

1 February 2007

Proposed PowerTel acquisition by Telecom New Zealand

iiNet Limited (ASX: IIN) today welcomed the announcement by Telecom New Zealand (ASX: TEL) of its proposal to acquire 100% of PowerTel Limited (ASX: PWT).

PowerTel currently owns 18.3% (22,950,901) of the issued shares of iiNet and Mr Paul Broad, the Chief Executive Officer of PowerTel, is a member of the iiNet Board.

Telecom New Zealand owns 100% of Australia's third largest telco provider AAPT, which in turn is a large wholesale customer of PowerTel.

Under the Alliance Agreement struck in May 2006 by iiNet and PowerTel, iiNet will continue to provide PowerTel with wholesale access to Australia's second largest ADSL2+ network, and PowerTel will continue to provide iiNet with wholesale access to its fibre network. The proposed acquisition of PowerTel by Telecom New Zealand is not expected to affect the provision of services by either iiNet or PowerTel to the other party in any way.

"In our opinion, this is a good move for PowerTel and AAPT, and the Australian telecommunications industry overall," said iiNet's Managing Director Michael Malone. "We look forward to Telecom New Zealand becoming a major shareholder in iiNet".

Mr Malone also confirmed that Telstra has notified iiNet that the line shared services price of \$3.20, resulting from the ACCC's December interim determination, will be applied from 22 December 2006 despite recent media speculation that Telstra's high court challenge will affect this pricing.

iiNet will be releasing its half year results on 19 February 2007.

Yours sincerely,



Stephen Fewster

Company Secretary