

## **CHAIRMAN'S ADDRESS**

A GREAT DEAL HAS HAPPENED FOR THIS COMPANY SINCE LAST YEAR'S ANNUAL GENERAL MEETING. IN PARTICULAR I MENTION THE COMPLETION OF THE NATIONAL ROLLOUT OF A VIRTUAL PRIVATE IP DATA NETWORK, CONNECTION OF OVER 26,000 BROADBAND SERVICES TO THE NATIONAL NETWORK, THE MERGER WITH PEOPLE TELECOMMUNICATIONS ON 29 JUNE 2004 (AND THE SUBSEQUENT INTEGRATION OF THE COMPANIES) AND THE CAPACITY TO OFFER A FULL SUITE OF TELECOMMUNICATION PRODUCTS TO THE CORPORATE, SME AND CONSUMER MARKETS.

I AM ABLE TO REPORT TODAY THAT THE INTEGRATION OF THE TWO COMPANIES HAS PROCEEDED WELL ALTHOUGH A NUMBER OF UNFORSEEN OR UNDERRATED ISSUES NEEDED TO BE OVERCOME – AND HAVE BEEN. IMPORTANTLY, OUR MAJOR WHOLESALE SUPPLY AGREEMENTS HAVE BEEN RENEGOTIATED AND THE BENEFITS FROM THIS ARE BEING ACHIEVED.

YOUR DIRECTORS BELIEVE THAT THE COMPANY IS WELL PLACED TO BE A SIGNIFICANT AND VIABLE PARTICIPANT IN THE AUSTRALIAN TELECOMMUNICATION AND INTERNET INDUSTRY.

THE LEVEL OF OUR FUTURE SUCCESS WILL DEPEND TO A SIGNIFICANT EXTENT UPON THE COMMITMENT OF THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION IN ENSURING THAT AUSTRALIAN CONSUMERS ARE PROVIDED WITH AN ENVIRONMENT WHERE THE PARTICIPANTS IN THE INDUSTRY COMPETE ON A LEVEL PLAYING FIELD.

THE PROFORMA REVENUE OF THE GROUP FOR 2004 WAS \$72.9 MILLION (\$16.2 MILLION FROM THE OLD SWIFTEL BUSINESS AND \$56.7 MILLION FROM THE OLD PEOPLE TELECOM BUSINESS). WE ARE CONFIDENT FOR FINANCIAL YEAR 2005 WE CAN GROW REVENUES TO OVER \$100 MILLION AND THAT WE WILL BE PROFITABLE. I CAN REPORT IN THIS RESPECT THAT REVENUES FOR THE FIRST QUARTER TO 30 SEPTEMBER 2004 WERE \$23.5 MILLION AND THAT BUT FOR THE AMORTISATION OF GOODWILL WE WERE PROFITABLE.

THE FORECAST REVENUE GROWTH FOR THIS YEAR IS FROM ORGANIC GROWTH ONLY. WE WILL HOWEVER LOOK TO ACQUIRE CUSTOMER BASES FROM OTHER VOICE AND INTERNET PROVIDERS TO GIVE US ADDITIONAL REVENUES WHERE THE PRICE IS APPEALING, THE CUSTOMER BASE IS APPROPRIATE AND THERE IS THE POTENTIAL TO PROVIDE ADDITIONAL SERVICES TO THE CUSTOMER BASE ACQUIRED.

I WOULD ADD THAT THE CURRENT CAPABILITY AND CAPACITY OF OUR BILLING SYSTEM AND OTHER BACK OF HOUSE FACILITIES ALLOWS US TO HAVE CONSIDERABLE CUSTOMER AND REVENUE GROWTH BEFORE WE NEED TO INVEST IN ANY ADDITIONAL SIGNIFICANT INFRASTRUCTURE.

AT THE CONCLUSION OF MY ADDRESS OUR CHIEF EXECUTIVE OFFICER, MR RYAN O'HARE, WILL PRESENT TO YOU REGARDING OUR PRODUCT OFFERINGS, THE MARKETS THAT WE ARE OPERATING IN AND REPORT ON OPERATIONAL MATTERS GENERALLY, (INCLUDING OUR PROGRESS FOR THIS YEAR).

IN ADDITION TO A REGULATORY ENVIRONMENT THAT ALLOWS AND PROMOTES FAIR COMPETITION OUR COMPANY'S SUCCESS WILL DEPEND ON THE ABILITY AND COMMITMENT OF ITS DIRECTORS, MANAGEMENT TEAM AND STAFF. YOUR DIRECTORS BELIEF THAT THE COMPANY HAS A FIRST RATE MANAGEMENT TEAM. A MANAGEMENT TEAM THAT HAS THE CAPACITY TO BE INSTRUMENTAL IN FORMULATING A VIABLE STRATEGY AND THE ABILITY AND COMMITMENT TO IMPLEMENT SUCH A STRATEGY, TO BE INNOVATIVE WITH PRODUCT OFFERINGS AND TO DELIVER SUPERIOR SERVICE LEVELS TO OUR CUSTOMERS. ON BEHALF OF THE BOARD AND IF I MAY, ON BEHALF OF SHAREHOLDERS, I THANK ALL OUR EMPLOYEES FOR THEIR EFFORTS DURING THE YEAR.

RETAINING OUR TEAM OF VALUED EMPLOYEES IS A PRIORITY STRATEGY OF OURS. THE EMPLOYEE SHARE PLANS THAT SHAREHOLDERS AUTHORISED AT THE JUNE 2004 GENERAL MEETING ARE AN IMPORTANT COMPONENT IN ACHIEVING THIS GOAL.

OUR EMPLOYEES CAN BE ASSURED THAT WHILST THEY REMAIN PASSIONATE AND COMMITTED TO THE SUCCESS OF OUR COMPANY, OUR COMPANY WILL REMAIN COMMITTED TO PROVIDING THEM WITH A FULFILLING, EXCITING AND FINANCIALLY REWARDING CAREER.

SINCE OUR GENERAL MEETING IN JUNE OF THIS YEAR MR MALCOLM DICK RESIGNED AS A DIRECTOR TO ALLOW HIM MORE TIME FOR HIS OTHER BUSINESS INTERESTS. WE WERE VERY FORTUNATE TO BE ABLE TO FILL THE VACANCY BY APPOINTING MR MARTIN WYLIE AS A DIRECTOR. MR WYLIE

HAS EXTENSIVE EXPERIENCE IN THE TELECOMMUNICATIONS AND INTERNET INDUSTRIES, HAVING PREVIOUSLY BEEN A SENIOR EXECUTIVE WITH TELECOM CORPORATION OF NEW ZEALAND AND CHIEF EXECUTIVE OF INTERNET SERVICE PROVIDER IHUG, WHICH RECENTLY MERGED WITH IINET. WE WELCOME MR WYLIE AS A NON-EXECUTIVE DIRECTOR AND LOOK FORWARD TO HIS STRATEGIC AND OPERATIONAL INPUT.

MR DAVID VILENSKY RETIRES IN ACCORDANCE WITH THE COMPANY'S CONSTITUTION AND IS NOT SEEKING RE-ELECTION. MR VILENSKY HAS BEEN A DIRECTOR DURING THE COMPANY'S ESTABLISHMENT AS AN INTERNET SERVICE PROVIDER AND DURING THE MERGER WITH PEOPLE TELECOMMUNICATIONS.

THE BOARD WILL NOW LOOK TO FILL THE VACANCY LEFT BY MR VILENSKY BY SEEKING A NON-EXECUTIVE DIRECTOR WITH EXPERIENCE AND SKILLS THAT WILL COMPLEMENT THE COMPOSITION OF THE BOARD. THIS PROCESS HAS COMMENCED AND WE HOPE THAT THE POSITION WILL BE FILLED IN THE NEAR FUTURE.

ON BEHALF OF THE BOARD AND SHAREHOLDERS I WOULD LIKE TO THANK MR DICK AND MR VILENSKY FOR THE VISION THEY HAD FOR THE COMPANY AND WISH THEM WELL FOR THE FUTURE.

THANK YOU LADIES AND GENTLEMEN, I WILL NOW HAND OVER TO OUR CHIEF EXECUTIVE OFFICER, RYAN O'HARE.

BARRY HAMILTON  
24 November 2004