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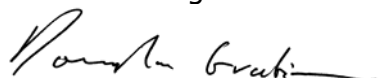
Dear Sir or Madam

Fibre-to-the-node talks discontinued

Following discussions this morning with the ACCC, Telstra accepts that its negotiations with the ACCC over a fibre-to-the-node broadband network have reached an impasse. Telstra sought an outcome that would assure Telstra shareholders that their investment in the network would not be used to subsidise network access by Telstra's competitors. The negotiations have not produced this outcome. The major stumbling block was the ACCC's unwillingness to recognise the actual costs that Telstra incurs in providing its services and, especially, the costs it incurs in providing services to rural, regional, and remote Australia. Until Telstra's actual costs are recognised and the ACCC's regulatory practices change, Telstra will not invest in a fibre-to-the-node broadband network.

Telstra will be briefing media and analysts on this announcement later this morning and will lodge a transcript of the briefing with the ASX when this becomes available.

Yours sincerely



Douglas Gratton
Company Secretary