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IINET – MARKET UPDATE ON GROWTH

iiNet (ASX:IIN) is pleased to announce the acquisition of Local Telecom and Internet Limited's (ASX:LOC) 15,000 strong ISP customer base. This acquisition builds on iiNet's recent acquisitions bringing total active services to over 100,000 and acquired revenues to approximately \$7.0 million.

iiNet has entered into an agreement, subject to due diligence and Local shareholder approval, which will see the Company acquire subscriber bases from Local's two ISPs, Tassie.net and Ruralnet. Tassie.net has a leading position in the supply of internet services in Tasmania whilst Rural.net operates primarily in regional Victoria. Rural.net together with recently acquired subscriber bases from Country NetLink and Origin Internet provide iiNet with a strong position in regional Victoria.

iiNet will pay Local \$2.25 million in cash for the subscribers which generate annualized revenues in the order of \$3.4 million. This acquisition meets iiNet's strict financial hurdles and will provide iiNet with sufficient scale to deploy its own switching infrastructure to cover both Victoria and Tasmania. This infrastructure will be the same as that currently operated in Western Australia and is expected to be fully commissioned by the second quarter of the 2003 calendar year.

Managing Director Mr Michael Malone said "We are pleased to have put together a series of acquisitions that provide us with strong positions in Victoria and Tasmania. We will quickly be able to generate bottom line returns given we can now deploy our own switching infrastructure. Importantly these subscriber bases will provide us with a further means of growing our ADSL business nationally."

Since iiNet's Annual General Meeting its ADSL customer base has grown from 9,000 accounts to more than 11,000. Some 32% of iiNet's ADSL services are provided to clients outside Western Australia. iiNet provides ADSL in Western Australia, Victoria, New South Wales and Queensland.

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