amcom

30 June 2011

Dear Shareholder

I am writing to you regarding an important proposed initiative in the ongoing evolution of your company.

As you would be aware, Amcom now holds a 20.4% equity interest in iiNet limited (ASX: IIN) which is Australia's second largest broadband internet service provider. Amcom acquired the bulk of its holding in 2006 at an average entry price of $1.14 per share. Since then, Amcom has received significant dividends from iiNet and the share price has risen to around $2.59 today. At current prices Amcom's investment iiNet is worth approximately $80 million.

The Board believes iiNet is a quality business and the investment has delivered significant value uplift to Amcom. However, Amcom and iiNet service different segments of the telecommunications market and have different strategies to grow and continue delivering shareholder value in the future. For these reasons, we believe Amcom shareholders should be allowed to choose their own mix of exposure to the consumer and enterprise markets and both businesses would benefit by moving forward independently of each other.

The Board considered many options regarding the iiNet investment. It is our belief the most effective structure is to distribute the iiNet shares that Amcom holds to Amcom shareholders on a pro-rata basis via an in specie distribution for nil consideration.

This transaction should provide greater clarity on the value inherent in both companies and provide Amcom shareholders with greater discretion in managing their own investment portfolio and taxation position.

Upon completion of the transaction, shareholders will own exactly the same number of Amcom shares they held prior to the transaction occurring. Shareholders will also own iiNet shares in proportion to the number of Amcom shares they own (subject to fractional entitlements being round down). This equates to 1 iiNet share for every 23.2 Amcom shares held, or expressed another way, for every 10,000 Amcom shares held shareholders will receive approximately 430 iiNet shares.

Directors believe that the planned in specie distribution will be largely tax neutral to most shareholders. The company is seeking a ruling from the Australia Taxation Office. Further details are included in the Notice of Meeting and Explanatory Memorandum which are enclosed.

The proposed distribution requires the approval of shareholders. I urge you to read the enclosed Notice of Meeting and Explanatory Memorandum before casting your vote and to seek independent financial and taxation advice as required.

Amcom Telecommunications Ltd
Level 22, 44 St Georges Terrace, Perth WA 6000 • Phone: 08 9244 6000 • Fax: 08 9244 6592
ABN: 20 062 046 217
amcom.com.au

Although shareholders may pass the resolution, the final decision to proceed with the distribution and the timing of it will be made by the Board of Directors.

Proposed Share Consolidation

The Board of Directors also propose to consolidate the company's share capital through the conversion of 3 ordinary Amcom shares into 1 ordinary share. If approved by shareholders the consolidation will take place shortly after the distribution of iiNet shares. The number of Amcom shares on issue would reduce from currently 721 million to approximately 240 million bringing the number of shares on issue in line with industry peers. This resolution is not dependent upon the distribution occurring.

If approved by shareholders, the consolidation will have no impact on each shareholder's percentage ownership of the company. Where the consolidation of a shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the nearest whole number of shares.

Enclosed are the Notice of Meeting and Explanatory Memorandum together with a proxy form which provide further important information on these two proposals.

The shareholders meeting is scheduled for 9 August 2011 at 10 am WST to be held at Level 1 Media Suite, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia.

Tony Grist
Chairman

Amcom Telecommunications Limited

ACN 062 046 217

NOTICE OF GENERAL MEETING

and

EXPLANATORY MEMORANDUM

Date of Meeting:	9 August 2011
Time of Meeting:	10 am WST
Place of Meeting:	Level 1 Media Suite Perth Convention and Exhibition Centre 21 Mounts Bay Road, Perth

This Notice of General Meeting and Explanatory Memorandum should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

AMCOM TELECOMMUNICATIONS LIMITED

ACN 062 046 217

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Amcom Telecommunications Limited ACN 062 046 217 (the **Company**) will be held at Level 1 Media Suite, Perth Convention Exhibition and Convention Centre, 21 Mounts Bay Road, Perth, Western Australia, at 10 am WST on 9 August 2011.

The Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting describes the various matters to be considered and contains a glossary of defined terms for terms that are not defined in full in this Notice of Meeting.

AGENDA

Resolution 1 Approval of In Specie Distribution

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution:**

> *That, in accordance with sections 256B and 256C of the Corporations Act and for all other purposes, the Directors be authorised, at their discretion, to effect a reduction in share capital of the Company by approximately $25.5m, and that such reduction be effected and satisfied by distributing the iiNet Shares in specie to Shareholders on the terms and conditions specified in the Explanatory Memorandum accompanying this Notice of Meeting.*

Resolution 2 Approval of Share Consolidation

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution:**

> *That, in accordance with section 254H of the Corporations Act and for other all purposes, the Shares be consolidated with effect from 30 August 2011 on the basis of 1 Share for every 3 Shares held as at 29 August 2011, on the terms and conditions specified in the Explanatory Memorandum accompanying this Notice of Meeting.*

By order of the Board

David Hinton

Chief Financial Officer and Company Secretary

Dated: 30 June 2011

AMCOM TELECOMMUNICATIONS LIMITED
ACN 062 046 217

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the General Meeting of Shareholders to be held at Level 1 Media Suite, Perth Convention Exhibition and Convention Centre, 21 Mounts Bay Road, Perth, Western Australia at 10 am WST on 9 August 2011.

The Explanatory Memorandum should be read in conjunction with the accompanying Notice of General Meeting. For the assistance of Shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

The dates set out in the Notice of General Meeting and this Explanatory Memorandum relating to the implementation of the Distribution and the Share Consolidation are indicative and subject to change at the Board's discretion, and are subject to the ASX Listing Rules.

Full details of the business to be considered at this General Meeting are set out below.

1. Resolution 1 - Approval of In Specie Distribution

1.1 Introduction

As Shareholders are aware, Amcom Telecommunications Limited (**Amcom** or **the Company**) currently holds an investment in iiNet Limited (**iiNet**). Amcom currently owns 31,047,267 or 20.4% of iiNet following the recent sell down of 4.5 million shares in iiNet Ltd on 17 June 2011.

The iiNet investment has been held since 2006 and the 20.4% stake currently has an estimated market value in the order of $80 million, based on iiNet's recent share price of $2.59 as at 29 June 2011.

The Directors are of the opinion that this shareholding is no longer strategic and that a distribution of the iiNet Shares to Shareholders via an in specie distribution will provide greater clarity and value.

This ordinary resolution is to seek Shareholder approval, which if passed, will authorise the Company to reduce its share capital via an in specie distribution of these iiNet Shares to Shareholders (the **Distribution**).

Shareholders will receive a proportional number of shares in iiNet (subject to fractional entitlements being rounded down) relative to their shareholding in Amcom.

Shareholders will not be required to pay any consideration for their iiNet Shares. Amcom will make an appropriate capital reduction to reflect the Distribution under section 256B of the Corporations Act. If the Distribution occurs, the Company's paid up share capital will be reduced by the Capital Reduction Amount.

Although Shareholders may pass the Resolution, the final decision to proceed with the Distribution will be made by the Directors, in their absolute discretion.

The Distribution will be made to all Shareholders who hold Shares on the Record Date.

1.2 Legal requirements

As the Distribution will, in part, be debited to the Company's share capital account, the Distribution amounts to a reduction in the Company's share capital.

Section 256B(1) of the Corporations Act provides that a company may reduce its share capital if the reduction:

- is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by shareholders under section 256C.

For the purposes of the Corporations Act, the proposed Distribution is an "equal" reduction of capital which requires the approval of Shareholders by ordinary resolution in a general meeting. Accordingly, for the Distribution to proceed, a majority of votes must be cast in favour of the resolution.

The Directors are of the opinion that the proposed capital reduction will not materially prejudice the Company's ability to pay its creditors, will not result in the Company being insolvent at the time of the Distribution or becoming insolvent as a result of the Distribution, and is fair and reasonable to Shareholders as a whole as it will be undertaken on a pro rata basis.

1.3 Reasons for the Distribution

The reasons for the proposed Distribution are listed below:

- Although Amcom is a substantial Shareholder in iiNet, Amcom is unable to influence its strategic direction, and therefore the investment is relatively passive.
- Both Amcom and iiNet have significant differences in competitive, regulatory, growth, and customer profiles.
- There are no operational synergies for Amcom in holding iiNet Shares.
- Shareholders wishing to gain an exposure directly to iiNet or Amcom are still able to do so.
- Directors have received significant feedback from investors and market commentators that the shareholding in iiNet is regarded as a non-core asset.
- The Distribution will reduce any "holding company discount" that may exist in Amcom's share price with respect to its investment in iiNet.

Proforma financial statements showing the financial impact of the Distribution are included as Appendix 1.

1.4 Advantages and disadvantages

The Directors believe that the principle advantages and disadvantages to Shareholders of the proposed Distribution are as follows:

Advantages

- Shareholders will acquire a direct interest in iiNet.

- Shareholders will retain their shareholdings in each company in the same proportions in which they were held prior to the Distribution.

- Shareholders will have a market in which to sell the iiNet Shares received by them under the Distribution should they wish to do so.

- The Distribution will provide Shareholders with greater flexibility in respect of their own investment portfolios.

- The Distribution will highlight Amcom's own focus and growth profile.

- Subject to individual tax considerations, the Distribution is expected to be largely tax neutral for Shareholders. This is further explained in section 1.5.

Disadvantages

- Amcom's Shares or the iiNet In Specie Shares may increase or decrease in value following the Distribution. The combined value of the two investments may increase or decrease subject to equity market conditions and the operating performance of each company. Amcom Directors are not in a position to comment on whether the iiNet In Specie Shares will remain quoted on the ASX over time. The Distribution may reduce Amcom's market capitalisation.

- Amcom currently includes its share of the net profit of iiNet in Amcom's reported net profit in accordance with the equity method of accounting, and includes the dividends received from iiNet as operating cash flows in its cash flow statement. Post Distribution, Amcom will no longer record the equity accounted earnings and will no longer receive dividends from iiNet. This may lead to a reduction in the earnings and operating cash flow reported by Amcom. For the financial year ended 30 June 2010, Amcom included in its reported net profit $7.8m share of the net profit of iiNet and for the year ended 30 June 2011 received $3.9m in dividends.

- Amcom currently has a dividend policy of paying approximately 50% of the net profit after tax as dividends. As noted above, the net profit reported by Amcom may reduce as a result of the Distribution. If a reduction in net profit occurs, it will lead to a reduction in the amount of dividend per share paid by Amcom to Shareholders. It should be noted that the Board does not intend to pay a dividend from the profit arising from the sell down that occurred on 17 June 2011 or the profit arising on the distribution of iiNet Shares due to the non-recurring nature of those profits and tax considerations.

- Post Distribution, the Net Tangible Assets of the Company will reduce by approximately 6 cents per Share, being the value of the Distribution.

- Shareholders may incur transaction and brokerage costs if they subsequently wish to dispose of their iiNet Shares.

- The Distribution will result in Amcom not realising a premium that may be available should the iiNet Shares be sold as a block.

1.5 Taxation

Shareholders are encouraged to seek and rely only on their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Distribution.

The current taxation laws may provide certain relief from taxation for a company and its Shareholders for eligible demergers such as the proposed Distribution.

The Directors have received advice that these demerger provisions should apply to the proposed demerger to provide capital gains tax relief to Amcom by disregarding any capital gain or loss made on the disposal of iiNet Shares. The provisions should also provide relief to Shareholders by allowing them to choose to disregard any capital gain they make as a result of receiving iiNet In Specie Shares. Finally, the provisions require cost base adjustments to be made to the Amcom and iiNet In Specie Shares held after the demerger occurs. This effectively rolls over the capital gain or loss until the shares in Amcom or iiNet are subsequently sold.

Amcom has applied for a Class Ruling from the Australian Taxation Office to provide certainty to Shareholders on the tax outcomes arising from the in specie Distribution. Amcom will provide an update to Shareholders on the outcome of the Class Ruling application, including further guidance as to the cost base adjustments that are required.

Attached as Appendix 2 is a tax opinion prepared by KPMG which summarises the tax outcomes for Shareholders arising from the Distribution.

1.6 Implementation of the Distribution

1.6.1 Amount of capital reduction

If the Distribution proceeds, the Company's share capital will be reduced by the Capital Reduction Amount (subject to minor adjustment for the effect of rounding down fractional entitlements to iiNet In Specie Shares). The Capital Reduction Amount is approximately $0.035 per Share.

1.6.2 Record date

In accordance with the ASX Listing Rules, if the Board resolves to proceed with the Distribution, the record date for the Distribution will be 17 August 2011.

1.6.3 Fractional entitlements

Fractional entitlements to iiNet In Specie Shares will be rounded down to the nearest whole number and the surplus iiNet Shares resulting from that rounding down will be retained by the Company.

1.6.4 Creditors

The proposed Distribution involves a reduction in the Company's paid up share capital. However, in the opinion of the Directors this will not materially prejudice the Company's ability to pay its creditors. The reduction of capital will not involve the payment by the Company of any cash amounts and the Company's cash reserves are more than sufficient to pay the amounts owed to creditors.

1.6.5 Effect on Shareholders

The Distribution will have no effect on the number of Shares held by each Shareholder or on the proportionate interest in the Company's share capital.

1.6.6 Effect on Incentive Plans

The Company has in place a Performance Rights based Executive Long Term Incentive Plan (the **Plan**). Performance Rights do not give holders any entitlement to receive this Distribution.

Under the Plan rules, performance hurdles and vesting conversion ratios are amended when the Company undertakes a capital reorganisation or makes a special distribution such as the Distribution proposed by Resolution 1.

As the Distribution will reduce the value of any Shares ultimately received by Performance Rights holders, adjustments are required to ensure that Performance Rights holders are not disadvantaged relative to the ordinary Shareholders of the Company. The Directors believe that an equitable way to counter the diminution in value of the Shares underlying the Performance Rights, in accordance with the Plan rules, is to make the following adjustments.

<u>Effect on Tranche A</u>

There are 6,550,000 Tranche A Performance Rights on issue. The impact of the Distribution on Tranche A is as follows:

Change in the Share Price Target

Tranche A Performance Rights will vest if the 20 day volume weighted average price of Shares traded on ASX reaches or exceeds $0.50 (the **Share Price Target**) at any time between 31 March 2012 and 31 December 2012. Under the proposed Distribution the Share Price Target will be reduced by the value of the Distribution expressed on a per Share basis based upon the closing iiNet Share price listed on the ASX on the day before the proposed Distribution was announced, which was $2.83.

The Share Price Target is reduced by $0.12 to $0.38 which is calculated as follows:

Reduction in the Share Price Target = 31,047,267 (iiNet In Specie Shares) x $2.83 (iiNet closing share price) divided by 721,018,555 (Shares on issue).

Change in the vesting conversion ratio

Upon vesting Tranche A Performance Rights convert on a 1 for 1 basis into ordinary Shares. Under the proposed Distribution the vesting conversion ratio will be increased so that post Distribution the resulting number of ordinary Shares multiplied by the reduced Share Price Target is equal in value to the number of ordinary Shares (pre Distribution) multiplied by the Share Price Target of $0.50. This is illustrated as follows:

	No.of Performance Rights	Conversion Ratio	No. Ordinary Shares	Share Price Target	Value*
Current	6,550,000	1:1	6,550,000	$0.50	$3,275,000
Post Distribution	6,550,000	1:1.3165	8,618,421	$0.38	$3,275,000

* potential value of underlying ordinary Shares upon vesting of Tranche A

<u>Effect on Tranche B</u>

There are 1,440,000 Tranche B Performance Rights on issue. The impact of the Distribution on Tranche B is as follows:

Change of performance hurdle

Tranche B Performance Rights will vest 50% based upon continuing employment to 30 June 2013. A further 25% will vest should the Amcom Total Shareholder Return (**TSR**) equal the S&P ASX 300 Accumulation Index. The remaining 25% will vest should the Amcom TSR equal or exceed 110% of the S&P ASX 300 Accumulation Index. The Amcom TSR and the S&P ASX 300 Accumulation Index is measured over the period 1 July 2010 to 30 June 2013. The value of the Distribution expressed on a per Share basis will be included as a dividend on the ex Distribution date for the purposes of calculating the Amcom TSR.

Change in the vesting conversion ratio

Similar to Tranche A, upon vesting, Tranche B Performance Rights convert on a 1 for 1 basis into ordinary Shares. Under the proposed Distribution the vesting conversion ratio for Tranche B Performance Rights will be adjusted to 1:1.3165 on the same basis as the adjustment made to Tranche A explained above. Post Distribution the Company will have on issue 1,440,000 Tranche B Performance Rights that if fully vested will convert to 1,895,760 ordinary Shares.

1.6.7 Effect on Converting Shares

There are 4,114,286 Converting Shares on issue. As the holders of Converting Shares will receive the Distribution, the Board has determined that no adjustment to Converting Shares is required.

1.6.8 Overseas Shareholders

Distribution of the iiNet Shares to overseas Shareholders under the reduction of capital will be subject to legal and regulatory requirements in their jurisdictions. If the requirements of any jurisdiction where a Shareholder is resident are held to restrict or prohibit the Distribution as proposed or would impose on Amcom an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on Amcom an undue burden, the iiNet Shares to which the relevant Shareholder is entitled will be sold by Amcom on their behalf as soon as practicable after the Record Date and Amcom will then account to those Shareholders for the net proceeds of sale after deducting the costs and expenses of the sale.

As the reduction of capital is being represented and satisfied by the distribution to Shareholders of iiNet Shares and security prices may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Shareholders may be more or less than the notional dollar value of the Distribution as set out in this Explanatory Memorandum.

1.7 Costs of Distribution

The cost to Amcom of effecting the Distribution is estimated to be $100,000.

1.8 Directors' interests

No Director will receive any payment or benefit in kind from the Distribution other than as a Shareholder. To the extent the Directors hold Shares, they will be treated on the same basis as the other Shareholders in respect of the capital reduction.

1.9 Nominee Director

Mr Anthony Grist has been the Company's nominee director on the iiNet board of directors since July 2006. At completion of the Distribution Mr Grist will no longer act as Amcom's nominee director on the board of iiNet. Mr Grist may remain as a director of iiNet but that will be a decision to be made by Mr Grist and iiNet.

1.10 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of the resolution, in the absence of the Company receiving an offer for the iiNet Shares which the Board determines it is in the best interests of the Company to accept.

2. Resolution 2 - Consolidation of Shares

2.1. Introduction

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

The Company proposes to consolidate its share capital through the conversion of every 3 Shares in the Company into 1 Share in the Company (**Share Consolidation**). The result will be that each member will hold in number one-third of the Shares held prior to the consolidation.

Accordingly, Resolution 2 seeks member approval of the Share Consolidation.

If the Share Consolidation is approved, the Share Consolidation will take effect from 30 August 2011. The Share Consolidation, if approved, will apply to both the listed and unlisted Shares on issue.

2.2. No Interdependency with Resolution 1

The Board has determined that Resolution 2 is not dependent on the passing of Resolution 1 that is being submitted to Shareholders at the same General Meeting. In particular, if Resolution 2 is approved by Shareholders, the Share Consolidation will be undertaken, whether or not Resolution 1 is approved by Shareholders or if the Distribution occurs or not.

2.3. Timing

In the event that the Distribution is approved by Shareholders and the Board resolves to proceed with the Distribution, the Distribution will be paid to Shareholders prior to the Share Consolidation taking effect. Whether or not the Distribution proceeds, if the Share Consolidation is approved by Shareholders it will take effect from 30 August 2011.

2.4. Fractional entitlements

Where the consolidation of a Shareholder's holding results in an entitlement to a fraction of a Share, the fraction will be rounded up to the nearest whole number of Shares. If the Company reasonably believes that a Shareholder has been a party to the division of a shareholding in an attempt to obtain an advantage from this treatment of fractions, the Company will take appropriate action, having regard as appropriate to the terms of the Company's constitution and the ASX Listing Rules. In particular, the Company reserves the right to disregard the division of the shareholding for the purpose of dealing with fractions so as to round up any fraction to the nearest whole number of Shares that would have been received but for the division.

2.5. Effect of the Share Consolidation

If the proposed Share Consolidation is approved by Shareholders, the number of Shares on issue will be reduced from 721,018,555 to 240,339,517 (subject to rounding). As the Share Consolidation applies equally to all of the Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject only to the rounding of fractions). It follows that the Share Consolidation will have no material effect on the percentage interest of each individual Shareholder.

The table below shows the issued share capital structure of the Company before and after the proposed Share Consolidation.

	Current	Post Share Consolidation
Listed Ordinary Shares	716,823,083	238,941,027
Unlisted Series A Ordinary Employee Shares	35,268	11,756
Unlisted Series B Ordinary Employee Shares	45,918	15,306
Converting Ordinary Shares	4,114,286	1,371,428
Total	721,018,555	240,339,517

Similarly, the aggregate value of each Shareholder's holding should not materially change, nor should the market capitalisation of the Company as a result of the Share Consolidation alone that is assuming no other market movements or impacts occur.

In the absence of other factors the ASX quoted price per Share can be expected to increase to reflect the reduced number of Shares on issue. Shareholders should note that the Distribution under Resolution 1, if approved, will also have an effect on the Company's share price.

2.6. Reasons for the Share Consolidation

Amcom has a large number of Shares on issue due to previous capital raising and corporate transactions including the issuance of equity instruments to originally acquire the stake in iiNet since 2006. As a result the number of Shares on issue is disproportionate to Amcom's peers and the number of Shareholders. The Directors therefore propose to reduce the number of Shares on issue by way of this Share Consolidation.

2.7. Tax implications for Shareholders of the Share Consolidation

The summary in this section is general in nature. In addition, particular taxation implications will depend upon the circumstances of each Shareholder. Accordingly, Shareholders are encouraged to seek and rely only on their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Share Consolidation.

The Share Consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each Shareholder in the Company as a result of the Share Consolidation. The Share Consolidation will occur through the conversion of every 3 Shares in the Company into 1 Share in the Company. No capital gains tax (CGT) event will occur as a result of the Share Consolidation and therefore there will be no taxation implications arising for Shareholders.

2.8. Effect on Incentive Plans

The Company has in place a Performance Rights based Executive Long Term Incentive Plan as discussed in section 1.6.6.

If Resolution 2 Share Consolidation is also approved, there would be a further adjustment to reduce the number of Performance Rights of both Tranche A and B by the Share Consolidation ratio of 3. For Tranche A, the Share Price Target is multiplied by 3 increasing the Share Price Target from $0.38 to $1.14 (assuming the Distribution occurs) or from $0.50 to $1.50 (if the Distribution doesn't occur).

The following table summarises the effect on the Performance Rights and the ordinary Shares resulting if vesting occurs.

Performance Rights	Current	Distribution (1)	Distribution and Share Consolidation (2)	Share Consolidation Only (3)
Tranche A				
Number	6,550,000	6,550,000	2,183,333	2,183,333
Conversion ratio	1:1	1:1.3165	1:1.3165	1:1
Ordinary Shares resulting	6,550,000	8,618,421	2,874,358	2,183,333
Share Price Target	$0.50	$0.38	$1.14	$1.50
Tranche B				
Number	1,440,000	1,440,000	480,000	480,000
Conversion ratio	1:1	1:1.3165	1:1.3165	1:1
Ordinary Shares resulting	1,440,000	1,895,760	631,920	480,000
Share Price Target	n/a	n/a	n/a	n/a

(1) Assumes the Distribution only occurs.
(2) Assumes the Distribution and Share Consolidation occurs
(3) Assume the Distribution doesn't occur but the Share Consolidation does.

2.9. Directors' recommendation

The Company's Directors unanimously recommend that Shareholders vote in favour of the Share Consolidation. Each Director intends to vote all the Shares controlled by him in favour of the proposed Share Consolidation.

No Director will receive any payment or benefit in kind from the Share Consolidation other than as a Shareholder. To the extent the Directors hold Shares, they will be treated on the same basis as the other Shareholders in respect of the Share Consolidation.

Details of the number of ordinary Shares in which each Director has in interest as at the date of this Notice of General Meeting is set out below together with the number of Shares held on a post Share Consolidation basis.

	Current	Post Share Consolidation
Anthony Grist	27,000,000	9,000,000
Clive Stein	2,311,000	770,333
Craig Coleman	4,400,000	1,466,666
Peter Clifton	4,500,000	1,500,000
Anthony Davies	1,100,000	366,666
Ian Warner	200,000	66,666

3. Key Dates for Distribution and Share Consolidation

Set out below is an indicative timetable. These indicative dates are subject to change at the Board's discretion and are subject to the ASX Listing Rules. The timetable below assumes that both the Distribution and Share Consolidation are approved by Shareholders and that the Directors resolve to proceed with the Distribution. If the Share Consolidation is approved but the Distribution is not approved or does not proceed, then only Part 2 of the indicative timetable will be relevant.

Event	**Date**
DISTRIBUTION	
Date of General Meeting	9 August 2011
Company announces to ASX that Shareholders have approved the Distribution and Consolidation (if relevant)	9 August 2011
Trading in Shares commences on an ex-Distribution basis	11 August 2011
Record Date for determining entitlements to Distribution	17 August 2011
Anticipated despatch of IIN holding statements to Shareholders	19 August 2011
SHARE CONSOLIDATION	
Trading commences in post consolidation Shares on a deferred settlement basis	23 August 2011
Last date for registration of transfers on a pre-Consolidation basis	29 August 2011
Amcom distributes new holding statements to Shareholders and tells ASX by noon that despatch has occurred	5 September 2011
Normal T+3 trading resumes	6 September 2011

4. Glossary of Terms

The following terms and abbreviations used in the Notice of General Meeting and this Explanatory Memorandum have the following meanings:

$ means Australian dollars.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of the ASX.

Board means the board of directors of the Company.

Capital Reduction Amount means approximately $25.5m.

Company or **Amcom** means Amcom Telecommunications Limited ACN 062 046 217.

Converting Shares means a share in the capital of Amcom issued under the terms of issue approved by Shareholders at the meeting of the Company held on 29 April 2010.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Directors means the directors of the Company, from time to time.

Distribution means the distribution of the iiNet Shares the subject of Resolution 1.

Explanatory Memorandum means this explanatory memorandum.

iiNet means iiNet Limited.

iiNet In Specie Shares means up to 31,047,267 of iiNet Shares held by the Company to be distributed in specie to Shareholders on the terms and conditions set out in the Explanatory Memorandum.

iiNet Shares means fully paid ordinary shares in iiNet Limited.

Meeting means the General Meeting of Shareholders to be held at Level 1 Media Suite, Perth Convention Exhibition and Convention Centre, 21 Mounts Bay Road, Perth at 10 am WST on 9 August 2011, or any adjournment thereof.

Net Tangible Assets means net assets less intangible assets calculated in accordance with generally accepted accounting principles.

Notice means this notice of meeting.

Performance Rights means the Tranche A Performance Rights and the Tranche B Performance Rights issued under the Plan.

Plan means the Company's Executive Long Term Incentive Plan established by the Board on 16 February 2010.

Record Date for the Distribution means 17 August 2011.

Resolution means the ordinary resolution to be put to Shareholders at the General Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Share Consolidation means the consolidation of every 3 ordinary Shares in the Company into 1 ordinary Share in the Company.

Shareholder means a registered holder of Shares.

Trading Day has the meaning given to that term in the ASX Listing Rules.

Tranche A or **Tranche A Performance Rights** means the Tranche A Performance Rights issued under the Plan.

Tranche B or **Tranche B Performance Rights** means the Tranche B Performance Rights issued under the Plan.

Below is the proforma abbreviated consolidated balance sheet of the Company showing the actual balance sheet as at 31 December 2010 and the proforma balance sheet as if the sell down of the iiNet Shares and the Distribution had occurred as at 31 December 2010.

$m	Actual 31 Dec 2010	Sell down (1)	Distribution (2)	Proforma 31 Dec 2010
Current Assets				
Cash assets	14.2	11.9		26.1
Trade and other receivables	6.6			6.6
Inventories and other	2.8			2.8
Total Current Assets	23.6			35.5
Non-Current Assets				
Investments - iiNet	56.6	(7.7)	(48.9)	-
Property, Plant & Equipment	99.5			99.5
Goodwill and intangible assets	34.1			34.1
Total Non-Current Assets	190.2			133.6
Total Assets	213.8			169.1
Current Liabilities				
Trade and other payables	10.3			10.3
Deferred revenue	7.5			7.5
Borrowings	0.2			0.2
Income tax payable and other	3.1			3.1
Total Current Liabilities	21.1			21.1
Non-Current Liabilities				
Borrowings	23.0			23.0
Trade, payables and other	4.1			4.1
Contingent consideration	13.8			13.8
Total Non-Current Liabilities	40.9			40.9
Total Liabilities	62.0			62.0
Net Assets	151.8			107.1
Equity	151.8	4.2	(48.9)	107.1
NTA per Share (c)	0.16 c			0.10 c
Shares on issue (m)	721			721

Notes

(1) Assumes the sell down of the 4.5m iiNet Shares occurring on 17 June 2011 occurred on 31 December 2010 providing proceeds of $11.9m and generating a profit of $4.2m (tax :nil).

(2) The Distribution occurs for the remaining 31,047,267 iiNet Shares.

Below is a summary of the consolidated profit results of the Company for the year ended 30 June 2010. The table shows the actual profit result together with the proforma profit results as if the sell down of the iiNet Shares and the Distribution had occurred at the start of that financial year on 1 July 2009.

$m	Actual 30 June 2010	Sell down (1)	Profit on Distribution (2)	Equity Accounting (3)	Proforma 30 June 2010
Revenue	63.1	0.5			63.6
EBITDA	22.4				22.4
EBIT	15.6				15.6
Interest expense (net)	(0.7)	0.5			(0.2)
Profit before tax	14.9				15.4
Tax expense	(4.3)	(0.2)			(4.5)
Net profit after tax before equity accounted earnings and Significant items	**10.6**				**10.9**
Equity accounted earnings	**7.8**			(7.8)	-
Net profit after tax after equity accounted earnings but before Significant items	**18.4**				**10.9**
Significant items:					
Profit on sale of investment (tax:nil)	0.9				0.9
Acquisitions activity expenses (tax:$0.3m)	(2.0)				(2.0)
Profit on sale of investment in iiNet (tax:nil)	-	4.2			4.2
Profit on Distribution realised	-		31.0		31.0
Reported Net Profit after tax	**17.3**				**45.0**
Basic EPS on					
Reported Net Profit after tax	2.73 c				7.11 c
Net profit after tax after equity accounted earnings but before Significant items	2.91 c				1.72 c
Net profit after tax before equity accounted earnings and Significant items	1.68 c				1.72 c
Weighted average number of ordinary shares used for Basic EPS calculation (mill)	632.6				632.6

Notes

(1) Assumes the sell down of the 4.5m iiNet Shares that occurred on 17 June 2011 occurred on 1 July 2009 providing proceeds of $11.9m and generating a profit of $4.2m (tax: nil).

(2) The Distribution occurs for the remaining 31,047,267 iiNet Shares with the profit arising of $31m (tax: nil) assuming the value of the Distribution and the market value of the iiNet In Specie Shares at the time of determining the Distribution and the date the Distribution is effected is $2.70 the current iiNet Share price.

(3) The share of iiNet's equity accounted earnings removed.

Appendix 2

KPMG

Tax
235 St Georges Terrace
Perth WA 6000

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Perth WA 6837
Australia

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Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

The Directors
Amcom Telecommunications Limited
Level 22
44 St Georges Terrace
PERTH WA 6000

Our ref 11701318_1

30 June 2011

Dear Sirs

In-specie distribution
Income tax opinion

Introduction

This summary provides a guide to the general taxation implications that will arise for shareholders of Amcom as a result of Amcom's *in-specie* distribution of its iiNet shareholding to its shareholders. The summary is provided for inclusion in a Notice of Meeting dated on or about 30 June 2011.

This summary is not a complete analysis nor does it identify all potential tax consequences arising from the distribution to Amcom shareholders. Amcom shareholders should consult their professional tax advisors to determine the tax implications of their particular circumstances.

Amcom has applied to the Australian Taxation Office (ATO) for a Class Ruling to confirm the Australian income tax consequences associated with the distribution for Amcom's shareholders.

Overview of the transaction

The transaction involves Amcom making an *in-specie* distribution of its iiNet shareholding to its shareholders in direct proportion to their shareholding in Amcom. The distribution will involve two components, being a return of capital and a dividend.

Return of capital component

The return of capital is a capital gains tax (CGT) event under the *Income Tax Assessment Act 1997* (the "Tax Law").

Amcom shareholders who are residents of Australia for income tax purposes and who hold their Amcom shares on capital account should be eligible for rollover relief in respect of this CGT event under the demerger rules in the Tax Law (demerger rollover relief). Broadly, demerger rollover relief will allow Amcom shareholders to elect to defer any capital gain arising from the CGT event.

Furthermore, no part of the return of capital should give rise to a deemed taxable dividend.

Tax implications where demerger relief is chosen

Where shareholders who are eligible for rollover relief choose for it to apply, the following tax outcomes arise:

- Any capital gain arising from the *in-specie* distribution of iiNet shares will be disregarded.
- The original cost base of Amcom shares held before the demerger will be allocated across Amcom and iiNet shares held after the demerger according to their relative market values. Amcom intends to advise shareholders of the relative market values after the transaction is complete.
- The iiNet shares received will be taken to have been acquired when the shareholder's Amcom shares were acquired.

Tax implications where demerger relief is not chosen

Where shareholders who are eligible for rollover relief do not choose for it to apply, the following tax outcomes arise:

- Amcom shareholders will realise a capital gain to the extent that the return of capital exceeds the cost base of their Amcom shares. In these circumstances, the cost base of each Amcom share is reduced to nil and the balance of the return of capital will be a capital gain for Amcom shareholders.
- Where the return of capital does not exceed the cost base of the Amcom shares, the cost base of the Amcom shares is reduced by the amount of the return of capital. Amcom shareholders cannot realise a loss as a result of the return of capital.
- The original cost base of Amcom shares held before the demerger will be allocated across Amcom and iiNet shares held after the demerger according to their relative market values. Amcom intends to advise shareholders of the apportionment percentage after the demerger is complete.
- For CGT discount purposes (see below), the iiNet shares received will be taken to have been acquired when the shareholder's Amcom shares were acquired. For general CGT purposes, the iiNet shares received will be considered acquired on the date they are received by shareholders.

Dividend component

The dividend component of the *in-specie* distribution will **not** constitute a taxable dividend, and therefore should not be included in the taxable income of Amcom's shareholders. No imputation credits will attach to the dividend component.

CGT cost base – allocation between Amcom shares and iiNet shares

As noted above, the *in-specie* distribution will result in Amcom shareholders being required to apportion the existing cost base of their Amcom shares over both the iiNet shares and their Amcom shares held post-transaction.

The apportionment of the cost base of Amcom shares between Amcom shares and iiNet shares will require that the Amcom shareholder consider the anticipated or actual market values of Amcom shares and iiNet shares immediately after the Distribution. One such method is the volume weighted average price (VWAP) of Amcom compared with the VWAP of iiNet.

It is expected that the Class Ruling from the ATO will confirm the allocation methodology for Amcom shareholders to apportion the CGT cost base of the Amcom shares.

Disposal of Amcom shares after the distribution

The distribution does not result in a disposal of the Amcom shares by the Amcom shareholder.

Upon subsequent disposal of Amcom shares, certain Amcom shareholders may be entitled to the CGT discount concession. Individuals and complying superannuation funds who have held their Amcom shares for more than 12 months may be entitled to a CGT discount of 50% and 33⅓ % respectively. Alternatively, Amcom shareholders who acquired their Amcom shares before 22 September 1999 may instead be able to claim cost base indexation until the September 1999 quarter. The distribution will not change the acquisition date of each Amcom share for an Amcom shareholder.

Disposal of iiNet Shares

For the purposes of the CGT discount concession, Amcom shareholders will be deemed to have acquired their iiNet share on the same date that the original Amcom share was acquired. Accordingly, upon disposal of iiNet shares, certain Amcom shareholders may be entitled to the CGT discount concession as set out above.

Alternatively, Amcom shareholders who acquired their Amcom shares before 22 September 1999 may instead be able to claim cost base indexation until the September 1999 quarter. However, indexation will not be available to shareholders who do not elect for the demerger relief to apply, as for general CGT purposes (including indexation), the iiNet shares are considered to be acquired on the date on which those shares were received.

Australian income tax implications of the distribution for non-residents

Rollover relief will only be available to non-resident shareholders as a result of the *in-specie* distribution in limited circumstances.

In this regard, non-resident shareholders should seek advice from their professional tax advisers and also confirm the tax implications in their country of residence.

Scope of comments

Our income tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

Yours faithfully

KPMG

KPMG

For personal use only

PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

PROXY INSTRUCTIONS

Shareholders are entitled to appoint up to two individuals or bodies corporate to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the Company's at Level 22, 44 St Georges Terrace, Perth, WA, Fax: +61 8 9244 6592 not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual or body corporate named in the proxy form proposes to vote.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy may, but need not, be a Shareholder of the Company.

In the case of Shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form accompanies this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 5 pm WST on 5 August 2011. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

PROXY FORM

APPOINTMENT OF PROXY
AMCOM TELECOMMUNICATIONS LIMITED
ABN 20 062 046 217

I/We

being a Shareholder of Amcom Telecommunications Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the General Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Level 1 Media Suite, Perth Convention Exhibition and Convention Centre, 21 Mounts Bay Road, Perth at 10 am WST on 9 August 2011 and at any adjournment thereof. ***If no directions are given, the Chairman will vote in favour of all of the resolutions.***

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	In specie distribution	☐	☐	☐
Resolution 2	Share consolidation	☐	☐	☐

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your votes are not to be counted in computing the required majority on a poll.

Signed this day of 2011.

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

Phone number ....

(In the event the Company needs to make contact with you in relation to this Proxy Form, please provide your day time telephone number, including an area code.