge granted to Chime Communications Pty Ltd on 28 March 2003. All revenue received in advance that remained was repaid to Chime as a condition of the release of this charge.
- On 21 December 2005, the Company entered into a Underwriting and Lead Management Agreement with ABN AMRO Morgans Corporate Limited (Lead Manager) a company associated with Roger Clarke, a director of the company at the time of the agreement. Pursuant to this agreement, the Lead Manager has agreed to underwrite and manage the pro-rata renounceable equity offer and is entitled to receive a fee of \$197,680 plus costs (representing 3% of the total funds to be raised) and a management fee of \$65,900 (representing 1% of the total funds raised on underwriting).
- An Employee Option Offer is to be made under the existing ESOP and is being incorporated in the prospectus. A total of up to 200,000 options are being offered to employees.

Rights Issue Transactions:

- On 13 December 2005, the Company approved the raising of up to \$6,589,256 from a pro-rata renounceable rights equity offer under which existing shareholders of the Company are offered the opportunity to subscribe for 4,392,857 ordinary shares on a renounceable basis in the proportion of one new share for every seven shares held on 13 January 2006 (Record Date) at a price of \$1.50. The proceeds will be utilised for the payment of expenses associated with the offer, estimated at \$326,986, the payment of capital commitments for infrastructure projects at the time of the fund raising of \$4,613,947 and the remaining funds are anticipated to be used to fund the planned network expansion, marketing expenses, corporate overheads and working capital.

APPENDIX C

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Company in the preparation of this financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial information in this report has been prepared in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia. Some disclosure requirements under these Accounting Standards have not been included where the information that would be disclosed is not considered material or relevant to potential investors. The financial report has been prepared on an accruals basis and is based on the historical cost convention.

a. Income Tax

The entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

b. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is recognised for the major business activities as follows:

- Fixed line communication revenue is recognised in accordance with the terms of the contract or upon the delivery of the goods or service to the customers.
- Telehousing and Peering Revenue is recognised upon the acceptance of the service delivered to the customer.
- Interest revenue is recorded when received in cash, or accrued at the rate applicable to the financial instrument on which it is earned.

c. Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Depreciation periods in years are:

Plant and equipment	3 – 7 years
Fibre optic cable	15 years
Network equipment	3 – 5 years
Computer hardware and software	3 – 5 years
Leasehold improvements	5 years

d. Capital works in progress

The cost of assets constructed in-house is accumulated as capital works-in-progress until the asset is ready for use. Costs include the relevant proportion of directly attributable overheads, incurred in construction of an asset. Where assets from partially completed projects are placed in service, depreciation is recorded from the date of first use.

e. Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

f. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

g. Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

NOTE 2: PRO FORMA STATEMENTS

The Pro-forma statement of financial position and accompanying notes have been based on the audited statement of financial position of PIPE Networks Limited as at 30 June 2005 adjusted as if the following transactions had occurred at that date:

a. Capital Raising

The issue of 4,392,857 shares at \$1.50 each to the public, raising \$6,589,286.

Proceeds from the capital raising will be utilised as follows:

- the payment of expenses associated with the offer, estimated at \$326,986 as outlined in the prospectus;
- the settlement of existing capital commitments of \$4,613,947 for Fibre Optic Network assets; and
- the remaining funds are anticipated to be used for strategic network investment to further extend the Fibre Optic networks in Sydney, Melbourne and Brisbane. Until utilised, the funds will remain in the cash account as reflected by the increase in cash assets.

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

	Unaudited	Audited	Audited
	Year ended	Year ended	Year Ended
	30 June 2003	30 June 2004	30 June 2005
	\$	\$	\$
NOTE 3: REVENUE			
Revenue from operating activities			
Revenue from telecommunication services	525,544	2,503,298	4,689,681
Total Revenue from operating activities	<u>525,544</u>	<u>2,503,298</u>	<u>4,689,681</u>
Revenue from outside the operating activities			
Interest	2,827	6,614	26,051
Other	1,918	-	-
Total revenue from ordinary activities	<u>530,289</u>	<u>2,509,912</u>	<u>4,715,732</u>
NOTE 4: PROFIT FROM ORDINARY ACTIVITIES			
Profit from ordinary activities before income tax expense has been determined after:			
Direct costs of providing telecommunication services	321,530	629,397	1,540,313
Depreciation			
Plant and equipment	2,850	52,917	104,342
Fibre optic cable	1,093	26,595	88,114
Network equipment	6,229	26,060	49,207
Computer hardware	2,700	19,072	33,540
Computer software	456	4,354	25,641
Other assets	-	-	4
Amortisation			
Leasehold improvements	606	3,653	14,476
Total depreciation and amortisation	<u>13,934</u>	<u>132,651</u>	<u>315,324</u>
Other provisions			
Employee benefits	721	40,988	49,499
Rental expense relating to operating leases			
Minimum lease payments	44,488	169,915	215,998
Remuneration for audit or review of the financial reports of the entity:			
Auditor of the company – Hacketts Chartered Accountants	-	4,600	11,200
Remuneration for other services	-	2,000	3,200

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

	Unaudited Year ended 30 June 2003	Audited Year ended 30 June 2004	Audited Year Ended 30 June 2005
	\$	\$	\$
NOTE 5: TAXATION			
The income tax expense for the period differs from the amount calculated on the profit. The differences are reconciled as follows:			
Profit from ordinary activities before income tax expense	32,380	939,128	1,181,814
Income tax calculated @ 30% (2004: 30%)	9,713	281,738	354,544
Tax effect of permanent differences:			
Recovery of tax losses not previously brought to account	(2,362)	(1,292)	
Costs associated with raising capital	-	-	(25,306)
Non deductible items	(7,351)	-	6,767
Income tax adjusted for permanent differences	-	280,446	336,005
Income tax (benefit) expense	-	280,446	336,005
(a) Current tax liability			
Provision for current income tax	-	(292,939)	(334,623)
(b) Deferred tax Asset			
Future income tax benefit on timing differences	-	12,493	11,111

NOTE 6: SEGMENT REPORTING

The Company operates predominantly in one business segment being Telecommunications Services and its customers are located predominantly in Australia.

	Unaudited Year ended 30 June 2003	Audited Year ended 30 June 2004	Audited Year ended 30 June 2005	Reviewed Pro Forma
	\$	\$	\$	\$
NOTE 7: CASH ASSETS				
Cash at bank and on hand	255,483	245,888	2,116,411	3,764,763
Proforma adjustments:				
· Proceeds from this offer				6,589,286
· Costs associated with this offer				(326,986)
· Capital expenditure				(4,613,947)
				-
				1,648,352

NOTE 8: RECEIVABLES

Trade Debtors	189,048	176,320	665,587	665,587
Prepayments	19,560	30,418	11,194	11,194
GST Receivable	25,795	-	-	-
Security Deposit	55,935	5,000	5,000	5,000
Other	-	-	7,000	7,000
	290,338	211,738	688,781	688,781

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

	Unaudited 30 June 2003	Audited 30 June 2004	Audited 30 June 2005	Reviewed Pro Forma
	\$	\$	\$	\$
NOTE 9: PROPERTY, PLANT AND EQUIPMENT				
Leasehold improvements				
Leasehold improvements – at cost	18,182	19,209	166,615	166,615
Less: Accumulated amortisation	(606)	(4,260)	(18,736)	(18,736)
	<u>17,576</u>	<u>14,949</u>	<u>147,879</u>	<u>147,879</u>
Plant and equipment				
At cost	96,891	319,053	679,932	679,932
Less: Accumulated depreciation	(3,364)	(56,280)	(160,623)	(160,623)
	<u>93,527</u>	<u>262,773</u>	<u>519,309</u>	<u>519,309</u>
Optic fibre cable				
Less: Accumulated amortisation	110,162	986,887	1,773,711	6,387,658
	<u>(1,093)</u>	<u>(27,688)</u>	<u>(115,802)</u>	<u>(115,802)</u>
	<u>109,069</u>	<u>959,199</u>	<u>1,657,909</u>	<u>6,271,856</u>
Network equipment				
Less: Accumulated amortisation	54,468	151,498	277,303	277,303
	<u>(7,062)</u>	<u>(33,122)</u>	<u>(82,329)</u>	<u>(82,329)</u>
	<u>47,406</u>	<u>118,376</u>	<u>194,974</u>	<u>194,974</u>
Computer software				
Less: Accumulated amortisation	4,420	62,845	83,414	83,414
	<u>(456)</u>	<u>(4,810)</u>	<u>(30,451)</u>	<u>(30,451)</u>
	<u>3,964</u>	<u>58,035</u>	<u>52,963</u>	<u>52,963</u>
Computer hardware				
Less: Accumulated amortisation	38,584	114,461	152,250	152,250
	<u>(2,700)</u>	<u>(21,772)</u>	<u>(55,312)</u>	<u>(55,312)</u>
	<u>35,884</u>	<u>92,689</u>	<u>96,938</u>	<u>96,938</u>
Other Assets				
Less: Accumulated amortisation	-	-	5,000	5,000
	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(4)</u>
	<u>-</u>	<u>-</u>	<u>4,996</u>	<u>4,996</u>
Capital work in Progress - Optic fibre at cost				
	<u>-</u>	<u>-</u>	<u>806,810</u>	<u>806,810</u>
Total plant and equipment	<u>307,426</u>	<u>1,506,021</u>	<u>3,481,778</u>	<u>8,095,725</u>

NOTE 10: PAYABLES

CURRENT

Trade creditors	172,703	202,802	193,114	193,114
Deferred Revenue [2]	145,766	267,377	259,622	259,622
Advances from Directors [1]	146,186	198,820	-	-
Other Creditors	1,825	78,987	266,842	266,842
Total Current Payables	<u>466,480</u>	<u>747,986</u>	<u>719,578</u>	<u>719,578</u>

[1] Advance from Directors S Baxter and B Slattery are interest free and payable on demand

[2] Deferred revenue paid in advance by Chime Communications Pty Ltd is secured by a fixed and floating charge over the Company's assets

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

	Unaudited 30 June 2003	Audited 30 June 2004	Audited 30 June 2005	Reviewed Pro Forma
	\$	\$	\$	\$
NOTE 10: PAYABLES (CONTINUED)				
NON CURRENT				
Deferred Revenue [2]	402,754	250,877	36,000	36,000
Total Non Current Payables	402,754	250,877	36,000	36,000
NOTE 11: PROVISIONS				
CURRENT				
Employee Benefits	721	35,084	86,082	86,082
Total Current Payables	721	35,084	86,082	86,082
NON CURRENT				
Employee Benefits	-	7,280	5,781	5,781
Total Non Current Payables	-	7,280	5,781	5,781
Number of employees as at reporting date	1	10	15	15

NOTE 12: CONTRIBUTED EQUITY

Fully paid ordinary shares	2,000	2,000	30,750,000	35,142,857
Movement in ordinary share capital:				

		Issue Price	Issued Capital	Pro Forma Issued Capital
	Number of Shares	\$	\$	\$
Movement in ordinary share capital:				
1/07/2004				
Opening Balance – 2,000 ordinary shares at \$1.00 per share	2,000	\$1.00	2,000	
1/12/2004	Share Split : 9,900 ordinary shares for each ordinary share on issue	-	-	
30/12/2004	Share Issue : 2,200,000 ordinary shares at \$0.25	\$0.25	550,000	
13/05/2005	8,750,000 shares at \$0.40 cents each pursuant to the prospectus	\$0.40	3,500,000	
13/05/2005	Less: Share issue Costs	-	(421,766)	
30/06/2005	Balance at 30 June 2005	30,750,000	3,630,234	3,630,234
13/02/2006	4,392,857 shares at \$1.50 each pursuant to the Prospectus	\$1.50		6,589,286
13/02/2006	Less: Share issue Costs	-		(326,986)
Pro Forma position after Rights Issue	35,142,857			9,892,534

(a) Fully Paid Ordinary Shares

- (i) Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held
- (ii) At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

(b) Options

On 10 May 2005, 200,000 options, exercisable at \$0.40 per share were provided to Orbit Capital Pty, Ltd, a related entity of a director Mr. Greg Baynton

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

NOTE 13: RETAINED PROFITS

	Unaudited 30 June 2003	Audited 30 June 2004	Audited 30 June 2005
	\$	\$	\$
Retained profits/(losses) at the beginning of the financial period	(51,088)	(18,708)	639,974
Net profit attributable to members of the Company	32,380	658,682	845,809
Retained profit/(loss) at the end of the financial year	<u>(18,708)</u>	<u>639,974</u>	<u>1,485,783</u>

NOTE 14: COMMITMENTS AND CONTINGENT LIABILITIES

There are no outstanding capital commitments or operating or finance lease commitments and the directors are not aware of any other contingent liabilities that are likely to have a material effect on the results of the entity as disclosed in these financial statements.

NOTE 15: CAPITAL COMMITMENTS AND COMMITMENTS FOR EXPENDITURE

	Unaudited 30 June 2003	Audited 30 June 2004	Audited 30 June 2005
	\$	\$	\$
Capital Commitments:			
Commitments for the construction of Fibre Optic Cable network and acquisition of Plant and Equipment contracted for at 30 June 2005 but not recognised as a liability, payable:			
Within one year	-	-	1,384,554
Later than one year but not later than 5 years	-	-	-
Later than 5 years.	-	-	-
	<u>-</u>	<u>-</u>	<u>1,384,554</u>

The Company had entered into contracts for the construction of its core Sydney CBD and metropolitan fibre network to include over 22 kilometres of Fibre Optic cable.

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	169,736	200,336	269,717
Later than one year but not later than 5 years	556,505	444,769	686,140
Later than 5 years	-	-	257,869
	<u>726,241</u>	<u>645,105</u>	<u>1,213,726</u>

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

NOTE 16 DIRECTORS' AND SPECIFIED EXECUTIVES' DISCLOSURES

(a) Names and positions held of directors and specified executives in office at any time during the financial year are:

Directors

Roger Clarke	Chairman - Non-Executive
Bevan Slattery	Managing Director - Executive
Stephen Baxter	Director - Executive
Greg Baynton	Director - Non-Executive
Lloyd Ernst	Director - Non-Executive

Specified Executives

Malcolm Thompson	Company Secretary and Chief Financial Officer (commenced employment 11/01/05)
Thomas Cannon	Operations Manager - Fibre Infrastructure
Bob Purdon	Operations Manger - Managed Networks
Brent Paddon	Manager - Sales & Marketing
Maurice Healy	Sales Executive (ceased employment 15/04/05)

(b) Remuneration practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing 12 weeks written notice or making payment in lieu of notice. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

Options are not currently issued to directors and executives as part of their remuneration. Any options are to be issued based on performance criteria, and issued to the majority of directors and executives of PIPE Networks Limited to increase goal congruence between executives, directors and shareholders.

(c) Directors' remuneration

2005	Primary			Post Employment	Equity	Other	Total
	Salary, fees & commissions	Cash bonus	Non-cash benefits	Superannuation contribution	Options		
	\$	\$	\$	\$	\$	\$	\$
Roger Clarke	-	-	-	-	-	-	-
Bevan Slattery	84,793	-	-	7,455	-	-	92,248
Stephen Baxter	95,036	-	-	8,476	-	-	103,512
Greg Baynton	-	-	-	-	-	-	-
Lloyd Ernst	-	-	-	-	-	-	-
	179,829	-	-	15,931	-	-	195,760

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

2004	Primary			Post Employment	Equity	Other	Total
	Salary, fees & commissions	Cash bonus	Non-cash benefits	Superannuation	Options		
	\$	\$	\$	\$	\$	\$	\$
Bevan Slattery	59,601	-	-	5,364	-	-	64,965
Stephen Baxter	59,601	-	-	5,364	-	-	64,965
	119,202	-	-	10,728	-	-	129,930

(d) Specified executives' remuneration

2005	Primary			Post Employment	Equity	Other	Total
	Salary, fees & commissions	Cash bonus	Non-cash benefits	Superannuation	Options		
	\$	\$	\$	\$	\$	\$	\$
Malcolm Thompson[1]	34,206	-	-	3,034	-	-	37,240
Thomas Cannon	65,006	-	-	5,851	-	-	70,857
Bob Purdon	52,590	-	-	4,647	-	-	57,237
Brent Paddon	54,418	-	-	4,874	-	-	59,292
Maurice Healy	86,419	-	-	7,258	-	-	93,677
	292,639	-	-	25,664	-	-	318,303

2004	Primary			Post Employment	Equity	Other	Total
	Salary, fees & commissions	Cash bonus	Non-cash benefits	Superannuation	Options		
	\$	\$	\$	\$	\$	\$	\$
Thomas Cannon	15,953	-	-	1,436	-	-	17,389
Bob Purdon	42,091	-	-	3,670	-	-	45,761
Maurice Healy	42,105	-	-	3,789	-	-	45,894
	100,149	-	-	8,895	-	-	109,044

APPENDIX C (CONTINUED)

PIPE Networks Limited
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2005

(e) Director's holdings of shares

The interests of directors of the Company and their director-related entities in shares of the Company at 30 June 2005 are set out below.

Directors	Balance as at 01/07/04	Received as remuneration	Net change other[1]	Balance as at 30/06/05
Bevan Slattery	1,000	-	9,899,000	9,900,000
Stephen Baxter	1,000	-	9,899,000	9,900,000
Greg Baynton	-	-	812,500	812,500
Roger Clarke	-	-	200,000	200,000
Lloyd Ernst	-	-	250,000	250,000

(f) Specified executives' holdings of shares

The interest of Specified Executives of the Company in shares and share options of the Company at 30 June 2005 are set out below.

Specified Executives	Balance as at 01/07/04	Received as remuneration	Net change other [1]	Balance as at 30/06/05
Thomas Cannon	-	-	162,500	162,500
Brent Paddon	-	-	162,500	162,500
Maurice Healy	-	-	130,000	130,000

(g) Directors holdings of options

The interests of directors of the Company and their director-related entities in share options of the Company at 30 June 2005 are set out below.

Directors	Balance as at 1/7/04	Granted as remuneration	Net change other	Balance as at 30/06/05	Vested and exercisable as at 30/06/05
Greg Baynton [1]	-	-	200,000	200,000	200,000

[1] The Company entered into an IPO management agreement with Orbit Capital Pty Ltd, a company associated with Greg Baynton, a Director of the Company, to manage the private equity raising and on successful completion, provides the right to manage any IPO of the Company where lodgement of an IPO prospectus is achieved by 31 August 2005. Orbit Capital Pty Ltd is entitled to receive a management fee of \$50,000 and 200,000 options exercisable for a period of three years at an exercise price of \$0.40.

There were no share options issued to specified executives during the current year, or prior financial period.

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

(h) Other transactions with directors and director related entities

Directors of PIPE Networks Limited:

- ◆ On incorporation, 1,000 shares at \$1.00 per share were acquired by Bevan Slattery, which as part of the Share Split on 1 December 2004 where converted into 9,900 ordinary shares for each ordinary share on issue.
- ◆ On incorporation, 1,000 shares at \$1.00 per share were acquired by Stephen Baxter, which as part of the Share Split on 1 December 2004 where converted into 9,900 ordinary shares for each ordinary share on issue.
- ◆ On 30 December 2004, 400,000 shares at \$0.25 per share were acquired by, Allegro Capital Nominees, a related entity of a director, Mr. Greg Baynton
- ◆ On 30 December 2004, 100,000 shares at \$0.25 per share were acquired by Investment for Retirement Pty Limited, a related entity of a director, Mr. Greg Baynton
- ◆ On 10 May 2005, 250,000 shares at \$0.40 per share were acquired by, Allegro Capital Nominees, a related entity of a director, Mr. Greg Baynton
- ◆ On 10 May 2005, 62,500 shares at \$0.40 per share were acquired by, Investment for Retirement, a related entity of a director, Mr. Greg Baynton
- ◆ On 10 May 2005, 200,000 options, exercisable at \$0.40 per share were provided to Orbit Capital Pty Ltd, a related entity of a director, Mr. Greg Baynton
- ◆ On 10 May 2005, 200,000 shares at \$0.40 per share were acquired by Roger B Clarke Family, a related entity of a director, Mr. Roger Clarke
- ◆ On 10 May 2005, 250,000 shares at \$0.40 per share were acquired by Lloyd-Net Pty Ltd, a related entity of a director, Mr. Lloyd Ernst
- ◆ During the financial year, total loans repaid to directors (Stephen Baxter and Bevan Slattery) were \$198,820. There are no further loans from any directors outstanding as at 30 June 2005.
- ◆ During the financial year, the wife of Stephen Baxter, a director, worked in the employ of PIPE Networks Limited. Total remuneration of \$16,358 was paid under normal terms and conditions of employment. Mrs Baxter resigned on the 2nd of March 2005.
- ◆ During the financial year, the wife of Bevan Slattery, a director, worked in the employ of PIPE Networks Limited. Total remuneration of \$10,955 was paid under normal terms and conditions of employment. Mrs Slattery resigned on the 21st of February 2005.
- ◆ A director, Mr. Roger Clarke, is also director of ABN AMRO Morgans Ltd. Prior to the appointment of Roger Clarke to the Board of PIPE Networks Ltd, ABN AMRO Morgans Ltd entered into a telehousing contract with PIPE Networks Ltd. The total amount recognised as income for the year ended 30 June 2005 under this contract was \$115,896.
- ◆ The company entered an Underwriting Agreement with ABN AMRO Morgans Corporate, a company associated with Roger Clarke, a director of the company at the time of the agreement.

(i) Other transactions with Specified Executives'

- ◆ On 30 December 2004, 100,000 shares at \$0.25 per share were acquired by Mr. Maurice John Healy, a specified executive of the Company.
- ◆ On 30 December 2004, 100,000 shares at \$0.25 per share were acquired by Mr. Brent Evans Paddon, a specified executive of the Company.
- ◆ On 30 December 2004, 100,000 shares at \$0.25 per share were acquired by Mr. Thomas Brian Cannon, a specified executive of the company.
- ◆ On 10 May 2005, 62,000 shares at \$0.40 per share were acquired by Mr. Maurice John Healy, a specified executive of the Company.
- ◆ On 10 May 2005, 62,000 shares at \$0.40 per share were acquired by Mr. Brent Evans Paddon, a specified executive of the Company.
- ◆ On 10 May 2005, 62,000 shares at \$0.40 per share were acquired by Mr. Thomas Brian Cannon, a specified executive of the Company.

NOTE 17. RELATED PARTIES

Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 16.

Other related parties

There have been no other related party transactions during the period.

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

NOTE 18. ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The Company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the Company's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the Company's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the Company's AIFRS committee.

i. Research and Development Expenditure

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed. This will result in no change in the current accounting policy.

On transition, the financial effect of this impact is assessed as nil, as no research costs were capitalised at 1 July 2004 or 30 June 2005.

ii. Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The Company has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. The impact of the change is estimated to be immaterial. Any adjustments will be recorded as a reduction in property, plant and equipment, partly offset by a reduction in deferred tax liabilities. The resulting net adjustment to retained earnings at 30 June 2005 is immaterial. The resulting adjustment to property, plant and equipment is due to lower expected growth in the market for certain products lines relating to the Company's manufacturing business segment.

iii. Income Tax

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

There is expected to be an immaterial impact on the recognition of a deferred tax liability at 1 July 2004 in relation to the asset revaluation and at 30 June 2005. This adjustment will have no effect on profit for the year ended 30 June 2005 and in both instances the deferred tax is recognised directly to equity being a reduction in the asset revaluation reserve.

iv. Equity-based compensation benefits

Under AASB 2 Share-based Payment, from 1 July 2004 the Company is required to recognise options that were issued to Orbit Capital Pty Ltd for completion of the IPO. Analysis of this transaction has shown the amount to be recognised at 30 June 2005 to be immaterial to the financial accounts. A capitalised expense is to be recognised in the year ended 30 June 2005 of \$40,040.

APPENDIX C (CONTINUED)

PIPE Networks Limited Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2005

On transition to AIFRS the estimated cumulative financial effect of the reliably known differences on the Company's reported net profit and equity as at 30 June 2005 is summarised below. As noted above, these amounts represent management's best estimates, and could differ from actual figures.

	2005
	\$
Reconciliation of Net Profit	<u>845,809</u>
Net profit reported under Australian Accounting Standards	
Key transitional adjustments:	
Income tax expense — deferred tax movement (iii)	<u>-</u>
Total transitional adjustments	<u>-</u>
Net profit under AIFRS	<u>845,809</u>
 Reconciliation of Equity	
Total equity reported under Australian Accounting Standards	5,116,017
 Retrospective adjustments to equity at 1 July 2004:	
Decrease in current year equity resulting from transaction costs for IPO recognised per AASB 2 (iv)	(40,040)
Increase in current year equity resulting from recognition of issue of options per AASB 2 (iv)	<u>40,040</u>
Total equity under AIFRS	<u>5,116,017</u>

DIRECTORS AND OFFICERS

ROGER CLARKE

Chairman, Age 57,
Appointed 25 January 2005

Mr Roger Clarke has over 30 years commercial experience, principally in the investment banking industry, with responsibilities in fund management, banking and corporate finance, and involvement in a significant number of initial public offerings, capital raisings and corporate transactions. Mr Clarke holds a Bachelor of Commerce degree and is a Chartered Accountant.

Other Current Directorships

Mr Clarke currently serves as a director on the board of the following listed companies:

- Tissue Therapies Ltd
- Trojan Equities Ltd
- White Sands Petroleum Ltd (expected to quote on ASX 6 January 2006)

Former Directorships in the last 3 years

Mr Clarke has not ceased any public company directorships within the last 3 years.

BEVAN SLATTERY

Managing Director and Co-founder, Age 34,
Appointed 19 December 2001

Mr Bevan Slattery is the Managing Director and co-founder of the Company. He comes from a background in successfully building Australian IT companies and an earlier career in administration in state and local government.

In 1998 Mr Slattery co-founded Infopro Technologies (subsequently renamed iSeek Limited) and obtained an exclusive technology and distribution licence for content filtering technology from US Internet Company N2H2 (www.n2h2.com). Later that year a further licence was issued with options for New Zealand and Asian territories and incorporating a new filtered search technology developed in partnership with N2H2 and Inktomi.

During the first half of 1999, Mr. Slattery developed software that 'interacted' with the server-based filtering technology and subsequently launched iFilter, the first free global filtering network. This product was launched by the Federal Minister for Communications and IT, The Honourable Senator Richard Alston, in April of that year. In June 1999, iSeek Limited partnered with SchoolsNet Limited to provide content filtering services covering over 4,500 Australian schools which equates to approximately 40% of the Australian school market. iSeek Limited was acquired by N2H2 in February 2000 in an all-scrip deal valued at AU\$25 million at the time of acquisition.

Other Current Directorships

Mr Slattery has no other current directorships in listed companies.

Former Directorships in the last 3 years

Mr Slattery has not ceased any listed company directorships in the past 3 years.

STEPHEN BAXTER

Executive Director and Co-founder, Age 34,
Appointed 19 December 2001

Mr Stephen Baxter is an Executive Director of the Company and is responsible for its technical operations.

Mr Baxter's extensive internet and telecommunications experience includes the establishment of SE Net, a successful Internet company based in Adelaide, South Australia. SE Net grew to be the largest ISP operation in the state with over 33,000 customers and 76 staff at peak. This business was sold in two tranches to Ozemail/UUNET over an 18 month period.

Mr Baxter has also had extensive experience in the early establishment of Internet Exchanges. He was involved in the start up and then subsequently ran the South Australian Internet Exchange (SAIX). SAIX was a successful pilot, at its peak 14 ISPs used the facility and it saved the local industry millions of dollars per year. While in Adelaide, Mr Baxter negotiated a joint offering agreement with AMCOM Telecommunications to aid in the rollout of an extensive fibre optic network.

Other Current Directorships

Mr Baxter has no other current directorships in listed companies.

Former Directorships in the last 3 years

Mr Baxter has not ceased any listed company directorships in the past 3 years.

DIRECTORS AND OFFICERS (CONTINUED)

GREG BAYNTON

Non-Executive Director, Age 36,

Appointed 3 December 2004

Mr Greg Baynton is the founder and Managing Director of Orbit Capital, a boutique investment bank and holder of Financial Services Licence No. 230327. Orbit Capital focuses on structuring and funding companies from their early stages through to their preparation for ASX listing and ongoing corporate advisory services. He comes from a background in merchant banking and was employed as a Principal Analyst with the Queensland Treasury.

Mr Baynton is a Master of Business Administration (QUT, BGSB), Master of Economic Studies, and holds a Post Graduate Diploma in Applied Finance and Investment and a Bachelor of Business degree. He is a Fellow of the Australian Institute of Company Directors and Fellow of Finsia (formerly the Securities Institute of Australia).

Other Current Directorships

Mr Baynton currently serves as a director on the board of the following listed companies:

- Lodestone Exploration Ltd
- Tissue Therapies Ltd

Former Directorships in the last 3 years

Mr Baynton has not ceased any listed company directorships in the last 3 years.

LLOYD ERNST

Non-Executive Director, Age 40,

Appointed 23 March 2005

Mr Lloyd Ernst has a strong reputation in the IT&T sector, most recently, as co-founder and former chief executive of WebCentral Pty Ltd, Australia's largest managed internet hosting and solutions service. WebCentral is the first hosting provider outside of the United States to receive Microsoft's Hosting Service Provider of the year award. Mr Ernst sold his interest in WebCentral to ASX-listed FTR Holdings Limited (later renamed WebCentral Limited) in 2004.

Presently Mr Ernst is chief executive of SinoCode, an Offshore Development Centre based China.

Mr Ernst has also served as director and deputy chairman of the Internet Industry Association.

Other Current Directorships

Mr Ernst has no other current directorships in listed companies.

Former Directorships in the last 3 years

Mr Ernst has not ceased any public company directorships in the past 3 years.

COMPANY SECRETARY

Malcolm Thompson,

Appointed 25 January 2005

Mr Malcolm Thompson has over 14 years experience gained in public accounting practice, domestic and international commerce and government. Mr Thompson has held a variety of roles encompassing financial, management and systems accounting within complex organisations ranging from large government departments to high growth technology companies.

Mr Thompson holds a Bachelor of Commerce degree from Griffith University, a Post Graduate Diploma in Applied Finance & Investment from the Securities Institute of Australia a Masters of Business Administration with Deakin University and is currently studying the Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia. He is a Certified Practising Accountant, Fellow of Finsia (formerly the Securities Institute of Australia) and a Justice of the Peace.

RISK FACTORS

6.1 INTRODUCTION

There are a number of factors, both specific to PIPE Networks, the Offers and of a more general nature, that may affect the future operating and financial performance of PIPE Networks and the value of an investment in PIPE Networks. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of PIPE Networks, are dependent on the policies adopted and approaches taken by government or regulatory authorities, or otherwise cannot be mitigated.

This section describes some risks associated with an investment in PIPE Networks, although these are not the only risks facing PIPE Networks. Additional risks and uncertainties not presently known to PIPE Networks or that the Directors believe are not currently material may also affect PIPE Networks' business operations and financial performance.

Before deciding to invest in PIPE Networks, prospective investors and employees should consider carefully the following factors, as well as the other information contained in this Prospectus, and should consider seeking professional advice from an accountant, stockbroker, lawyer or other independent professional adviser.

6.2 GENERAL RISKS

General Equity Market Risks

Even though the Shares are quoted on ASX, there can be no guarantee that an active market in the Shares will develop or continue. Investors and employees should recognise that the Shares may trade on ASX at higher or lower prices than the Application Price or the Exercise Price. In particular, investors and employees should consider the historical volatility of Australian and overseas share markets.

The price at which the Shares trade on ASX may be affected by a number of factors, including the financial and operating performance of PIPE Networks and external factors over which PIPE Networks and the Directors have no control.

These external factors include actual, expected and perceived general economic conditions, changes in government policies or regulation, significant events such as natural disasters or acts of terrorism, investor attitudes, changes in taxation, movements in interest rates and stock markets and general conditions in the markets in which PIPE Networks operates.

Economic Conditions

The Directors make no forecast in regard to:

- a) the future demand for the Company's goods and services;
- b) the level of domestic and international spending on telecommunications services;
- c) the level of spending on telecommunications services by businesses in Australia;
- d) general financial issues which may affect policies, exchange rates, inflation and interest rates;
- e) deterioration in economic conditions, possibly leading to reductions in business spending and other potential revenues which could be expected to have a corresponding adverse impact on PIPE Networks' operating and financial performance.

Risks associated with Options

There are a number of factors which may impact on the value of Options. These are generally related to the price at which the Shares may trade on ASX.

There is no guarantee that the Shares will trade at a price above the Exercise Price during the period in which the Options may be exercised. If the Options are not exercised before their expiry, then any benefit in receiving the Options will be lost.

Options may not be disposed of other than by exercise and conversion into Shares. If the holder cannot exercise the Option for any reason (including by being unable to fund the Exercise Price), then the benefit of the Option will be lost.

Changes in laws, including laws relating to taxation, may adversely affect the Option holder or the value of Options.

Other General Risks

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries and not just those engaged in telecommunications, including but not limited to the following:

- a) currency exchange rate fluctuations;
- b) the inability of the Company to finance future telecom infrastructure requirements;
- c) the strength of the equity and share markets in Australia and throughout the world;
- d) general economic conditions in Australia, and its major trading partners and, in particular, inflation rates, interest rates, commodities supply and demand factors and industrial disruptions;
- e) financial failure or default by any entity in which the Company is or may become involved in a contractual relationship;
- f) insolvency or other managerial failures by any of the contractors used by the Company from time to time; and
- g) industrial disputation in Australia and overseas.

RISK FACTORS (CONTINUED)

6.3 BUSINESS RISKS

Control by Founders

After completion of the Rights Issue, entities associated with Bevan Slattery and Stephen Baxter will each separately hold 28.1% of the issued Shares in PIPE Networks. Together, Messrs Slattery and Baxter will therefore control PIPE Networks and will have the power to appoint the Directors and approve certain actions requiring the approval of PIPE Networks' shareholders.

Based on their combined shareholding following completion of the Rights Issue, Messrs Slattery and Baxter are also likely to be able to control the outcome of other matters requiring the approval of shareholders holding three quarters of the Shares present and voting at a meeting, since most of the Shares not owned by entities associated with Messrs Slattery and Baxter will be dispersed widely among the Company's other Shareholders.

The interests of Messrs Slattery and Baxter could differ from those of other PIPE Networks shareholders.

Competition, Improved Products and Services and Technology risk

The Company's current core business of telecommunications infrastructure is competitive and is subject to the introduction of new and improved products and services into the market on a regular basis. Whilst the Directors have no reason to believe that any of the products and services supplied by the Company will become obsolete, investors should be aware of the pace at which technological change in the telecommunications industry can be made and implemented. If there are new or improved products and services that are superior, or perceived to be by the market, which PIPE Networks is unable to offer, then this may impact adversely on the Company's ability to compete in the market.

The Company's future success may depend on its ability to access new technologies, either by entering into access, interconnect or resale arrangements with carriers or developers on commercially acceptable terms or investing in technology itself. There is no assurance that PIPE Networks will be able to obtain timely access to new technology on commercially acceptable terms. Further, the cost of implementing emerging and new technologies could be significant. The Company may need to make greater than expected capital expenditures in order to remain competitive. There is a risk that PIPE Networks may not readily be able to fund that capital expenditure.

Competition generally

Although PIPE Networks has endeavoured to set prices for its products and services at an affordable level for its customers and has attracted a diverse range of customers, there is no guarantee that competing networks will not be developed. Competing networks may partially or wholly duplicate some of the Company's networks and may have operating, cost or functions advantages over the Company's networks.

Sales volumes and new products

The Directors' financial forecasts assume that the demand for telecommunications, data and internet services will continue to grow in the future in the Australian market. PIPE Networks' growth depends on its ability to retain its existing customers and attract new customers and the demand for its products and services such as Dark Fibre, Co-location and Peering continuing. If demand does not continue, there may be a material adverse effect on the Company's financial position and performance.

Policies and Legislation

Any material adverse changes in government or other regulatory organisations (such as the ACCC, ACMA and ACIF) policies or legislation which impacts on the telecommunications industry, may affect the viability and profitability of the Company.

For example, the PIPE Networks Dark Fibre network relies on the Company's rights to access cable ducts and other telecommunications facilities, and to install cable and telecommunications facilities, in different geographical areas.

PIPE Networks has statutory rights under the Telecommunications Act 1997 (Cth) to access 'underground facilities' and 'supplementary facilities' including conduits, lines, holds or ducts owned or operated by other carriers, which it has exercised and will continue to exercise.

PIPE Networks has also exercised its statutory right under the Telecommunications Act 1997 (Cth) to install 'low-impact facilities' in various locations. Those rights enable PIPE Networks to enter on and occupy any land and do anything on, over or under the land for the purpose of installing low-impact facilities, including underground and above ground housings, underground cable facilities and co-located facilities within another facility or structure.

If the law or policies regarding these access rights were to change, this may have a material adverse effect on the Company.

Carrier Licence

The Company has a carrier licence under the Telecommunications Act. This licence is essential for the Company to operate as a carrier of telecommunications infrastructure. If that licence is lost it would severely restrict the ability of the Company to operate.

A holder of a Carrier Licence must pay annual licence fees. Carriers are also required to pay a quarterly Universal Service Obligation (USO) levy and a National Relay Service (NRS) levy. The USO is the obligation placed on universal service providers (for example, Telstra) to ensure that telephone services and payphones are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business. Similarly, the NRS levy relates to an obligation on universal service providers to provide a digital data service to the Australian population. All carriers must contribute to funding the costs of providing the USO and NRS. If these conditions were changed in a way which substantially increased the Company's current obligations, then this could adversely affect the Company.

The Directors have no reason to believe that the licence will be revoked or have conditions attached to it that would be capable of impacting adversely on the operations of PIPE Networks

RISK FACTORS (CONTINUED)

Key Management and personnel

Loss of members of the Company's key management and staff could have adverse consequences for the Company and could affect its financial viability. Whilst the Company has employment agreements with its key personnel, with the aim of securing their respective services, the retention of such services cannot be guaranteed. The Company has key man insurance in place in relation to Mr Slattery and Mr Baxter to mitigate this risk.

The Company's success and growth strategy depend upon its ability to attract and retain appropriate management, technological and operating personnel. There is a risk that PIPE Networks will not be able to attract appropriate staff to meet its future requirements.

Intellectual Property Rights

PIPE Networks has developed substantial internal systems to manage its network environment. Whilst these add significant value to the operation of PIPE Networks in operating in an efficient manner, they have little value outside of the PIPE Networks organisation. Accordingly the Directors cannot foresee any reasonable possibility of commercialising this technology.

Funding Risk

To fund operations, PIPE Networks may need, in the future, to issue additional shares, borrow additional money, or enter into new collaborative agreements. The timing and amount of its future capital requirements will depend on many factors. PIPE Networks may not be able to raise money when it is needed. If PIPE Networks fails to obtain adequate funds when needed, it may:

- a) restrict its ability to extend network infrastructure and therefore compete with the product offerings of its competitors;
- b) have to look at other means of extending its network infrastructure through facility/network sharing/swapping or sell network assets, or
- c) have to reduce or cease operations.

If PIPE Networks raises money by issuing shares or borrowing money, the terms may not be favourable and may dilute the ownership of its shareholders. A debt financing may contain restrictive covenants, and, if PIPE Networks defaults, may provide the lender with rights to some, or all, of PIPE Networks assets.

Operational Risks

The profitability of PIPE Networks business will be subject to PIPE Networks continued performance and growth in providing contract services and products to clients and customers. Failure to adequately perform contract services or fulfil product sales and orders may result in loss of revenues and earnings, and termination of contracts and loss of customers.

Execution Risk

PIPE Networks is a developing company with relatively new network assets, customers and revenues in Sydney and Melbourne. The Company therefore faces execution risk with respect to its continued expansion into the Sydney and Melbourne Dark Fibre markets. For example, although the Company plans to use the staged build strategy, the Company has yet to build significant critical mass in its sales and marketing capabilities and must establish a strong brand identity in the Sydney and Melbourne markets.

Network construction

If the installation and construction of Fibre Optic cable and underground facilities is delayed, if construction costs overrun or if the network does not perform as envisaged, this may have a material adverse effect on PIPE Networks' financial position and performance.

Network operation

There is a risk that the performance of the Company's network operations will fall below acceptable levels and that PIPE Networks will not be able to satisfy its customer obligations. A related risk is that the Company's billing and other IT systems will be unable to process the increased data or properly interface with the network if it expands too rapidly. If these risks materialise, this may adversely affect relationships with existing customers.

PIPE Networks' operations and network are vulnerable to interruption by fire, flood, power loss, sabotage, telecommunications failure and other events beyond the Company's control. If the Company's network is destroyed or substantially impaired, there may be a material adverse effect on the Company's financial position and performance.

PIPE Networks has arrangements with contractors, such as NDC, to maintain its Dark Fibre network.

Access arrangements

The Company has certain statutory access rights to facilities to establish new networks which are discussed above (see Policies and Legislation).

PIPE Networks has entered into agreements with other carriers for the sharing of underground facilities to obtain the access required to complete its current networks. Where the Company has not had a statutory right to install low-impact facilities, it has entered into licence arrangements with various landowners giving it a right to install the facilities required. For example, licence arrangements have been entered into with a building owner where it has been necessary to install cabling and housing through a building.

These contractual and statutory rights for access and installation of cable and related equipment extend to the Company's entire Dark Fibre network.

PIPE Networks will continue to exercise its statutory rights and to negotiate agreements with other carriers and landowners to obtain the access to facilities required, and to install new facilities to expand its Dark Fibre networks. If the Company is unable to negotiate agreements to access or install cable or facilities on favourable terms in the future, or existing agreements are terminated or cannot be renewed on acceptable terms, this may impact adversely on the Company's growth.

If the Company breaches any of its access agreements, then those agreements may be terminated. FAAS are generally for fixed terms of up to 15 years. If these agreements are not renewed on expiry, or are terminated in accordance with their terms, then this may have an adverse effect on the Company's business.

RISK FACTORS (CONTINUED)

Relationships with key customers and suppliers

PIPE Networks has a diverse customer base, with contracts in place with a range of clients including Flight Centre, Web Central, Virgin Blue Airlines and Hitachi Data Systems, as well as government agencies. There may be a material adverse effect on the Company's financial position and performance if these contracts were terminated or these relationships did not continue.

The quality and availability of the Company's products and services depends upon the performance of other suppliers. As with any contractual arrangement, parties to those arrangements may default in the performance of their obligations, become insolvent or necessary regulatory approvals may be withdrawn or not issued.

To retain flexibility, PIPE Networks does not have fixed supply agreements for many of the products and services that it uses. The Company instead relies on its commercial relationships with certain suppliers (such as its arrangements with several suppliers of Fibre Optic cable) and the diverse supply options for ongoing supply. If these relationships do not continue, there may be a material adverse effect on PIPE Networks' financial position and performance. In particular, there is a risk that the Company will be unable to secure maintenance contractors in the times required to meet customer expectations and obligations, or will be unable to purchase Fibre Optic cable from a competing supplier at reasonable rates.

Internet service providers

The manner in which content, data and access is managed by internet service providers may give rise to risks. If internet service providers fail to deliver data, make errors, engage in fraudulent conduct or cause interruptions or delay, PIPE Networks may not be able to meet the expectations of its customers and claims may be made against the Company.

This in turn may have a material adverse effect on the Company's financial position and performance.

Acquisitions and joint ventures

The Board may in the future seek to pursue acquisitions or enter into joint ventures. There are inherent risks in any acquisition or joint venture and these arrangements could have a material adverse impact on the Company's future financial performance.

ADDITIONAL INFORMATION

7.1 CONSTITUTION AND RIGHTS ATTACHING TO SHARES

The rights attaching to ownership of Shares are:

- described in the Constitution; and
- regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the key provisions in the Constitution and the principal rights of shareholders as set out in the Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of shareholders.

Meetings and Notices

Each shareholder is entitled to receive notice of and to attend general meetings of PIPE Networks and to receive all notices, financial reports and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Voting

At meetings of shareholders, every shareholder present in person or by proxy, attorney or representative has one vote on a vote taken by a show of hands, and, on a poll has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share.

A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative or by any one or more shareholders who are together entitled to not less than 5% of the votes that may be cast on the resolution on a poll.

Dividends

Dividends are payable out of PIPE Networks' profits and are declared or determined to be payable by the Directors.

Transfer

A shareholder may transfer all or any of its Shares by:

- In the case of an ASTC-regulated transfer, in any manner required or permitted by the Listing Rules or ASTC Settlement Rules; and
- In other cases, using any written transfer instrument in any common form or form approved or adopted by ASX or the Directors.

The Directors may decline to register any transfer where permitted to do so by the ASX Listing Rules and must decline to register a transfer of:

- Shares where required by the ASX Listing Rules; or
- Restricted Securities which may be in breach of the Listing Rules or any escrow arrangement entered into by the Company.

Liquidation Rights

PIPE Networks has one class of shares on issue, ordinary shares. Each ordinary Share ranks equally in the event of liquidation.

Variation of Rights

Subject to the ASX Listing Rules, the rights attached to the Shares may be varied with the consent in writing of shareholders holding three-quarters of the Shares or by a special resolution passed at a separate meeting of the holders of the Shares in accordance with the Corporations Act.

Issue of Further Shares

The Directors may, subject to the restrictions on allotment of shares imposed by the Constitution, the Corporations Act and the ASX Listing Rules, from time to time issue and allot further shares on such terms and conditions as they see fit.

Alteration of Constitution

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While PIPE Networks is listed, at least 28 days written notice of the special resolution must be given.

Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company and indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company.

7.2 RIGHTS ATTACHING TO OPTIONS – EMPLOYEE SHARE OPTION PLAN SUMMARY

PIPE Networks has adopted an Employee Share Option Plan. The Employee Option Offer is made under the terms of this plan.

Under the terms of the Employee Share Option Plan, offers to apply for the issue of Options to subscribe for Shares may be made to eligible employees, as determined by the Plan Committee (which is to be either the Board or a committee of the Board). The total number of Shares which may be acquired from the issue of Options under the Employee Share Option Plan must not exceed 5% of the total of the following:

- a) the total number of issued Shares in the Company as at the date of the Offer made to the participant;
- b) the total number of Shares underlying the Options issued under the Employee Share Option Plan; and
- c) the total number of Shares underlying any outstanding options to subscribe for Shares issued by the Company under any other employee share or option scheme of the Company.

ADDITIONAL INFORMATION (CONTINUED)

Each Option, on exercise, entitles the holder to be issued one Share in the Company. At exercise, the holder must pay the Exercise Price in full in cleared funds. The Options are personal to the participant and cannot be exercised by another person, except in specified circumstances related to takeovers and compulsory acquisition or as otherwise approved by the Board.

Subject to the terms of an offer, the Option may be exercised by the participant at any time during a period commencing on the earlier of:

- a) the date which is three years after the date the Option is granted (in the current Employee Option Offer, this period is reduced to 3 months); or
- b) the date on which a special circumstance, such as the death, permanent disability or redundancy, arises in respect of the participant, and ending on (unless otherwise specified);
- c) the date 10 years after the date on which the Option is granted, (in the current Employee Option Offer, this period is reduced to approximately 3 years); or
- d) if a special circumstance arises in respect of a participant during the three years after the date on which the Option is granted, then the date 12 months after the special circumstances arises.

The Shares acquired under exercise of Options are subject to disposal restrictions. A participant is not entitled to deal in the Shares acquired unless the participant gives notice to the Company applying to withdraw Shares from the Employee Share Option Plan. If a participant ceases employment with the Company, he or she will be deemed to have made an application for withdrawal of his or her Shares from the Employee Share Option Plan.

If a participant is dismissed for a reason which entitles the Company (or its subsidiaries) to dismiss the participant without notice, has committed an act of fraud, defalcation or gross misconduct, or has done an act which has brought the Company (or its subsidiaries) into disrepute, the participant's Options will lapse.

A copy of the ESOP is available free of charge from the Company Secretary or at www.PIPEnetworks.com.

7.3 EMPLOYEE OPTION OFFER – AUSTRALIAN TAX SUMMARY

The following is a guide to the specific employee share scheme provisions of Australian taxation law as at 4 January 2006, as they should generally apply to employees of the Company participating in the ESOP and the Employee Option Offer. Persons who are, or during their participation in the ESOP become, non-residents of Australia (for tax purposes) should seek specific professional advice based on their own circumstances.

As personal circumstances vary, and taxation requirements may change (especially by the time Shares come to be acquired on exercise of Options and are sold), employees should consider seeking specific advice on their own position from a suitably qualified adviser in the light of their particular circumstances. They should also seek appropriate investment advice (from a person licensed by the Australian Securities and Investments Commission to provide financial product advice) regarding the investment decisions involved in their participation in the Plan and the choices open to them as outlined below.

Introduction

Australian taxation laws impose tax on benefits given to employees in the form of options and shares received in respect of their employment.

However, Options acquired under the ESOP will attract an automatic tax deferral permitted by the Australian taxation laws, unless an employee specifically determines to be taxed in the income tax year in which the Options are acquired and for that purpose make an appropriate tax election as outlined below.

Tax Deferral

Under Australian taxation law, generally an employee will not be assessable on the taxable value of the benefit of Options acquired under the ESOP until the earliest of the following events (in the taxation legislation called the 'cessation time'):

- the date the Options are disposed of (other than by exercise);
- the date you are no longer employed by any member of the PIPE Networks Group of companies (broadly PIPE Networks or any subsidiary or holding company for Corporations Act purposes);
- the date that the Options are exercised, if there is no restriction on disposal of the Shares or forfeiture condition;
- if the Options are exercised and there is such a disposal restriction or forfeiture condition, the date when they cease to apply; or
- the date that is 10 years after the Options were acquired.

The taxable value of the benefit is determined as follows:

- if an employee disposes of Options or disposes of Shares issued on exercise of Options within 30 days of the cessation time in an arm's length transaction (such as the sale of Shares on market at the then prevailing market price), the benefit is the difference between the full sale proceeds of the Options or Shares and the consideration paid by the employee (which, in the case of disposing of Shares, is the Exercise Price paid to exercise the Options and which, in the case of disposing of Options before exercise, is nil). This benefit must be included in the employee's assessable income (as an income item, not a capital gain) and be subject to tax at the employee's normal marginal rate for that financial year. The Australian Taxation Office has indicated that brokerage will not ordinarily be deductible against those sale proceeds; or
- if an employee does NOT dispose of the Options or Shares issued on exercise of Options within 30 days of the cessation time in an arm's length transaction (or alternatively the employee disposes of the Options or Shares within 30 days, but not in an arm's length transaction):
 - an amount equal to the difference between the tax 'market value' of the Options or Shares at the cessation time and the consideration paid by the employee (which, in the case of disposing of Shares, is the Exercise Price paid to exercise the Options and which, in the case of disposing of Options before exercise, is nil) must be included in the employee's assessable income (as an income item, not a capital gain) and be subject to tax at the employee's normal marginal rate for that financial year; and

ADDITIONAL INFORMATION (CONTINUED)

- additionally, in these circumstances, the Capital Gains Tax provisions will apply to the subsequent sale of the Options or Shares, with an imputed cost base equal to the tax market value at the cessation time (and if the Options are subsequently exercised, also the exercise price), and the benefit of a 50% reduction in the taxable capital gain (after offsetting any available capital losses from other asset disposals) for Options or Shares held for at least 12 months from their respective original acquisition date (that is to say, if Options are exercised and Shares sold, the 12 months period starts from the date the Shares are acquired on exercise of the Options).

No Tax Deferral

An employee may elect to be assessed in the income tax year in which they acquire the Options (ie 'up front' in the current financial year), rather than at the later cessation time. If so, the tax market value of the Options at the date of acquisition of the Options will be included in the employee's assessable income (as an income item, not a capital gain) and be subject to tax at the employee's normal marginal rate for that financial year.

Such an election must be made in writing before the employee lodges their income tax return for the income tax year in which the Options are acquired. This election covers all Options and Shares acquired by the employee in that income tax year, to which the specific employee share scheme provisions of the Australian tax laws apply.

If an employee were to make such an election, they would have no further tax liability until they dispose of the Options or Shares acquired on exercise. For that purpose the employee would receive an imputed cost base for capital gains tax purposes, equal to the tax market value of the Options at the date the Options were acquired (and if the Options are exercised, also the exercise price), and with the benefit of a 50% reduction in the taxable capital gain (after offsetting any available capital losses from other asset disposals) for Options or Shares held for at least 12 months from their respective original acquisition date (that is to say, if Options are exercised and Shares sold, the 12 months period starts from the date the Shares are acquired on exercise of the Options).

Tax market value

The tax legislation contains a number of detailed rules on how to calculate the tax market value of Options or Shares. Recipients of Options should obtain their own professional advice on these rules.

How do I choose between the two tax treatments?

An employee does not have to do anything in order to obtain the tax deferral treatment. However, if an employee wishes to be taxed 'upfront', they must make a positive election in writing before lodging their income tax return for the income tax year in which the Options are acquired. It is strongly recommended that employees obtain specific advice from a suitably qualified advisor regarding the specific implications to them of the tax choices available to them, as well as the specific procedures for making an election if upfront taxation is considered.

Lapse of Options

If an employee chooses tax deferral, any lapse of Options under the Plan should not result in the employee deriving assessable income on those Options.

If an employee elects to pay tax 'up front' (as described above) and the Options subsequently lapse, the Options are treated as never having been acquired by the employee. There is no time limit on lodging an amended assessment made to exclude an amount from assessable income in relation to an Option which has lapsed without being exercised.

7.4 ESCROW ARRANGEMENTS

Bevan Slattery and Stephen Baxter have separately entered into voluntary escrow arrangements in respect of their individual holdings of Shares in the Company. The arrangement prohibits the transfer of ownership or control of their respective shareholdings until 17 May 2006.

Messrs Slattery and Baxter are permitted to transfer Shares subject to these voluntary escrow arrangements only if:

- in certain circumstances, if a takeover Offer is made for all of the shares in the Company;
- the Company is involved in a merger by way of scheme of arrangement under the Corporations Act; or
- the Chairman, or another person nominated by him and the Underwriters, have each given prior consent to the transfer IPO.

7.5 UNDERWRITING AGREEMENT WITH ABN AMRO MORGANS CORPORATE

An Underwriting Agreement has been entered into between the Company and ABN Amro Morgans Corporate Limited (**Underwriter**) dated 21 December 2005 pursuant to which the Underwriter has agreed to fully underwrite the Rights Issue.

RELIEF FROM UNDERWRITING OBLIGATIONS

The Underwriter may terminate its underwriting obligations under the underwriting agreement if:

- (a) the Company does not give the Underwriter a notice of shortfall and a certificate by the second business day after the Closing Date;
- (b) a Schedule 3 event occurs.

SCHEDULE 3 EVENTS

The Underwriter may terminate its underwriting obligations under Schedule 3 if:

- (a) (**ASX Indices fall**) The All Ordinaries Index is, for three consecutive business days, at a level which is 90% or less than the level at the close of trading on 21 December 2005.
- (b) (**Change in Law**) Any of the following occurs which does or is likely to prohibit, restrict or regulate the Rights Issue or materially reduces the level or likely level of valid applications:
 - (i) the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
 - (ii) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
 - (iii) the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy.

ADDITIONAL INFORMATION (CONTINUED)

- (c) **(Quotation)** ASX makes an official statement to any person, or indicates to the Company or the Underwriter that it will not approve the quotation of the New Shares or if ASX approval has not been given before the Closing Date.
- (d) **(Insolvency Event)** An insolvency event occurs (such as the Company being unable to pay its debts when they fall due or the appointment of a receiver, administrator or provisional liquidator) with respect to the Company or a related body corporate.
- (e) **(Supplementary Prospectus)** A Supplementary Prospectus is required under section 719(1) of the Corporations Act to be lodged with ASIC and the Company is required to comply with section 724(2) of the Corporations Act.
- (f) **(Breach of significant contracts)** A significant or material contract referred to in the Prospectus is, without the prior written consent of the Underwriter:
- (i) breached by the Company or a related body corporate;
 - (ii) terminated (whether by breach or otherwise);
 - (iii) altered or amended in any way; or
 - (iv) found to be void or voidable.
- (g) **(Default)** The Company is in default of any of any terms and conditions of the underwriting agreement or breaches any warranty or covenant given or made by it under the underwriting agreement and that default or breach is either incapable of remedy or is not remedied within five business days after it occurs.
- (h) **(Fails to Comply)** The Company or any related body corporate fails to comply with any of the following:
- (i) a clause of its constitution;
 - (ii) a statute; or
 - (iii) any agreement entered into by it.
- (i) **(Capital Structure)** The Company or a related body corporate alters its capital structure without the prior written consent of the Underwriter.
- (j) **(Constitution Altered)** The constitution or any other constituent document of the Company or a related body corporate is amended without the prior written consent of the Underwriter, which consent must not be unreasonably withheld.
- (k) **(Financial Assistance)** The Company or a related body corporate seeks the approval of shareholders under section 260B of the Corporations Act, without the prior written consent of the Underwriter.
- (l) **(Business)** The Company or a related body corporate:
- (i) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; or
 - (ii) ceases or threatens to cease to carry on business,
- in either case without the prior written consent of the Underwriter.
- (m) **(Hostilities)** There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of the following:
- (i) Australia;
 - (ii) the United Kingdom;
 - (iii) the United States of America;
 - (iv) the Peoples Republic of China;
 - (v) Japan;
 - (vi) Indonesia; or
 - (vii) any member country of the Organisation of Petrol Exporting Countries.
- (n) **(Financial Position)** A materially adverse change, or development involving a prospective materially adverse change, occurs in the financial or trading position of the Company or a related body corporate.
- (o) **(Prospectus)** If:
- (i) there is a material omission from the Prospectus;
 - (ii) the Prospectus contains a misleading or deceptive statement;
 - (iii) a statement in the Prospectus becomes misleading or deceptive;
 - (iv) a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time;
 - (v) the Prospectus does not comply with section 710(1) of the Corporations Act, the Listing Rules or any other applicable laws or regulations; or
 - (vi) a matter referred to in section 719(1) of the Corporations Act occurs in respect of the Prospectus.
- (p) **(Corporations Act)** If:
- (i) ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
 - (ii) a person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - (iii) ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act; or
 - (iv) any person (other than the Underwriter) who consented to being named in the Prospectus withdraws that consent.
- (q) **(Indictable Offence)** A director of the Company or a related body corporate is charged with an indictable offence relating to a financial or corporate matter.
- (r) **(Charge)** The Company or a related body corporate charges or agrees to charge, the whole, or a substantial part of its business or property other than as disclosed in the Prospectus.
- (s) **(Listing Rules)** The Company commits a material breach of the ASX Listing Rules.
- If an event set out in paragraphs (e) to (q) above occurs, the Underwriter can only exercise its rights to terminate if it determines reasonably and in good faith that the event has or would have had a material adverse effect on the Rights Issue or could create a liability for it under the Corporations Act.

ADDITIONAL INFORMATION (CONTINUED)

INDEMNITY

The Company has indemnified the Underwriter and its directors, officers, employees and advisers (**Indemnified**) against certain liabilities that any of the Indemnified may incur as a result, whether directly or indirectly, of claims relating to the Rights Issue, the Prospectus, any announcements or promotions in relation to the Rights Issue, investigations or legal proceedings in relation to the Prospectus or a breach by the Company of the underwriting agreement.

UNDERWRITING COMMISSION AND MANAGEMENT FEE

The Company must pay the Underwriter:

- (a) an underwriting commission of \$197,680 (representing 3% of the total funds to be raised by the Rights Issue); and
- (b) a management fee of \$65,900 (representing 1% of the total funds to be raised by the Rights Issue),

on the date on which the Company issues the underwritten Shares.

7.6 DEBT FACILITY

PIPE Networks has entered into a multi-option facility with ANZ Banking Group Limited with a limit of \$2,000,000. ANZ Banking Group Limited have also agreed to provide a guarantee and indemnity facility, credit card facility and an additional multi-option facility totaling \$500,000. The term of the facility is 2 years from the date of drawdown.

The facility is secured by a first registered company charge over all the assets and undertaking of PIPE Networks dated 18 July 2005 and an authority to appropriate and set-off the sum of \$1,500,000 held by PIPE Networks in ANZ term deposits. ANZ has discretion to release the cash security subject to satisfactory financial performance.

The facility is subject to several conditions subsequent including confirmation of renewal of PIPE Networks' telecommunications carrier licence. Cancellation or non-renewal of the licence is an event of default.

PIPE Networks has also covenanted under the facility to maintain:

- an interest cover ratio for each financial quarter of not less than 3:1; and
- a debt to EBITDA ratio for each financial quarter of not less than 1.50:1,

as at the end of the specified periods.

PIPE Networks has drawdown on the facility the sum of \$1,500,000. PIPE Networks has also given a number of bank guarantees under the guarantee and indemnity facility totaling \$113,678.86.

7.7 LITIGATION

The Directors are not aware of any current or threatened litigation, arbitration proceedings or administrative appeals or criminal or government prosecutions in which PIPE Networks is directly or indirectly concerned that is likely to have a material adverse effect on the business or financial position of PIPE Networks.

7.8 REGULATORY INVESTIGATIONS AND COMPLAINTS

The Directors are not aware of any regulatory investigations or complaints made to regulating authorities in which PIPE Networks is directly or indirectly concerned that is likely to have a material adverse effect on the business or financial position of PIPE Networks.

7.9 PIPE NETWORKS' AUSTRALIAN TELECOMMUNICATIONS LICENCE

The Company holds a valid Australian Telecommunications Carrier Licence granted 5 July 2002. The licence is in force and fees have been paid up to June 2006. The Directors are not aware of any breaches of the licence that are likely to have a material adverse impact on the business or financial position of PIPE Networks.

7.10 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in this Prospectus:

- no Director or proposed Director of PIPE Networks holds, or held at any time in the two years before lodgement of this Prospectus with ASIC, any interest in:
 - the formation or promotion of PIPE Networks; or
 - any property acquired or proposed to be acquired by PIPE Networks in connection with its formation or promotion or the Offers under this Prospectus; or
 - the Offers under this Prospectus; and
- no amount has been paid or agreed to be paid and no value or any benefit has been given or agreed to be given to any Director or proposed Director of PIPE Networks:
 - to induce the Director to become, or to qualify as, a Director of PIPE Networks, or
 - for services provided by the Director in connection with the formation or promotion of PIPE Networks or the Offers under this Prospectus.

Directors' Share and Option Holdings

Details of the interests of the Directors in securities of PIPE Networks immediately before lodgement of the Prospectus with ASIC are set out below. Those interests include those held directly and indirectly.

Director Shares Options

Director	Shares	Options
Bevan Slattery	9,900,000	NIL
Stephen Baxter	9,900,000	NIL
Roger Clarke	200,000	NIL
Greg Baynton	815,500	200,000
Lloyd Ernst	275,000	NIL

Other Interests

Mr Roger Clarke is a director of the Underwriter and Lead Manager.

ADDITIONAL INFORMATION (CONTINUED)

7.11 REMUNERATION OF DIRECTORS / EXECUTIVE DIRECTORS

The Constitution of PIPE Networks provides that executive Directors are entitled to remuneration as determined by the Board, but the remuneration must not include a commission on or percentage of operating revenue.

The Managing Director, Bevan Slattery, and the Technical Director/Chief Technology Officer, Stephen Baxter, are currently the only executive Directors. Under their respective employment contracts with PIPE Networks, the executive Directors are entitled to the following remuneration:

Executive Director	Annual Salary	Bonus
Bevan Slattery	\$135,000	NIL
Stephen Baxter	\$135,000	NIL

While Messrs Slattery and Baxter's remuneration arrangements do not currently include a bonus element, the Board may consider the inclusion of bonus arrangements for these executives in the future, based on the achievement of agreed performance indicators.

Non-executive Directors

The Constitution provides that non-executive Directors are entitled to remuneration up to a total amount which must not exceed an aggregate maximum of \$200,000 or such other maximum amount determined from time to time by the Company in general meeting.

The Constitution provides for Directors to accept Shares as part of their remuneration, subject to any restrictions on the issue of Shares under the Corporations Act and the Listing Rules.

Directors may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship, except in circumstances prohibited by the Corporations Act.

Indemnity and Access

The Company has executed deeds of access and indemnity in favour of each Director. The indemnity is subject to the restrictions prescribed in the Corporations Act. Subject to the terms of the deed, it also gives each Director a right of access to Board papers.

7.12 EXPENSES OF THE RIGHTS ISSUE

The expenses of the Rights Issue are being borne by PIPE Networks. The total expenses are currently estimated at approximately \$326,986. These expenses include corporate advisory, tax, accounting, legal, listing and other administrative fees as well as printing, advertising and other expenses relating to this Prospectus.

7.13 INTERESTS OF EXPERTS AND ADVISERS

Except as set out in this prospectus or below, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of PIPE Networks; or
- Underwriter to the Rights Issue or financial services licensee involved in the Rights Issue, (each a relevant person) holds, at the time of lodgment of this Prospectus with ASIC, or has held in the two years before lodgment of this prospectus with ASIC, an interest in:
 - the formation or promotion of PIPE Networks;
 - the Offers; or
 - any property acquired or proposed to be acquired by PIPE Networks in connection with its formation or promotion or the Offers.

Except as set out below, no one has paid or agreed to pay any amount or given or agreed to give any benefit for services provided by a relevant person in connection with the formation or promotion of PIPE Networks or the Offers.

Minter Ellison has acted as legal adviser in respect of the Offers. PIPE Networks has paid or agreed to pay Minter Ellison \$34,700 (plus disbursements) for these services to the date of this Prospectus.

Hacketts Chartered Accountants has provided audit services to the Company in respect of the financial statements for the period ending 30 June 2005. PIPE Networks has paid, or agreed to pay, Hacketts \$13,200 (plus disbursements) for these services to the date of this Prospectus.

Hacketts Corporate Advisory has prepared the Independent Accountants Report included in this Prospectus. PIPE Networks has agreed to pay Hacketts Corporate Advisory \$11,200 for these services to the date of this Prospectus.

7.14 Consents

The following parties have given written consent, which has not been withdrawn at the time of lodgment of this Prospectus with the ASIC, in the following terms:

ABN AMRO Morgans Corporate Limited has given its consent to be named in this Prospectus as Underwriter and Lead Manager in the form and context in which it is named.

ABN AMRO Morgans Limited has given its consent to be named in this Prospectus as Broker to the Rights Issue in the form and context in which it is named.

Hacketts Chartered Accountants has given its consent to be named in this Prospectus as Auditor of PIPE Networks and to the inclusion of statements referring to the historical audited accounts of PIPE Networks in the form and context in which they are included.

ADDITIONAL INFORMATION (CONTINUED)

Hacketts Corporate Advisory has given its consent to the inclusion of the Investigating Accountants Report in this Prospectus in the form and context in which it is included.

Minter Ellison has given its consent to be named in this Prospectus as Lawyers to the Offers in the form and context in which it is named.

Link Market Services Limited has given its consent to be named in the Prospectus as the Company's share registry in the form and context in which it is named.

Each of the companies and firms named in this Section:

- has not authorised or caused the issue of this Prospectus;
- has not made any statement in this Prospectus, or any statement on which any statement in this Prospectus is based, except where expressly stated above;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Prospectus other than a reference to its name and except where expressly stated above; and
- was not involved in the preparation of the Prospectus or any part of it except where expressly attributed to that person.

7.15 GOVERNING LAW

The Offers and the contracts formed under the Offers for the issue of Shares and Options are governed by the law applicable in Queensland, Australia.

7.16 DOCUMENTS FOR INSPECTION

Copies of the Constitution and Employee Share Option Plan will be available for inspection free of charge during normal office hours at the registered office of the Company during the Offer period and for three months after the date of this Prospectus and are also available on the Company's Website at www.PIPEnetworks.com

7.17 CHESS

PIPE Networks will not issue share certificates to shareholders. PIPE Networks participates in CHESS in accordance with the ASX Listing Rules and the ASTC Settlement Rules. The Shares will be maintained on an electronic issuer sponsored subregister and an electronic CHESS subregister. These two subregisters together will make up the register of shares of PIPE Networks.

Shareholders who elect to hold their Shares on the issuer sponsored subregister will be provided with a holding statement (similar to a bank account statement) that sets out the number of Shares issued to them. For a shareholder who holds Shares on the CHESS subregister, PIPE Networks will issue an advice that sets out the number of Shares issued to them under the Offer and, at the end of the month of issue, ASTC will provide each shareholder with a holding statement that confirms the number of Shares issued. The holding statement will also provide details of a shareholder's holder identification number in the case of a holding on the CHESS subregister or security holder reference number in the case of a holding on the issuer sponsored subregister.

An updated holding statement will be sent to a shareholder at the end of each month where the balance of the investor's holding of Shares changes.

7.18 AUTHORISATION

This Prospectus has been duly signed on behalf of the directors of PIPE Networks. Each Director consents to lodgement of the Prospectus with ASIC.



Bevan Slattery
Managing Director

DEFINITIONS

A\$, \$

Australian dollars, unless otherwise stated.

ACMA

Australian Communications and Media Authority.

ACCC

Australian Competition and Consumer Commission.

ACIF

Australian Communications Industry Forum.

Additional Shares

New Shares in addition to an Eligible Shareholder's Entitlement for which an Applicant makes an Application.

ADSL

Short for asymmetric digital subscriber line, a new technology that allows more data to be sent over existing copper telephone lines (POTS).

Applicant(s)

Individuals or entities who submit an Entitlement Acceptance Form together with Application Monies.

Application

A valid application made to acquire a specified number of New Shares or Options pursuant to this Prospectus.

Application Monies

Money received from Applicants in respect of their Applications.

Application Price

\$1.50 per New Share payable under the Rights Issue.

ASIC

Australian Securities and Investments Commission.

ASTC

ASX Settlement and Transfer Corporation.

ASX

Australian Stock Exchange Limited ABN 98 008 624 691.

ASX Listing Rules

listing rules of ASX as they apply to the Company.

ATM

Asynchronous Transfer Mode. A modern, fast data transmission protocol.

ATUG

Australian Telecommunications Users Group Limited.

Bandwidth

The amount of data that can flow in a given time.

Board

Board of directors of PIPE Networks.

CBD

Central Business District.

CHESS

Clearing House Electronic Subregister System operated ASTC.

Closing Date

Date an Offer closes, being 3 February 2006 for the Rights Issue and 9 February 2006 for the Employee Option Offer, or such other date as the Directors, in consultation with the Underwriter, may determine.

Co-location

The provision of space for a customer's telecommunications, network, and/or computer equipment on the provider's premises.

Company or PIPE Networks

PIPE Networks Limited ABN 21 099 104 122.

Constitution

Constitution of PIPE Networks.

Corporations Act

Corporations Act 2001 (Cth).

CSP

Content Service Provider – a provider of content over the internet.

Dark Fibre

Raw fibre optics installed in a network without any particular assigned function to that fibre and not being connected to any transmission or reception equipment by the network provider (ie. not being lit-up).

Directors

Directors of PIPE Networks.

DSLAM or Digital Subscriber Line Access Multiplexer

A device which takes a number of ADSL subscriber lines and concentrates these to a single ATM or Ethernet connection.

Eligible Shareholders

Holders of Shares on the Record Date with a registered address in Australia or New Zealand.

Employee Option Offer

The offer of up to 200,000 Options to employees of the Company under the ESOP, pursuant to this Prospectus.

Entitlement

Each Eligible Shareholder's entitlement to subscribe for one New Share for every seven Shares held on the Record Date.

Entitlement and Acceptance Form

An entitlement and acceptance form accompanying this Prospectus pursuant to which Applicants apply for New Shares.

Ethernet

A common method of networking computers in a LAN or WAN using copper cabling or Fibre Optics.

ESOP or Employee Share Option Plan

Employee share option plan adopted by the shareholders of PIPE Networks on 7 March 2005.

Exercise Price

In relation to each of the Options means \$1.80.

FAA

Facilities Access Agreements – Agreement for access to facilities to lay Dark Fibre.

Fibre Optics or Fibre Optic communications

The transmission of information by the passage of light through flexible, glass fibres. Electrical impulses are converted into light which is then transmitted through the optical fibre. The light is then re-converted into electrical impulses at its destination.

GITC

Government Information Technology and Communications contracting framework. This is a formal framework for businesses to commercially engage with Government.

DEFINITIONS (CONTINUED)

Group

PIPE Networks and any subsidiaries.

Internet

The worldwide electronic network allowing its users to share data and communicate all over the world via computers. The vast collection of interconnected networks that all use the TCP/IP protocols and which evolved from the ARPANET of the late 1960's and early 1970's.

Internet Exchange or IX

The physical infrastructure that is involved in the provision of an Internet Exchange Point.

Internet Exchange Point or IXP

Physical infrastructure that allows different content, application and Internet Service Providers to exchange internet traffic (eg. e-mail and other forms of electronic communication and file transfer) between their autonomous systems through Peering.

IPO

Initial Public Offering.

ISP

Internet Service Provider.

IT&T

Information Technology and Telecommunications.

IXP

Internet Exchange Point.

LAN or Local Area Network

The electronic links that exist within an organisation that allow internal transmission and reception of electronic data.

Major Shareholders

Mr Bevan Slattery and Mr Stephen Baxter.

Metro Ethernet

A network service linking two or more locations within the metropolitan area using Ethernet protocol.

NDC

A specialist subsidiary of Telstra Wholesale that delivers communications network infrastructure solutions to carriers and other wholesale or large customers.

New Share

A Share offered for issue under the Prospectus.

Offers

The Rights Issue and the Employee Option Offer.

On Net

Where a building either has PIPE Networks fibre installed in the building to a customer or common area; OR where PIPE Networks has a right of way into the building and has available street fibre capacity to reach that building.

Options

The options over Shares offered under the Employee Option Offer.

Peering

The practice of exchanging internet traffic between ISPs and content providers at an Internet Exchange Point.

POP

On the Internet, a point-of-presence (POP) is an access point from one place to the rest of the Internet.

Record Date

7:00pm Sydney time on 13 January 2006, being the date on which Eligible Shareholders will be determined.

Rights

Eligible Shareholders' Entitlements which may be traded on ASX.

Rights Issue

The offer to Eligible Shareholders of one New Share for every seven Shares held made under this Prospectus.

Rights Trading Period

The period between 9 January 2006 and 27 January 2006.

Shares

Ordinary Shares in the Company.

Tier 1 Carrier

A large-scale national telecommunications carrier ranked within the 'top four' in the Australian industry in terms of company size.

TFN

Tax File Number.

Transit

An alternative arrangement to Peering, in which one provider pays another to deliver traffic between its customers and the customers of other providers.

Underwriter or Lead Manager

ABN AMRO Morgans Corporate Limited ABN 49 010 669 726.

Underwriting Agreement

Underwriting agreement between the Underwriter and the Company described in Section 7.

WAN or Wide Area Network

A network connecting computers that spans a wider area than does a LAN and allows the flow of data between network users in different geographical locations.

CORPORATE DIRECTORY

COMPANY

PIPE Networks Limited

ABN 21 099 104 122

REGISTERED AND HEAD OFFICE

Level 9

PIPE Networks House

127 Creek Street

BRISBANE QLD 4000

Tel (07) 3233 9800

Fax (07) 3220 1800

Web www.PIPEnetworks.com

DIRECTORS

Roger Clarke (Chairman)

Lloyd Ernst

Greg Baynton

Bevan Slattery

Stephen Baxter

COMPANY SECRETARY

Malcolm Thompson

SHARE REGISTRY

Link Market Services Limited

Level 22

300 Queen Street

BRISBANE QLD 4000

GPO Box 2537

BRISBANE QLD 4001

Tel (02) 8280 7454

Web www.linkmarketservices.com.au

AUDITORS

Hacketts Chartered Accountants

Level 3

549 Queen Street

BRISBANE QLD 4000

Web www.hacketts.com.au

INVESTIGATING ACCOUNTANT

Hacketts Corporate Advisory Pty Ltd

ACN 093 676 058

Level 3

549 Queen Street

BRISBANE QLD 4000

Web www.hacketts.com.au

LAWYERS FOR THE COMPANY

Minter Ellison

Waterfront Place

1 Eagle Street

BRISBANE QLD 4000

Web www.minterellison.com

UNDERWRITER AND LEAD MANAGER

ABN AMRO Morgans Corporate Limited

ABN 32 010 539 607

Level 29 Riverside Centre

123 Eagle Street

BRISBANE QLD 4000

Tel (07) 3334 4888

Web www.abnamromorgans.com.au

BROKER TO THE OFFER

ABN AMRO Morgans Limited

ABN 32 010 669 726

Level 29 Riverside Centre

123 Eagle Street

BRISBANE QLD 4000

Tel (07) 3334 4888

Web www.abnamromorgans.com.au

ELECTRONIC PROSPECTUS AVAILABILITY

This Prospectus can be downloaded from the following web sites:

www.PIPEnetworks.com

www.abnamromorgans.com.au



PIPE Networks
PIPE Networks House
Level 9, 127 Creek St
Brisbane Qld 4000

Phone: +61 7 3233 9800
Fax: +61 7 3220 1800

www.PIPEnetworks.com