

Notice of **Annual General Meeting**  
and **Explanatory Statement**

For the Annual General Meeting to  
be held on 27 November 2006 at  
10:30 am (WST) at the Sheraton  
Hotel, 207 Adelaide Terrace, Perth.

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# iiNet Limited Notice of AGM

## Time and Place of Meeting and How to Vote

### Place, Date and Time

The Annual General Meeting of the shareholders of iiNet Limited ("the Company") will be held at the Sheraton Hotel, 207 Adelaide Terrace, Perth WA 6000 on Monday 27 November 2006, commencing 10:30am.

### How to Vote

You may vote by attending the meeting in person, by proxy or authorised corporate representative.

### Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10:30am.

### Voting by Corporate Representative

A corporation may elect to appoint a representative to attend and vote at the meeting in accordance with the Corporations Act (2001) in which case the Company will require a Certificate of Appointment of Corporate Representative executed in accordance with the Corporations Act (2001). The Certificate is to be lodged with the Company before the meeting or at the registration desk on the day of the meeting.

### Voting by Proxy

To vote by proxy please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- return the proxy form by post to iiNet Limited, Locked Bag 16, Cloisters Square, Perth WA 6850, or
- return the proxy form to iiNet Limited, Level 6, 263 Adelaide Terrace, Perth WA 6000, or
- send the proxy form by FAX to the Company on (08) 9221 8473 [International: + 61 8 9221 8473], so that it is received not later than 10:30am (WST) on 24 November 2006; or
- return the proxy form to the offices of the Share Registry, details set out on the proxy form.

Your proxy form is enclosed.

## ● ● Notice of Annual General Meeting

Notice is given that the Annual General Meeting ("AGM") of shareholders of iiNet Limited ("the Company") will be held on Monday 27 November 2006 at 10:30am (WST) at the Sheraton Hotel, 207 Adelaide Terrace, Perth, Western Australia.

The attached Explanatory Statement is provided to supply shareholders with information to enable them to make an informed decision regarding the resolutions set out in this Notice.

The Explanatory Statement is intended to be read in conjunction with and forms part of this Notice.

## ● ● Agenda

### General Business

#### Financial Reports

To receive and consider the financial statements and the reports of the directors and auditors for the year ended 30 June 2006.

#### Election of Directors

##### Resolution 1 – Re-election of Mr Peter James

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That Mr Peter James, being a non-executive director of the Company, retires by rotation pursuant to Rule 3.6 of the Constitution of the Company, and having offered himself for re-election and being eligible, is hereby elected as director of the Company."*

##### Resolution 2(a) – Election of Mr Paul Broad

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That Mr Paul Broad, being a non-executive director of the Company appointed by the board since the date of the last annual general meeting, retires pursuant to Rule 3.3(a) of the Constitution*

*of the Company, and having offered himself for election and being eligible, is hereby elected as director of the Company."*

##### Resolution 2(b) – Election of Mr Anthony Grist

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That Mr Anthony Grist, being a non-executive director of the Company appointed by the board since the last annual general meeting, retires pursuant to Rule 3.3(a) of the Constitution of the Company, and having offered himself for election and being eligible, is hereby elected as director of the Company."*

##### Resolution 2(c) – Election of Mr David Grant

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That Mr David Grant, being a non-executive director of the Company appointed by the board since the last annual general meeting, retires pursuant to Rule 3.3(a) of the Constitution of the Company, and having offered himself for election and being eligible, is hereby elected as director of the Company."*

## ● ● Remuneration Report

### Resolution 3 – Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That the remuneration report as contained in the Annual Report of the Company for the year ended 30 June 2006 be adopted."*

This resolution shall be determined as if it were an ordinary resolution, albeit advisory only. Under section 250R(3) of the Corporations Act 2001 (Cth) the vote does not bind the directors or the Company.

## ● ● iiNet Limited Notice of AGM

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### ● ● Special Business

#### **Ratification of Share Issues**

##### **Resolution 4(a) – Issue of 12,600,000 fully paid ordinary shares to PowerTel Limited**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited, and for all other purposes, shareholders approve and ratify the issue on 2 June 2006 of 12,600,000 fully paid ordinary shares to PowerTel Limited for the purposes and on the terms and conditions described in the Explanatory Statement.”*

##### **Resolution 4(b) – Issue of 3,763,986 fully paid ordinary shares to PowerTel Limited**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited, and for all other purposes, shareholders approve and ratify the issue on 30 August 2006 of 3,763,986 fully paid ordinary shares to PowerTel Limited for the purposes and on the terms and conditions described in the Explanatory Statement.”*

#### **Non-executive director remuneration**

##### **Resolution 5 – Increase in the maximum, aggregate remuneration of non-executive directors**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That approval be given under Australian Stock Exchange Listing Rule 10.17 to increase the maximum aggregate amount available for the remuneration of non-executive directors by A\$200,000 to A\$600,000 per annum, to be apportioned by the directors at their discretion.”*

### ● ● Other Business

To deal with any other business that may be brought forward in accordance with the Company's constitution and the Corporations Act 2001 (Cth.).

### ● ● Voting and Proxies

#### **Voting Entitlements**

The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that shares quoted on the Australian Stock Exchange Limited at the end of day on 24 November 2006 shall be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly, those persons are entitled to attend and vote (if not excluded) at the Meeting.

#### **Proxy Information**

A member who is entitled to vote at the meeting may appoint:

- one proxy if the member is only entitled to one vote, or
- one or two proxies if the member is entitled to more than one vote.

Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

A proxy need not be a member of the Company. If you require an additional proxy form, the Company will supply it on request. The proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company no later than 48 hours before the commencement of the meeting, at:

- iiNet's registered office, Level 6, 263 Adelaide Terrace, Perth WA 6000; or
- by FAX at iiNet's registered office {(08) 9221 8473 [International: + 61 8 9221 8473]}; or


- by post to iiNet Limited, Locked Bag 16, Cloisters Square, Perth WA 6850; or
- by returning the proxy form to the offices of the Share Registry, details set out on the proxy form.

Proxies must be received by the Company on or prior to 10:30am WST on Friday 24 November 2006. Any proxy form received after that time will not be valid for the scheduled meeting.

Proxies given by corporate shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Company's constitution to vote, or abstain from voting, in their capacity as proxy.

If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit. If a shareholder appoints the chairperson of the meeting as the shareholder's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that shareholder, in favour of the item on a poll.

By order of the Board



**Stephen Fewster**  
Company Secretary  
25 October 2006

## ● ● Explanatory Statement

This Explanatory Statement and all attachments are important documents. They should be read carefully. If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

## ● ● General Information

This Explanatory Statement has been prepared for the shareholders of the Company in connection with the Annual General Meeting of the Company to be held on 27 November 2006.

The purpose of this Explanatory Statement is to provide shareholders with information that the Board believes to be material to shareholders in deciding whether or not to approve the above resolutions detailed in the Notice.

## The Resolutions

### Election of Directors

Clause 3.6 of the Company's Constitution requires that one third of the Directors (excluding the Managing Director and Directors appointed and retiring in accordance with clause 3.3 of the Constitution) must retire from office at each annual general meeting, and being eligible, may seek re-election.

Mr Peter James, a non-executive Director appointed by the members on 28 November 2003 will automatically retire from office at this annual general meeting of the Company in accordance with clause 3.6 of the Company's Constitution, and offers himself for re-election. Resolution 1 seeks to re-elect Mr Peter James to the Board.

The Board, excluding Mr Peter James, unanimously recommends that shareholders vote in favour of this resolution.

Australian Stock Exchange Listing Rule ("ASXLR") 14.4 states that a director appointed as an addition to the board by the board must not hold office (without re-election) past the next annual general meeting. Clause 3.3(a) of the Company's Constitution requires that any Director appointed by the Board [since the last annual general meeting] must automatically retire from office at the next annual general meeting, and being eligible may seek re-election.

## iiNet Limited Notice of AGM

Mr Paul Broad, Mr Anthony Grist and Mr David Grant, Non-executive Directors appointed by the Board on 6 June 2006, 26 July 2006 and 12 October 2006 respectively, will automatically retire from office at this annual general meeting of the Company in accordance with ASXLR 14.4 and rule 3.3(a) of the Company's Constitution, and offer themselves for election. Resolutions 2(a), 2(b) and 2(c) seek to re-elect Mr Paul Broad, Mr Anthony Grist and Mr David Grant respectively to the Board.

The Board, excluding Messrs Paul Broad, Anthony Grist and David Grant, unanimously recommends that shareholders vote in favour of these resolutions.

The following information about the directors seeking re-election is provided for shareholders to consider.

- **Mr Peter James** BA, FAICD

Non-Executive Director, Chairman of the Remuneration Committee, member of the Audit Committee, age 56.  
Appointed Director 28 Nov 2003.

Peter is the Managing Director of Adcorp Australia Limited, a publicly listed advertising and communications company. Based in Sydney, Peter has a successful track record across a range of complex businesses including technology, outsourcing, services, recruitment, education and manufacturing. Peter has over 15 years experience as a Board member of public companies and 10 years as CEO/Group Managing Director. Peter brings significant experience in business development, strategic planning and marketing and has over 30 years experience in the communication and information technology industries.

- **Mr Paul Broad** B Comm (Hons), M Comm (Econ)

Non-Executive Director, age 55.  
Appointed Director 6 June 2006.

Paul is the Managing Director of PowerTel Limited and he was formerly Managing Director of Energy Australia from 1997 to 2004.

Prior to this he was Managing Director of Sydney Water from 1993 to 1997 where he introduced significant changes in business principals and values, leading to its corporatisation in 1995. Previously he had implemented similar reform as Managing Director of the Hunter Water Corporation.

- **Mr Anthony Grist** ASIA, FAIC, BComm

Non-Executive Director, age 43.  
Appointed Director 26 July 2006.

Tony is Chairman of Amcom Telecommunications Limited, an ASX listed company. Tony established a Western Australian based private investment group in 1991 and brings to the board significant international public company management expertise. Tony holds a number of board positions including director of Amcom Telecommunications Limited and Alto Energy International Limited.

- **Mr David Grant** B Comm, ACA,

Non-Executive Director age 42,  
Appointed a Director of the Company on 12 October 2006.

David has significant financial and commercial experience gained over a career spanning the accounting profession and a range of public company executive roles.

Most recently, David was Chief Financial Officer at Iluka Resources Limited, a top 150 ASX listed, Perth based mineral sands company. Key areas of responsibility have included accounting and reporting, taxation, treasury, risk management, information systems, investor relations and commercial evaluation.

David's employment at Iluka Resources spanned from 2003 to the present. Prior to Iluka Resources, David was employed with multi-national food manufacturing group, Goodman Fielder Limited, for a period of eleven years. This period included a range of senior financial and business development roles in both corporate and operating environments.

David's early career grounding was gained within the chartered accounting profession with Touche Ross & Co where he was exposed to a variety of client based work involving audit, taxation and accounting services.

In addition to his executive roles David has held a number of directorships on public company and subsidiary boards. Most recently, this has included Consolidated Rutile Limited, a listed mining and processing company based in Queensland.

## ● ● Adoption of the Remuneration Report

As required by S250R of the Corporations Act 2001 (Cth), a resolution that the remuneration report for the year ended 30 June 2006 be adopted is put to the vote.

The remuneration report is set out on pages 22 to 29 of the 2006 Annual Report of the Company. The vote on this item is advisory only and does not bind the Directors or the Company; however the Company will take the outcome into consideration when reviewing remuneration practices and policies. During this item there will be reasonable opportunity for shareholders to comment on and ask questions about the remuneration report.

The Board unanimously recommends that shareholders vote in favour of resolution 3, adopting the remuneration that was paid to key management personnel in the 2006 financial year.

### Ratification of Share Issues

Australian Stock Exchange Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of shares, or securities convertible into shares, representing more than 15% of the issue capital of the company in any 12 month period (subject to various exceptions). Australian Stock Exchange Listing Rule 7.4 provides that an issue of securities made without approval under ASXLR 7.1 is treated as having been made with approval for the purposes of ASXLR7.1 if each of the following applies:

- the issue did not breach ASXLR7.1 and
- holders of ordinary securities subsequently approve it.

The placements did not breach ASXLR7.1. Shareholder approval is sought so that ASXLR7.4 will apply. Such approval will have the effect of reinstating the limit set out by ASXLR7.1 to the limit before the issues were made. Resolutions 4 (a) and (b) seek to ratify these issues.

### Details of the Issues

(a) On 2 June 2006, the Company issued 12,600,000 fully paid ordinary shares at an issue price of 85.0 cents to PowerTel Limited. The shares issued carry the same voting rights, and are entitled to participate in any dividends on the same basis, as other fully paid ordinary shares. The funds raised through the issue have been applied to debt reduction and working capital.

(b) On 30 August 2006, the Company issued 3,763,986 fully paid ordinary shares at an issue price of 69.6 cents to PowerTel Limited. The shares issued carry the same voting rights, and are entitled to participate in any dividends on the same basis, as other fully paid ordinary shares. The funds raised through the issue have been applied to debt reduction and working capital.

The Board unanimously recommends that shareholders vote in favour of these resolutions.

### Voting Exclusion Statement

The Company will disregard votes cast on resolutions 4 (a) and (b) by:

- any person who participated in the issue of the shares, and
- an associate of such a person.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



### **Increase in maximum aggregate remuneration**

The current maximum aggregate amount approved by shareholders to be paid as remuneration to all non-executive directors, (excluding expenses and fees for any extra services performed) is A\$400,000. This sum was approved at the 2003 AGM. Listing rule 10.17 provides that a listed company may not, without shareholder approval, increase the total amount of non-executive directors' fees. Pursuant to Listing Rule 10.17 shareholder approval is now sought to increase this sum by A\$200,000 to a new maximum aggregate amount of A\$600,000.

Since the time the current maximum aggregate amount of A\$400,000 was set, additional non-executive directors have joined the board of the Company, increasing the number of current non-executive directors to 5. In line with previously announced plans, the Chairman of the Company, Mr Peter Harley, will revert to a non-executive capacity in the near future. At that time, and based upon remuneration levels disclosed below, the total aggregate remuneration payable to non-executive directors of the Company including statutory superannuation will be approximately \$414,000 per annum. The increase in the maximum aggregate remuneration will address the current shortfall and allow for the development of the board.

Currently, the base remuneration for non-executive directors of the Company is A\$55,000 per annum, plus statutory superannuation. An additional A\$10,000 is payable to the Chairman of the Audit and Risk Committee. With the adoption by the Board of a much broader Audit and Risk Management charter than previously existed, the Board intends to increase the fee of the Audit Committee Chairman. The Chairman of the Company currently receives base remuneration of A\$95,000 plus statutory superannuation.

Given the interests of the non-executive directors in this item, the Board as a whole makes no recommendation on this item.

### **Voting Exclusion Statement**

The Company will disregard votes cast on resolution 5 by:

- a director of the Company, and
- an associate of such a person.

However the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### ● ● **Enquiries**

Shareholders are invited to contact the Company Secretary, Stephen Fewster on +(61 8) 9214 2207 if they have any queries in respect of the matters set out in these documents.

### ● ● **Glossary**

Board means the board of directors of the Company.

Company means iiNet Limited (ABN 48 068 628 937).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Statement means the explanatory statement to the Notice.

Meeting means the meeting convened by this Notice.

Notice means the notice of meeting accompanying this Memorandum.