



22 December 2005

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Pages: 2

Dear Sir/Madam

Financial Trading Update

In light of current market conditions the Directors and Management of B Digital Limited feel it is prudent to provide an update on current market conditions and the anticipated impact upon the Company for the remainder of the financial year.

The Managing Director of B Digital, Mr Peter George stated " The majority of our competitors in recent weeks have advised that market conditions within the telecommunications sector, particularly at the retail or consumer level, would negatively impact current year earnings.

As a result of these current market conditions and other factors, the company advises that earnings for the 2006 financial year are not expected to achieve the forecast growth on last year due to a number of factors including:

- Current competitive market conditions in particular in the consumer mobile and broadband sector has resulted lower customer growth than expected and reduced revenue and gross margin per user
- Delays experienced in achieving the synergies and benefits of the merger of DigiPlus and B Digital.
- Delay in achieving the financial benefits of access to owned infrastructure through the recent acquisition of a 50% interest in the former Comindico business and the strategic alliance with SP Telemedia Limited.
- Delay in the migration of the Kooee business and realisation of the financial benefits expected post acquisition of Kooee.

Whilst budgeted and forecast earnings will not be achieved this financial year the directors remain confident of achieving real profit growth in the medium to long term, subject of course, to no unforeseen circumstances.

Mr George stated “In response of the current market conditions in the Telco sector and uncertainty in its regulation, the Directors and Management of B Digital have recently completed a Strategic Review of the business and the long term strategy for the company. This process is now complete and implementation has commenced.”

The company advises that the Strategic review and adoption of the revised Strategy for the company will see a speedy adoption of numerous initiatives which will achieve:

- Significant cost reduction in current operations
- Improved focus and initiatives on customer acquisition and retention
- Implementation of new consumer and SME customer acquisition models
- Realisation of the benefits of infrastructure ownership
- Unified and simplified products and pricing

Mr George concluded that subject to no unforeseen circumstances “The implementation of the Strategic Review and business plan developed by Directors and Management will see continued profitability for B Digital and should produce profit growth for the company ahead of the sector in the medium to long term.”

Yours faithfully
For and on behalf of B Digital Limited

Harvey Farrington
Company Secretary