



25 August 2003

PROPOSED TRANSACTION WITH IHUG

On 22 August 2003 an article was published in The National Business Review in New Zealand which referred to the proposed transaction between iiNet and ihug. The article made reference to quotes from an ihug representative.

iiNet and ihug continue discussions, but negotiations are incomplete. The value of the proposed transaction has yet to be finalised, but it will be significant and a mix of iiNet shares and cash will be used as the consideration. iiNet will not be drawn into or comment further on any pricing speculation or other terms.

An announcement on the transaction is expected within the next two to three weeks.

A handwritten signature in black ink, appearing to read "Clayton Hollingsworth".

Clayton Hollingsworth
Company Secretary