



iiNet Limited

ABN 48 068 628 937

**NOTICE OF ANNUAL GENERAL MEETING AND
EXPLANATORY STATEMENT**

For the Annual General Meeting to be held on 19 November 2013 at 10:30 a.m. (WST) at
Level 2, 502 Hay Street, Subiaco, Western Australia

CONTENTS

AGENDA	3
General Business	3
Financial Reports	3
Election of Directors	3
Remuneration Report	4
Approval of Financial Assistance – Acquisition of Adam Internet	5
INFORMATION FOR SHAREHOLDERS	6
How to Vote	6
Voting Entitlements	6
Voting in Person	6
Voting by Corporate Representative	6
Voting by Proxy	6
Enquiries	7
EXPLANATORY STATEMENT	8
General Information	8
Financial Reports	8
Resolutions	8
Glossary	11

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM**) of shareholders of iiNet Limited (**Company**) will be held on Tuesday 19 November 2013 at 10:30 a.m. (WST) at Level 2, 502 Hay Street, Subiaco, Western Australia.

The attached Explanatory Statement is provided to supply shareholders with information to enable them to make an informed decision regarding items of business set out in this Notice. The Explanatory Statement is intended to be read in conjunction with, and forms part of, this Notice. A glossary of defined terms used in the Notice of Meeting and Explanatory Statement is set out at the end of the Explanatory Statement.

AGENDA

General Business

Financial Reports

To receive and consider the Company's financial statements and the reports of the directors and auditor for the year ended 30 June 2013. An electronic copy is available from the investor section of the Company's website, visit <http://investor.iinet.net.au/irm/content/default.aspx>.

Election of Directors

Resolution 1 – Re-election of David Grant

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

“That Mr David Grant, a non-executive director of the Company, who retires by rotation pursuant to Rule 3.6(a) of the Company’s Constitution, and having offered himself for re-election and being eligible, be elected as director of the Company.”

Note:

“Mr Paul Broad, a non-executive director of the Company, retires by rotation pursuant to Rule 3.6(a) of the Company’s Constitution and will not be offering himself for re-election as director of the Company.”

Remuneration Report

Resolution 2 – Adoption of the Remuneration Report

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

“That the remuneration report of the Company for the year ended 30 June 2013 be adopted.”

Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

Votes cannot be cast, and the Company will disregard any vote cast, on Resolution 2 by, or on behalf of:

- (a) a member of the key management personnel as disclosed in the Remuneration Report (**Key Management Personnel**); or
- (b) a closely related party (such as close family members and any controlled companies) of those persons,

unless the vote is cast by a person as a proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

Approval of Financial Assistance – Acquisition of Adam Internet

Resolution 3 – Approval of Financial Assistance – Acquisition of Adam Internet

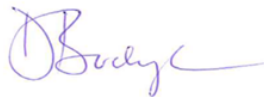
To consider and, if thought fit, to pass as a special resolution:

“That, in accordance with section 260B(2) of the Corporations Act, approval be given for:

- (a) Adam Internet Holdings Pty Ltd (ABN 58 120 885 289) (**Adam Holdings**); and*
- (b) Adam Internet Pty Ltd (ABN 22 055 495 853) (**Adam Internet**),*

each a wholly owned subsidiary of the Company, to provide financial assistance to the Company in connection with the acquisition by the Company of all the issued share capital of Adam Holdings and Adam Internet, as further described in the Explanatory Statement.”

By order of the Board



David Buckingham
Company Secretary
17 October 2013

INFORMATION FOR SHAREHOLDERS

How to Vote

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

Voting Entitlements

The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that shares quoted on the ASX at 10:30 a.m. (WST) on 17 November 2013 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.

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 10:30 a.m. (WST).

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) (Corporations Act) in which case the Company will require a Certificate of Appointment of Corporate Representative executed in accordance with the Corporations Act. The Certificate is to be lodged with the Company before the meeting or at the registration desk on the day of the meeting.

Shareholders can download and complete the 'Appointment of Corporate Representation' form from the Link website: <http://www.linkmarketservices.com.au/corporate/investorservices/forms.html>

Voting by Proxy

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.

To vote by proxy electronically, visit www.linkmarketservices.com.au. Select "Investor Login" and enter iiNet Limited or the ASX code (IIN) in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click "Login". Select the "Voting" tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website. This must be submitted **not later than 10:30 a.m. (WST) on Sunday 17 November 2013**, being not less than 48 hours prior to the commencement of the meeting.

Alternatively, the proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) can be sent:

- by post to Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
- by fax on (02) 9287 0309 if sent within Australia or +61 2 9287 0309 if sent from outside of Australia; or
- by delivery to 1A Homebush Bay Drive, Rhodes NSW 2138.

Proxy forms must be received **no later than 10:30 a.m. (WST) on Sunday 17 November 2013**, being not less than 48 hours prior to the commencement of the meeting. 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 on 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 (or the chairperson is the proxy by default) 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.

Your proxy form is enclosed, if you require an additional proxy form, the Company will supply it on request.

Enquiries

Shareholders are invited to contact the Company Secretary, David Buckingham on +(61 8) 9214 2222 if they have any queries in respect of the matters set out in these documents.

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 at 10:30 a.m. (WST) on 19 November 2013.

The purpose of this Explanatory Statement is to provide shareholders with information that the Board believes to be material to shareholders in considering the items of business detailed in the Notice.

Financial Reports

The Corporations Act requires the Company to lay before the Annual General Meeting the Financial report, Directors' report (including the remuneration report) and the Auditor's report for the last financial year that ended before the Annual General Meeting.

No resolution is required for this item, but shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the meeting and Shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

Resolutions

Resolution 1 - Re-election of David Grant as a Director

Mr David Grant, a non-executive Director, was last elected by the members on 22 November 2011. He will automatically retire from office at this Annual General Meeting in accordance with Rule 3.6(a) of the Company's Constitution and offers himself for re-election. Resolution 1 seeks shareholder approval to re-elect Mr David Grant to the Board. Further information about Mr David Grant is set out below.

The Board, excluding Mr David Grant, unanimously recommends that shareholders vote in favour of Resolution 1.

Additional information about directors seeking re-election

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

Mr David Grant

B.Comm, ACA, GAICD

David Grant was appointed as a Non-Executive Director of iiNet on 12 October 2006, and is the Chairman of the Company's Audit and Risk Committee.

David is a Chartered Accountant with significant public company experience spanning a range of corporate and divisional financial roles with Goodman Fielder Limited and Iluka Resources Limited, where he was Chief Financial Officer until February 2007. David was appointed a director of Amalgamated Holdings Limited on 25 July 2013, an ASX listed cinema, resort and hotel business. David was formerly a director of Consolidated Rutile Limited and was a founding director of Trans-Tasman Resources Ltd, a private equity backed iron ore exploration company based in New Zealand.

As Chairman of iiNet's Audit and Risk Committee, David brings expertise in financial process and discipline as well as corporate governance and risk management.

Resolution 2 - Adoption of the Remuneration Report

As required by section 250R of the Corporations Act, a resolution that the remuneration report for the year ended 30 June 2013 be adopted is put to the vote. The remuneration report is set out on pages 44 to 60 of the 2013 Annual Report of the Company.

The vote on this item is advisory only and will not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

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 2.

Resolution 3 – Approval of Financial Assistance – Acquisition of Adam Internet

Background

On 5 August 2013, the Company announced that it had entered into the Adam Acquisition Agreement to acquire the whole of the issued share capital of Adam Internet Holdings Pty Ltd (**Adam Holdings**) and its subsidiary Adam Internet Pty Ltd (**Adam Internet**) for total cash consideration of \$60 million (the **Adam Acquisition**). The Adam Acquisition was completed on 30 August 2013.

The Company funded its financial obligations under the Adam Acquisition Agreement by way of a drawdown under the Syndicated Facility.

Financial Assistance

The Syndicated Facility requires the Company to procure that each Adam Group Member:

- provide a guarantee to Westpac (as security trustee under the Syndicated Facility) in respect of the Group's obligations under the Syndicated Facility; and
- grant security to Westpac (as security trustee under the Syndicated Facility) over all its assets and undertakings to secure performance of those guarantee obligations.

The provision of the guarantee and securities by each Adam Group Member constitutes financial assistance by the Adam Group Members to the Company for the Adam Acquisition.

To do this, all of the Company and each of its subsidiaries (including each Adam Group Member) must comply with the provisions of the Corporations Act relating to the provision of financial assistance in connection with the Adam Acquisition. Resolution 3 is relevant to this process.

Shareholder Approval

Section 260B of the Corporations Act allows a company to give financial assistance to a person to acquire its own shares or shares in its holding company (if it does not cause the company to become insolvent and would not otherwise result in the directors breaching their duties) if, in this case, it is approved by:

- unanimous resolution by the shareholders of each Adam Group Member; and
- a special resolution of the Company as the ultimate Australian holding company of each Adam Group Member after the Adam Acquisition.

Shareholder approval of the Company is sought because it is the ultimate holding company of each Adam Group Member.

If Shareholders approve Resolution 3, the Company, in its capacity as the sole shareholder of Adam Holdings and Adam Internet, will immediately resolve to approve the provision of a guarantee by Adam Holdings and Adam Internet respectively to Westpac (as security trustee under the Syndicated Facility) in respect of the Group's obligations under the Syndicated Facility and the granting of security by the relevant Adam Group Member over all its assets and undertakings to secure performance of its guarantee obligations.

Advantages of the Resolution

- The Directors of the Company believe that drawdown under the Syndicated Facility was the most efficient form of financing available to assist the Company to complete the Adam Acquisition.
- The financial assistance contemplated by Resolution 3 has no adverse effect on the Company.
- If Resolution 3 is not approved, the Banks may exercise their rights to demand repayment of all money owing or contingently owing by the Company under the Syndicated Facility, and this may have the effect of triggering further defaults under the Company's other material contracts.
- If Resolution 3 is not approved the Company may have to negotiate alternative refinancing and would expect to incur break costs and additional transaction fees.

Disadvantages of the Resolution

The Directors of the Company do not believe there is any disadvantage to the Company in approving Resolution 3 and consider that the Company is not, and will not, as a result of the transactions contemplated by Resolution 3, become, insolvent.

Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

Glossary

"Adam Acquisition Agreement" means the Share Purchase Agreement dated 5 August 2013 between Gregory Allyn Hicks in his personal capacity as trustee of the My Little Friend Trust and the Company.

"Adam Group Member" means each of Adam Holdings Pty Ltd (ABN 58 120 885 289) and Adam Internet Pty Ltd (ABN 22 055 495 853).

"ASX" means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

"ANZ" means Australia and New Zealand Banking Group Limited (ABN 11 005 357 522).

"Banks" means ANZ, Commonwealth Bank, NAB and Westpac.

"Board" means the board of directors of the Company.

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

"Commonwealth Bank" means Commonwealth Bank of Australia (ABN 48 123 123 124).

"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.

"NAB" means National Australia Bank Limited (ABN 12 004 044 937).

"Meeting" means the meeting convened by the Notice.

"Notice" means the notice of meeting accompanying this Memorandum.

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

"Shareholders" means members of the Company entitled to vote at the Meeting.

"Syndicated Facility" means the cash advance facility and contingent liability provided by the Banks to the Company and members of the group.

"Westpac" means Westpac Banking Corporation (ABN 33 007 457 141).



By mail:
iiNet Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1300 275 410 Overseas: +61 2 8280 7702

SECURITYHOLDER VOTING FORM

I/We being a member(s) of iiNet Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐

the Chairman
of the Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at **10:30am (WST) on Tuesday, 19 November 2013, at Level 2, 502 Hay Street, Subiaco, Western Australia** and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2

VOTING DIRECTIONS

Resolution 1

Re-election of David Grant as a Director

For	Against	Abstain*
☐	☐	☐

Resolution 2

Adoption of the Remuneration Report

☐	☐	☐
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Resolution 3

Approval of Financial Assistance -
Acquisition of Adam Internet

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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

IIN PRX301R



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's security registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's security registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (WST) on Sunday, 17 November 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

iiNet Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**