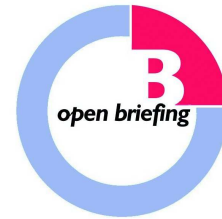


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Amcom has announced a proposed cancellation of 81 million of the AMMO options at 4 cents per option, and also to underwrite 150 million options to raise a net \$21 million. What is the rationale to the cancellation and underwriting and who will be participating in the option cancellation?

**MD Clive Stein**

There are a number of benefits in the proposed transaction. Firstly, it removes the uncertainty surrounding the level of option conversion. We believe there is a perception amongst some market participants of a potential overhang of Amcom shares due to the number of options potentially converting by year end. This transaction provides certainty regarding the final outcome, which we believe is favourable for our shareholders.

Secondly, if all the options converted it would have left us with a surplus of capital. This transaction has been structured to further strengthen our capital position to a sensible level, leaving us in a net cash position. This enables us to actively pursue growth initiatives, but does not put pressure on us to act hastily to put surplus capital to use.

Thirdly, the proposed transaction occurs in a timely fashion prior to our AGM in November. This required that we go down the path of a cancellation for the 81

million options to achieve the desired outcome in the most efficient manner, and this meant approaching the largest option holders in the first instance. However, we would anticipate a flow-on benefit to remaining option-holders, and of course they will have the ability to either exercise at an attractive entry price, or to sell into the market. I should reiterate that none of our directors and management will be participating in the option cancellation, and also that investors participating in the transaction will not be allowed to vote on the proposal.

It is worth noting that these options have only moved into a consistent “in-the-money” position following the release of our full year results in August. We have taken prompt action to resolve their potential dilutionary impact on our capital position in the most efficient manner available to us. Whilst we believe there are substantial benefits to all our investors, the transaction remains subject to shareholder approval which will be sought at the AGM.

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What will be the impact on the earnings per share outlook for Amcom following the proposed transaction?

**MD Clive Stein**

We have not provided specific guidance for the FY10 financial year, other than to flag a continuation of double digit earnings growth. This initiative will support EPS accretion for FY10 compared with the full option conversion scenario.

Our business has performed in line with our guidance in the first quarter of this financial year, with solid demand for our broad range of services across our fibre networks.

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Following the proposed transaction, which is to raise \$21 million of additional equity capital, what will be the balance sheet position for Amcom?

**MD Clive Stein**

As we have flagged, in the first instance the funds raised will be used to reduce debt leaving Amcom with net cash. Our reported net assets will increase to in excess of \$130 million. This does not include the full market value of our 22.5% stake in iiNet, which would increase that position by a further \$16 million at the latest prices for iiNet shares. This net asset position will be on a base of 690 million shares on issue following the transaction.

We are in a very strong financial position, with significant capacity to pursue growth initiatives.

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What type of growth initiatives will be pursued and have you any immediate plans to deploy the balance sheet strength?

**MD Clive Stein**

We are in the fortunate position of having a business which continues to enjoy solid growth. Demand for our fibre networks remains resilient and this is the primary driver for our guidance of double digit growth for FY10. When we deploy capital to expand our fibre footprint through new connections we achieve very high rates of return for our shareholders, so we will continue to deploy capital for organic growth.

We will also look at other opportunities that are complementary to our core business that deliver strong shareholder returns. We have potential acquisitions under consideration, but we will only take these further if we believe we can deliver value to our shareholders.

Our balance sheet strength provides us with capacity to act on opportunities should they arise, but the immediate plans are to reduce debt and deliver organic growth.

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Thanks Clive.

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