



PHONETIME REPORTS STRONG FIRST QUARTER 2009 RESULTS

- Revenue grows by 17% -

Mississauga, ON – May 15, 2009 – Phonetime Inc. (TSX: PHD), a leading global supplier of international long distance telecommunication services, today reported its financial results for the three-month period ended March 31, 2009. All figures are in Canadian currency.

Q1 2009 Financial and Operational Highlights

- Consolidated revenue was \$42.6 million, up 17% from \$36.5 million for Q1 2008.
- On a segmented basis each operating division generated record revenue with \$42.8 million for the Wholesale Division and \$8.0 million for the Consumer Division¹, representing growth of 27% and 15% respectively over Q1 2008.
- Generated \$1.2 million in cash flow from operations.
- Operating income² was \$1.0 million once foreign exchange and allowance for bad debt were deducted.
- Net income before taxes was \$0.6 million.
- Paid down \$0.8 million of long-term debt and other loans payable related to its acquisition of Symphony, a South Africa-based telecommunications company.
- Net income after taxes was \$0.2 million.
- Processed approximately 1.5 billion minutes of long-distance calls.
- Increased the number of Wholesale Division customers and suppliers to more than 500.
- Grew the number of Consumer Division customers to more than 110,000.

Highlights subsequent to quarter end

- Announced a private placement offering of units that will generate up to \$1.9 million in gross proceeds.

Overview

“Our organic revenue growth of 17% in the first quarter provides further proof of the success of our blended sales model as well the strength of our call-trading platform in extracting improved margins from our international wholesale services,” said Wayne Silver, President and CEO, Phonetime Inc. “Although our Q1 profitability was impacted by the decline of the Canadian dollar, we are very encouraged by our positive operating cash flow of \$1.2 million, the

¹ Before inter-segment eliminations of \$8.2 million.

² Operating income is income before loss on foreign exchange, misappropriation of assets, stock compensation costs, interest, taxes and depreciation and amortization. However, operating income is not a term that has specific meaning in accordance with generally accepted accounting principles, and may be calculated differently by other companies. Phonetime reconciles operating income to its net earnings.

continued growth in number of wholesale customers and suppliers, and the 5.0% monthly growth rate of our Consumer Division revenue.”

Financial Results

Consolidated revenue for the first quarter ended March 31, 2009 was \$42.6 million, representing an increase of 17% when compared to \$36.5 million for the first quarter of 2008. The growth is chiefly due to higher sales volumes of the Company’s Wholesale Division, which buys and resells telecommunications long-distance services to telephone carriers around the world using Phonetime’s proprietary call trading platform. Phonetime also generates revenues through its Consumer Division, which provides pre-paid calling cards and long-distance services to targeted ethnic consumer groups across Canada. Phonetime currently has more than 120,000 customers using its long-distance retail services.

Gross profit for the first quarter of 2009 was \$5.8 million or 13% of sales compared to \$5.0 million or 13% of sales for the first quarter of 2008. Despite a year-over-year depreciation of the Canadian dollar by approximately 25%, Phonetime improved its gross margins due to the effectiveness of its call-trading platform that enables its team of wholesale buyers and sellers to generate higher profit margins and improve the number of calls completed.

Phonetime generated operating income of \$1.0 million for the first quarter of 2009, down from \$1.7 million for the first quarter of 2008. The decrease was attributable to a provision of \$0.2 million for bad debt, increased salaries due to a growth in the number of sales representatives and increased marketing expenses relating to promotional and trade show events.

Income before taxes for the first quarter of 2009 was \$0.6 million compared to \$1.0 million for the first quarter of 2008. Net income after taxes was \$0.2 million for Q1 2009 or \$0.01 per basic share compared to \$0.6 million or \$0.01 per basic share for the same period in 2008. The year-over-year decline was due principally to higher foreign exchange costs involved in the buying and selling of international long-distance minutes as well as a higher provision for taxes.

As at March 31, 2009, Phonetime held cash and short-term investments of \$0.03 million as well as accounts receivable of \$13.6 million. Subsequent to quarter end, Phonetime announced that it plans to raise gross proceeds of \$1.9 million through a private placement of units. The funds will be use primarily for working capital purposes.

Outlook

“While a number of our competitors are retreating, we expanded our international sales team with experienced professionals who have strong local relationships in emerging markets, made significant investments in marketing activities in the first quarter and added new capabilities to our call-trading platform,” Mr. Silver also said. “Although these efforts resulted in higher expenses compared to 2008, they will allow us to further add to our growing international reputation, better serve our customers and help to sustain our organic growth throughout 2009.”

Financial Highlights

(000's except share data)

	Three Months Ended (unaudited)	
	March 31, 2009	March 31, 2008
Revenue	\$ 42,577	\$ 36,496
Gross profit	\$ 5,836	\$ 4,917
Gross profit as a percentage of revenue	13.7%	13.5%
Operating income	\$ 1,038	\$ 1,734
Net income before income taxes	\$ 620	\$ 1,112
Net income after income taxes	\$ 236	\$ 619
Cash and cash equivalents	\$ 29	\$ 29
Total long-term liabilities	\$ 967	\$ 4,611
Weighted average number of common shares basic	108.0	108.0

Phonetime will file its consolidated financial statements for the first quarter 2009 and related management's discussion and analysis with securities regulatory authorities within the applicable timelines. The material will be available through SEDAR at www.sedar.com and the Company's website, www.phonetime.com.

Phonetime will host a conference call to discuss its 2009 first quarter financial results on Tuesday, May 19 at 11:00 a.m. (ET).

To access the conference call by telephone, dial 416-644-3414 or 1-800-732-9303. Please connect approximately 15 minutes prior to the beginning of the call to ensure participation. The conference call will be archived for replay until Tuesday, May 26, 2009 at midnight. To access the archived conference call, dial 416-640-1917 or 1-877-289-8525 and enter the reservation number 21305775#.

A live audio webcast of the conference call will be available at www.phonetime.com. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived at the above web site for 30 days.

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 competitively markets a range of pre-paid and subscription-based long distance services to targeted ethnic consumers across Canada. 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.

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