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ASX RELEASE **31 May 2006**

AMCOM ACQUIRES STRATEGIC 20% STAKE IN IINET

Amcom Telecommunications Limited **(ASX: AMM)** today advised that it has acquired a 20% stake in iiNet Limited (IIN), making it the Company's largest shareholder.

The stake has been acquired on market for a total consideration of $18.3 million at an average price of approximately 83 cents per share. Commensurate with the level of shareholding in iiNet, Amcom is seeking two board seats.

Amcom believes that the 20% holding in iiNet will have significant strategic value for its shareholders. Amcom Managing Director, Eddy Lee, said that a strategic relationship with iiNet would enable Amcom to realise increased revenues and for iiNet to realise a significant reduction in costs.

Amcom currently has over 800km of fibre optic network spanning the greater metropolitan area of both Perth and Adelaide. As PowerTel (PWT) has very limited network infrastructure in Perth and Adelaide, Amcom's extensive network is better positioned to provide iiNet with access to very high capacity backhaul to 55 of its exchanges in these cities. This access will not only substantially reduce iiNet's current backhaul costs but more importantly will enable iiNet to scale its business growth with marginal cost and to pursue its MSAN strategy to include IPTV and Video-on-Demand products. This will better position iiNet as the market leader in the consumer space and at the same time, yield a higher ARPU and increased margins.

The acquisition positions Amcom to participate in potential consolidation within the telecommunications sector.

The Company has entered into a limited recourse facility with Futuris to fund the acquisition. As part of that agreement, Futuris may give a notice to the Company to call a shareholders meeting to seek approval for it to convert the loan into ordinary shares in Amcom. If approval is given for the conversion, approximately 107.9 million shares will be issued at a price of 17 cents per share to discharge the loan.

Argonaut has acted as corporate advisor to Amcom in relation to this transaction.

Released by:

Tony Grist
Chairman
Amcom Telecommunications Ltd
Tel : (08) 9226 4900
Email : tonygrist@amcom.com.au

Eddy Lee
Managing Director & CEO
Amcom Telecommunications Ltd
Tel : (08) 9244 6000
Email : eddylee@amcom.com.au

About Amcom

Amcom Telecommunications Limited operates two principal divisions, the Fibre Division which provides a range of services over its extensive fibre optic network and the Amnet Division which targets the SME market and principally offers DSL and voice services.

The Fibre Division commenced its fibre rollout in 1999 and has since deployed over 800 km of high-speed metropolitan networks in Perth, Adelaide and Darwin, accessing over 660 buildings. The Fibre Division has established extensive 'last mile' networks servicing large blue chip corporates and government customers in strategic uncontested regional metropolitan centers. The division's networks are maturing rapidly and this is being reflected in a comprehensive range of data and broadband products, faster connection provisioning times and excellence in customer service.

The Amnet Division leverages the Company's physical fibre network to provide DSL and voice services to Corporate, SME and residential clients over the Company owned fibre and DSL networks. The Amnet Division also provides sophisticated Information Technology (IT) services, including LAN/WAN, data centre and ISP services to larger corporate and government enterprises.

For further information, please visit **www.amcom.com.au**