



**PHONETIME ANNOUNCES A RESTATEMENT
OF PURCHASE PRICE ALLOCATION ON 2007 BUSINESS ACQUISITION**

Mississauga, ON – February 9, 2010 – Phonetime Inc. (TSX: PHD) today announced its intention to restate and re-file its previously filed consolidated financial statements due to an understatement of intangible assets and future income tax liabilities and an overstatement of goodwill in connection with its acquisition of Symphony Holdings, Inc. in 2007. The Company intends to restate and re-file its consolidated financial statements for the years ended December 31, 2008 and 2007 (the “Prior Annual Statements”), its interim financial statements for the three, six and nine month periods ended March 31, June 30, and September 30 of each of the 2009 and 2008 fiscal years (the “Prior Interim Statements”), respectively, and its related management’s discussion and analysis for these periods.

Effective November 4, 2007, the Company acquired all of the issued and outstanding shares of Symphony Holdings, Inc. (“Symphony”) for cash, stock, and convertible debentures. The acquisition represents a business combination for accounting purposes and has been accounted for using the purchase method of accounting.

In December 2009, the Company engaged an independent accountant to review the purchase price allocation related to the 2007 acquisition and identified an understatement of intangible assets and future income taxes and an overstatement of goodwill related to the acquisition. Consequently, the Company will restate and re-file the Prior Annual Statements and the Prior Interim Statements to reflect the increase in intangible assets and future income tax liability and reduce goodwill, net income and earnings per share for the affected periods. Below is the expected adjustment to the purchase price equation:

Purchase Equation:

	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Property and equipment	\$ 16,530	\$ -	\$ 16,530
Intangible Assets			
Customer Relationships		\$ 2,100,000	\$ 2,100,000
Non-compete Agreements		\$ 3,000,000	\$ 3,000,000
Management Contracts		\$ 400,000	\$ 400,000
Future Income Taxes		\$ (1,980,000)	\$ (1,980,000)
Goodwill	\$ 14,361,424	\$ (3,520,000)	\$ 10,841,424
Fair Value of assets acquired	<u>\$ 14,377,954</u>		<u>\$ 14,377,954</u>

The change in the purchase price allocation relates to the establishment of identifiable intangibles that were not previously recorded by management together with the tax effect.

The recognition of intangible assets creates the need for the Company to establish an estimated useful life. The Company has determined that the following amortization periods for identified intangibles:

- Customer Relationships 84 months
- Non-Compete Agreements 60 months
- Management Contracts 30 months

While this re-statement has no impact on the cash flow of the Company, the amortization of the above intangibles reduces the previously reporting net income, income tax expense and earnings per share of the company for all reporting periods from the fourth quarter of 2007 to the third quarter of 2009. The modification to the purchase price equation also adjusts the reported assets, liabilities and equity of the Company; the effect of each reporting period is shown below:

Phonetime Inc. Expected Effect of Purchase Price Equation Adjustment									Nine months Ended		
	Q4-2007	Q1-2008	Q2-2008	Q3-2008	Q4-2008	Q1-2009	Q2-2009	Q3-2009	Full Year 2007	Full Year 2008	Sept 30th 2009
Assets Under/(Overstated)	1,803,333	1,538,333	1,273,333	1,008,333	743,333	478,333	213,333	(51,667)	1,803,333	743,333	(51,667)
% of Asset as filed	6.0%	5.2%	4.2%	3.3%	2.3%	1.5%	0.7%	-0.2%	6.0%	2.3%	-0.2%
Liabilities Under/(Overstated)	1,916,400	1,821,000	1,725,600	1,630,200	1,534,802	1,439,400	1,344,000	1,248,600	1,916,400	1,534,800	1,248,600
% of Asset as filed	9.8%	10.2%	9.9%	9.8%	7.4%	7.2%	7.6%	6.3%	9.8%	7.4%	6.3%
Equity Under/(Overstated)	(113,067)	(282,667)	(452,267)	(621,867)	(791,467)	(961,067)	(1,130,667)	(1,300,267)	(113,067)	(791,467)	(1,300,267)
% of Asset as filed	-1.0%	-2.4%	-3.6%	-4.6%	-6.5%	-7.7%	-8.8%	-9.5%	-1.0%	-6.5%	-9.5%
Revenue Under/(Overstated)	-	-	-	-	-	-	-	-	-	-	-
Gross Margin Under/(Overstated)	-	-	-	-	-	-	-	-	-	-	-
Amortization of Intangibles Under/(Overstated)	176,667	265,000	265,000	265,000	265,000	265,000	265,000	265,000	176,667	1,060,000	795,000
Net Income Before Taxes Under/(Overstated)	(176,667)	(265,000)	(265,000)	(265,000)	(265,000)	(265,000)	(265,000)	(265,000)	(176,667)	(1,060,000)	(795,000)
Income Tax Expense Under/(Overstated)	(63,600)	(95,400)	(95,400)	(95,400)	(95,400)	(95,400)	(95,400)	(95,400)	(63,600)	(381,600)	(286,200)
Net Income Under/(Overstated)	(113,067)	(169,600)	(169,600)	(169,600)	(169,600)	(169,600)	(169,600)	(169,600)	(113,067)	(678,400)	(508,800)
Operating Cash Flow Under/(Overstated)	-	-	-	-	-	-	-	-	-	-	-
EPS Under/(Overstated)	-\$ 0.00	-\$ 0.00	-\$ 0.00	-\$ 0.00	-\$ 0.00	-\$ 0.00	-\$ 0.00	-\$ 0.00	-\$ 0.00	-\$ 0.01	-\$ 0.00

About Phonetime Inc.

Established in 1994, Phonetime is a leading supplier of international wholesale and retail long distance telecommunications services with network facilities in Canada, the U.S., Europe, Africa and Asia. Through its Wholesale Division, Phonetime buys and resells long-distance services to major telephone carriers around the world using its proprietary call trading platform. Through its Consumer Division, Phonetime provides subscription-based long distance services to targeted ethnic consumers across Canada and competitively markets a range of long distance phone cards. Phonetime's common shares trade on the Toronto Stock Exchange under the symbol PHD. More information can be found at the Company's website, www.phonetime.com.

Caution Regarding Forward Looking Information:

This press release contains forward-looking statements, which may be identified by words like "expects", "anticipates", "plans", "intends", "indicates" or similar expressions. These statements are not a guarantee of future performance and are inherently subject to risks and uncertainties. Phonetime's actual results could differ materially from those currently anticipated due to a number of factors set forth in reports and other documents filed by the Company with Canadian securities regulatory authorities from time to time.

- 30 -

Contacts:

Wayne Silver
Phonetime
President & CEO
905-361-8304

Gary Clifford
Phonetime
Chairman of the Board and Audit Committee
416-418-9802

wayne@phonetime.com

gary@phonetime.com