

9 October 2006

The Manager

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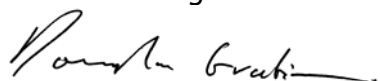
ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra 3 Share Offer Appendix

In accordance with the listing rules, I attach a document for release to the market.

Yours sincerely

A handwritten signature in black ink, appearing to read "Douglas Gration".

Douglas Gration
Company Secretary



TELSTRA 3
SHARE OFFER

APPENDIX

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This Appendix contains the following information which is of a type that the Commonwealth and Telstra believes to be primarily of interest to professional advisers, Institutional Investors and to investors with similar specialist information needs:

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1. Interests of Directors

Other than as set out below or elsewhere in the Prospectus or this Appendix, no Director has, or has had within the two years prior to lodgement of the Prospectus and this Appendix, any interest in:

- the promotion or formation of Telstra;
- property acquired or proposed to be acquired by Telstra in connection with its promotion or formation or the Telstra 3 Share Offer; or
- the Telstra 3 Share Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or any candidate for election as a director of Telstra:

- to induce him or her to become, or to qualify him or her as, a Director; or
- for services rendered by him or her in connection with the formation or promotion of Telstra or the Telstra 3 Share Offer.

As at the date of the Prospectus and this Appendix, the Directors' interests in the securities of Telstra are as follows:

Director	Number of shares held		
	Direct interest	Indirect interest ¹	Total
Donald G McGauchie	1,866	68,278	70,144
Sol Trujillo	–	–	–
Belinda J Hutchinson	38,912	40,426	79,338
Catherine B Livingstone	11,637	27,800	39,437
Charles Macek	–	53,704	53,704
John W Stocker	2,953	99,985	102,938
Peter J Willcox	–	31,897	31,897
John D Zeglis	–	1,897	1,897

¹ Shares in which the Director does not have a relevant interest, including shares held by Director related entities, are excluded from indirect interests.

Under the Offer a Director or candidate for election as a Director, to the extent they hold shares, will be eligible for any shareholder entitlements in relation to the shares in which they have an interest in accordance with the terms of the Offer.

Non-executive Directors' fees not exceeding an aggregate of \$2,000,000 per annum have been approved by Telstra in general meeting. The level of these Directors' fees may be varied by Telstra in general meeting in accordance with Telstra's constitution.

A Director may be paid additional remuneration for any extra services undertaken by him or her.

Telstra may pay the Directors their travelling and other expenses incurred in connection with their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The remuneration of any executive Director may from time to time be fixed by the Directors.

Solomon Trujillo was appointed both Chief Executive Officer and a Director of the Board of Telstra in June 2005. The total remuneration package offered to Mr Trujillo in relation to these appointments included a mixture of fixed remuneration and "at risk" incentive payments referable to both company and personal performance targets. Mr Trujillo's fixed remuneration at the time of his appointment was A\$3,000,000. In addition to this fixed remuneration, Mr Trujillo was also provided with additional benefits on taking up this role. These benefits included:

- a once-off sign-on bonus of A\$1,000,000 less taxation deductions to account for forgoing other employment opportunities;
- an immediate short term incentive payment made in advance of 50% (A\$1,500,000) of the maximum short term incentives available to Mr Trujillo in the financial year 2005 (the maximum value of such short term incentives Mr Trujillo is entitled to in any year is 100% of his remuneration); and
- the costs involved in relocating Mr Trujillo and his immediate family to Australia as well as transporting himself and his family back to the USA on a regular basis through his period of employment.

Mr Trujillo is also entitled to long term incentives. The maximum value of long term incentives that Mr Trujillo is entitled to in any year is 133.33% of his fixed remuneration.

Mr Trujillo is not entitled to any additional payments or benefits as a result of the completion of the Telstra 3 Share Offer. The details of Mr Trujillo's remuneration package are disclosed in the 2006 Annual Report.

2. Interests of advisers and experts

Other than as set out in the Prospectus and this Appendix, no adviser or expert named as such in those documents and no underwriter to the Offer or financial services licensee named as a financial services licensee involved in the Offer has, or has had within the two years prior to lodgement of the Prospectus and this Appendix, any interest in:

- the promotion or formation of Telstra;
- property acquired or proposed to be acquired by Telstra in connection with its promotion or formation or the Telstra 3 Share Offer; or
- the Telstra 3 Share Offer.

ABN AMRO Rothschild, Goldman Sachs JBWere and UBS have acted as Joint Global Coordinators to the Offer. Their fees are set out in section 5.15 'Fees and commissions' of the Prospectus.

Appendix (continued)

The Institutional Selling Syndicate members and Retail Lead Managers have acted as institutional selling syndicate members and retail lead managers to the Offer. Their fees are set out in section 5.15 'Fees and commissions' of the Prospectus.

Freehills has acted as legal adviser and (through a subcontracting arrangement with Greenwood & Freehills Pty Limited) as tax adviser to the Commonwealth in relation to the Offer. The Commonwealth has paid or agreed to pay Freehills approximately \$4.6 million for these services to the date of the Prospectus and this Appendix. After the date of the Prospectus and this Appendix, Freehills may receive additional fees in accordance with time-based charges subject to certain limits agreed with the Commonwealth. Freehills is responsible for payment to Greenwood & Freehills Pty Limited for their services.

Mallesons Stephen Jaques has acted as legal adviser to Telstra in relation to the Offer. Telstra has paid or agreed to pay Mallesons Stephen Jaques approximately \$2.1 million for these services to the date of the Prospectus and this Appendix. After the date of the Prospectus and this Appendix, Mallesons Stephen Jaques may receive additional fees in accordance with time-based charges subject to certain limits agreed with Telstra.

Allens Arthur Robinson has acted as legal adviser to the Joint Global Coordinators in relation to the Offer. The Joint Global Coordinators have paid or agreed to pay Allens Arthur Robinson approximately \$379,500 for these services to the date of the Prospectus and this Appendix. After the date of the Prospectus and this Appendix, Allens Arthur Robinson may receive additional fees in accordance with time-based charges subject to certain limits agreed with the Joint Global Coordinators.

Calburn Partnership has acted as business adviser to the Commonwealth in relation to the Offer. The Commonwealth has paid or agreed to pay Calburn Partnership \$4.4 million for these services.

Carnegie Wylie & Company and Merrill Lynch International (Australia) Limited have acted as business advisers to Telstra in relation to the Offer. Telstra has agreed to pay Carnegie Wylie & Company and Merrill Lynch International (Australia) Limited up to capped amounts (excluding GST) of \$1 million and \$4 million, respectively, for these services.

PricewaterhouseCoopers Securities Ltd has acted as accounting adviser to Telstra and the Commonwealth and tax adviser to Telstra in relation to the Offer. Telstra has paid or agreed to pay PricewaterhouseCoopers Securities Ltd approximately \$5.39 million for these services to the date of the Prospectus and this Appendix. After the date of the Prospectus and this Appendix, PricewaterhouseCoopers Securities Ltd may receive additional fees in accordance with time-based charges subject to certain agreed limits.

Unless stated otherwise, the above amounts include GST.

3. Consents

Written consents have been given and, at the time of lodgement of the Prospectus and this Appendix with ASIC, have not been withdrawn by the parties identified below on the terms stated below.

Each of ABN AMRO Rothschild, Goldman Sachs JBWere and UBS have given their consent to be named as Joint Global Coordinators to the Offer in the form and context in which they are named.

Each of ABN AMRO Morgans, Bell Potter Securities Limited, Citigroup Wealth Advisors Pty Limited, Commonwealth Securities Limited, ETRADE Australia Securities Limited, Goldman Sachs JBWere Pty Ltd, Ord Minnett Limited, Patersons Securities Limited, SHAW Stockbroking Ltd, UBS Wealth Management Australia Ltd and Wilson HTM Limited have given their consents to be named as Retail Lead Managers in the form and context in which they are named.

Each of Citigroup Global Markets Australia Pty Limited, Credit Suisse (Australia) Limited, Daiwa Securities SMBC Europe Limited, JP Morgan Australia Limited, Lehman Brothers Inc. and Morgan Stanley Dean Witter Australia Securities Limited have given their consents to be named as Co-Lead Managers in the form and context in which they are named.

Commonwealth Securities Limited and RBC Capital Markets have given their consents to be named as Co-Managers in the form and context in which they are named.

Freehills has given its consent to be named as legal adviser and tax adviser to the Commonwealth and Greenwood & Freehills Pty Limited has given its consent to be named as subcontractor to Freehills in relation to tax in the form and context in which they are named.

Mallesons Stephen Jaques has given its consent to be named as legal adviser to Telstra in the form and context in which it is named.

Allens Arthur Robinson has given its consent to be named as legal adviser to the Joint Global Coordinators in the form and context in which it is named.

Calburn Partnership has given its consent to be named as business adviser to the Commonwealth in the form and context in which it is named.

Carnegie Wylie & Company and Merrill Lynch International (Australia) Limited have each given their consent to be named as business advisers to Telstra in the form and context in which they are named.

PricewaterhouseCoopers Securities Ltd has given its consent to be named as accounting adviser to Telstra in the form and context in which it is named.

Link Market Services Limited has given its consent to be named as the Instalment Receipt and Share Registrar in the form and context in which it is named.

Telstra Sale Company Limited has given its consent to be named as the Trustee in relation to the instalment receipts in the form and context in which it is named.

Each of the above parties:

- does not make, or purport to make, any statement in the Prospectus or this Appendix and is not aware of any statement in the Prospectus or this Appendix which purports to be based on a statement made by them; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Prospectus or this Appendix other than a reference to its name.

None of the persons who are candidates for election as directors of Telstra at the annual general meeting to be held on 14 November 2006 (and are not currently directors of Telstra) have consented to be named as a director or have otherwise been involved in the preparation or issue of the Prospectus or this Appendix.

4. Telstra's expenses in relation to the Offer

The Commonwealth has agreed to reimburse certain expenses relating to the Offer incurred by Telstra. These expenses are in the nature of legal, advisory, listing, share registry, D&O insurance, marketing and administrative costs which are presently estimated to be in the order of \$25 million.

5. Further information about the Institutional Offer

The following is a summary only of the arrangements which will apply to participants in the Institutional Offer under the Prospectus. Full details of the Institutional Offer, including bidding and settlement instructions, will be provided by the Joint Global Coordinators or other members of the institutional syndicate to participants in the Institutional Offer. Australian institutions, brokers bidding on behalf of Australian and New Zealand Retail Investors, and certain international investors may participate in the bookbuild. However, the Prospectus and this Appendix do not constitute an offer to international investors (other than to the extent that the Prospectus is to accompany a New Zealand Investment Statement distributed to New Zealand resident investors).

INVITATION TO BID

The Commonwealth invites Australian and New Zealand institutions and brokers to bid for shares in the Institutional Offer. Private clients of brokers are able to participate in the Institutional Offer but only through broker-sponsored bids that are made on their behalf by brokers. The minimum bid size is 200,000 shares.

The Institutional Offer will be made through a global bookbuilding process. The Institutional Offer is being managed by the Joint Global Coordinators on behalf of the Commonwealth. The Commonwealth will act as the bookrunner to the Institutional Offer. The bookbuild will be used to determine the final price and allocations within the Institutional Offer (refer to 'Final Price Setting' below).

SUBMITTING BIDS

Bids must be made between 9.00am Sydney time on Wednesday 15 November 2006 and the Institutional Offer close, which is 6.00pm Sydney time on Friday 17 November 2006, unless these dates or times are varied by the Commonwealth. The Commonwealth has the right to vary these dates, including to close the offer early.

Each institution who submits a bid in the bookbuild will also be required to complete an Institutional Bidder Declaration Form as directed by the Telstra 3 Bidding and Settlement Procedures Manual, and provide the requested information, including information in respect of its beneficial holding in Telstra shares (which it must update if the information changes up to the close of the bookbuild). The information provided in the Institutional Bidder Declaration Form must take into account all dealings up to the close of the bookbuild, and will be cross-checked to the Telstra share register (including changes to the register occurring after the bookbuild and reflecting dealings up to the close of the bookbuild) and against disclosures by other bidding institutions and by nominees. If institutions borrow stock, it will be the borrower and not the lender which will be entitled to any Initial Allocation Benefit.

Australian and New Zealand resident Retail Investors may bid via broker-sponsored bids. If they are shareholders, they will also be entitled to claim Initial Allocation Benefits based on their holdings in Telstra as at the close of the Institutional Offer (adjusted for dealings up to that time), but must deduct from the Initial Allocation Benefit so claimed any shares they have applied for in the Shareholder Entitlement Offer. Institutional Bidder Declaration Forms must be filed in respect of such persons (and updated if the information changes up to the close of the bookbuild), and the information will be cross-checked as for other institutional shareholder bids, and the same rules in relation to borrowers and not lenders qualifying for the Initial Allocation Benefit will apply.

If, in the case of a bid submitted by an institution or an Australian or New Zealand resident Retail Investor, it later appears that an Initial Allocation Benefit was wrongly claimed, the Commonwealth may require the relevant investors to sell the relevant instalment receipts back to it or to persons nominated by it at the Institutional Investor first instalment price, and those instalment receipts may then be sold on the market or to other institutions. Further details will be contained in the Telstra 3 Bidding and Settlement Procedures Manual.

Appendix (continued)

Institutional Investors and brokers can submit fixed price bids, final or strike price bids, or combined fixed/final price bids. Full details, including bidding instructions, will be provided by the Joint Global Coordinators to participants in the Institutional Offer in the Telstra 3 Bidding and Settlement Procedures Manual.

The identity of each person making a bid must be disclosed to the Commonwealth and Joint Global Coordinators. If a bid is made in the name of a nominee or on behalf of another person, that fact and the name of the proposed beneficial owner must be disclosed to the Commonwealth and the Joint Global Coordinators. Any such information will be restricted to nominated representatives of the Joint Global Coordinators and nominated representatives of the Commonwealth and its Business Adviser.

Bids can be amended or withdrawn at any time up to the Institutional Offer close. Any bid still current at that time will be irrevocable, legally binding and capable of acceptance by the Commonwealth in whole or part. Both acceptances of applications from Retail Investors and bids from Institutional Investors will be conditional on settlement under any International Purchase Agreement, as referred to in the Prospectus.

It is expected that confirmation of allocations will be sent to successful bidders in Australia and New Zealand on or about Monday 20 November 2006, unless this date is varied.

APPLICATIONS AND PAYMENT

Details of the settlement arrangements which will apply to bidders in the Institutional Offer will be provided to Institutional Investors and brokers prior to the opening of the bookbuild. Settlement is expected to be conducted on a Delivery versus Payment (DvP) basis through CHESSE on Friday 24 November 2006 on a T+4 basis.

INSTITUTIONAL OFFER ALLOCATION POLICY

The Commonwealth will determine the basis of allocating shares between participants in the Institutional Offer after consultation with the Joint Global Coordinators and the Commonwealth's Business Adviser. There is no assurance that any investor lodging a bid in the Institutional Offer will be allocated any shares or the number of shares for which it has bid. Institutions (and Retail Investors bidding via broker-sponsored bids) who are entitled to receive an Initial Allocation Benefit and who bid for shares at or above the final price will generally receive their Initial Allocation Benefit, although the Commonwealth reserves the right to withhold the Initial Allocation Benefit from persons it considers have engaged in adverse market behaviour.

In determining allocations, the Commonwealth will have reference to the substance of each bid and to the allocation criteria. The Commonwealth reserves the right to vary the final allocation to any investor following the application of the allocation criteria.

The first determinant of the allocation of shares in the Institutional Offer will be the level of the final price. Bids lodged at prices lower than the final price will receive no allocation of shares.

After disregarding bids at prices lower than the final price the next determinant will be the provision of Initial Allocation Benefits under the Institutional Offer and of any POWL Minimum Guarantee. Thereafter, a minimum of 15% of the base offer size (that is, the offer size before any over-allocation) will be made available to Certain Institutional Investors, who bid at or above the final price. Any reserved shares not allocated to these investors will be allocated to other parts of the Offer. A determination will first be made as to any allocation to the POWL in excess of any POWL Minimum Guarantee. Then the balance of any institution's bid, if any, will be considered having regard to the remaining shares available and subject to a number of allocation criteria that will reflect the factors set out below.

Factors that will be considered include, but are not limited to the following:

- investor quality;
- quality of bid;
- participation in marketing activities and provision of feedback;
- adverse market behaviour; and
- any other factors deemed appropriate for consideration.

The Commonwealth retains an absolute discretion to accept or reject all or any bids without giving reasons for its decisions.

FINAL PRICE SETTING

After the close of the Institutional Offer, the Commonwealth will determine the final price after consultation with the Joint Global Coordinators and the Commonwealth's Business Adviser. In determining the final price, the Commonwealth will have regard to considerations including, but not limited to, the level of demand for shares, prevailing market conditions, the desire for an orderly after-market, the market price of Telstra shares prior to the close of the Institutional Offer and an ownership base of long-term shareholders.

The final price is expected to be announced on or about Monday 20 November 2006.

6. Entitlement of nominee holders under the Shareholder Entitlement Offer

The shareholder entitlement of one share for every two shares held will, subject to certain conditions being met, be extended to underlying Retail Investor beneficial holders located in Australia or New Zealand where Telstra shares are:

- registered in the name of a professional nominee or trustee (not being a trustee of a regulated superannuation fund) on behalf of the named beneficial holder;
- financed by a margin loan in favour of the named beneficial holder;
- financed by a geared equities facility in favour of the named beneficial holder;
- the subject of an instalment warrant held by the named beneficial holder; or
- held by the Telstra ESOP Trustee or GrowthShare Trustee for participants in Telstra's ESOPs.

To be eligible, the underlying beneficial holder must be entitled to dividends and, if a qualified person, franking credits and (except in relation to instalment warrants) have the power to sell the Telstra shares. The nominee, trustee, lender or instalment warrant issuer must have a registered address in Australia or New Zealand and must complete and lodge a prescribed form of declaration evidencing the right of the beneficial holders to participate in the Shareholder Entitlement Offer with the Instalment Receipt and Share Registrar by 2 November 2006. The underlying beneficial holder must not be an Institutional Investor and must not be a person who will, under this declaration process, receive a retail shareholder entitlement to more than 200,000 shares, including through the aggregation of multiple applications from the same or closely-related persons. Nominee holders wishing to make such a declaration should contact the Instalment Receipt and Share Registrar.

Only Retail Investors or nominees on behalf of underlying Retail Investors as set out above, are eligible to participate in the Shareholder Entitlement Offer. Persons who are not Retail Investors may still receive an orange application form, but should not use it.

7. Principal ASIC relief

ASIC has granted or has indicated that it is likely to grant confirmations, modifications and exemptions from the Corporations Act in relation to the Telstra 3 Share Offer. The principal instruments of relief granted or likely to be granted have the effect that:

- the instalment receipts may be offered under a prospectus (rather than a product disclosure statement) and generally treated as "securities";
- a transaction specific prospectus may be issued in relation to the Offer;
- there is no exposure period in relation to the Offer;
- significant new developments in relation to Telstra and the Offer may be disclosed in newspaper advertisements and a copy of any supplementary prospectus will be made available during the Offer on the Telstra 3 Share Offer website;
- the Commonwealth and the Joint Global Coordinators may conduct aftermarket stabilisation activities in connection with the Offer (for further information see section 5.12 'Over-allocation and market stabilisation' of the Prospectus);

- the Trustee is not required to comply with the requirements in the Corporations Act relating to the takeovers prohibition and the notification of substantial shareholdings in relation to interests in Telstra shares held under the Trust Deed;
- the Trustee is not required to hold an Australian financial services licence;
- a transfer of instalment receipts is governed by the transfer rules that normally apply to transfers of quoted securities and financial products;
- the Prospectus and this Appendix may be issued in suitable alternative formats for print disabled individuals;
- advertising of the offer may occur (in some cases in a manner different from that required by the Corporations Act) and a telephone information centre and website may be operated (in each case, before and after lodgement of the Prospectus);
- the Commonwealth may undertake market research in relation to the Offer prior to lodgement of the Prospectus;
- members of the Commonwealth Parliament, the Commonwealth, Telstra and persons acting on behalf of Telstra or the Commonwealth may contribute to public discussion or understanding of the telecommunications industry, Telstra, the Offer and related matters;
- a takeover bid may only be made to acquire shares, rather than instalment receipts;
- the Joint Global Coordinators, Retail Lead Managers, Co-Lead Managers, Co-Managers and their related bodies corporate may publish research reports that comply with the Corporations Act;
- Bonus Loyalty Shares may be transferred to those entitled without the need for a further prospectus at that time or for updating of the Prospectus; and
- to the extent such relief is required, paperless FASTER transfers of instalment receipts can take place on the NZSX.

8. Principal ASX waivers

ASX has granted waivers and confirmations to Telstra in relation to the Telstra 3 Share Offer:

- to facilitate quotation of the instalment receipts having regard to the size of the Offer;
- so that Telstra is not required to comply with the ASX Listing Rules (other than the continuous disclosure requirements) in relation to matters relating to instalment receipts which the Trustee has undertaken to ASX to comply with;
- to permit the implementation of the foreign ownership rules and related market notification obligations;
- to permit the implementation of the instalment receipt structure and to permit the Trustee not to be listed on ASX;

Appendix (continued)

- so that Telstra is not required to quote on ASX Telstra shares held by the Future Fund while they remain subject to the escrow direction;
- so that Telstra is able to have in its constitution certain provisions relating to the Commonwealth and to comply with its obligations under the Telstra Act;
- to permit the timetables in connection with the listing on ASX of the instalment receipts and the payment of the final instalment;
- approving the instalment receipts and, following payment of the final instalment, the shares as approved short sale securities; and
- so that instalment receipts will be designated as equity securities.

9. Quotation application and agreement between the Trustee and ASX

While the Trustee will not apply to ASX to be admitted to the official list of ASX, pursuant to a Quotation Application and Agreement:

- the Trustee will apply to ASX for quotation of the instalment receipts on ASX;
- the Trustee will agree with ASX to comply with certain ASX Listing Rules as if the Trustee were a listed entity; and
- the Trustee will agree to comply with other requirements of ASX.

The application will be made within 7 days after the date of this Prospectus. If the application has not been made within that time, or permission for quotation of the instalment receipts and underlying shares is not granted by ASX within 3 months after the date of this Prospectus, or such longer period as ASIC allows, application monies will be refunded in full without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Trustee has applied to NZX for quotation of the instalment receipts on NZSX. Under the Quotation Application and Agreement the Trustee will agree with NZX to comply with certain relevant NZX Listing Rules.

10. Description of shares and constitution

The following provides information on Telstra shares and explains the material provisions of Telstra's constitution. Telstra's constitution prescribes many shareholder rights. Because this is a summary, it does not contain all the information that is included in the constitution. The entire constitution should be read for a more complete description of shareholder rights.

SHARES

Telstra has 12,443,074,357 ordinary shares on issue. Currently, Telstra has only one class of shares, being ordinary shares.

Share registers

The Australian register of shares is electronic. All shareholders, except those registered on the New Zealand register, are registered on the Australian register. Telstra is admitted to participate in the Clearing House Electronic Subregister System (CHES), under the ASX Listing Rules, the ASX Settlement and Transfer Corporation Settlement Rules (ASTC Settlement Rules) and the Australian Clearing House Clearing Rules (ACH Clearing Rules). Under this system, Telstra maintains an electronic issuer-sponsored subregister and an electronic CHES subregister. These two subregisters make up the Australian register of shares. The register of shares may be inspected by any shareholder without charge. A copy of the register of shares may also be purchased. The Corporations Act limits the way in which the information on the register of shares may be used or disclosed by a shareholder.

The Directors may determine not to issue share certificates, subject to any requirements of any law or the ASX Listing Rules. Because Telstra maintains an electronic register of shares, all shareholders will receive a statement of holding upon payment of the final instalment and satisfaction of any related obligations such as payment of any taxes. The statement is similar to a bank account statement and will state how many shares are owned by the shareholder. A shareholder will receive a new statement of holding at the end of the month if there has been a change in its holding on the register. A shareholder will not receive a share certificate for its shareholding.

In the case of a holding on the CHES subregister, the statement of holding will set out the shareholder's Holder Identification Number (HIN). In the case of a holding on the issuer-sponsored subregister, the statement of holding will set out the shareholder's Securityholder Reference Number (SRN). The HIN or SRN must be quoted when dealing with a broker or Telstra's share registrar.

The share registrar for the shares in Australia is Link Market Services Limited.

Transfer of shares in Australia

A shareholder may transfer shares if, in the case of an electronic transfer of shares, the transfer is in accordance with the ACH Clearing Rules (or the rules of any other system in which Telstra participates, and which is established or recognised by the ASX Listing Rules) or in any other case, by an instrument of transfer executed by the transferor and transferee and stamped where necessary. Telstra Directors must register a transfer of shares which is in accordance with these requirements subject to the Corporations Act, the ASX Listing Rules, the ACH Clearing Rules, Telstra's constitution and any other law including the Telstra Act.

The Directors may ask the Australian Clearing House to apply a holding lock to stop an electronic transfer.

Telstra securities are currently traded on ASX, NZSX and NYSE (New York Stock Exchange). Unless a shareholder has made special arrangements

in advance with a broker, a shareholder may not be able to trade shares on an exchange other than the exchange of the country in which the relevant share register is located.

If shareholders wish to transfer holdings between the Australian and New Zealand registers, shareholders should contact the Telstra registrar for more information as restrictions may apply to movements between these registers. See section 13 'Restrictions on foreign ownership' of this Appendix for further information.

TELSTRA'S CONSTITUTION

The following is a summary of the main provisions of Telstra's current constitution which may affect shareholders.

Telstra proposes to replace its constitution at the upcoming 2006 annual general meeting to be held on 14 November 2006. Because of the timing of the Offer, applicants under the Offer will not receive a notice of meeting and will not have the right to attend or vote at the annual general meeting on 14 November 2006, unless they are existing Telstra shareholders.

The proposed new constitution will, among other things, reflect changes arising from the Offer, regulatory changes under the Corporations Act and the ASX Listing Rules and developments in best practice corporate governance. See the section 'Proposed replacement of Telstra's constitution' below for details of the proposed new constitution.

A summary of Telstra's proposed new constitution is set out in the notice of meeting for the annual general meeting to be held on 14 November 2006. A copy of the proposed constitution has been lodged with ASX and is also available on Telstra's website at www.telstra.com.au/abouttelstra/investor and at the meeting.

Issue of further shares

The Board may issue shares at its discretion. They must, however, act in accordance with Telstra's constitution, the Corporations Act, the Telstra Act, the ASX Listing Rules and any special rights conferred on holders of any shares.

Calls

The Board may only make calls on shareholders in respect of money unpaid on their shares. Telstra's shareholders have no other liability to further capital calls. All shares currently on issue are fully paid.

Restrictions on foreign ownership

Telstra's constitution contains provisions designed to enable it to monitor and enforce the foreign ownership restrictions contained in the Telstra Act. Telstra has adopted rules to implement these provisions which bind all shareholders. These are outlined in section 13 'Restrictions on foreign ownership' of this Appendix.

Alteration of rights

The rights attaching to Telstra shares may only be varied or abrogated with the written consent of the holders of three quarters of the issued shares of that class of shares or with the approval of a special resolution passed at a separate meeting of the holders of the issued shares of that class.

Borrowing powers

The Directors may exercise all of Telstra's borrowing powers in their absolute discretion. This power may only be varied by amending Telstra's constitution which would require a special resolution to be passed by shareholders at a general meeting.

Shareholders' approval required

The management of the business and affairs of Telstra is vested in the Directors. However, the approval of shareholders is required for certain important matters, such as the election of Directors or the sale or disposal of Telstra's main undertaking.

Directors and shareholders may call a meeting

The Directors may call a general meeting at their discretion. The Directors must also call and arrange to hold a general meeting on the request of:

- shareholders who hold at least 5% of the votes that may be cast at a general meeting; or
- at least 100 shareholders who are entitled to vote at a general meeting.

General meeting attendance and notice

All shareholders are notified of and may attend all general meetings. Telstra sends a notice of the meeting to all shareholders at least 28 days before the meeting.

Voting rights

Shareholders (whether residents or non-residents of Australia) may vote at a meeting of shareholders in person or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company.

Three shareholders (one of whom must be the Commonwealth) must be present in person or by proxy, attorney or representative to form a quorum. However, the requirement for the Commonwealth to be present will be removed upon the completion of the Offer if Telstra's proposed new constitution is adopted. See the section 'Proposed replacement of Telstra's constitution' below. If there is no quorum present at a meeting 15 minutes after the time set for the start of the meeting, then:

- if the meeting was called by a shareholder or shareholders, the meeting is adjourned to the same day, time and place in the next week or to such other day, time and place as the shareholder or shareholders who called the meeting appoint by notice to shareholders and others entitled to notice of the meeting; or

Appendix (continued)

- in any other case, the meeting is adjourned to the same day, time and place in the next week or to such other day, time and place as the Directors appoint by notice to shareholders and others entitled to notice of the meeting.

At the adjourned meeting, the quorum is two shareholders present in person or by proxy, attorney or representative. One shareholder must be the Commonwealth, unless the Commonwealth received written notice of the original meeting and did not attend that meeting. The adjourned meeting is dissolved if this quorum is not present within 15 minutes after the time specified for the meeting.

Shareholders must vote on a show of hands unless a poll is called. A poll may be called either before a vote is taken or before or immediately after the voting results on a show of hands are declared. A poll may be called by:

- the chairman of the meeting;
- not less than five shareholders who may vote on the resolution; or
- a shareholder or shareholders who together hold at least 5% of the votes that may be cast on the resolution on a poll.

If the demand for a poll is withdrawn, the vote will be decided on a show of hands.

Subject to any rights or restrictions attaching to Telstra's shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and on a poll, has one vote for each fully paid share held. Presently, Telstra has only one class of shares on issue (being fully paid ordinary shares) and these do not have any voting restrictions. If shares are not fully paid, the number of votes attaching to the shares is pro-rated accordingly.

An ordinary resolution is passed:

- on a show of hands, by a majority of shareholders present in person or by proxy, attorney or representative voting in favour of the resolution; or
- if requested, on a poll, by shareholders present in person or by proxy, attorney or representative holding at least a majority of the votes cast voting in favour of the ordinary resolution.

A special resolution is passed:

- on a show of hands, by at least 75% of shareholders present in person or by proxy, attorney or representative voting in favour of the resolution; and
- on a poll, by shareholders present in person or by proxy, attorney or representative that represent at least 75% of the votes cast in favour of the special resolution.

Dividends

Subject to any special rights attaching to Telstra's shares and to the terms of any issue of shares to the contrary, shareholders receive dividends according to the number of shares held and the amount paid up on those shares. Currently, no special rights attach to any of Telstra's shares.

Rights to profits

The power to declare dividends, pay dividends and fix the time for their payment is vested in the Board.

The Directors may, before declaring or paying a dividend, set aside out of Telstra's profits any amount that they think should be applied as a reserve. The Directors may also carry forward profits which they consider should not be distributed as a dividend, without transferring those profits to a reserve.

A declaration by the Directors as to the amount of the profits available for dividends is conclusive and binding on all shareholders.

Documents to be sent to shareholders

Shareholders will receive a copy of any financial statements or other documents which Telstra must send to shareholders under its constitution, the Corporations Act or the ASX Listing Rules.

Telstra also offers shareholders the opportunity to receive electronic copies of these documents via email as an alternative to receiving hard copies.

Winding-up

If Telstra is being wound up and the assets available for distribution among shareholders are insufficient to repay the whole of the paid up capital (including credited as paid), the surplus assets must be applied first in repayment of paid up capital (including credited as paid) on all shares that are not restricted securities at the commencement of the winding up. Any remaining surplus assets will then be applied in repayment of the capital paid up (including credited as paid) on all shares that are restricted securities.

If in a winding-up the assets available for distribution among shareholders are more than sufficient to repay the whole of the paid up capital (including credited as paid), the excess must be distributed among shareholders in proportion to the capital paid up (including credited as paid) or which ought to have been paid up (including credited as paid) on their shares at the commencement of the winding-up.

Number of Directors

At all times, Telstra must have between 3 and 13 Directors on the Board. Shareholders may vote to increase the maximum number of Directors.

Directors' share qualification

The Directors are not required to hold Telstra shares.

Retirement of Directors

The Directors (other than the CEO) may not retain office for more than three years without offering themselves for re-election. At the annual general meeting in each year, at least one third of the Directors (other than the CEO) must retire from office. The Directors to retire by rotation at each AGM are those who have been longest in office.

In addition, the Board's general policy on Board membership for non-executive Directors is:

- in general, Directors will be encouraged to retire at 72 years of age; and
- the maximum tenure is 12 years (usually four terms of three years).

Directors' interests

A Director who has a material personal interest in a proposal, arrangement or contract that is being considered at a Board meeting has a limited right to be present at the relevant meeting and to vote on the matter.

The power to be present and vote only exists in certain circumstances prescribed by the Corporations Act. These are:

- when the Board has passed a resolution that identifies the Director and his/her interest and states that the other Directors are satisfied that the interest should not disqualify the Director from voting or being present; or
- where ASIC makes a declaration or class order that the Director may be present and vote notwithstanding his/her material personal interest.

The Directors' power to vote on resolutions relating to their compensation in the absence of an independent quorum is limited. If there are not enough Directors to form a quorum because interested directors are disqualified, the Directors may:

- call a general meeting to consider a resolution to deal with the matter; or
- seek a declaration from ASIC allowing the interested Director to vote and be included in the quorum (ASIC will only exercise this power when the matter needs to be dealt with urgently and cannot be dealt with in a general meeting).

Officers' indemnity and insurance

Telstra's constitution provides for it to indemnify each officer, to the maximum extent permitted by law, against any liability incurred as an officer provided that:

- the liability is not owed to Telstra or a related body corporate of Telstra;

- the liability is not for a pecuniary penalty or compensation order made by a court under the Corporations Act; and
- the liability does not arise out of conduct involving a lack of good faith.

Telstra's constitution also provides for it to indemnify each officer, to the maximum extent permitted by law, for legal costs incurred in defending civil or criminal proceedings.

If one of Telstra's officers or employees is asked by Telstra to be a director or alternate director of a company which is not related to Telstra, Telstra's constitution provides for it to indemnify the officer or employee out of Telstra's property for any liability he or she incurs. This indemnity only applies if the liability was incurred in the officer's or employee's capacity as a director of that other company. It is also subject to any corporate policy made by the CEO. Telstra's constitution also allows it to indemnify employees and outside officers in some circumstances. The terms "officer", "employee" and "outside officer" are defined in Telstra's constitution.

Telstra may pay an insurance premium insuring a person who is or has been a director, secretary or executive officer of Telstra or one of its related bodies corporate against certain liabilities incurred by that person in their capacity as a director, secretary or executive officer of Telstra or its related body corporate. The insurance will not cover liabilities which arise out of conduct involving a wilful breach of that person's duty to Telstra or a breach of their duty not to improperly use their position or company information.

PROPOSED REPLACEMENT OF TELSTRA'S CONSTITUTION

Telstra proposes to replace its existing constitution at the annual general meeting to be held on 14 November 2006. The key differences between the existing constitution and the proposed constitution are summarised below.

Commonwealth specific provisions

Provisions specific to the Commonwealth's majority ownership in Telstra will be removed from the main body of the constitution and placed in a schedule. These include provisions:

- requiring the Commonwealth to be present as a member of the quorum in order for a meeting to be valid;
- regarding Commonwealth representation at member meetings; and
- requiring the Board to consult the relevant Commonwealth Minister before appointing a casual vacancy or an additional director to the Board.

The provisions in this schedule will fall away once the Commonwealth ceases to hold 50% or more of the shares in Telstra (upon the completion of the Offer).

Appendix (continued)

Foreign ownership provisions

The Telstra Act restricts the holding of particular foreign ownership stakes in Telstra. The provisions from Telstra's existing constitution regarding limitations on foreign ownership have been simplified in the main body of the proposed constitution to facilitate usability, with the detail of the foreign ownership rules to be set out in a separate document.

Director retirement and rotation

The Director retirement provisions of the existing constitution have been amended to remove the rotation requirement that one-third of Directors (other than the managing director, and those appointed to fill casual vacancies) retire by rotation each year. The effect of this is that directors may be required in some circumstances to retire more frequently than required under the ASX Listing Rules (i.e., 3 years). Accordingly, the proposed constitution reflects the requirements of the ASX Listing Rules to have an election of directors each year, and to require each director to retire at the third annual general meeting after they were elected or last re-elected.

Directors' retirement benefit scheme

It is now widely accepted that payment of retirement benefits over and above directors fees for non-executive directors (other than superannuation contributions) is not in line with current best practice corporate governance. Telstra has acted over recent years to remove non-executive director retirement benefits. The ability to pay future retirement benefits to non-executive directors has been removed from the proposed constitution, subject to meeting Telstra's obligations with respect to previously accrued retirement benefits.

Direct crediting of dividends

The new constitution contains detail regarding Telstra's powers in relation to the electronic transfer of dividends into a shareholder's nominated account. In addition, the proposed constitution provides that unclaimed moneys will, in certain circumstances, be able to be re-invested in Telstra shares.

Direct voting

A provision will be included in the new constitution to permit Telstra to enable shareholders in the future to vote directly on resolutions considered at a general meeting by mailing their votes to Telstra prior to the meeting. This means that a shareholder's vote can still be counted even where the shareholder cannot attend personally and does not appoint a proxy. Shareholders will continue to be entitled to appoint proxies if they so desire even if Telstra decides to introduce direct voting at future meetings.

11. Description of instalment receipts and Trust Deed

The following information is a summary of the material provisions of the instalment receipts and the Trust Deed dated on or about 8 October 2006 between the Commonwealth and the Trustee. The Trust Deed sets out many of the rights and obligations of an instalment receipt holder. A copy of the Trust Deed is available for inspection at Telstra's principal office at Telstra Centre, 242 Exhibition Street, Melbourne, Victoria 3000, Australia during normal working hours during the Offer period.

TELSTRA SHARES – TWO INSTALMENTS

Telstra shares are payable in two instalments. The first instalment amount is payable as set out in the Prospectus and this Appendix. The final instalment will be decided at the close of the Offer, as described in the Prospectus, and may be different as between Australian Retail Investors applying for shares at the Retail Investor price who still hold their instalment receipts in the same registered name when the final instalment is due and who pay on time (see section 12 'Bonus Loyalty Shares and the same registered name requirement' in this Appendix) and other instalment receipt holders, including those who prepay some or all of the final instalment on or before 31 March 2008 (see section 2.4.3 'Can I prepay the final instalment?' in the Prospectus). The final instalment must be paid on or by 29 May 2008 (the Final Instalment Due Date). Both instalments must be paid in Australian dollars.

THE FINAL INSTALMENT MAY BE PREPAID

The final instalment owing on some (in minimum parcels of 2,000 instalment receipts) or all of a holder's instalment receipts may be prepaid by paying the relevant amount to the Instalment Receipt and Share Registrar. Holders who prepay their final instalment will pay the final instalment less the applicable Prepayment Discount (see section 2.4.3 'How much is the final instalment' in the Prospectus). The Prepayment Discount is calculated by discounting the final instalment (ignoring for this purpose any VWAP-based capping) for the period between the relevant prepayment date (the last day of the month in which payment is received) and the Final Instalment Due Date, using the Reference Bond Yield applicable as at the end of the previous month. The Prepayment Discount is not available to instalment receipt holders with a registered address in New Zealand.

Instalment receipt holders who wish to prepay the final instalment will need to contact the Instalment Receipt and Share Registrar to obtain notification of the amount payable and the applicable Prepayment Discount. Details of acceptable methods of payment, and of how cheques are to be made payable, will be provided by the Instalment Receipt and Share Registrar. The Instalment Receipt and Share Registrar will receive the amount on behalf of the Commonwealth and will pay it to the Commonwealth.

If applicants under the Retail Offer elect to prepay the final instalment, they will not be eligible to receive the Bonus Loyalty Shares on the instalment receipts for which they have prepaid the final instalment. They will also not be eligible for the VWAP-based cap on the final instalment amount described under 'How much is the final instalment?' on those instalment receipts.

Prepayments will be processed in monthly batches. The first available prepayment date is 28 February 2007 and the last prepayment date is 31 March 2008. Instalment receipt holders can only prepay the final instalment on a prepayment date by:

- contacting the Instalment Receipt and Share Registrar by the 8th business day of the month in which the prepayment date falls (so, for example, instalment receipt holders wishing to prepay on 31 March 2008 must contact the Instalment Receipt and Share Registrar by the 8th business day of March 2008); and
- paying the final instalment (less any applicable Prepayment Discount) on or before the relevant prepayment date.

Where the Instalment Receipt and Share Registrar has received a prepayment by the relevant prepayment date and that prepayment has cleared within five business days after the relevant prepayment date, the Trustee will transfer the shares underlying the instalment receipts to the instalment receipt holder within eight business days after the relevant prepayment date. Once the shares are transferred to the instalment receipt holder, the Commonwealth's security interest will be extinguished and the instalment receipts cancelled.

Each holder that prepays the final instalment will, by paying the prepayment, be deemed to represent, acknowledge and agree that:

- it is:
 - outside of the United States, is not a US Person and is not acting on behalf of, or for the account of, a US Person; or
 - in the United States and is a QIB;
- it understands that the shares to be delivered upon prepayment of the final instalment have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;
- it understands that the shares to be delivered upon prepayment of the final instalment may not be offered, sold, pledged or otherwise transferred except:
 - in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the US Securities Act; or
 - to, or for the account of, a QIB, in reliance on Rule 144A under the US Securities Act and, in each case in accordance with any applicable securities laws of any state of the United States; and
- for so long as the shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, it will not deposit or cause to be deposited any of such shares to be issued upon

prepayment of the final instalment in any unrestricted depositary receipt facility established or maintained by a depositary bank in the United States.

THE COMMONWEALTH'S TRANSFER OF SHARES TO THE TRUSTEE AND BECOMING AN INSTALMENT RECEIPT HOLDER

Once an application for shares has been accepted and the first instalment has been paid, the Commonwealth will transfer the legal title to the shares to the Trustee. Subject to a security interest in favour of the Commonwealth securing the obligation to pay the final instalment, the Trustee will hold those shares on trust for the instalment receipt holder. A registered instalment receipt holder has a beneficial interest in those shares. That interest is registered on an instalment receipt register. A registered holder of instalment receipts will be regarded as the beneficial owner of the same number of shares as instalment receipts registered in the name of such instalment receipt holder on the instalment receipt register. Because the legal title to the shares is not held, that person is not a shareholder. That person is an instalment receipt holder. In almost all other respects, an instalment receipt holder has equivalent rights to those of a shareholder.

THE INSTALMENT RECEIPT REGISTER

The instalment receipt register is the only evidence of a holding of an instalment receipt and of the beneficial interest in the share underlying an instalment receipt. The instalment receipt register will be maintained by the Instalment Receipt and Share Registrar. A copy of the instalment receipt register may be inspected or obtained (for a fee, in some cases) if an undertaking is provided regarding the use of the information obtained in inspecting, or obtaining a copy of, that register.

The Instalment Receipt and Share Registrar in Australia is Link Market Services Limited who is also Telstra's share registrar in Australia.

The Instalment Receipt and Share Registrar should be notified if there is a change in the name or address of the instalment receipt holder so that this change may be made to the instalment receipt register. The Commonwealth, the Trustee and the Instalment Receipt and Share Registrar may (but need not) act as though any notice so given has been properly reflected in the instalment receipt register (whether or not it has been), but an instalment receipt holder will only be entitled to expect that a notice so given has been properly reflected in the instalment receipt register if the instalment receipt holder has received and produces a written confirmation to that effect from the Instalment Receipt and Share Registrar.

Except as required by law or a court of competent jurisdiction, neither the Trustee nor the Instalment Receipt and Share Registrar will recognise any trust and, therefore, no trust will be entered upon the instalment receipt register.

Appendix (continued)

THE AUSTRALIAN INSTALMENT RECEIPT REGISTER IS ELECTRONIC

Investors acquiring instalment receipts pursuant to the Offer other than those applying in the New Zealand Offer will be recorded on the Australian instalment receipt register. Most transfers of instalment receipts on the Australian instalment receipt register will be handled electronically through CHESS. See section 10 'Description of shares and constitution' for further information.

Certificates will not be issued for instalment receipts on the Australian instalment receipt register. Instead, a statement of holding will be sent advising of the number of instalment receipts held. If instalment receipts are sold or if more instalment receipts are purchased, a new statement of holding will be sent at the end of the month. Instalment receipt holders may obtain an additional statement of holding at any time for a fee.

For an instalment receipt holder holding on the CHESS subregister, the statement of holding will set out the HIN. For an instalment receipt holder holding on the issuer-sponsored subregister, the statement of holding will set out the SRN. The HIN or SRN must be quoted when dealing with a broker or the Instalment Receipt and Share Registrar.

THE TRANSFER OR SALE OF INSTALMENT RECEIPTS IS SUBJECT TO THE TERMS OF THE TRUST DEED

Some or all of a holding of instalment receipts may be transferred to another person, subject to the terms of the Trust Deed.

The Trust Deed provides that instalment receipts may be transferred by:

- a Proper ASTC Transfer (as defined in the Corporations Regulations);
- a Sufficient Transfer (as defined in the Corporations Regulations);
- an electronic transfer under the NZX's FASTER system;
- a written instrument of transfer in the form in the schedules to the Trust Deed or in any other form approved by the Trustee (a number of standard forms of transfer used in Australia and New Zealand will be approved by the Trustee for this purpose); or
- any other method of transfer of marketable securities which is introduced by ASX, ACH or ASTC or operates in accordance with the ASX Listing Rules, ACH Clearing Rules, ASX Market Rules or ASTC Settlement Rules and recognised under the Corporations Act and approved by the Trustee.

The Trustee may, in the case of a transfer other than a Proper ASTC Transfer, direct the Instalment Receipt and Share Registrar to refuse to register any transfer of instalment receipts where the ASX Listing Rules applying to the Trustee and the instalment receipts or the ACH Clearing Rules, ASX Market Rules or ASTC Settlement Rules permit such refusal.

If some or all of a holder's instalment receipts are transferred and the transfer is registered on the instalment receipt register at end of day on 15 May 2008,

the person to whom the instalment receipts are transferred will have to pay the final instalment.

In addition, the person to whom instalment receipts are transferred automatically agrees to be bound by the Trust Deed and the instalment receipts as soon as they take a transfer of instalment receipts. If the ASIC declaration to the effect that transferees of instalment receipts are bound by the terms of the Trust Deed is varied or revoked, any off-ASX transfer must be accompanied by a deed of acknowledgement executed by the transferee or equivalent. Such an ASIC declaration has been obtained and is in force.

INSTALMENT RECEIPTS TO BE LISTED ON ASX AND NZSX

The Trustee will apply to list the instalment receipts (and the underlying shares) on ASX within 7 days after the date of the Prospectus. An application has been made to the NZX for quotation of the instalment receipts (and the underlying shares) on the NZSX and all requirements of the NZX relating to this application that can be complied with on or before the date of the distribution of the Prospectus, this Appendix and the New Zealand Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statements in this Appendix.

THERE ARE RESTRICTIONS ON THE LEVEL OF FOREIGN OWNERSHIP OF TELSTRA

Foreign persons must not hold particular 'stakes' in Telstra. See section 10 'Description of shares and constitution' and section 13 'Restrictions on foreign ownership' of this Appendix.

TRUST DEED

The following is a summary of the material provisions of the Trust Deed relating to the instalment receipts. These provisions are set out in the Trust Deed. Investors may inspect the Trust Deed if they need further information.

CALLING MEETINGS

Instalment receipt holders may require the Trustee to requisition or convene a meeting of Telstra members if they hold the number of instalment receipts representing shares which, if those shares were held by those instalment receipt holders, would entitle the instalment receipt holders to call or require the calling of the meeting themselves in accordance with the Corporations Act or Telstra's constitution.

If instalment receipt holders wish to call, or require the calling of, a meeting, they must ask the Trustee to do so on their behalf because the Trustee is the legal owner of the shares underlying the instalment receipts.

RIGHTS TO ATTEND A GENERAL MEETING OF SHAREHOLDERS AND TO RECEIVE NOTICE OF THE MEETING

Holders of instalment receipts generally have equivalent rights to those of shareholders including the right to attend and speak at a general meeting of Telstra shareholders. Holders of instalment receipts cannot vote directly at a general meeting of Telstra shareholders but can direct the Trustee how to vote the shares underlying the instalment receipts.

The Trustee will direct the Instalment Receipt and Share Registrar to make arrangements with Telstra and the share registrar to ensure that, so far as practicable, the share registrar sends to the instalment receipt holder any notice of meeting of shareholders at the same time and in the same manner it sends that notice to shareholders.

See section 10 'Description of shares and constitution' for more information.

As an instalment receipt holder is not strictly a shareholder, the Trust Deed sets out a procedure that the Trustee must follow to ensure that a holder of instalment receipts may direct the votes attached to the underlying shares at a general meeting. That procedure may be summarised as follows:

- instalment receipt holders will receive the notice of meeting and will also receive a direction form to enable the instalment receipt holders to give directions to the Trustee on how to exercise the votes attached to the underlying shares. The Trustee can be directed to ensure the votes are cast for or against each resolution at the meeting, or can be directed to abstain. Alternatively, the Trustee can be directed to appoint the chair of the meeting as open proxy in respect of the relevant votes;
- the Trustee will appoint proxies to exercise the votes in accordance with the directions received; and
- if an instalment receipt holder does not provide a valid voting direction, the Trustee must not cast a vote on any resolution in respect of the underlying shares to which that instalment receipt holder's instalment receipts relate.

Directions will only be valid if:

- they are received by 5.00pm (Sydney time) on the day two business days before the last day for Telstra shareholders to lodge proxies in relation to the relevant general meeting; and
- the person giving the direction remains the registered holder of the relevant instalment receipts at end of day on the day two business days before the 'snapshot' time fixed by Telstra for determining which shareholders are entitled to vote at the relevant general meeting.

DIVIDENDS

If Telstra declares or pays a dividend (other than by way of bonus issue), the Trustee must:

- if the dividend is to be paid wholly or partly in cash, direct Telstra to pay the cash part of the dividend directly to the holder of the instalment receipt according to the number of instalment receipts registered in such holder's name; and
- if the dividend is not wholly in cash, take all reasonable steps (as defined in the Trust Deed) to cause the non-cash part of the dividend to vest in the instalment receipt holder. The Trustee is not required to take steps which are unlawful or impracticable or which may involve unindemnified expense to the Trustee or which may potentially expose the Trustee to liability.

The Trustee will take all reasonable steps (as defined in the Trust Deed) to require that the payment of any dividend to the instalment receipt holder is made at the same time and in the same manner as Telstra pays dividends to shareholders.

Payments will be made to an instalment receipt holder if that holder is on the instalment receipt register at the relevant time. See 'The Trustee will set record dates' below for more information.

It is the responsibility of instalment receipt holders to ensure they comply with any requirements imposed by Telstra from time to time in relation to payment of dividends (for example, by nominating a bank account of a type approved by Telstra). The Trustee is not responsible to the instalment receipt holder for any neglect or default on Telstra's part in relation to dividends.

Tax may be withheld from dividends and other distributions. See section 14 'Taxation' for more information.

If there is a question as to whether a dividend belongs to the instalment receipt holder or forms part of the Commonwealth's security interest over the underlying shares (such as where the Commonwealth is required to exercise its security due to a default by the instalment receipt holder), the Trustee will need to assess the situation and determine who the dividend belongs to. It will apply the same principles as it will apply to an accretion that is not specifically provided for in the Trust Deed. In that case, the Trustee will determine whether the accretion is an addition to or a replacement of the share. If it is an addition to or replacement of the share, the Trustee will hold the accretion on trust in the same way that it holds the security interest in the shares. If the accretion is an incident of the beneficial interest which the instalment receipt holder holds, the Trustee will take reasonable steps (as defined in the Trust Deed) to transfer the accretion to the instalment receipt holder or, if that is not possible, it will hold the accretion for such holder's benefit in the same way that it holds the holder's beneficial interest.

Appendix (continued)

THE TRUSTEE WILL SET RECORD DATES

The Trustee will fix a record date whenever Telstra proposes to:

- pay a cash dividend;
- make any other cash or non-cash distribution; or
- issue rights in regard to the shares.

This is the date on which the instalment receipt holder will need to be registered on the instalment receipt register in order to receive the dividend, distribution or rights. This date will, to the extent practicable, be the same as the record date fixed by Telstra for shareholders, except in the case of meetings where the record date for determining which instalment receipt holders are entitled to vote at the meeting will be two business days before the record date for shareholders.

DOCUMENTS TO BE SENT TO INSTALMENT RECEIPT HOLDERS

The rights of instalment receipt holders in this regard are equivalent to those of shareholders. Investors will not receive a notice of, and will not be entitled to attend and vote at, Telstra's annual general meeting to be held on 14 November 2006. See section 10 'Description of shares and constitution' of this Appendix for more information.

PARTICIPATION IN A NEW ISSUE OF SHARES

If Telstra makes an entitlements offer to shareholders to participate in a new issue of shares or other securities (other than a bonus issue), the Trustee is not obliged to respond to that offer or, if it is renounceable, to dispose of it. The Trustee will seek advice from the Instalment Receipt and Share Registrar, Telstra, the Telstra registrar or some other suitably qualified person and if that advice is that reasonable steps (as defined in the Trust Deed) can be taken to confer the benefit of the offer on the instalment receipt holder as an instalment receipt holder, the Trustee will take those reasonable steps. Any securities received by an instalment receipt holder under a new issue can not be sold by the Trustee if the instalment receipt holder fails to pay the final instalment.

NO MORTGAGE OR CHARGE ON THE SHARES UNDERLYING INSTALMENT RECEIPTS

As discussed below, the Trustee may sell some or all of the shares underlying the instalment receipts of a holder if the final instalment is not paid by the Final Instalment Due Date. This is because the Commonwealth has a 'security interest' over the shares. The instalment receipt holder cannot create any security interest, such as a mortgage or a charge, over the shares the Trustee is holding on such holder's behalf. In addition, the instalment receipt holder cannot do anything which would have the effect of giving another person any right over the shares until the final instalment has been paid and the Trustee has transferred the shares to the holder. For this reason, the Trustee and the Instalment Receipt and Share Registrar will not recognise or give effect

to any security interest over the beneficial interest in, or the future right to receive, the shares underlying the instalment receipts.

PAYMENT OF ANY DUTIES AND TAXES ON INSTALMENT RECEIPTS OR SHARES

If the Trustee receives a demand or an assessment relating to an instalment receipt holder, an instalment receipt holding or shares underlying an instalment receipt holding from a revenue or other authority for any duties and taxes or becomes aware that it may be liable to pay such duties and taxes, then if the Trustee is advised that it must pay that amount, the instalment receipt holder must pay that amount to the Trustee upon demand.

If the instalment receipt holder does not pay the amount demanded by the Trustee in the manner and within the period set out in the notice provided by the Trustee, the Trustee may take action to recover that amount as a debt due from the instalment receipt holder. It may choose to sell all or any of the holder's instalment receipts or, if the Commonwealth directs, the shares to which those instalment receipts relate. If the Trustee sells the shares relating to the instalment receipts, the instalment receipts will be cancelled. In either case, the proceeds of the sale will be applied in accordance with a priority order set out in the Trust Deed.

The instalment receipt holder is not responsible for 'Excepted Duties'. This means that an instalment receipt holder is not required to pay stamp duty on the transfer of the shares from the Commonwealth to the Trustee and from the Trustee to the instalment receipt holder after the final instalment is paid and on constitution of the trusts on which the shares are held.

PAYMENT OF THE FINAL INSTALMENT

An instalment receipt holder will receive a reminder notice approximately four weeks before the Final Instalment Due Date. The reminder notice will be sent to the address recorded against the name in the instalment receipt register. See generally the topic 'The instalment receipt register' in this section.

So that the Commonwealth can determine who must pay the final instalment, Telstra will ask ASX to suspend trading of the instalment receipts on or about 9 May 2008. The person on the instalment receipt register at end of day on 15 May 2008, will have to pay the final instalment. This is so even if the reminder notice is not received.

UPON PAYMENT OF THE FINAL INSTALMENT, THE TRUSTEE WILL TRANSFER THE SHARES

If the final instalment is paid by 5.00pm Sydney time on 29 May 2008 and the payment is cleared by 5.00pm Sydney time on 10 June 2008, the Trustee will transfer the shares to the instalment receipt holder within twelve business days (or a longer period if ASX permits) of 29 May 2008.

If the funds sent to pay for the final instalment are not cleared by 5.00pm Sydney time on 10 June 2008, the Trustee will transfer the shares to the instalment receipt holder as soon as practicable after those funds are cleared.

When the Trustee transfers the shares, the instalment receipts will be cancelled. At that point, the former instalment receipt holder will become an ordinary shareholder.

THE SHARES UNDERLYING THE INSTALMENT RECEIPTS MAY BE SOLD IF THERE IS A FAILURE TO PAY THE FINAL INSTALMENT AND PAYMENT OF INTEREST AND OTHER CHARGES MAY BE REQUIRED

If an instalment receipt holder defaults in paying the final instalment, that holder will have to pay interest on the amount of the final instalment.

Interest will be calculated at 12% per annum.

If an instalment receipt holder defaults in paying the final instalment, the Trustee may sell some or all of the shares underlying the holder's instalment receipts. This includes all dividends, rights or other benefits accruing or received on the shares after 29 May 2008.

The Trustee will apply the proceeds of sale of the shares sold in the following order:

- in payment of the costs and expenses of the Trustee in attempting to recover the final instalment from the instalment receipt holder (including the costs associated with the giving of default notices demanding payment, at a minimum cost of \$75 per notice given to the holder – one or more such notices may be given to the holder);
- in payment of the costs and expenses incurred in the sale of the relevant shares (plus a \$75 administration charge);
- in payment of any duties and taxes relating to the relevant shares or instalment receipts;
- in payment of interest on all the above amounts and on the final instalment;
- if only some of the shares for which the instalment receipt holder has not paid the final instalment are sold, in payment to the Commonwealth of the above amounts owing in respect of the remaining shares; and
- in satisfaction of the final instalment due by the instalment receipt holder.

The instalment receipt holder will receive the balance remaining after the proceeds have been applied in this way.

If the proceeds of the sale of the shares are insufficient to cover the above amounts, the instalment receipt holder remains liable for the shortfall. The Trustee must take action against the instalment receipt

holder to recover the shortfall unless the Commonwealth instructs it to cease that action. The Commonwealth can also take recovery action against the instalment receipt holder directly.

POWERS AND DUTIES OF THE TRUSTEE AND LIMITS ON ITS LIABILITY

The powers and duties of the Trustee are set out in the Trust Deed.

The Trustee's liability is generally limited to circumstances of gross negligence or fraud on the part of the Trustee. The Trustee is not liable for failing to do anything that it is forbidden from doing by any law or other requirement by which it is bound, or for doing anything that it is required to do under those laws or requirements.

The Trustee may delegate its powers and duties in relation to the foreign ownership restrictions set out in the Telstra Act, including its power to dispose of instalment receipts for the purpose of seeking to prevent the occurrence or continuation of an 'unacceptable foreign ownership situation' (as defined in the Telstra Act).

The Trust Deed contains provisions designed to enable the Trustee to monitor and enforce the foreign ownership restrictions. These restrictions are outlined below in section 13 'Restrictions on foreign ownership'. The Trustee has the power to adopt rules to implement these provisions, which will bind all instalment receipt holders.

EVENTS CONCERNING TELSTRA

The Trust Deed has provisions which deal with the duties of the Trustee if:

- a takeover bid is made for Telstra;
- a takeover bid is made for instalment receipts;
- Telstra subdivides, consolidates or reconstructs Telstra shares;
- Telstra reduces its capital. If a return of capital occurs, the Commonwealth will receive the return and the final instalment will be reduced accordingly;
- Telstra makes a buy-back offer for shares. The Trustee may accept only buy-back offers where the buy-back price is equal to or exceeds the final instalment and the instalment receipt holder directs the Trustee to accept the offer. In that case, the Trustee will direct Telstra to pay the final instalment (reduced by the Prepayment Discount) calculated as though the buy-back payment was a prepayment to the Commonwealth and any balance will be paid to the instalment receipt holder; or
- Telstra makes a bonus issue or Telstra shareholders receive rights under a scheme of arrangement. If the benefits received relate solely to the instalment receipt holder's beneficial interest and do not impair the Commonwealth's security interest, the Trustee will take reasonable steps (as defined in the Trust Deed) to transfer them to the holder. Otherwise, they will be treated as an accretion to the Commonwealth's security interest.

Appendix (continued)

THE TRUST DEED MAY BE AMENDED BY THE COMMONWEALTH AND THE TRUSTEE

The Trust Deed may be amended by a supplemental deed between the Commonwealth and the Trustee.

However, any amendment must not:

- impair the right of any instalment receipt holder to enjoy the beneficial interest in the shares before the instalment receipt holder pays the final instalment;
- impair the rights of any instalment receipt holder to receive a transfer of the shares once the final instalment is paid;
- vary the date for payment of the final instalment; or
- remove the right to receive dividends unless that amendment results from an event, transaction or resolution by, or concerning, Telstra.

THE TRUST DEED IS GOVERNED BY THE LAW OF THE AUSTRALIAN CAPITAL TERRITORY

The Trust Deed is governed by the laws of the Australian Capital Territory (ACT). The courts of the ACT shall have non-exclusive jurisdiction to settle any dispute, action, claim, suit or proceeding relating to the Trust Deed, the Commonwealth's security interest or the beneficial interest in the shares underlying the instalment receipts. The instalment receipt holder is deemed to have submitted to the non-exclusive jurisdiction of the courts of the ACT.

The instalment receipt holder is also deemed to have irrevocably waived any immunity that the instalment receipt holder may now or in the future have in regard to the holder's obligations under the Trust Deed.

Nothing in the above clauses limits the right of the Commonwealth or the Trustee to recover unpaid amounts from the instalment receipt holder or to take any proceedings against such holder in any manner permitted by law or in any court having jurisdiction. Even if the Commonwealth or the Trustee takes proceedings in one jurisdiction, it may still take proceedings in another jurisdiction, whether concurrently or not.

OTHER PROVISIONS

The Trust Deed also contains other provisions including:

- the Commonwealth may remove the Trustee if it appoints a wholly-owned Commonwealth company as the new Trustee. A court may be able to remove the Trustee in certain circumstances;
- the Commonwealth must pay all expenses of the Trustee. However, the instalment receipt holder must pay any expenses relating to the sale of shares arising from enforcement action taken by the Commonwealth to recover the final instalment and certain other costs and charges;

- the Commonwealth indemnifies the Trustee for all liabilities arising from the performance of its responsibilities under the Trust Deed subject to certain limitations in the case of bad faith, malice, fraud or recklessness on the part of the Trustee;
- the Commonwealth indemnifies instalment receipt holders for all losses or damages which instalment receipt holders may suffer as a result of a breach by the Trustee of its obligations under the Trust Deed, except to the extent that the breach by the Trustee is a result of the negligence, bad faith or wilful default of the instalment receipt holder;
- if the Trustee takes action to recover amounts owing by instalment receipt holders to the Commonwealth, the Trustee acts as the Commonwealth's agent. It must have regard solely to the Commonwealth's interest so far as the law permits;
- there are provisions that limit an instalment receipt holder's ability to affect the timing and manner of the sale of shares or instalment receipts;
- the Trustee may provide information it has to Telstra and the Commonwealth. Information provided by the instalment receipt holder in the application for shares may be provided by the Commonwealth to the Trustee;
- provisions dealing with the situation where the Trustee is obliged by law or court order to dispose of the shares underlying the instalment receipts and dealing with circumstances where rights attaching to shares are cancelled or suspended or shares become vested in a third party or authority under any law, court order or otherwise. The Trust Deed also contains provisions in relation to compulsory acquisition of shares under takeover laws;
- joint holders of instalment receipts owe the obligations imposed on them under the Trust Deed jointly and severally;
- an instalment receipt holder must make all payments required to be made by it by cleared payment without deduction of any kind and free of any counter-claim or set-off;
- there are general provisions in the Trust Deed which allow changes to times and dates to avoid administrative difficulties. However, the date for payment of the final instalment cannot be changed; and
- instalment receipts may be cancelled by agreement with their holder and the relevant shares re-transferred to the Commonwealth if the Commonwealth has repaid the first instalment.

ADMINISTRATION ARRANGEMENTS

The Commonwealth, the Trustee and Telstra have entered into an agreement dated on or about 8 October 2006 that deals with administrative arrangements in regard to instalment receipt holdings (such as payment of dividends) and foreign ownership restrictions (such as administration of the foreign ownership rules).

12. Bonus Loyalty Shares and the same registered name requirement

One of the requirements Retail Investors must satisfy to be entitled to receive Bonus Loyalty Shares and the benefit of the VWAP-based cap on the final instalment, is the same registered name requirement (see “Same registered name requirement” below).

BONUS LOYALTY SHARES

Subject to limited exceptions, Retail Investors who purchase instalment receipts under the Australian Retail Offer at the Retail Investor price, hold them in the same registered name until 15 May 2008 and pay the final instalment on or by 29 May 2008 will be entitled to receive Bonus Loyalty Shares (see section 2.4.3 ‘When am I entitled to Bonus Loyalty Shares?’ in the Prospectus).

Investors who purchase instalment receipts outside the Offer will not be entitled to receive Bonus Loyalty Shares. The entitlement to receive Bonus Loyalty Shares will also not apply to Retail Investors who pay the final instalment early (see section 11 ‘Description of instalment receipts and Trust Deed – The final instalment may be prepaid’). The number of Bonus Loyalty Shares which Retail Investors will be eligible to receive will be calculated based on the lowest number of instalment receipts held in the same registered name at any time between the date of issue and 15 May 2008 (or, where the investor initially purchased some instalment receipts under the Offer at the Retail Investor price and some at the Institutional Investor price, the lower of (1) that lowest number and (2) the number of instalment receipts originally purchased at the Retail Investor price).

The right to receive Bonus Loyalty Shares will expire immediately after a Retail Investor ceases to satisfy these conditions.

VWAP BASED CAP ON FINAL INSTALMENT

Australian residents who purchase instalment receipts under the Retail Offer at the Retail Investor price, hold them in the same registered name until 15 May 2008 and pay the final instalment on or by 29 May 2008 will pay a final instalment amount which is the lower of:

- the final instalment amount payable by Institutional Investors; and
- the volume weighted average price (VWAP) of Telstra shares traded on ASX during the 3 trading days ending 17 November 2006, less the first instalment payable by Retail Investors under the Retail Offer.

(See section 2.4.3 “How much is the final instalment?”)

SAME REGISTERED NAME REQUIREMENT

The same registered name requirement means that, for example, Retail Investors will not be eligible for the VWAP based capping on the final instalment, and the entitlement to receive Bonus Loyalty Shares will expire if:

- there is a voluntary change in joint ownership arrangements; or
- where instalment receipts are registered in the name of a nominee, trustee or other party (such as a margin lender), there is a change in the nominee, trustee or third party on the register or a transfer to the beneficial holder (as the registered holder details have changed, the entitlement to receive Bonus Loyalty Shares is lost in these circumstances despite the fact that the underlying beneficial ownership remains unchanged).

The exceptions to this ‘same registered name’ requirement are:

- a bona fide change of name of the registered holder (e.g. by marriage, divorce or deed poll) provided that the change transaction is accompanied by all the appropriate documentary evidence in support of the change;
- a transmission to a legal personal representative (e.g. an executor or administrator) of a deceased holder pending final administration of the holder’s estate;
- a transmission from a deceased holder to a beneficiary (either directly or via the legal personal representative of the deceased);
- a transfer to the surviving joint holder(s) where a joint holder dies;
- a transfer as a result of a court order or relevant legislation e.g. following a marriage dissolution (although the Commonwealth reserves the right to assess each such transfer to determine if it is legitimately out of the control of the original holder);
- an amendment to the register to correct certain registry or broker errors;
- where two or more separate holdings that are each entitled to Bonus Loyalty Shares are amalgamated into one holding and the Commonwealth is satisfied that the registered holder is the same as before amalgamation;
- conversion of holdings registered in the same name but with different account designations into a single holding in the same registered ownership provided all holdings were entitled to Bonus Loyalty Shares;
- conversion (not transfer) between CHESS and Issuer Sponsored subregisters provided the registered name remains unchanged;
- a change of controlled CHESS participant provided that the original HIN is transported to the new participant; and
- transmission between the Australian register and a register outside Australia provided the registered name remains unchanged.

Appendix (continued)

Any change of registered holdings that does not fall within one of the above exemptions will result in the right to receive the Bonus Loyalty Shares expiring, and the Retail Investor being ineligible to receive the benefit of the VWAP-based cap on the final instalment, unless the Commonwealth, in its discretion, decides to extend the above categories.

The Commonwealth may request documentary proof from a person seeking to rely on an exemption. The Commonwealth may request that such documentary proof comprise original documents, certified copies of original documents or statutory declarations.

LEGAL IMPEDIMENTS TO DELIVERY OF BONUS LOYALTY SHARES

If on the Final Instalment Due Date your registered address is outside Australia, or other legal impediments to delivery of Bonus Loyalty Shares to you exist, you will not receive Bonus Loyalty Shares. Instead, the shares to which you would have become entitled will be sold and you will be sent the net proceeds. The Commonwealth may conduct a sale of Bonus Loyalty Shares for this purpose in any manner it considers appropriate and the costs of the sale will be deducted from the proceeds.

13. Restrictions on foreign ownership

The Foreign Acquisitions and Takeovers Act prohibits the acquisition of an interest in the shares of an Australian company in certain circumstances. There are also specific provisions dealing with restrictions on foreign ownership in the Telstra Act.

TELSTRA ACT

The Telstra Act provides that an 'unacceptable foreign ownership situation' will exist in relation to Telstra if 'foreign persons' and their 'associates' hold, in total, a 'particular type of stake' in Telstra of more than 35% of shares held by persons other than the Commonwealth ('Aggregate Limit') or if any foreign person and its associates hold a particular type of stake in Telstra of more than 5% of shares held by persons other than the Commonwealth ('Individual Limit'). 'Foreign person', 'associate', 'group', 'particular type of stake', 'direct control interest' and 'interest' in a share are all defined in the Telstra Act and are summarised below under 'Definitions'.

Where an acquisition of shares or interests in shares in any company results in:

- an unacceptable foreign ownership situation in relation to Telstra;
- an increase in the total of any type of stake held by any group of foreign persons in Telstra where there exists a breach of the Aggregate Limit; or
- an increase in any type of stake in Telstra held by any foreign person who is already in breach of the Individual Limit,

and the person acquiring the shares knew or was reckless as to whether the acquisition would have that result, that person is guilty of an offence punishable on conviction by a fine not exceeding \$44,000.

A person's stake in Telstra is calculated on the assumption that the only shares in Telstra are shares held by persons other than the Commonwealth. While the Commonwealth owns 51.8% of Telstra, the Aggregate Limit is effectively 16.87% and the Individual Limit is effectively 2.41%. If all of the shares currently held by the Commonwealth are sold or transferred to the Future Fund, the effective Aggregate Limit will be 35% rather than 16.87% and the effective Individual Limit will be 5% rather than 2.41%.

The Communications Minister or Telstra may apply to the Federal Court for remedial orders where an unacceptable foreign ownership situation exists, including orders requiring the disposal of shares, restricting the exercise of rights attaching to shares or prohibiting or deferring receipt of sums due on shares. In addition, Telstra is required under the Telstra Act to take all reasonable steps to ensure that an unacceptable foreign ownership situation does not arise in relation to Telstra.

Telstra's constitution and the Trust Deed contain provisions to enable Telstra and the Trustee (while instalment receipts remain on issue ('the IR period')) to monitor and enforce the foreign ownership restrictions. These provisions in Telstra's constitution are binding on all shareholders. Telstra's Board has adopted rules to implement these provisions. These rules are outlined below. They may be amended at any time by resolution of Telstra's Board.

The Trustee will publish procedures regulating foreign ownership of instalment receipts which parallel Telstra's rules and which will bind all instalment receipt holders. The Trustee will be obliged to comply with such procedures under the Trust Deed and may only change them at the relevant Minister's direction.

On or after registration of a transfer or transmission application for a share or an instalment receipt, when the acquirer first becomes a shareholder or instalment receipt holder, the acquirer must generally notify Telstra or the Trustee (during the IR period), whether it is either:

- a person with an interest in a share or an instalment receipt who is either a foreign person or an associate of a foreign person; or
- a person who holds a share or instalment receipt in which a foreign person or an associate of a foreign person has an interest, (in either case, a 'foreign holder').

The information derived from these notifications will be reflected in a register by means of a foreign coding. Telstra may include in its register, information relating to foreign ownership recorded in the foreign ownership register of instalment receipts maintained by the Trustee. The foreign ownership rules and procedures will permit Telstra and the Trustee to maintain a joint foreign register of shares and instalment receipts.

Systems have been established for shares or instalment receipts traded on ASX so that notifications are given by brokers as part of routine provision of ASX settlement information (ASX systems). Purchasers of shares and instalment receipts in the international components of the Offer (including the New Zealand offer) and holders of shares or instalment receipts on the New Zealand branch share or instalment receipt registers will be automatically treated as foreign holders for the purposes of the constitution and the Trust Deed. In the case of other transfers or transmission applications, the onus is on the acquirer to notify Telstra if it is a foreign holder.

All shares or instalment receipts held by foreign holders may be treated as foreign unless the holder notifies the Trustee that some of its shares or instalment receipts are ones in which a foreign person or associate of a foreign person has an interest (foreign shares or instalment receipts) whereas others are not and either:

- divides its holding into separate HINs or SRNs (under ASX's CHES system or an issuer-sponsored subregister respectively), one for foreign shares or instalment receipts and one for shares or instalment receipts which are not foreign; or
- the Directors decide to treat the foreign holder as if the foreign holder was two separate members, one with domestic shares and the other with a foreign holding.

Where a person has notified the Trustee that it is a foreign holder with respect to instalment receipts, Telstra may treat that person as a foreign holder with respect to shares. The Trustee may also treat a foreign holder of shares as a foreign holder with respect to instalment receipts under its procedures.

Telstra may send notices to registered holders of shares with a view to determining whether they are foreign holders or not, and requesting details of any foreign persons or associates of foreign persons having interests in the relevant shares, and any other information relating to foreign ownership which may be requested. Such notices must be answered within the time specified in the notice. The Trustee has similar powers with respect to registered holders of instalment receipts during the IR period. The rules and procedures will permit Telstra and the Trustee to send notices jointly.

If Telstra determines, as a result of information obtained from the notifications and responses to notices referred to above, that an unacceptable foreign ownership situation exists in relation to Telstra, Telstra has the power to require divestment of shares to remedy this situation. The Trustee has power to direct the disposal of instalment receipts in the same circumstances in which Telstra would otherwise direct the Trustee to dispose of shares to remedy the situation. Telstra may direct the Trustee to require divestment of instalment receipts in such circumstances. In exercising these divestment powers, Telstra and

the Trustee are entitled to rely on foreign codings in the relevant register and upon the notifications and responses to notices referred to above. Telstra and the Trustee will notify ASX, NZX and NYSE if the level of foreign ownership comes within five percentage points of the Aggregate Limit, and after that at one percentage point intervals.

The divestment powers are broadly framed, and Telstra, the Trustee and their directors are not liable to shareholders or instalment receipt holders for the manner of their exercise.

If Telstra or the Trustee believe that the Individual Limit has been breached, Telstra or the Trustee may require that any shareholder or instalment receipt holder respectively whose shares or instalment receipts are believed to form part of the contravening 'stake' be divested within the time specified in the notice requiring divestment ('disposal notice').

If Telstra believes the Aggregate Limit has been breached, the rules currently provide that disposal notices will be given to all holders whose foreign shares became registered in their name or which became coded as 'foreign', on the day that the aggregate number of foreign coded registrations on the relevant register exceeded the limit. The position is similar with respect to foreign instalment receipts under the procedures.

There are special provisions to prevent disposal notices being given in respect of foreign instalment receipts issued under the Offer and in the event disposal notices would, but for these provisions, have been given in respect of such foreign instalment receipts ('offer instalment receipts') such notices shall not be given. Disposal notices may be given to all holders whose foreign shares were registered in their names (or became coded as foreign) on the day prior to the date of registration of the Offer instalment receipts in the names of the holders, and so on, until a situation is reached where the number of foreign shares and instalment receipts in respect of which disposal notices have not been given is below the Aggregate Limit.

The recipient of a disposal notice is required to divest the shares or instalment receipts that are the subject of the notice before the divestment date specified in the notice. The divestment date will be the fifth business day of the month after the month in which the disposal notice was issued unless that would be less than 30 days after the date of issue of the notice, in which case the divestment date will be the fifth business day of the next month. However, in relation to registrations of shares or instalment receipts in the 30 days after instalment receipts are first traded on ASX in 2006, the divestment date will be the day six months after first trading.

Appendix (continued)

No divestment will be required on a divestment date if foreign shares or instalment receipts, as shown on the relevant register on that date do not exceed the Individual Limit or the Aggregate Limit (as applicable). If a disposal notice is not complied with, Telstra or the Trustee (as relevant) may sell the relevant shares or instalment receipts on behalf of the holder on or after the relevant divestment date (and the holder will lose the ability to transfer the shares or instalment receipts itself after that date).

In cases where the Trustee sells instalment receipts, if the Trustee has been notified that a foreign holder is not a resident of Australia for Australian taxation purposes or if no notification has been received but the foreign holder has a registered address outside Australia, the Trustee may retain from the proceeds of sale and remit to the Australian Taxation Office the tax due and payable by the instalment receipt holder on any gain arising from the disposal of instalment receipts.

TRANSFERS AMONG FOREIGN HOLDERS

Special arrangements apply to certain transfers from one foreign holder to another.

Disposal notices will not be given in respect of:

- foreign shares or instalment receipts acquired from the international underwriters on closing of the Institutional Offer outside Australia;
- foreign shares or instalment receipts acquired under a particular form of ASX 'special crossing' for transfers among foreign holders. Shares or instalment receipts can only be transferred under such a special crossing if they are not, and are not liable to become the subject of a disposal notice; or
- shares or instalment receipts registered on the New Zealand branch share or instalment receipt register, though shares or instalment receipts may only be transferred onto the New Zealand branch share or instalment receipt register if they are not, and are not liable to become, the subject of a disposal notice.

NZSX trading will be only in instalment receipts or shares registered on the New Zealand branch instalment receipt or share register.

The above summary does not purport to be complete and is subject to, and qualified by reference to the Trust Deed, the constitution, the rules and the procedures and the Telstra Act. Copies of the Trust Deed, the constitution, the rules and procedures and the Telstra Act are available for inspection through the Company secretary at the Telstra Centre, 242 Exhibition Street, Melbourne, Victoria 3000, during normal working hours during the Offer period.

DEFINITIONS

'Foreign person' is defined in the Telstra Act as:

- a foreign citizen (defined in the Telstra Act as a non-Australian citizen) not ordinarily resident in Australia (a 'foreign citizen');
- a company where a foreign citizen or a foreign company (defined in the Telstra Act as an overseas incorporated company) holds a particular type of stake in the company of 15% or more;
- a company where a group of two or more persons, each of whom is either a foreign citizen or a foreign company holds, in total, a particular type of stake in the company of 40% or more;
- the trustee of a trust estate in which a foreign citizen or a foreign company holds a substantial interest (essentially a 15% beneficial interest, including such foreign citizen's or foreign company's associates' interests); or
- the trustee of a trust estate in which two or more persons, each of whom is either a foreign citizen or a foreign company, hold an aggregate substantial interest (essentially a 40% beneficial interest including each such foreign citizen's or foreign company's associates' interests).

A '**particular type of stake**' in any company held by any person is defined as the aggregate of the 'direct control interests' of that type in that company held by that person and that person's associates.

An '**associate**' of a person is defined to include:

- a wide range of direct and indirect relationships such as relatives, partners, employees and employers of the person;
- if the person is an employee of an individual, other employees of the individual;
- if the person is a company, an officer of the company and, if the person is an officer of a company, the company and other officers of the company;
- the trustee of a discretionary trust where the person or an associate of the person is a beneficiary;
- a company whose directors are accustomed, or under an obligation, to act in accordance with the wishes, directions or instructions of the person;
- a company where the person is accustomed, or under an obligation, to act in accordance with the company's wishes, directions or instructions;
- a company in which the person has a particular type of stake of at least 15% or, if the person is a company, a person who holds a particular type of stake of at least 15% in it; and
- an associate of an associate of the person.

For purposes of determining foreign ownership of any company, a person's associates also include any other person with whom the person has an arrangement enabling the person to jointly control any of the voting power of such company or certain types of power over, or over the appointment of, the board of directors of such company.

'Group', in relation to the foreign ownership limits, includes one person alone or a number of persons, even if they are not in any way associated with each other or acting together.

A **'direct control interest'** of any person in any company is defined as the equivalent percentage of:

- the total paid-up share capital of the company in which the person holds an interest;
- the voting power in the company that the person is in a position to control;
- the total rights to distributions of capital or profits of the company to its shareholders on a winding up held by the person;
- the total rights to distributions of capital or profits of the company to its shareholders, other than on a winding up, held by the person; and
- traced interests held via interposed entities.

'Interest in a share' is defined to include:

- legal or equitable interests in a share;
- certain rights under a contract to purchase a share;
- options to acquire a share or an interest in a share;
- a right to have a share transferred to the person's order; and
- an entitlement to acquire a share or an interest in a share or to exercise or control the exercise of a right attached to the share.

However, certain interests in shares are disregarded, including:

- certain interests of lenders under or following enforcement of security arrangements;
- interests of a trustee or manager of, or a custodian for, a unit trust (except a discretionary trust) or certain Australian complying or exempt superannuation funds if such trustee, manager or custodian reasonably believes that foreign persons hold beneficial interests in less than 40% of the capital and 40% of the income in the trust or fund;
- interests held by an Australian registered life insurance company or a custodian for it, in respect of a statutory fund, if the company reasonably believes that less than 40% of policyholder liabilities of the fund are owed to foreign persons;
- interests held by nominees, custodians or depositories, or brokers acting on clients' instructions in the ordinary course of business, provided in each case the holder has no beneficial interest or discretionary voting authority in respect of the underlying shares;

- certain interests held by the international underwriters and their related corporations;
- interests existing solely as a result of a shareholder holding interests in companies other than Telstra, which are not 'foreign persons' under the Foreign Acquisitions and Takeovers Act of Australia;
- interests held by persons who, although being associates of foreign persons, are not themselves foreign persons and do not have any substantive foreign associates (that is, persons who directly or indirectly control them, with whom they act in concert or in accordance with whose wishes, instructions or directions they are obliged or accustomed to act);
- interests held by any person to the extent that, after such interests have been included in the 'stake' of that person and any of its substantive foreign associates, such interests would also be included in the stake of a non-substantive associate of the person; and
- interests held by any person who is not a foreign person to the extent that, in determining the total of the stakes of a group of foreign persons, such interests would be counted more than once for that purpose.

FOREIGN OWNERSHIP STATUS

At 22 September 2006 the number of Telstra shares recorded as foreign on the Telstra register was 868,845,773, equivalent to 14.49% of the total number of non-Commonwealth owned Telstra shares on issue.

14. Taxation

A class ruling has been sought from the Australian Taxation Office (ATO) for participants in the Offer. A draft class ruling has been provided which accords with a number of statements contained in this summary. A final class ruling is expected to be issued by the ATO after the release of this Prospectus. Whilst it is not anticipated to be the case, the ATO may express views in the final class ruling which may be different to the draft ruling. Clarification is being sought from the ATO in relation to the allocation for CGT purposes of the acquisition costs between an instalment receipt and the right to acquire the Bonus Loyalty Share. This is discussed below under the heading 'Taxation of capital gains'.

The tax profile of each investor will determine the applicable Australian income taxation implications for that investor. For example, some investors, such as financial institutions, may hold their investments on income account rather than on capital account, in which case the comments below concerning capital gains implications will not be applicable.

Appendix (continued)

This discussion is based on the law in force at the date of the Prospectus and this Appendix and relates only to Australian resident investors. It does not deal with the treatment of investors who are not residents of Australia or who are temporary residents of Australia under Australia's tax laws.

At present it is expected that Telstra will be able to fully frank declared dividends out of financial year 2007 earnings. However, no assurance can be given as to the future level of dividends or of the franking of these dividends. This is because the ability to frank dividends depends upon amongst other factors Telstra's earnings, Government legislation and Telstra's taxation position.

TREATMENT OF INSTALMENT RECEIPTS

Taxation of distributions

The income taxation treatment of distributions to holders of instalment receipts will reflect the income taxation treatment of distributions to holders of shares.

While the distributions on instalment receipts are strictly speaking trust distributions, they will retain the character of the dividends on the underlying shares and will be treated in the same way for Australian income tax purposes as dividends on the underlying shares.

An 'imputation system' operates in Australia in respect of company income tax. In the absence of an exemption or concession, Australian resident companies are liable for Australian income tax on their taxable income at the corporate rate (currently 30%). The payment of Australian income tax by an Australian company, such as Telstra, generates a 'franking credit' for the company. Broadly, an amount of tax paid flows through to shareholders (as a 'franking credit') when the company pays a dividend to shareholders which is franked by the company.

Distributions paid to Australian resident holders of instalment receipts will generally be included in the assessable income of those holders of instalment receipts. It should be shown at the dividend income section of the income tax return.

Where the dividend underlying the distribution is a franked dividend, the franking credit associated with that dividend may generally also be included in the assessable income of Australian resident shareholders.

An offset of tax equivalent to the franking credit (known as a 'tax offset') is available only to Australian resident shareholders.

Australian resident corporate shareholders entitled to the franking credit attaching to the dividend, may also add that franking credit to the corporate shareholder's franking account balance.

There are circumstances where an investor may not be entitled to the benefit of franking credits. The application of these rules depends on the investor's own circumstances including the period for which the instalment receipts are held and the extent to which the investor, if a resident, is 'at risk' in relation to their investment.

Taxation of capital gains

An investor in the Australian Retail Offer at the Retail Investor price will acquire:

- (a) an instalment receipt which is, for capital gains tax purposes, an interest in an Australian trust estate; and
- (b) a right to be provided in certain circumstances a Bonus Loyalty Share for every 25 instalment receipts held continuously until 15 May 2008 (Loyalty Right).

For capital gains tax purposes the acquisition cost (including the amount of the final instalment) will be apportioned on a reasonable basis between the instalment receipt and the Loyalty Right. Clarification is being sought from the ATO in relation to the allocation of the acquisition costs between the instalment receipt and the Loyalty Right. It is anticipated that such clarification will be made available on the ATO website at: www.ato.gov.au.

A resident instalment receipt holder will generally be required to include in their assessable income, capital gains realised on the sale of instalment receipts (after allowing for any capital losses and discounting if the instalment receipt is held for 12 months or more).

The capital gain will generally be the difference between the arm's length consideration in respect of disposal of the instalment receipt (including the amount of the final instalment) and the cost base. The cost base of an instalment receipt will include a reasonable allocation of the acquisition cost of the of the instalment receipt (including the amount of the final instalment) and incidental costs associated with disposal. The capital proceeds on disposal will also include the amount of the final instalment.

If the instalment receipts have been held for at least 12 months after the date of acquisition, a holder may be entitled to discount the capital gain arising on disposal of the instalment receipts. Resident individuals and trustees may discount the gain by 50%. Trustees of complying superannuation funds may discount the gain by 33⅓%. Corporate instalment receipt holders cannot discount the capital gain. For capital gains tax purposes, the date of acquisition of an instalment receipt acquired under this Prospectus is the date the Commonwealth accepted the application.

If an investor disposes of an instalment receipt prior to 15 May 2008, or prepays the final instalment, their Loyalty Right may expire. In that event, a capital loss will arise for the investor equal to the cost base of the Loyalty Right. This capital loss can be offset against any capital gain, including a capital gain realised on disposal of the instalment receipt.

Transfer of shares from the Trustee following payment of final instalment

The payment of the final instalment and transfer of legal title in the share from the Trustee to the instalment receipt holder does not constitute a disposal of an asset for the purposes of the Australian income tax on capital gains, and does not give rise to any Australian income tax liability.

Failure to pay final instalment

The failure to pay the final instalment and subsequent sale by the Trustee of the underlying share may have Australian income tax implications for instalment receipt holders. Instalment receipt holders should seek their own advice in relation to this issue.

Acquisition of a Bonus Loyalty Share

If an investor is provided a Bonus Loyalty Share then the cost base of the Loyalty Rights exercised to obtain that share will become the cost base of the share. The exercise of the Loyalty Rights by the Investor will not constitute disposal of an asset for the purposes of the capital gains tax rules. The acquisition cost (including the amount of the final instalment) will be allocated on a reasonable basis between the Telstra shares held as a result of acquiring the instalment receipts and the Bonus Loyalty Share received as a result of exercising the Loyalty Rights. For capital gains tax purposes the investor will acquire the Bonus Loyalty Share on the day the Bonus Loyalty Share is allocated to the investor.

TREATMENT OF SHARES

Taxation of dividends

An 'imputation system' operates in Australia in respect of company income tax. In the absence of an exemption or concession, Australian resident companies are liable for Australian income tax on their taxable income at the corporate rate (currently 30%). The payment of Australian income tax by Australian companies generates a 'franking credit' which, when the company pays a dividend to shareholders, generally flows through to resident shareholders.

Dividends paid to Australian resident shareholders will generally be included in the assessable income of those shareholders. It should be shown at the dividend income section of the income tax return.

Where the dividend is a franked dividend, the franking credit associated with that dividend may also be included in the assessable income of Australian resident shareholders.

An offset of tax equivalent to the franking credit (known as a 'tax offset') is available only to Australian resident shareholders.

Australian resident corporate shareholders entitled to any franking credit attaching to the dividend, may add the franking credit to the corporate shareholder's franking account balance.

There are circumstances where an investor may not be entitled to the benefit of franking credits. The application of these rules depends on the investor's own circumstances including the period for which the instalment receipts and shares are held and the extent to which the investor, if a resident, is 'at risk' in relation to their investment.

Taxation of capital gains

A resident shareholder will generally be required to include in its assessable income, capital gains realised on the sale of shares (after allowing for any capital losses and, in certain cases, discounting of the gain).

The capital gain will generally be the difference between the arm's length consideration in respect of disposal of the share and the cost base. The cost base of the share will include the consideration in respect of the acquisition and incidental costs associated with disposal. (See also comments above about cost base.)

For capital gains tax purposes, the date of acquisition is as follows:

- for shares held as a result of instalment receipts acquired pursuant to this Prospectus, the date the Commonwealth accepted the application to acquire the instalment receipts; and
- for Bonus Loyalty Shares, on the day on which the Bonus Loyalty Share is allocated to the shareholder.

If the shares have been held for at least 12 months after the date of acquisition, a shareholder may be entitled to discount the capital gain arising on disposal of the shares. Resident individuals and trustees may discount the gain by 50%. Trustees of complying superannuation funds may discount the gain by 33⅓%. Corporate shareholders cannot discount the capital gain.

GOODS AND SERVICES TAX

Pursuant to the terms of the Goods and Services Tax (GST) law as currently in force, GST will not be payable on the issue of instalment receipts, payment of the first instalment or the transfer of shares to instalment receipt holders on payment of the final instalment. GST will not be payable on any other transfer of instalment receipts or shares.

STAMP DUTY

No stamp duty will be payable by you on the issue of instalment receipts, payment of the first or final instalment, or the transfer of shares to you on the payment of the final instalment. Generally, trading of shares and instalment receipts on the ASX will not be subject to stamp duty.

15. Indemnities and insurance of directors, officers and employees

CONSTITUTION

Telstra's current constitution and the constitution proposed to be adopted at Telstra's annual general meeting on 14 November 2006 provide for Telstra to indemnify each officer to the maximum extent permitted by law for any liability incurred as an officer provided that:

- the liability is not owed to Telstra or a related body corporate;
- the liability is not for a pecuniary penalty or compensation order made by a Court under the Corporations Act; and
- the liability does not arise out of conduct involving a lack of good faith.

Telstra's current constitution and the proposed constitution also provide for Telstra to indemnify each officer, to the maximum extent permitted by law, for legal costs and expenses incurred in defending civil or criminal proceedings.

If one of Telstra's officers or employees is asked by Telstra to be a director or alternate director of a company which is not a related body corporate of Telstra, Telstra's constitution and the constitution proposed to be adopted at Telstra's annual general meeting on 14 November 2006 provide for it to indemnify the officer or employee out of its property for any liability he or she incurs. This indemnity only applies if the liability was incurred in the officer's or employee's capacity as a director of that other company. It is also subject to any corporate policy made by the CEO. Telstra's constitution and the constitution proposed to be adopted at Telstra's annual general meeting on 14 November 2006 also allow Telstra to indemnify employees and outside officers in some circumstances. The terms "officer", "employee" and "outside officer" are defined in Telstra's constitution and the constitution proposed to be adopted at Telstra's annual general meeting on 14 November 2006.

DEEDS OF INDEMNITY IN FAVOUR OF DIRECTORS, OFFICERS AND EMPLOYEES

Telstra has executed deeds of indemnity in favour of:

- directors of Telstra (including past directors);
- secretaries and executive officers of Telstra (other than Telstra directors) and directors, secretaries and executive officers of Telstra's wholly owned subsidiaries;
- directors, secretaries and executive officers of a related body corporate of Telstra (other than a wholly owned subsidiary) while the director, secretary or executive officer was also an employee of Telstra or a director or employee of a wholly owned subsidiary of Telstra (other than Telstra directors); and
- employees of Telstra appointed to the boards of other companies as Telstra's nominees.

Each of these deeds provides an indemnity on substantially the same terms as the indemnity provided in the constitution in favour of Telstra's officers. The indemnity in favour of Directors also gives Directors a right of access to Board papers and requires Telstra to maintain insurance cover for the Directors.

Additionally, Telstra has executed an indemnity in favour of employees (including executive officers other than Directors) in respect of liabilities incurred in the formulation, entering into or carrying out of a Telstra Sale Scheme (as defined in the Telstra Act). This indemnity covers liabilities incurred by an employee in connection with the Offer. The indemnity is subject to an exclusion for liabilities arising out of conduct involving a lack of good faith.

DIRECTORS' AND OFFICERS' INSURANCE

Telstra maintains a directors' and officers' insurance policy that, subject to some exceptions, provides worldwide insurance cover to past, present or future directors, secretaries or executive officers of Telstra and its subsidiaries. Telstra has paid the premium for the policy. The directors' and officers' insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

16. Indemnities provided by the Commonwealth of Australia

The Commonwealth of Australia has provided certain indemnities to Telstra, its Directors and certain of its executives in connection with the Offer. A summary, in general terms, of these indemnities is set out below.

The indemnity in favour of Telstra's Directors indemnifies them against liabilities arising by reason of their acts or omissions in connection with the Offer, other than liabilities arising from acts or omissions which are inconsistent with any requests by the Finance Minister for assistance including under section 8AQ of the Telstra Act or any other assistance given by the Director in preparation for the Offer. However, the indemnity will apply where the act or omission by the Director occurs because of an inadvertent act, matter or thing or where reasonable efforts have been made by the Director to comply with the Finance Minister's request for assistance.

The indemnity in favour of certain executives indemnifies those persons against liabilities arising by reason of their signing or being involved in the preparation of offer documentation or participating in roadshows in connection with the Offer, other than liabilities arising from acts or omissions which are inconsistent with any requests by the Finance Minister for assistance including under section 8AQ of the Telstra Act or any other assistance given by the executive in preparation for the Offer. However, the indemnity will apply where the act or omission by the executive occurs because of an inadvertent act, matter or thing or where reasonable efforts have been made by the executive to comply with the Finance Minister's request for assistance.

The indemnity in Telstra's favour indemnifies Telstra against liabilities arising in connection with the Offer, other than liabilities arising from Telstra's existing obligations including in relation to the preparation and filing of Telstra's Annual Report and continuous disclosure documents ('Existing Obligations'). If the Commonwealth incurs a liability under this indemnity in circumstances where Telstra has failed to comply with its Existing Obligations then, to the extent that the liability is caused by or increased by Telstra's failure, the Commonwealth may recover from Telstra the amount of, and costs and expenses reasonably incurred by the Commonwealth in relation to, that liability. However, the Commonwealth does not have the right to recover such liabilities, costs and expenses in various circumstances, including where Telstra can show that, despite the breach of its Existing Obligations, it acted in all material respects in accordance with agreed minimum standards of due diligence.

The above indemnities given by the Commonwealth apply where the person to be indemnified acts in good faith and without malice, fraud or recklessness.

Appendix (continued)

17. Glossary

ABN AMRO Rothschild	a joint venture between ABN AMRO Equity Capital Markets Australia Limited (ABN 17 000 757 111) and Rothschild Australia Limited (ABN 61 008 591 768)
ACCC	Australian Competition and Consumer Commission
ACH	Australian Clearing House Pty Limited ACN 48 001 314 503
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532
ASX	Australian Stock Exchange Limited ACN 008 624 691
Board	the board of directors of Telstra
Bonus Loyalty Shares	additional shares to be received by Retail Investors who purchase instalment receipts under the Australian Retail Offer at the Retail Investor price, hold instalment receipts in the same registered name until 15 May 2008 and pay the final instalment on or by 29 May 2008. For every 25 instalment receipts held 1 Bonus Loyalty Share will be received
broker	any ASX participating organisation or a Market Participant as defined in Section 1 of the NZX Participant Rules
Caliburn Partnership	Caliburn Partnership Pty Ltd
CEO	Telstra's chief executive officer
Certain Institutional Investors	investors in the Institutional Offer for whom a minimum of 15% of the offer size before any over-allocations has been reserved, being: <ul style="list-style-type: none">■ Telstra shareholders who place bids for amounts in excess of their Initial Allocation Benefit;■ other Institutional Investors who are not Telstra shareholders at the close of the Institutional Offer;■ investors subscribing under the Japanese POWL in excess of any POWL Minimum Guarantee; and■ Australian and New Zealand resident Retail Investors who participate in the Institutional Offer via broker-sponsored bids for amounts in excess of their Initial Allocation Benefit (if any)
CGT	capital gains tax
CHESS	the Clearing House Electronic Subregister System operated by ASTC, the clearing house for ASX, for the purpose of settling transactions and registering transfers of approved financial products
Co-Lead Managers	Citigroup Global Markets Australia Pty Limited, Credit Suisse (Australia) Limited, Daiwa Securities SMBC Europe Limited, J.P. Morgan Australia Limited, Lehman Brothers Inc. and Morgan Stanley Dean Witter Australia Securities Limited
Co-Managers	Commonwealth Securities Limited and RBC Capital Markets
Commonwealth	the Commonwealth of Australia and where the context so permits, the Australian Government
Commonwealth's Business Adviser	Caliburn Partnership Pty Ltd
Communications Minister	the Minister for Communications, Information Technology and the Arts
Corporations Act	Corporations Act 2001 (Cth)
Corporations Regulations	Corporations Regulations 2001 (Cth)
Directors	the directors of Telstra
ESOP	Telstra's Employee Share Ownership Plans, known as TESOP 97 and TESOP 99
Final Instalment Due Date	the date the final instalment amount is due (29 May 2008)
Finance Minister	the Minister for Finance and Administration
financial planner	organisations and individuals which hold an Australian Financial Services Licence issued by ASIC

Firm Offer	the invitation under this Prospectus and the New Zealand Investment Statement to Australian and New Zealand resident Retail Investors who are offered a firm allocation of shares by participating brokers and financial planners
Foreign Acquisitions and Takeovers Act	Foreign Acquisitions and Takeovers Act 1975 (Cth)
Future Fund	the Future Fund Special Account and the investments of the Future Fund established under section 11 of the Future Fund Act 2006 (Cth) and described in section 2.8 'Future Fund overview' and section 5.7 'Future Fund' of the Prospectus
General Public Offer	the invitation under this Prospectus and the New Zealand Investment Statement to Australian and New Zealand resident Retail Investors
Goldman Sachs JBWere	Goldman Sachs JBWere Pty Ltd
GrowthShare Trust	Telstra Growthshare Pty Ltd ACN 089 807 590
Initial Allocation Benefit	the allocation for Institutional Investors who are Telstra shareholders at the close of the Institutional Offer, based on the number of shares held as at the close of the Institutional Offer (adjusted for dealings up to that time). Australian or New Zealand resident Retail Investors bidding via broker sponsored bids in the Institutional Offer also receive an Initial Allocation Benefit, but reduced by any shares they have applied for in the Shareholder Entitlement Offer
Instalment Receipt and Share Registrar	Link Market Services Limited ACN 083 214 537
Institutional Investor	an investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Commonwealth and Telstra is willing to comply with), including persons to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus under section 708 of the Corporations Act provided that, if such Institutional Investor is in the United States, it must be a QIB
Institutional Offer	the invitation to Institutional Investors described in section 2.5 'Institutional Offer' of the Prospectus and section 5 'Further information about the Institutional Offer' of this Appendix
Institutional Offering Memorandum	the offer document under which the Institutional Offer to certain Institutional Investors in jurisdictions other than Australia, New Zealand and Japan will be conducted
Institutional Selling Syndicate	ABN AMRO Rothschild; Goldman Sachs JBWere; UBS AG, Australia Branch; Citigroup Global Capital Markets Pty Limited; Credit Suisse (Australia) Limited; Daiwa Securities SMBC Europe Limited; J.P. Morgan Australia Limited; Lehman Brothers Inc.; Morgan Stanley Dean Witter Australia Securities Limited; Commonwealth Securities Limited and RBC Capital Markets
International Purchase Agreement	an international purchase agreement between the Commonwealth, Telstra and the Joint Global Coordinators, as representatives of the purchasers, expected to be dated on or around 18 November 2006
Joint Global Coordinators	ABN AMRO Rothschild, Goldman Sachs JBWere and UBS
New Zealand Investment Statement	the investment statement in terms of the Securities Act 1978 (NZ) under which the New Zealand Offer will be made
New Zealand Offer	the part of the Telstra 3 Share Offer made to New Zealand resident investors
NZSX	the main board equity security market operated by the NZX
NZX	New Zealand Exchange Limited
NZX Listing Rules	the listing rules of NZSX
Offer or Telstra 3 Share Offer	the Offer comprises the Retail Offer and the Institutional Offer
POWL	a public offer without listing in Japan
POWL Minimum Guarantee	a minimum total number of shares that may be reserved for Japanese investors subscribing under the POWL

Appendix (continued)

Prepayment Discount	the discount to be received by holders (other than holders with New Zealand registered addresses) who prepay the final instalment which is calculated based on the Reference Bond Yield as explained in section 11 'The final instalment may be prepaid'
Prospectus	the prospectus dated 9 October 2006 relating to the Telstra 3 Share Offer to Australian resident investors
QIB	a qualified institutional buyer as defined in Rule 144A
Quotation Application and Agreement	the quotation application and agreement between the Trustee and ASX dated October 2006
Record Date	13 October 2006
Reference Bond Yield	on a particular date, means the yield to maturity of the benchmark Commonwealth Government bond 8.75% Coupon, maturing 15 August 2008, published on the Reuters monitor system "RBA28" (or any page which replaces that page) at 4.30pm on that date
Retail Investor	an investor who is not an Institutional Investor
Retail Lead Managers	ABN AMRO Morgans; Bell Potter Securities Limited; Citigroup Wealth Advisors Pty Limited; Commonwealth Securities Limited; ETRADE Australia Securities Limited; Goldman Sachs JBWere Pty Ltd; Ord Minnett Limited; Patersons Securities Limited; SHAW Stockbroking Ltd; UBS Wealth Management Australia Ltd and Wilson HTM Limited
Retail Offer	the invitation to Retail Investors under this Prospectus and the New Zealand Investment Statement, as applicable, comprising the Shareholder Entitlement Offer, the Firm Offer and the General Public Offer
Rule 144A	Rule 144A under the US Securities Act
Shareholder Entitlement Offer	<p>the entitlement under this Prospectus and the New Zealand Investment Statement for Australian and New Zealand resident Retail Investors who are Telstra shareholders at the close of business on the Record Date to receive a guaranteed allocation determined by the number of shares held by the investor subject to a minimum and maximum entitlement</p> <p>A similar benefit, the Initial Allocation Benefit, will also form part of the Institutional Offer</p>
Telstra	Telstra Corporation Limited ACN 051 775 556 and/or its controlled entities
Telstra 3 Bidding and Settlement Procedures Manual	the manual to be provided to Institutional Investors by the Joint Global Coordinators or other Institutional Selling Syndicate members detailing bidding procedures for the institutional bookbuild and institutional settlement procedures. The manual also contains instructions for filling in and returning the Institutional Bidder Declaration Form
Telstra Act	Telstra Corporation Act 1991 (Cth)
Telstra ESOP Trustee	Telstra ESOP Trustee Pty Limited ACN 080 180 285
Trustee	Telstra Sale Company Limited ACN 121 986 187
Trust Deed	the Trust Deed dated on or about 8 October 2006 between the Commonwealth and the Trustee
UBS	UBS AG, Australia Branch
US Person	'US person' as defined in Regulation S of the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
VWAP	volume weighted average price of Telstra shares traded on ASX. For the purposes of calculating the VWAP, trades which occur other than in the normal course trading on ASX are excluded (i.e. transactions defined in ASX Business Rules as 'special', crossing prior to the commencement of normal trading, crossings during the closing phase and the after hours adjust phase and any overseas trades or trades pursuant to the exercise of options over shares, any overnight crossings and any other sales which the Commonwealth considers may not fairly reflect natural supply and demand). The VWAP will be rounded to the nearest cent





TELSTRA 3
SHARE OFFER