

9 October 2006

The Manager

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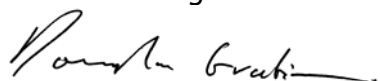
ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra 3 Share Offer Prospectus

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", with a horizontal line extending to the right.

Douglas Gration
Company Secretary

This Prospectus contains information about the sale by the Commonwealth of shares in Telstra (the Telstra 3 Share Offer or the Offer).

Payment for Telstra shares purchased under the Offer will be in two instalments and, until you pay the final instalment, your interest in Telstra shares will be in the form of instalment receipts.

You should read this Prospectus carefully before you decide whether to participate in the Offer. If you wish to apply for shares, you must either apply through the Telstra 3 Share Offer website (www.t3shareoffer.com.au) or complete, sign and lodge an application form which is attached to or accompanies this Prospectus. Detailed instructions on how to complete the application form are set out in 'Application Instructions' in this Prospectus.

You can find more information about Telstra and the Offer as set out below:

Subject	Document	Where found
About Telstra	<ul style="list-style-type: none">■ 2006 Annual Report¹■ 2006 Annual Review¹■ 2006 Supplemental Information^{1,2}■ Telstra's ASX continuous disclosure releases since 25 September 2006¹	Telstra website at www.telstra.com.au/abouttelstra/investor or Telstra 3 Telephone Information Centre on 1800 18 18 18*
About the Offer	Appendix ³	Telstra 3 Share Offer website at www.t3shareoffer.com.au or Telstra 3 Telephone Information Centre on 1800 18 18 18*

1 This material was prepared by Telstra. It does not form part of, and is not incorporated by reference into, this Prospectus. The 2006 Annual Report and Annual Review have been sent to Telstra shareholders who elected to receive one or both of these documents.

2 This material has been provided by Telstra to ASX under its continuous disclosure obligations. It contains additional information relating to Telstra, including detailed descriptions of Telstra's business, operating and financial matters and discussion of Telstra's prospects, the applicable regulatory regime, risks faced by Telstra, its competitive environment and significant legal proceedings.

3 Some of the information in this Prospectus is dealt with in more detail in a separate appendix (the Appendix). The material in the Appendix is identified in section 5.1 'Materials in the Appendix' and is of a type that the Commonwealth and Telstra believe to be primarily of interest to professional advisers, Institutional Investors and to investors with similar specialist information needs.

However, if you consider that the information in the Appendix might assist you in making your investment decision, you should obtain a copy of the Appendix and/or consult a broker or financial adviser.

* A free call from most fixed phones and Telstra operated payphones. Calls made from a mobile phone are subject to additional charges from your mobile phone service provider.

The above documents are available free of charge.

The Prospectus is available in Braille, large print and on audio CD. For a copy in any of these formats please call the Telstra 3 Telephone Information Centre on 1800 18 18 18. Alternatively, an electronic version of the Prospectus can be accessed on the Telstra 3 Share Offer website at www.t3shareoffer.com.au. This website also offers the Prospectus in large print, Rich Text File, HTML and MP3 audio formats.



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Important notices

The Offer in Australia is made through this Prospectus, which incorporates by reference the Appendix. The Offer in New Zealand is made through the New Zealand Investment Statement which is accompanied by this Prospectus. The Offer to certain Institutional Investors in other jurisdictions is made through the Institutional Offering Memorandum. No document other than these documents may be used in the various jurisdictions to conduct the Offer.

This Prospectus and the Appendix were lodged with ASIC on 9 October 2006 and are dated 9 October 2006.

Telstra is a 'disclosing entity' for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Copies of documents lodged with ASIC in relation to Telstra may be obtained from, or inspected at, an ASIC office.

None of ASIC, ASX and NZX and their officers take any responsibility for the contents of this Prospectus or the Appendix or the merits of the investment to which this Prospectus relates. The fact that ASX and NZSX have quoted the shares of Telstra, and may quote the instalment receipts, is not to be taken in any way as an indication of the merits of the instalment receipts, the shares or Telstra.

No securities will be issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

This Prospectus does not constitute an offer or invitation in any place where, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the instalment receipts, the shares or the Offer, or to otherwise permit a public offering of these securities, in any jurisdiction outside Australia, New Zealand and Japan. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Neither the instalment receipts nor the underlying shares have been or will be registered under the US Securities Act and those securities may not be offered or sold in the United States or for the account or benefit of US Persons except to QIBs in transactions exempt from the registration requirements of the US Securities Act in accordance with Rule 144A and applicable US state securities laws.

The Commonwealth reserves the right not to proceed with the Offer at any time before the acceptance of applications to purchase the shares, in which case all application monies will be returned to applicants without interest.

This Prospectus is available to Australian and, accompanied by the New Zealand Investment Statement, New Zealand investors in electronic form by accessing the Telstra 3 Share Offer website at www.t3shareoffer.com.au. The Offer constituted by this Prospectus and, in the case of New Zealand investors, the New Zealand Investment Statement, in electronic form is available only to persons in Australia and New Zealand. Persons having received a copy of this Prospectus and the New Zealand Investment Statement in its electronic form may, during the period of the Offer, obtain a paper copy of the Prospectus and New Zealand Investment Statement (free of charge) by calling the Telstra 3 Telephone Information Centre on 1800 18 18 18 in Australia or 0800 699 019 in New Zealand. Applications for shares made by Australian

investors may only be made on the application form attached to or accompanying this Prospectus or in its online copy form as downloaded in its entirety from www.t3shareoffer.com.au. The Corporations Act prohibits any person from passing on to another person the application form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

During the course of the Offer, the Commonwealth and Telstra may provide information about any significant new development relevant to the Offer through newspaper advertisements or by disclosure to ASX.

ASIC has granted relief to permit the publication of any supplementary prospectus which may be necessary by means of an advertisement placed in at least two daily newspapers circulating generally throughout Australia and a daily newspaper circulating generally in each state and territory of Australia. A copy of any supplementary prospectus will also be made available during the Offer on the Telstra 3 Share Offer website at www.t3shareoffer.com.au.

Certain terms in this Prospectus have defined meanings that are set out in the Glossary.

The Prospectus and the Appendix contain general information only. The Prospectus and the Appendix do not take into account your objectives, financial situation or needs. You should consider whether an investment in Telstra shares is appropriate having regard to those matters. You should consider the Prospectus and Appendix in full before making any decision to acquire Telstra shares.

If you have any queries about whether to participate in the Offer, you should consult a broker or financial adviser.

If you have any questions about how to participate in the Offer, you should access www.t3shareoffer.com.au or call the Telstra 3 Telephone Information Centre on 1800 18 18 18.

Forward looking information: Cautionary statement

Some of the information contained in this Prospectus may constitute forward-looking statements that are subject to various risks and uncertainties. These statements can be identified by the use of forward-looking terminology such as 'may', 'will', 'expect', 'anticipate', 'estimate', 'continue', 'plan', 'intend', 'believe', 'objectives', 'outlook', 'guidance' or other similar words, including Telstra's strategic management objectives in section 3.4 'Transformation strategy' and outlook for financial year 2007 in section 3.5 'Outlook'. These statements discuss future objectives or expectations concerning results of operations or of financial condition or provide other forward-looking information. Telstra's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Prospectus details some important factors that could cause Telstra's actual results to differ materially from the forward-looking statements made in this Prospectus. Given the risks, uncertainties and other factors, you should not place undue reliance on any forward-looking statement, which speaks only as of the date of this Prospectus.

Important dates and summary financial information

Important dates

Prospectus date	Monday 9 October 2006
Record Date for Shareholder Entitlement Offer	Friday 13 October 2006
Retail Offer opens	Monday 23 October 2006
Retail Offer closes	4.00pm (local time), Thursday 9 November 2006
Institutional Offer opens	Wednesday 15 November 2006
Institutional Offer closes	Friday 17 November 2006
Final instalment amount and basis of allocation announced by	Monday 20 November 2006
Conditional and deferred settlement trading of instalment receipts expected to commence on ASX	Monday 20 November 2006
Institutional Offer settlement	Friday 24 November 2006
Instalment receipt transaction confirmation statements expected to be dispatched by	Thursday 30 November 2006
Normal settlement trading of instalment receipts expected to commence on ASX	Friday 1 December 2006
Last date for payment of final instalment (Final Instalment Due Date)	Thursday 29 May 2008

If you wish to apply for shares, you are encouraged to do so as soon as possible. The Commonwealth has the right to change these dates, other than the Final Instalment Due Date, including closing early or extending the Offer, or any component of the Offer, without prior notice, or otherwise vary the terms of the Offer, either generally or in particular cases.

Summary financial information¹

	Telstra Group Year ended 30 June	
	2006 A\$m	2005 A\$m
Revenue (excluding finance income)	22,772	22,181
EBITDA	9,584	10,464
EBIT	5,497	6,935
Free cash flow ²	4,550	5,194
	cents	cents
Basic earnings per share	25.7	34.7
Total dividends declared per share ³	34.0	40.0

1 Summary financial information has been derived from Telstra's 2006 audited Financial Report and has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS). Further financial information is included in section 3.9 'Historical financial information'.

2 Cash from operating activities less cash used in investing activities.

3 The dividends declared include special dividends of 6.0 cents for 2006 and 12.0 cents for 2005 as disclosed in note 4 of Telstra's 2006 audited Financial Report (page 143 of Telstra's 2006 Annual Report) and note 4 of the audited Concise Financial Report (page 69 of Telstra's 2006 Annual Review).

Letter from the Minister for Finance and Administration



SENATOR THE HON NICK MINCHIN

Minister for Finance and Administration
Leader of the Government in the Senate

Dear Investor

On behalf of the Australian Government I am delighted to offer you the opportunity to participate in the Telstra 3 Share Offer, which involves a public offer of Telstra shares to retail and institutional investors.

This offer gives all Australians, including existing Telstra shareholders, an opportunity to participate in the transformation of Telstra.

The offer will be made by way of instalment receipts, meaning successful applicants will pay for their shares in two instalments over eighteen months but will receive the full amount of any dividends paid by Telstra during this time. In addition, the price paid by Australian retail investors will be at a discount to that paid by institutional investors.

Potential investors should be aware that the value of instalment receipts and shares fluctuate and may result in a market price that is lower than the price paid for their instalment receipts. The value of an investment in Telstra is not guaranteed by the Commonwealth. You should read this Prospectus carefully before you make your investment decision. You may wish to seek the advice of a broker or financial adviser if you are unsure about whether to invest in the Telstra 3 Share Offer.

The Australian Government is committed to promoting a competitive telecommunications industry for the benefit of all consumers and has in place an appropriate telecommunications regime to facilitate this outcome.

Telstra shares not transferred under the Telstra 3 Share Offer will be transferred by the Commonwealth to the Future Fund – an investment fund established to strengthen the Commonwealth's finances over the long term by providing for unfunded superannuation liabilities. It is the Australian Government's intention that the Future Fund will manage its Telstra shareholding at arm's length from Government and, after an escrow period of two years, will be required to sell down the shares over time and reinvest the proceeds. In accordance with this policy, the Government does not intend to direct the voting of Telstra shares held by the Future Fund. In this way, the Australian Government will resolve its conflict of interest as both regulator and majority shareholder of Telstra.

The Telstra 3 Share Offer provides a unique opportunity for all Australians to share in the future of Australia's largest telecommunications company and I am pleased to invite you to participate.

Yours sincerely

A handwritten signature in black ink that reads 'Nick Minchin'.

Nick Minchin

Letter from the Telstra Chairman

Office of the Chairman



Dear Investor

The Board and management of Telstra welcome the Telstra 3 Share Offer. It is an opportunity for Australians to invest in Australia's leading and only truly integrated telecommunications company at a time when Telstra has embarked on a transformation strategy to create the 'new Telstra' with the aim of improving long-term shareholder value.

The Telstra 3 Share Offer comes at a time of major and much needed change for Telstra. We are almost one year into our five year strategy to transform Telstra, to make it deliver value for our shareholders and customers. The transformation includes significant cultural change, building next generation networks to support a growing demand for IP-based services and simplifying IT systems.

Through these major changes, we have created a "one factory" approach to Telstra's operations, with the aim of doing for our customers what no-one else has done: create a world of "1-click, 1-touch, 1-button, 1-screen, 1-step" solutions that are simple, easy and valued by all our customers - individuals, businesses, enterprises and government.

If we achieve our aim, and we are committed to that end, we believe we will deliver shareholder value in the longer term. But investors need to understand that there are significant costs and risks involved in undertaking such an immense exercise and that, in the early years, transformation significantly reduces our earnings and cash flow. For our plan to succeed, we must incur those costs, reinvest in the business and take those risks now.

We also face significant risks that are outside our control. It's well known that we are critical of the current telecommunications regulatory regime. That regime significantly diminishes shareholder value by increasing Telstra's costs and reducing our opportunity to earn revenue and grow. We face regulatory risks in our business which have had, and we expect will continue to have, substantial adverse effects on our operations and financial performance. In addressing these risks, we will continue to pursue appropriate legal means to reach the best outcome for shareholders.

Our absolute priority is the focused execution of our transformation strategy. We are on track with the transformation, on budget and on time. And we are delighted to be able to report that Telstra's NEXT G™ nationwide wireless broadband network was launched on 6 October 2006.

Telstra's Board and management firmly believe our strategy for Telstra is correct and are committed to managing the risks and costs associated with its implementation and ongoing regulatory risks. But we want all our investors to take the time to understand our blueprint for change, what is involved in delivering it, and the regulatory environment in which we do business. So, you should read this Prospectus, and other publicly available information on Telstra, carefully before you decide to invest in the future of Telstra.

If you do, then we will be delighted to welcome you as a Telstra shareholder.

Yours sincerely

A handwritten signature in black ink, appearing to read "D. McGauchie", written over a horizontal line.

Donald G McGauchie AO
Chairman

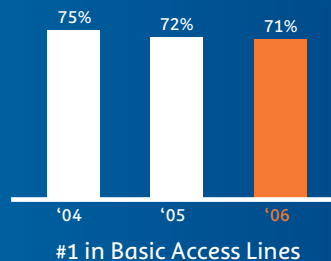
Key investment highlights and risks

Australia's leading communications company

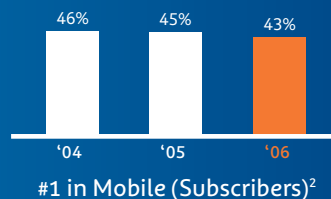


Telstra market share¹

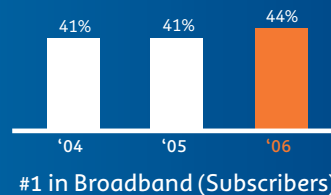
Fixed Line



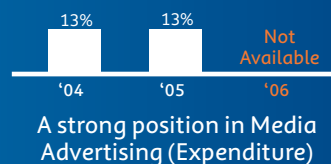
Mobile



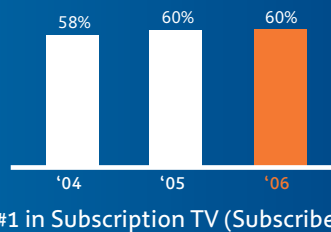
Broadband



Advertising, Search & Directories



Pay TV (through 50% ownership of Foxtel)



¹ Telstra estimates as at 30 June for retail market share other than Sensis market share which is at 31 December.

² Market share based on mobile operator data at 30 June.

Note: FOXTEL trademarks are used under licence by FOXTEL Management Pty Ltd

The 'new Telstra'

The landscape in which Telstra operates has changed dramatically over recent years

- Evolving industry trends, competition and regulatory outcomes have put pressure on Telstra's revenues and earnings
- Although the telecommunications market has grown, Telstra has lost market share in a number of its traditional key markets. A fundamental change to Telstra is needed

In response, Telstra is implementing a company-wide transformation plan to manage these trends and improve its performance

- A new chief executive officer, Sol Trujillo, commenced on 1 July 2005
- Sol and his senior management team have extensive experience in highly competitive telecommunications markets across the world, including in the USA and Europe
- After a comprehensive internal review, Telstra's transformation plan was announced on 15 November 2005

The plan to bring about the 'new Telstra' is:

- Bold and focused across all of Telstra's operations
- Aimed at growing revenues from new products and services and taking out costs
- Focused on delivering long-term shareholder value

Telstra's transformation plan is on track, on budget and on time

- The transformation is a five year plan which commenced in November 2005
- While some improvement has already been evident in the second half of financial year 2006, the majority of the benefits from the plan are targeted in financial year 2008 and onwards
- Costs and capital expenditure for the plan are expected to peak in financial year 2007

Telstra's transformation plan and improvement of shareholder value are subject to:

- Regulatory risks
- Implementation, technology, vendor and people risks
- Market and operating risks in a competitive and dynamic market

Key investment highlights and risks

Telstra is committed to delivering a bold transformation plan...

“creating a world of 1-click,
1-screen, 1-step integratio

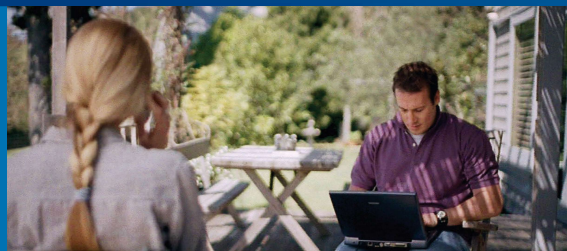
Focusing on customers



Building Australia's
next generation
communications network



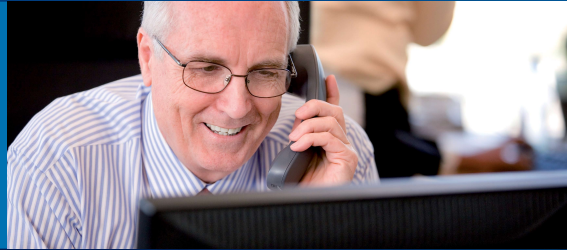
Deploying NEXT G™,
a national wireless
broadband network



Simplifying systems



Transforming culture



1-touch, 1-button, integrated solutions””

Telstra is using market based management to create product and service offerings tailored to the needs and lifestyles of its customers

Telstra is constructing a state-of-the art IP core network to deliver new, innovative and faster services

Telstra has launched NEXT G™ – Australia’s only national 3G network, delivering wireless broadband, new products and unmatched coverage

Telstra is working to deliver improved customer experiences and long term cost savings by reducing complexities in its systems

Telstra is investing in its employees to be able to better serve customers and create value for shareholders

...focused on delivering long-term shareholder value

Key investment highlights and risks

An attractive offer for retail investors

Instalment receipts

- Pay in two instalments over 18 months while receiving in full any dividends declared during that period
- \$2.00 first instalment for Australian Retail Investors payable on application
- The final instalment will be announced by 20 November 2006 following an institutional bookbuild and is payable by 29 May 2008

14% fully-franked instalment yield for the first 12 months

- The Telstra Board currently intends to declare 28 cents per share in fully franked dividends for financial year 2007 subject to continued success in implementing the transformation plan and no further material adverse regulatory outcomes during the course of financial year 2007

Australian Retail Investors eligible for an upfront discount and Bonus Loyalty Shares

- Upfront discount – the \$2.00 first instalment amount is a 10 cent discount per share to the amount institutions pay
- Bonus Loyalty Shares – if you hold your instalment receipts until 15 May 2008 and pay the final instalment on time, you will receive an additional share for every 25 instalment receipts held

Guaranteed entitlement offer for existing Telstra shareholders¹

- Telstra shareholders¹ receive a guaranteed entitlement of at least 3,000 shares or, if greater, 1 share for every 2 shares they hold² – you can apply for more or less than your guaranteed entitlement

Guaranteed allocations for all other Retail Investors

- Guaranteed allocation of 2,000 shares for all other Retail Investors – you can apply for more or less than your guaranteed allocation

Retail Offer expected to close 4pm local time on Thursday 9 November 2006

¹ Available to Australian and New Zealand resident Retail Investors who are registered Telstra shareholders at the close of business on 13 October 2006. There is a separate 1 for 2 Initial Allocation Benefit for Telstra shareholders who are Institutional Investors.

² Subject to a maximum guaranteed entitlement of 200,000 shares.

What are the key risks?

Telstra faces significant risks, some of which are detailed below. Refer to section 4 for a more detailed description of these and other risks that could affect Telstra and your investment under the Offer.

Regulatory risks

Telstra is subject to extensive regulation that significantly affects its business. Telstra believes regulation limits its ability to pursue business opportunities and generate returns for shareholders, for example:

- the ACCC can require Telstra to provide certain services to competitors using its networks at prices Telstra believes to be below the efficient costs of providing those services
- competitor access, if required by the ACCC, would in Telstra's view deprive it of many of the benefits of the significant expenditure it has made in building new networks such as the recently launched NEXT G™ wireless broadband network
- Telstra and the ACCC differ in critical instances on what constitutes anti-competitive conduct, affecting Telstra's ability to act in what it believes to be a normal commercial manner
- the Commonwealth has a broad discretion to impose additional regulatory obligations on Telstra, such as stricter controls on Telstra's retail prices or increasing the obligation to make certain uneconomic rural and remote services available without receiving what Telstra believes to be a fair contribution from its competitors

Transformation risks

Telstra's transformation strategy involves a complex and fundamental change to its businesses, operations, networks and systems and is in Telstra's view the most comprehensive of any telecommunications company worldwide. Telstra may not be successful in executing this significant undertaking and may not achieve the expected benefits. Transformation risks include:

- planned technologies and network and IT support systems not functioning as anticipated
- cost over-runs or delays in implementation
- customer take-up of and migration to new products and services may be significantly lower than planned
- dependence on key personnel and vendors

Market and operating risks

Telstra operates in a number of highly competitive markets involving constant change. Market and operating risks include:

- traditional high margin revenues continuing to decline with customer migration to new lower-margin products and services such as mobiles, broadband and VoIP
- rapid technological changes and intensifying competition leading to lower prices and market share losses

Investment and other risks

Other risks that could affect your investment under the Offer include:

- if Telstra is unsuccessful in implementing its transformation strategy or there are material adverse regulatory or other outcomes, the amount of dividends declared for financial year 2007 may be less than 28¢ per share and reduce the 14% instalment dividend yield. There is no dividend guidance for financial year 2008
- the Future Fund will have a significant shareholding in Telstra which, after two years, it will be required to sell down over the medium term, which could reduce Telstra's share price and the Future Fund could take actions that are not aligned with the interests of Telstra's other shareholders
- the Commonwealth has sought the nomination of a new director to the Board which Telstra believes could disrupt the effective functioning of the Board
- the price at which your instalment receipts or shares trade may be lower than the price you pay for them

1. Key questions and answers

Question	Answer	Where to find more information
About this Prospectus		
What information is in this Prospectus?	This Prospectus contains information about the Offer and how to apply, an overview of Telstra's business, strategy and transformation plan, key financial information and the benefits and potential risks of investing in Telstra	Sections 2, 3 and 4
What information is in the Appendix?	<p>The Appendix contains more detailed information which the Commonwealth and Telstra believe to be primarily of interest to professional advisers, Institutional Investors and investors with similar specialist information needs. Information on the contents of the Appendix is set out in section 5.1 of this Prospectus</p> <p>You can obtain a copy of the Appendix by calling the Telstra 3 Telephone Information Centre on 1800 18 18 18 or by accessing www.t3shareoffer.com.au</p>	Section 5.1
About the Offer		
What is the Offer?	The Offer is a sale by the Commonwealth of shares in Telstra to Retail Investors and Institutional Investors. The base offer size is 2.15 billion shares, unless increased as set out below. The final number of shares sold by the Commonwealth will not exceed this base offer size unless the Over-allocation Option is exercised and/or the number of shares required to satisfy allocations for the Retail Offer, the POWL Minimum Guarantee and Institutional Investors' Initial Allocation Benefits exceeds 2.15 billion shares	Sections 2.2 and 5.12
About the Retail Offer		
What is the Retail Offer?	<p>The Retail Offer comprises the:</p> <ul style="list-style-type: none">■ Shareholder Entitlement Offer – a 1 for 2 entitlement offer open to Australian and New Zealand resident Retail Investors who are registered Telstra shareholders at the close of business on 13 October 2006 (Record Date);■ Firm Offer – open to Australian and New Zealand resident Retail Investors who are offered a firm allocation of shares by their participating broker or financial planner; and■ General Public Offer – open to Australian and New Zealand resident Retail Investors. <p>The Retail Offer will be made under this Prospectus or the New Zealand Investment Statement, as applicable</p>	Section 2

Question	Answer	Where to find more information
About the Retail Offer (continued)		
What is the entitlement ratio under the Shareholder Entitlement Offer?	Your shareholder entitlement is calculated on the basis of 1 Telstra share for every 2 Telstra shares which are registered in your name on the Record Date and includes a minimum guaranteed entitlement of 3,000 shares and is subject to a maximum guaranteed entitlement of 200,000 shares	Section 2.4.2
When do I pay?	The first instalment of \$2.00 per share must be paid on application (which must be received by 4.00 pm local time on 9 November 2006) and the final instalment must be paid by 29 May 2008 but may be prepaid	Section 2.4.3
How much do I pay for shares?	<p>The purchase price is payable in two instalments:</p> <ul style="list-style-type: none"> ■ the first instalment payable by Australian Retail Investors is \$2.00 per share. This is a discount of 10 cents per share to the first instalment payable by Institutional Investors; and ■ the final instalment payable by Retail Investors is dependent upon the outcome of a bookbuild and when you pay the final instalment amount 	Section 2.4.3
What is the amount I pay for the final instalment?	<p>If you are eligible to receive the Bonus Loyalty Shares (see below) you will pay the lower of:</p> <ul style="list-style-type: none"> ■ the final instalment amount payable by Institutional Investors; and ■ the volume weighted average price (VWAP) during the 3 trading days ending 17 November 2006, less the \$2.00 first instalment amount payable by most investors under the Retail Offer. <p>If you are not eligible to receive the Bonus Loyalty Shares, you will pay the same final instalment amount as Institutional Investors</p>	Sections 2.4.3 and 2.5 Sections 11 and 12 of the Appendix
What is the amount of the final instalment if I prepay before 31 March 2008?	If you prepay, you will pay the final instalment amount payable by Institutional Investors less the applicable Prepayment Discount. Investors with New Zealand registered addresses will not receive the Prepayment Discount	Section 2.4.3
What are Bonus Loyalty Shares and who is entitled to them?	Bonus Loyalty Shares are additional shares you will receive if you purchase instalment receipts under the Australian Retail Offer at the Retail Investor price, hold them in the same registered name (subject to limited exceptions) until 15 May 2008 and pay the final instalment on or by 29 May 2008. Your entitlement to Bonus Loyalty Shares will be based on 1 Bonus Loyalty Share for every 25 applicable instalment receipts held. The Bonus Loyalty Shares are existing shares owned by the Commonwealth and are provided to you for no additional cost	Section 2.4.3 Section 12 of the Appendix

1. Key questions and answers (continued)

Question	Answer	Where to find more information
About the Retail Offer (continued)		
How do I apply?	You should apply by completing the appropriate paper or online application form	Sections 2.4.2 and 2.4.4 See 'Application Instructions'
What are the key dates of the Retail Offer?	The Retail Offer opens on 23 October 2006 and is expected to close at 4.00pm local time on 9 November 2006, although the Commonwealth has the right to change these dates	Section 2.4.1 See 'Important dates and summary financial information'
About the risks		
Are there risks in participating in the Offer?	Telstra faces significant regulatory, transformation, market and operating risks in its business. There are also investment and other risks associated with participating in the Offer. These risks could affect Telstra and your investment under the Offer	Section 4
About the instalment receipts		
What is an instalment receipt?	An instalment receipt is evidence of your beneficial interest in a Telstra share. Until you pay the final instalment, the Trustee will hold your shares and the Commonwealth will have a security interest in your shares	Section 2.3 Section 11 of the Appendix
What rights will I have while I hold the instalment receipts?	Holders of instalment receipts will generally have equivalent rights to Telstra shareholders. These rights include the right to receive any dividends declared by Telstra and the right to attend and vote at meetings of Telstra shareholders (by directing the Trustee how to vote)	Section 5.9 Section 11 of the Appendix
What dividends can I expect while holding the instalment receipts?	<p>You will be entitled to receive any dividends declared by Telstra during the period you hold the instalment receipts. In its normal cycle, Telstra pays ordinary dividends semi-annually in March or April and September or October. The Board currently intends to declare a 28 cents per share fully franked dividend for financial year 2007 subject to continuing to be successful in implementing the transformation strategy and no further material adverse regulatory outcomes during the course of financial year 2007</p> <p>The Board is unable to give guidance on ordinary dividends for financial year 2008 owing to the continuing uncertainty attached to regulatory outcomes and the impact on Telstra's business as well as transformation and market place risks</p>	Sections 3.6 and 5.9 Section 11 of the Appendix

Question	Answer	Where to find more information
About the instalment receipts (continued)		
Can I prepay the final instalment ahead of its scheduled date?	You may prepay the final instalment for some or all of your registered holding prior to the due date for the final instalment Prepayments may be made by instalment receipt holders between 28 February 2007 and 31 March 2008	Section 2.4.3 Section 11 of the Appendix
Do I receive a discount if I prepay the final instalment ahead of its scheduled date?	If you prepay the final instalment on or before 31 March 2008 you will be entitled to the applicable Prepayment Discount. Investors with New Zealand registered addresses will not receive the Prepayment Discount	Section 2.4.3 Section 11 of the Appendix
Do I receive Bonus Loyalty Shares if I prepay the final instalment ahead of its scheduled date?	No. If you prepay the final instalment on or before 31 March 2008 you will not receive Bonus Loyalty Shares on the instalment receipts for which you have prepaid the final instalment, but (unless you have a New Zealand registered address) you will be entitled to the Prepayment Discount on those instalment receipts	Section 2.4.3 Section 12 of the Appendix
Can I borrow and use my instalment receipts as security?	You may borrow and use your instalment receipts as security. However, you may not create any security which is capable of extending to the underlying shares until you have paid the final instalment	Section 11 of the Appendix
Can I sell my instalment receipts?	The instalment receipts are expected to be quoted on ASX and NZSX, after which you should be able to sell your instalments receipts	Section 5.11 Section 11 of the Appendix
About the Commonwealth as shareholder and regulator		
Will the Commonwealth still own shares in Telstra after the Offer?	Currently, the Commonwealth owns 51.8% of Telstra, or 6,446,207,123 shares. Any shares held by the Commonwealth which are not transferred under the Offer will be transferred to the Future Fund	Sections 2.8 and 5.7
What is the effect of the Offer on Telstra?	The Commonwealth is currently Telstra's controlling shareholder and has special rights and privileges under the Telstra Act. The Offer will have a number of impacts on Telstra including the applicability of Commonwealth and state legislation to Telstra, employee benefit arrangements, the appointment of Telstra's auditor, the direction powers of the Finance Minister and the Communications Minister and the loss of CGT exempt status on assets that it acquired before 20 September 1985	Section 5.5
What is the purpose of Australia's telecommunications regulatory regime?	The telecommunications regulatory regime is intended to promote the interests of consumers, including through promoting competition and investment	Section 5.3

1. Key questions and answers (continued)

Question	Answer	Where to find more information
About the Future Fund		
What is the Future Fund?	The Future Fund is a Commonwealth investment fund set up to strengthen the Commonwealth's long term finances by providing for its unfunded superannuation liabilities	Sections 2.8 and 5.7
How many shares will the Future Fund hold?	On the basis of a base offer size of 2.15 billion shares and assuming no exercise of the over-allocation option, approximately 35% of all Telstra shares will be transferred to the Future Fund (or approximately 32% assuming full exercise of the Over-allocation Option)	Sections 2.2, 2.8 and 5.12
What can the Future Fund do with Telstra shares transferred to it?	The Future Fund cannot dispose of Telstra shares for a period of two years from the date the instalment receipts are first listed on ASX except in limited circumstances. After that period, the Future Fund will be required to sell down the Telstra shares over the medium term	Sections 2.8 and 5.7
About developments and further information		
How will the Commonwealth update me on significant developments during the period of the Offer?	If any significant developments occur during the period of the Offer, the Commonwealth will update investors by publishing newspaper advertisements, making disclosure to the ASX and making information available on www.t3shareoffer.com.au	See Important Notices section
How do I obtain further information or assistance?	<ul style="list-style-type: none"> ■ by reading this Prospectus in its entirety; ■ by speaking to a broker or financial adviser; ■ by calling the Telstra 3 Telephone Information Centre on 1800 18 18 18; ■ by accessing www.t3shareoffer.com.au; and/or ■ by obtaining a copy of the Appendix, Telstra's 2006 Annual Report, Telstra's 2006 Annual Review, Telstra's 2006 Supplemental Information and/or Telstra's ASX continuous disclosure releases since 25 September 2006 by calling the Telstra 3 Telephone Information Centre on 1800 18 18 18 or by accessing www.t3shareoffer.com.au 	Inside front cover

2. The Telstra 3 Share Offer

2.1 Introduction

This section of the Prospectus contains:

Information	Section
Details of the various components of the Offer and the Offer size	2.2
A description of instalment receipts, the voting rights of instalment receipt holders and the entitlement of instalment receipt holders to receive any dividends declared by Telstra	2.3
A description of the Retail Offer, including who can apply, how to apply, the price to be paid for shares, the instalment payment structure and details of the Bonus Loyalty Shares and the Prepayment Discount	2.4
A description of the Institutional Offer	2.5
An explanation of the policy for allocating Telstra shares under the Offer	2.6
Information on the listing and quotation of the instalment receipts and underlying shares	2.7
A brief description of the Future Fund and transfer of Telstra shares to it	2.8

2. The Telstra 3 Share Offer (continued)

2.2 Description of the Offer

2.2.1 COMPONENTS OF THE OFFER

The Offer is an offer by the Commonwealth of Telstra shares to be paid for in two instalments and comprises:

- A Retail Offer which consists of the:
 - Shareholder Entitlement Offer – a 1 for 2 entitlement offer open to Australian and New Zealand resident Retail Investors who are registered Telstra shareholders at the close of business on 13 October 2006 (Record Date);
 - Firm Offer – open to Australian and New Zealand resident Retail Investors who are offered a firm allocation of shares by their participating broker or financial planner; and
 - General Public Offer – open to Australian and New Zealand resident Retail Investors.
- An Institutional Offer which consists of an invitation to:
 - Institutional Investors in Australia, New Zealand, the United States and certain other overseas jurisdictions who are Telstra shareholders to bid for shares in the Institutional Offer and receive an Initial Allocation Benefit of 1 share for every 2 shares held at the close of the Institutional Offer (adjusted for dealings up to that time) if they bid at or above the final price;
 - other Institutional Investors in Australia, New Zealand, the United States and certain other overseas jurisdictions to bid for shares in the Institutional Offer. A minimum of 15% of the base offer size will be reserved for, amongst others, these Institutional Investors (Certain Institutional Investors) if they bid at or above the final price; and
 - Japanese investors to subscribe for shares via a 'Public Offer Without Listing' (POWL). A minimum total number of shares may be reserved for these Japanese investors (the POWL Minimum Guarantee).

Details of each component of the Retail Offer are described in section 2.4.2 'Applying for shares in the Retail Offer'. Further details of the Institutional Offer and the allocation policy under the Institutional Offer are described in section 2.5 'Institutional Offer' and section 2.6.2 'Allocation under the Institutional Offer'.

2.2.2 OFFER SIZE AND ABILITY TO INCREASE THE OFFER SIZE

The base offer size is 2.15 billion shares, unless increased as outlined below. The final number of shares sold by the Commonwealth will not exceed this base offer size unless:

- the Over-allocation Option is exercised; and/or
- the number of shares required to satisfy allocations for the Retail Offer, the POWL Minimum Guarantee and Institutional Investors' Initial Allocation Benefits exceeds 2.15 billion shares.

The Joint Global Coordinators may agree with the Commonwealth to over-allocate up to 15% of the base offer size (that is, 322.50 million shares¹) to Institutional Investors under the Institutional Offer. These over-allocations, if any, may be satisfied either by acquiring additional instalment receipts from the Commonwealth pursuant to an option which has been granted by the Commonwealth (the Over-allocation Option) and/or by purchasing instalment receipts on the stock market which may have the effect of stabilising the secondary market price of instalment receipts. The full exercise of the Over-allocation Option would increase the number of shares sold by the Commonwealth to 2.47 billion shares¹. Refer to section 5.12 'Over-allocation and market stabilisation' for more information.

In addition, the base offer size may be increased where the number of shares required to satisfy allocations for the Retail Offer, the POWL Minimum Guarantee and Institutional Investors' Initial Allocation Benefits exceeds 2.15 billion shares. In this event, the size of the Over-allocation Option would also increase proportionately, to remain at 15% of the increased base offer size.

Should the base offer size be increased in these circumstances, shares allocated to Certain Institutional Investors (refer section 2.6.2 'Allocation under the Institutional Offer') would be limited to any shares the Joint Global Coordinators agree to over-allocate under the Institutional Offer, that is, no more than 15% of the increased base offer size.

¹ Assuming a base offer size of 2.15 billion shares.

2.3 Instalment receipts

Telstra shares purchased in the Offer will be paid for in two instalments. An instalment receipt is evidence of your beneficial interest in a Telstra share. Until you pay the final instalment, your shares will be held by the Trustee and the Commonwealth will have a security interest in your shares.

While you hold instalment receipts, you will be entitled to vote (by directing the Trustee how to vote) at a meeting of Telstra shareholders (or class of shareholders) and will receive any dividends declared by Telstra during this period. In its normal cycle, Telstra pays an interim dividend in March and a final dividend in September of each year. See section 3.6 'Dividends', for further information.

After you pay the final instalment, you will be registered as the holder of the underlying shares, your instalment receipts will be cancelled and you will be able to freely trade the shares.

You may create a security interest over your instalment receipts. However, you cannot create any security interest which is capable of extending to the underlying shares until you have paid the final instalment.

You should note that the partial payment characteristics of instalment receipts may make percentage price movements in them greater than percentage price movements if they were fully paid shares in similar circumstances.

Further details on the instalment receipts, including conditional and deferred settlement trading and selling the securities, are set out in sections 5.8 through to 5.11 and section 11 of the Appendix 'Description of Instalment receipts and Trust Deed'.

2.4 Retail Offer

This section relates to Australian resident Retail Investors applying for shares at the Retail Investor price only. New Zealand resident Retail Investors should refer to the New Zealand Investment Statement. Retail Investors purchasing shares in the Firm Offer at the Institutional Investor price (see section 2.4.5 'Acceptance of Applications') should refer to the participating broker or financial planner from whom they received their firm allocation.

2.4.1 RETAIL OFFER KEY DATES

Record Date for Shareholder Entitlement Offer	Friday 13 October 2006
Retail Offer opens	Monday 23 October 2006
Retail Offer closes	4.00 pm (local time) Thursday 9 November 2006
Final instalment amount and basis of allocation announced by	Monday 20 November 2006
ASX quotation	Monday 20 November 2006
Final Instalment Due Date	Thursday 29 May 2008

If you wish to apply for shares, you are encouraged to do so as soon as possible. The Commonwealth has the right to change these dates, other than the Final Instalment Due Date, including closing early or extending the Offer, or any component of the Offer, without prior notice, or otherwise vary the terms of the Offer, either generally or in particular cases.

2.4.2 APPLYING FOR SHARES IN THE RETAIL OFFER

Details of each component of the Retail Offer are set out in Table 2.1 on the following page. This information is for Australian resident Retail Investors only.

2. The Telstra 3 Share Offer (continued)

TABLE 2.1 APPLYING FOR SHARES IN THE RETAIL OFFER

Who can apply in the Retail Offer?	How many shares can I apply for?	Will I be allocated all the shares that I apply for if the offer is over-subscribed?
<p>Shareholder Entitlement Offer</p> <p>Australian resident Retail Investors who are registered Telstra shareholders on the Record Date¹</p>	<ul style="list-style-type: none"> ■ Your shareholder entitlement is calculated on the basis of 1 share for every 2 Telstra shares which are registered in your name on the Record Date¹. Shareholder entitlements include a minimum guaranteed entitlement of 3,000 shares and are subject to a maximum guaranteed entitlement of 200,000 shares ■ Your shareholder entitlement is shown on your orange personalised application form¹ ■ Your entitlement will be rounded up to the nearest 50 shares ■ You may apply for more or less shares than your entitlement ■ The minimum number of shares you may apply for is 500, and above this in multiples of 50 	<ul style="list-style-type: none"> ■ If you apply for the shareholder entitlement shown on your orange personalised application form your application will be accepted in full and will not be scaled back ■ If you apply for more than your shareholder entitlement you will be allocated at least the amount of your entitlement if applications need to be scaled back ■ If you apply for less than your shareholder entitlement you will be allocated the number of shares for which you apply and will not be scaled back
<p>Firm Offer</p> <p>Australian resident Retail Investors who are offered a firm allocation by their participating broker or financial planner</p>	<ul style="list-style-type: none"> ■ Your participating broker or financial planner will inform you of your firm allocation ■ The minimum number of shares you may apply for is 500, and above this in multiples of 50 	<ul style="list-style-type: none"> ■ Firm Offer applications will be accepted in full and will not be scaled back
<p>General Public Offer</p> <p>Australian resident Retail Investors who are not Telstra shareholders at the Record Date</p>	<ul style="list-style-type: none"> ■ You are guaranteed a minimum allocation of 2,000 shares ■ You may apply for more or less shares than your guaranteed allocation ■ The minimum number of shares you may apply for is 500, and above this in multiples of 50 ■ Applications can be for up to a maximum of 200,000 shares 	<ul style="list-style-type: none"> ■ If you apply for your guaranteed allocation of 2,000 shares, your application will be accepted in full and will not be scaled back ■ If you apply for more than your guaranteed allocation you will be allocated at least 2,000 shares if applications need to be scaled back ■ If you apply for less than your guaranteed allocation, you will be allocated the number of shares for which you apply and will not be scaled back

¹ The Record Date is 13 October 2006. If your Telstra shareholding changed between Friday 15 September 2006 and Friday 13 October 2006, then you may have a different shareholder entitlement than shown on your orange application form. If your shareholding has increased during this period a new orange application form will be sent to you. You should apply using this new form. If your shareholding has decreased during this period then you should use the original orange application form sent to you, although the Commonwealth reserves the right to scale back your application if you apply for more shares than your actual shareholder entitlement.

How do I apply...

using a form?



- You should have received an orange personalised application form with this Prospectus
- Applications for the Shareholder Entitlement Offer should be made on this orange application form and returned using the enclosed reply paid envelope
- If you were a registered Telstra shareholder at the Record Date but did not receive an orange application form, you should contact the Telstra 3 Telephone Information Centre on 1800 18 18 18
- If you apply using the orange application form, you must pay by cheque

online?

- You can apply online at www.t3shareoffer.com.au. You will be asked to provide your reference number, which can be found in the top right corner of your orange application form
- If you apply online, you will be required to pay for your shares using BPAY®

You should apply in accordance with instructions received from the participating broker or financial planner from whom you received your firm allocation



- If you are a client of a broker not applying through the Firm Offer and you received a Prospectus and a green personalised application form, you should use this form and return it to your broker using the enclosed reply paid envelope
- If you apply using the green application form, you must pay by cheque

- You can apply online through your broker's website. You will be asked to provide your reference number, which can be found in the top right corner of your green application form
- If you apply online, you will be required to pay for your shares using BPAY®



- If you have received a Prospectus and a red personalised application form, you should use this form and return it using the enclosed reply paid envelope
- If you apply using the red application form, you must pay by cheque

- You can apply online at www.t3shareoffer.com.au. You will be asked to provide your reference number, which can be found in the top right corner of your red application form
- If you apply online, you will be required to pay for your shares using BPAY®



- If you have not received a personalised application form, or you do not wish to apply for shares using the registration details contained on your personalised application form, you should use one of the two blue application forms attached to this Prospectus
- If you apply using a blue application form, you must pay by cheque

- You can apply online at www.t3shareoffer.com.au
- If you apply online, you will be required to pay for your shares using BPAY®

2. The Telstra 3 Share Offer (continued)

2.4.3 RETAIL OFFER PRICE AND PAYMENT

The shares will be paid for in two instalments.

How much is the first instalment?

The first instalment amount is \$2.00 per share. This is a discount of 10 cents per share to the \$2.10 first instalment payable by Institutional Investors.

When do I pay the first instalment?

The first instalment is payable at the time you submit your application for shares. Your application and payment for the first instalment must be received by 4.00 pm local time on the Closing Date (expected to be 9 November 2006).

How much is the final instalment?

If you are an Australian resident, purchase your instalment receipts under the Retail Offer at the Retail Investor price, hold them in the same registered name until 15 May 2008 (there are limited exceptions to the same registered name requirement – see section 12 of the Appendix 'Bonus Loyalty Shares and the same registered name requirement') and pay the final instalment on or by 29 May 2008, the final instalment payable will be the lower of:

- the final instalment amount payable by Institutional Investors which will be announced by 20 November 2006; and
- the volume weighted average price (VWAP) of Telstra shares traded on ASX during the 3 trading days ending 17 November 2006, less the \$2.00 first instalment payable by Retail Investors under the Retail Offer.

Investors who purchase instalment receipts after the Offer will pay the final instalment amount payable by Institutional Investors, unless they prepay.

Investors may be entitled to the Prepayment Discount as discussed below.

The final instalment amount for Institutional Investors will be determined by the Commonwealth at the close of the Institutional Offer and after consultation with the Joint Global Coordinators and the Commonwealth's Business Adviser. See section 2.5 'Institutional Offer' regarding the setting of the final instalment amount for Institutional Investors.

The amount of the final instalment payable by Institutional Investors is expected to be announced by 20 November 2006.

When do I pay the final instalment?

A registered holder of instalment receipts on 15 May 2008 must pay the final instalment on or by 29 May 2008 (the Final Instalment Due Date). Reminder notices will be sent to instalment receipt holders prior to this date.

Can I prepay the final instalment?

Instalment receipt holders may prepay the final instalment for some (in minimum parcels of 2,000) or all of their registered holding on or before 31 March 2008, and will receive a Prepayment Discount if they do so. Prepayment may be made on or by 28 February 2007 and on or by the last day of every month thereafter (each a prepayment day) up until 31 March 2008. To prepay you will need to contact the Instalment Receipt and Share Registrar on 1800 18 18 18 to obtain the prepayment notification which will set out the applicable Prepayment Discount. You will need to request a prepayment notification by the eighth business day of a month if you want to prepay in that month. You will then need to lodge your payment as directed in the prepayment notification by 5.00 pm Sydney time on the last business day of the relevant month.

Holders who prepay the final instalment will pay the final instalment less the applicable Prepayment Discount. Holders with New Zealand registered addresses will not receive the Prepayment Discount. The Prepayment Discount is calculated by discounting the final instalment payable by Institutional Investors, for the period between the relevant prepayment day (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.

If applicants under the Retail Offer elect to prepay the final instalment, they will not 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.

What if I fail to pay the final instalment?

If the final instalment is not paid by the Final Instalment Due Date, the Trustee can sell some or all of your shares. If the net proceeds of such sale are insufficient to satisfy the final instalment (and any other related amounts you may owe to the Commonwealth, including interest, costs, expenses, administration charges, duties and taxes), the Trustee can take action to recover the deficiency.

If the net proceeds of such sale are sufficient to satisfy the final instalment (and any other related amounts you may owe to the Commonwealth) the Trustee will refund any excess proceeds to you.

You should be aware that at the time of payment of the final instalment, the market price of Telstra shares may be less than the total of the first and final instalment amounts.

When am I entitled to Bonus Loyalty Shares?

You will be entitled to receive Bonus Loyalty Shares if you:

- 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.

Your right to receive a Bonus Loyalty Share will expire immediately after you cease to satisfy one of these conditions.

You will not be entitled to Bonus Loyalty Shares in respect of instalment receipts purchased outside the Offer.

You will be allocated 1 Bonus Loyalty Share for every 25 instalment receipts purchased under the Retail Offer at the Retail Investor price and held until 15 May 2008. The number of Bonus Loyalty Shares you 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. There are limited exceptions to this requirement, mainly to ensure that the right to the Bonus Loyalty Shares does not expire due to certain limited circumstances beyond the control of the holder of the instalment receipts. If the total number of Bonus Loyalty Shares an instalment receipt holder is entitled to includes a fraction, that fraction will be rounded to the nearest whole number. See section 12 of the Appendix 'Bonus Loyalty Shares and the same registered name requirement' for further information, including information about the same registered name requirement and exceptions to it and about arrangements that may apply for selling Bonus Loyalty Shares and paying the proceeds to those entitled if at the relevant time they are resident outside Australia or other legal impediments to delivery of Bonus Loyalty Shares exist.

In submitting your application form, you are also applying for any Bonus Loyalty Shares to which you may become entitled under the terms of the Offer, as set out above.

2.4.4 HOW TO LODGE YOUR APPLICATION

Completing your application form

Application forms must be completed and submitted in accordance with the instructions set out on the reverse of the form and in the 'Application Instructions' in this Prospectus. If you are applying online, follow the instructions set out in the online forms.

Applications must be for a minimum of 500 shares and in multiples of 50 shares thereafter. If the Offer is over-subscribed, you may be allocated less than the number of shares for which you apply, subject to your minimum guaranteed allocation, shareholder entitlement or firm allocation.

Application monies and lodgement of your application

If you are applying by completing and lodging a paper application form, you must pay by cheque. Cheques must be in Australian dollars drawn on an Australian branch of an Australian bank, marked 'Not Negotiable' and made payable to 'Telstra 3 Share Offer'. If you are applying by completing and lodging an application form online, you must pay through B_{PAY}[®]. You may need to contact your financial institution to confirm any B_{PAY}[®] limits on your account. Further instructions on how to pay through B_{PAY}[®] are provided on the Telstra 3 Share Offer website, www.t3shareoffer.com.au.

Paper applications and cheques (other than Firm Offer applications) should be:

- mailed using the reply paid envelope provided. If you do not have a reply paid envelope, you should send your completed application form and cheque to the following address:

Telstra 3 Share Offer
Reply Paid 27
Eastern Suburbs Mail Centre NSW 2004

or

- placed in the collection box at any Commonwealth Bank branch in Australia

Submit online applications at www.t3shareoffer.com.au with payment via B_{PAY}[®].

Firm Offer applications should be lodged with your participating broker or financial planner in accordance with their instructions.

2. The Telstra 3 Share Offer (continued)

If you elect to participate in the Firm Offer, your broker or financial planner will act as your agent in submitting your application and it will be your broker or financial planner's responsibility to ensure that your application form is received by 4.00pm local time on the Closing Date (expected to be 9 November 2006). The Commonwealth and the Joint Global Coordinators take no responsibility for any acts or omissions by your broker or financial planner in connection with your application.

Applications and payments must be received by 4.00pm local time on the Closing Date, expected to be 9 November 2006. However, the Commonwealth, in consultation with the Joint Global Coordinators, may, without further notice, close the Offer (or any part of the Offer) early, extend the Offer (or any part of the Offer) or accept late applications, either generally or in particular cases.

2.4.5 ACCEPTANCE OF APPLICATIONS

The Commonwealth intends to accept all valid applications under the Retail Offer for at least the relevant guaranteed allocation. The Commonwealth reserves the right, however, to reject any application or to allocate to any person fewer shares than applied for by that person.

You will receive a refund if you have applied and paid for more shares than you are allocated. Telstra shareholders who have already provided their bank or other financial institution account details will receive any refund electronically into that account. All other applicants will receive any refund by cheque. No interest will be paid to you on any monies refunded.

Your application represents an offer to buy shares from the Commonwealth on the terms and conditions set out in this Prospectus, the application form and the page to which it is attached. A contract will be formed when the Commonwealth accepts your offer on the allocation of instalment receipts. The Commonwealth may accept your offer without further notice to you. If your offer is accepted, you will, subject to a condition regarding settlement under any International Purchase Agreement, receive an instalment receipt transaction confirmation statement.

The Commonwealth reserves the right, at its discretion, to treat any application for greater than 200,000 shares as an application under the Institutional Offer. In addition, where the Commonwealth is advised by the Joint Global Coordinators that investors who would typically be regarded as Institutional Investors have applied as Retail Investors, the Commonwealth also reserves the right to treat such applications as applications under the Institutional Offer.

The Commonwealth reserves the right to reject or aggregate applications which appear to be multiple applications from the same person or from closely related persons. However, clients of brokers and financial planners receiving firm allocations under the Firm Offer may also lodge an application under the Shareholder Entitlement Offer or the General Public Offer. Unless you are a client of a broker or financial planner applying for a firm allocation under the Firm Offer, you may only apply for shares using one application form. An application by you acting in another legal capacity (such as a trustee of a trust) will not be treated as a multiple application.

Under the Firm Offer, any part of an application that exceeds a certain level will be treated as an application at the Institutional Investor price and will not qualify for Retail Investor benefits such as Bonus Loyalty Shares. You should consult your participating broker or financial planner for details.

In completing your application for shares, you must not use fictitious names or aliases.

2.4.6 WHAT TO DO IF YOU HAVE QUERIES OR WANT EXTRA COPIES OF THE PROSPECTUS

If you have a query on how to complete the application form or require additional copies of the Prospectus, you should contact the Telstra 3 Telephone Information Centre on 1800 18 18 18 or go to the Telstra 3 Share Offer website at www.t3shareoffer.com.au.

A paper copy of the Prospectus will be sent free of charge to any person in Australia who requests a copy in the period up to the Closing Date.

2.5 Institutional Offer

Selected Institutional Investors will be invited to bid for shares in the Institutional Offer. The Institutional Offer is structured as follows:

- an invitation to eligible Institutional Investors that are existing Telstra shareholders to participate in the Institutional Offer and to receive the Initial Allocation Benefit, made under this Prospectus, the New Zealand Investment Statement or the Institutional Offering Memorandum, as applicable;
- an invitation to Institutional Investors resident in Australia and New Zealand, made under this Prospectus or the New Zealand Investment Statement, as applicable;
- an invitation to Australian and New Zealand brokers who elect to bid for shares under the Institutional Offer on behalf of Australian and New Zealand resident Retail Investors, made under this Prospectus and the New Zealand Investment Statement, as applicable;
- an invitation to QIBs in the United States to bid for shares in transactions exempt from the registration requirements of the US Securities Act under Rule 144A, made under the Institutional Offering Memorandum; and
- an invitation to Institutional Investors resident in certain jurisdictions outside Australia, New Zealand and the United States to bid for shares in transactions exempt from the registration requirements of the US Securities Act in reliance on Regulation S and in compliance with all applicable laws in the jurisdictions in which such shares are offered or sold, made under the Institutional Offering Memorandum.

An invitation is also being made to Japanese investors to bid for shares via a POWL under a Japanese prospectus which will be lodged with the relevant Japanese regulatory authorities under the applicable laws in Japan.

Participants in the Institutional Offer will be invited to submit bids between 15 and 17 November 2006 in a global bookbuild process. After the close of the Institutional Offer, the total amount payable per share by Institutional Investors will be determined by the Commonwealth in consultation with the Joint Global Coordinators and the Commonwealth's Business Adviser. In determining the total amount payable per share by Institutional Investors, the Commonwealth will have regard to considerations including the level of demand for shares in the bookbuild, 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 instalment payable by Institutional Investors will be the total amount payable per share less the \$2.10 first instalment payable by Institutional Investors.

2.6 Allocation policy

2.6.1 ALLOCATION UNDER THE RETAIL OFFER

A proportion of the shares to be sold in the Retail Offer will be reserved for the entitlements, firm allocations and guaranteed minimum allocations under the Shareholder Entitlement Offer, the Firm Offer and the General Public Offer respectively.

Any reserved shares not allocated to these components of the Offer will be allocated to satisfy applications from Retail Investors above their guaranteed minimum allocations and entitlements as well as to satisfy bids in the Institutional Offer.

Shares allocated in the Firm Offer will be issued to the applicants nominated by the participating brokers and financial planners through whom they applied. These brokers and financial planners will be responsible for ensuring that their retail clients receive the relevant shares. Neither the Commonwealth nor the Joint Global Coordinators will be responsible for the allocation of shares to Retail Investors in the Firm Offer.

2.6.2 ALLOCATION UNDER THE INSTITUTIONAL OFFER

The Commonwealth will determine the allocation of shares between bidders in the Institutional Offer after consultation with the Joint Global Coordinators and the Commonwealth's Business Adviser. There is no assurance that any bidder in the Institutional Offer will be allocated any shares or the number of shares for which it has lodged a bid. The determination of the total amount per share payable by Institutional Investors and the allocation policy will be in accordance with the terms of the Institutional Offer set out in section 5 of the Appendix 'Further information about the Institutional Offer'.

The Commonwealth intends that the majority of shares to be sold under the Institutional Offer be made available to existing Telstra shareholders in the form of the Initial Allocation Benefit. Institutions holding Telstra shares as at 6.00pm Sydney time on 17 November 2006 (adjusted for dealings up to that time – see section 5 of the Appendix 'Further information about the Institutional Offer'), that lodge a valid bid no later than that time will receive an Initial Allocation Benefit. The Initial Allocation Benefit is subject to the bidder having made and not withdrawn a valid bid at or above the final price, and the Commonwealth reserves the right to withhold the Initial Allocation Benefit from

2. The Telstra 3 Share Offer (continued)

persons it considers have engaged in adverse market behaviour. The level of Initial Allocation Benefit will be 1 share for every 2 shares held in Telstra as at the close of the Institutional Offer (adjusted for dealings up to that time – see section 5 of the Appendix ‘Further information about the Institutional Offer’) or such lesser number of shares for which the institution has lodged a valid bid at or above the final price. Australian and New Zealand resident Retail Investors bidding via broker-sponsored bids will also be entitled to claim Initial Allocation Benefits based on their holdings as at the close of the Institutional Offer (adjusted for dealings up to that time – see section 5 of the Appendix ‘Further information about the Institutional Offer’), but must deduct from the Initial Allocation Benefit so claimed any shares they have applied for in the Shareholder Entitlement Offer.

A minimum total number of shares may also be reserved for Japanese investors subscribing under the POWL (the POWL Minimum Guarantee).

In addition, a minimum of 15% of the offer size before any over-allocations will be reserved for certain investors in the Institutional Offer (Certain Institutional Investors), including:

- 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 Benefits (if any).

Any allocation of these reserved shares is subject to the investor having made and not withdrawn a valid bid at or above the final price. These reserved shares will be allocated having regard to the allocation criteria described in section 5 of the Appendix ‘Further information about the Institutional Offer’. Any reserved shares not allocated to these investors will be allocated to other parts of the Offer.

2.6.3 NOTIFICATIONS OF ALLOCATIONS

The Commonwealth will announce the basis of allocation by placing advertisements in the major national and metropolitan newspapers in Australia. This is expected to take place by 20 November 2006. From that date, applicants in the Retail Offer may call the Telstra 3 Telephone Information Centre on 1800 18 18 18 or access the Telstra 3 Share Offer website at

www.t3shareoffer.com.au to seek information on their allocation. If you sell instalment receipts before you receive confirmation of your allocation, you do so at your own risk.

2.7 Listing and quotation

Telstra securities are currently traded on ASX, NZSX and NYSE (the New York Stock Exchange). Telstra and the Trustee will apply within 7 days after the date of this Prospectus to have the instalment receipts and underlying shares quoted on ASX. An application has been made to NZSX for quotation of the instalment receipts and underlying shares. The instalment receipts and underlying shares will not be quoted on NYSE.

If 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 ASX allows, application monies will be refunded in full without interest as soon as practicable in accordance with the requirements of the Corporations Act. For further information see section 9 of the Appendix ‘Quotation application and agreement between the Trustee and ASX’.

2.8 Future Fund overview

The Future Fund is a Commonwealth investment fund set up to strengthen the Commonwealth’s long-term finances by providing for its unfunded superannuation liabilities. The Future Fund Board is a separate legal entity from the Commonwealth, responsible for investment decisions and holds the Future Fund’s investments.

After the Offer, the Commonwealth intends to transfer to the Future Fund all of its Telstra shares which are not transferred in the Offer (including the Over-allocation Option and associated administrative mechanisms), although it will initially retain sufficient shares to meet Bonus Loyalty Share obligations to applicants in the Retail Offer. These retained shares will be held for the Commonwealth by the Trustee until they are transferred to those entitled, and will not be voted while they are so held. Any of these shares which are not ultimately required, because holders have transferred instalment receipts or otherwise lost the right to receive Bonus Loyalty Shares, will be transferred to the Future Fund after the Final Instalment Due Date.

Telstra shares transferred to the Future Fund cannot be sold during an escrow period of two years from the date instalment receipts are first listed on ASX, subject to limited exceptions. For further information see section 5.7 ‘Future Fund’.

3. Overview of Telstra

3.1 General

Telstra is Australia's leading telecommunications and information services company, offering a full range of products and services in these markets. Telstra also operates in certain overseas countries.

Telstra's main activities include the provision of:

- basic access services to most homes and businesses in Australia;
- local and long distance telephone calls in Australia and international calls to and from Australia;
- mobile telecommunications services;
- broadband access and content;
- a comprehensive range of data and Internet services including through Telstra BigPond®, Australia's leading Internet service provider (ISP);
- management of business customers' information technology and/or telecommunications services;
- wholesale services to other carriers, carriage service providers (CSPs) and ISPs;
- advertising, search and information services through Sensis; and
- cable distribution services for FOXTEL's cable subscription television services.

One of Telstra's strengths in providing integrated telecommunications services is its extensive geographical coverage through both its fixed and mobile network infrastructure. This coverage underpins the carriage and termination of the majority of Australia's domestic and international voice and data traffic.

Telstra owns 50% of FOXTEL and its international business includes interests in CSL New World Mobility Group (CSL New World), Hong Kong's leading mobile operator, TelstraClear Limited (TelstraClear), the second largest full service carrier in New Zealand and Reach Limited (REACH), a provider of global connectivity and international voice and satellite services, as well as SouFun Holdings Limited (SouFun), a leading real estate and home furnishings website in China.

More detail on Telstra's main activities and international investments is set out in section 3.8 'Telstra's main activities and international investments'.

3.2 Corporate objective

Telstra's corporate objective is to create long-term shareholder value through providing integrated communication, information and entertainment services and customer-focused solutions.

3.3 Telstra's vision and mission

Telstra's vision is to do for its customers what no one else has done. That is, create a world of 1-click, 1-touch, 1-button, 1-screen, 1-step solutions that are simple, easy and valued by individuals, businesses, enterprises and governments.

Telstra's mission is to know its customers and meet their needs better than anyone else. Telstra aims to give customers a personalised, seamless experience that makes it easy for them to do what they want, when they want it.

3.4 Transformation strategy

Following a comprehensive review of its operations, from customer-facing to back-office operations, Telstra announced a whole-of-company, five year transformation strategy in November 2005. The key elements of this transformation strategy are:

- building a next generation fixed network to support the growing demand for IP-based services and simplifying IT systems;
- rolling-out next generation wireless services over Telstra's recently launched NEXT G™ national wireless broadband network;
- implementing market based management using extensive customer research and knowledge to differentiate Telstra through product and service offerings tailored for particular customer segments;
- providing customers with an integrated user experience across all devices and platforms – fixed, wireless and Internet;
- removing costs from operations, by reducing complexity, making business systems more efficient and simplifying operations;
- expanding and enhancing the Sensis business through organic growth and targeted acquisitions of advertising, search and information businesses; and
- undergoing cultural transformation, including large investments in training staff and reforming the way Telstra does business.

3. Overview of Telstra (continued)

Telstra's transformation strategy involves a complex and fundamental change to its business, operations, networks and systems and it is undertaking the transformation on an accelerated schedule. A transformation of this size, speed and complexity has not been attempted by any other telecommunications company worldwide.

The initiatives associated with Telstra's transformation strategy involve significant capital expenditure and extensive management attention and resources and entail substantial risks. Telstra's ongoing investment in this transformation has significantly reduced its income and free cash flows.

Telstra believes that it has to undertake these major changes at this time and under its proposed schedule in order to maintain its competitiveness and improve its financial results in an increasingly competitive, technologically challenging and highly regulated environment. The main initiatives of Telstra's transformation strategy are described below.

STRENGTHENING TELSTRA'S FIXED LINE TELECOMMUNICATION NETWORK AND SERVICES

Telstra intends that its next generation network will deliver new, better and faster services to its customers. This next generation fixed network will include an IP core network that will offer increased platform capacity compared to Telstra's current network. Telstra intends to provide users with more reliable and stable media and telephony services and expand the number and range of services available to customers.

The development of Telstra's IP core network is well advanced. Telstra is beginning to deploy advanced services to upgrade business customers, including IP telephony and conferencing, IP-based call centres, reliable higher-speed broadband, web-hosting and security services. Telstra will offer new multimedia applications to residential customers when higher speed services become available.

The new next generation fixed network is expected to provide Telstra with the ability to address increasing customer demand and the growing market for Virtual Private Networks (VPNs) to connect organisations and enterprises to the Internet. The new next generation fixed network is expected to reduce overall unit costs, allow proactive management of actual and predicted network demand and permit network upgrades to be implemented simultaneously across the nation rather than sequentially over many months.

Telstra is also investing in technology that improves the speed of ADSL.

DEPLOYING NEXT G™ – A NATIONAL WIRELESS BROADBAND NETWORK FOR AUSTRALIANS

On 6 October 2006, Telstra launched the NEXT G™ network, its new 3GSM 850 wireless broadband network. NEXT G™ customers will enjoy access to a greater range of content and services, as well as many enhanced features including improved video calling services and faster broadband access speeds, in addition to better geographic and in-building coverage.

Telstra will continue to operate services over both the existing GSM and CDMA networks until the national 3GSM 850 network provides the same or better coverage than the CDMA network, and in any event at least until January 2008. From that time, once the software upgrades are complete and the new service matches or better the current range and performance of CDMA and any necessary Government agreements have been gained, Telstra will close its CDMA network. Telstra expects that this initiative will reduce duplication of both capital and operational expenditure.

IMPLEMENTING MARKET BASED MANAGEMENT

Telstra is implementing a market based management approach focused on its customer needs. Telstra believes that extensive customer research will allow it to differentiate itself from competitors by creating offers that are more relevant to the lifestyles and needs of particular customer segments.

Telstra's ongoing customer research has guided the restructure of its consumer and small business sales and marketing teams around seven consumer and five small and mid-sized enterprise segments.

CREATING INTEGRATED SOLUTIONS FOR CUSTOMERS

Telstra is seeking to provide individual and business customers with an integrated user experience across devices and platforms – fixed, wireless and Internet. Telstra's transformation strategy involves the integration of services across mobiles, BigPond® and Sensis and is designed to facilitate product differentiation tailored to customer needs, increasing the value of its products and services for its customers.

RATIONALISING PRODUCT AND NETWORK PLATFORMS USING A 'ONE FACTORY' APPROACH

Telstra is endeavouring to remove costs from its operations in part by reducing complexity, making business systems more efficient and simplifying operations. Telstra is removing or capping obsolete, duplicated and ageing products and network platforms. Working with the customer is a crucial part of this program as the customers move off legacy systems. Cutting

complexity from Telstra's operations is a critical first step to deliver services to customers in a user friendly way.

EXPANDING AND ENHANCING SENSIS' ONLINE OFFERINGS

Sensis, Telstra's advertising, search and information services business, is building on its search and transaction business and over time integrating its applications and services business with other products such as BigPond® and Telstra Mobile. Sensis is seeking to achieve rapid user and advertiser growth by increasing online and wireless usage with a wide range of new content, services and improvements across Sensis' online network and through targeted acquisitions.

TRANSFORMING TELSTRA'S CULTURE

Telstra is also undergoing a cultural transformation, with large investments in training employees and improving the way it does business.

Telstra has recast leadership, talent management and performance incentives to deliver essential cultural change. Telstra's technical field workforce is becoming more mobile and responsive to customer needs with new tools and equipment to support its operational performance.

Telstra has announced that it is investing an additional \$210 million over three years in a new training program for technical, engineering and marketing staff in order to equip them with the right skills to build, operate and maintain next generation networks and better serve customers.

ACHIEVING REGULATORY REFORM

Telstra remains committed to working towards a new regulatory environment that is pro-investment, pro-consumer, pro-innovation and pro-competition. That is the kind of environment that Telstra believes is good for its business, its shareholders and the Australian telecommunications industry overall. Telstra will continue to invest considerable time and resources in a dialogue with policy-making and regulatory authorities seeking to achieve a regulatory environment that safeguards shareholder investments in next generation networks and services.

STRATEGIC MANAGEMENT OBJECTIVES

Together with the announcement of Telstra's transformation strategy in November 2005, the Board set strategic management objectives to measure the successful implementation of Telstra's five year transformation strategy. Telstra has linked its remuneration structure to the transformation strategy, with

the aim of increasing the focus and understanding by senior executives of the key strategic objectives as well as motivating employees to execute on the strategy. In October 2006, the Board revised these strategic objectives in order to reflect the current regulatory environment and market conditions and the experience gained from the first year of Telstra's transformation plan, and approved the following:

- revenue compound annual growth in the range of 2.0% to 2.5% (to financial year 2010 from the financial year 2005 base level), to be achieved by offsetting the expected substantial deterioration in traditional PSTN revenues with revenues from new products and services delivered through Telstra's next generation networks;
- new product revenue exceeding 30% of sales revenue by financial year 2010;
- limiting compound annual growth of operating expenses (excluding depreciation and amortisation) to 2.0% to 3.0% (to financial year 2010 from financial year 2005 base level);
- EBITDA compound annual growth in the range of 2.0% to 2.5% (to financial year 2010 from the financial year 2005 base level) and EBITDA margins of between 46% to 48% by financial year 2010. Telstra is expecting EBITDA during the five year transformation strategy to decrease in the early years of the transformation, and is then targeting improvement in the later years of the transformation;
- cash capital expenditure falling to a range of 10% to 12% of sales revenue by financial year 2010;
- free cash flow increasing to between \$6,000 million and \$7,000 million by financial year 2010; and
- work force reductions of approximately 12,000 over five years of the transformation strategy.

It is important to understand that these are internal objectives set by the Board in order to measure Telstra management's performance in implementing the transformation strategy, and are not financial forecasts or projections and should not be regarded as such. The strategic management objectives are based on:

- Telstra's decision not to roll-out an FTTN network, and instead offer high-speed broadband products and services through its existing networks;
- successfully rolling out Telstra's NEXT G™ wireless services and migrating CDMA customers to the new network;
- successfully deploying Telstra's next generation fixed line network;

3. Overview of Telstra (continued)

- existing regulatory settings, including the ACCC interim determination establishing ULLS pricing of \$17.70 per month in band 2, and no mandated competitor access to Telstra's NEXT G™ wireless network;
- successfully implementing short, medium and long-term revenue initiatives in key PSTN, mobile and broadband markets and customer segments;
- Telstra's ability to differentiate itself and obtain new revenues from its new networks and new products and services to replace declining revenues from its traditional high-margin PSTN products and services;
- rationalising Telstra's operational support systems (OSS) and business support systems (BSS), and achieving an 80% reduction in the number of such systems by the end of financial year 2010;
- key vendors in connection with Telstra's transformation performing on-time and as contracted;
- growing Telstra's Sensis business organically and by targeted acquisitions;
- competitors not engaging in sustained and extreme price competition or investing in substantial new infrastructure or disruptive technologies; and
- Telstra's workforce embracing its cultural transformation.

The strategic management objectives are based on the current regulatory environment and market and competitive conditions, which are expected to change over time. Telstra's ability to achieve its strategic management objectives is subject to significant risks. See section 4 'Risk Factors' for a description of these key risks. Investors should note that many of these risks are outside of Telstra's control, and that no assurance can be given that Telstra will successfully complete its transformation or achieve its strategic management objectives.

3.5 Outlook

KEY FACTORS THAT MAY AFFECT TELSTRA'S OUTLOOK

Whether Telstra's future financial performance will improve is largely dependent on its ability to implement and execute its transformation strategy successfully and generate the increased volumes and usage rates for its products and services it seeks to achieve. In addition, Telstra's transformation is a five year plan, with the early years involving the deployment of large amounts of capital, the roll-out of new networks and systems and the incurrence of additional operating costs and

provisions associated with the fundamental changes Telstra is implementing throughout its systems and operations. Telstra's ability to successfully implement its transformation strategy is subject to significant risks. See section 4 'Risk Factors'.

Telstra is involved in continuing discussions over the current and future regulatory environment impacting the Australian telecommunications industry in general and Telstra in particular. There are several key regulatory issues which include:

- regulated wholesale access pricing;
- retail price controls;
- any potential competitor access to Telstra's NEXT G™ wireless network; and
- the use by the ACCC of the conduct rules in the Trade Practices Act to affect the way Telstra prices its products and services.

Telstra believes that several key factors may impact its future financial results, including:

- Telstra's ability to implement and execute its transformation plan, including the deployment of NEXT G™ wireless services and the rationalisation of its various IT and network platforms;
- Telstra's ability to introduce new value-added products and services to compensate for lower prices, volumes and earnings. Telstra expects to realise from its traditional higher margin product and service lines;
- the difficulties for Telstra in predicting regulatory outcomes and, in Telstra's view, the unpredictable actions of the key regulators; and
- changes to Telstra's competitive environment as markets and technologies evolve and competition intensifies, and the actions and initiatives of Telstra's major competitors.

GENERAL TRENDS THAT MAY AFFECT TELSTRA'S OUTLOOK

Telstra's traditional high margin PSTN revenues have been, and will continue to be, negatively affected by both intense competitive pressure and customers migrating to alternative platforms, such as wireless, high bandwidth Internet, IP telephony, and web and managed services. Telstra expects these trends to continue. The overall volume of telecommunications services purchased in Australia has continued to increase and the range of products and services offered has continued to expand. One of the central objectives of Telstra's transformation is to position the company to have the networks, systems and capabilities to meet the evolving needs of Telstra's customer base. With Telstra's planned next generation networks, Telstra is building the infrastructure to reduce its reliance on its traditional

Application Instructions

To complete your application form correctly, follow the steps below and the detailed instructions on 'How to complete your application form' overleaf

Step 1 Have you used the correct application form?

Step 2 Have you completed the application form in accordance with the instructions? In particular:

- Have you applied for at least 500 shares and multiples of 50 thereafter?
- Have you completed your contact details?
- Have you signed the form?

Step 3 Have you made your cheque(s) payable for the total amount of the first instalment?

Step 4 Have you recorded your reference number¹ on the back of your cheque(s)?

Step 5 Have you lodged your application form correctly and sent it to the correct address?

Alternatively, Australian applicants can lodge applications electronically at www.t3shareoffer.com.au and pay via BPAY®. Refer to 'Online application instructions' overleaf for detailed instructions.

Remember to lodge your application so that it is received by 4.00 pm local time on the Closing Date. The Closing Date is Thursday 9 November 2006.

STEP 1 – WHICH FORM SHOULD I USE?

The following table summarises which application forms Australian applicants should use. New Zealand applicants should refer to the New Zealand Investment Statement.

These applicants...	Should use this application form...	Or...	To get your...
Telstra shareholders at the Record Date	Orange personalised application form	Apply online at www.t3shareoffer.com.au using your reference number ¹	1 for 2 shareholder entitlement, including a minimum guaranteed entitlement of 3,000 shares and subject to a maximum shareholder entitlement of 200,000 shares
Broker client applicants (not applying through the Firm Offer) who received a Prospectus and personalised application form from their broker	Green personalised application form	Apply online by clicking on the 'T3 Share Offer' button on your broker's website	Guaranteed allocation of 2,000 shares
General Public Offer applicants who requested a Prospectus and personalised application form	Red personalised application form	Apply online at www.t3shareoffer.com.au using your reference number ¹	Guaranteed allocation of 2,000 shares
All other General Public Offer applicants	Blue application form attached to this Prospectus	Apply online at www.t3shareoffer.com.au	Guaranteed allocation of 2,000 shares
Firm Offer Applicants	You should apply in accordance with instructions received from the broker or financial planner from whom you received your firm allocation		Firm allocation

STEP 2 – COMPLETE THE FORM IN ACCORDANCE WITH INSTRUCTIONS

To complete your application form correctly, follow the detailed instructions on 'How to complete your application form' overleaf.

Photocopies of the form will not be accepted. Please write clearly in BLOCK LETTERS using black ink.

Do not write outside the white boxes.

Changes to the personalised details on the forms will not be permitted.

Please ensure you record your contact details in case you need to be contacted regarding your application.

STEP 3 – PAY THE FIRST INSTALMENT AMOUNT

Multiply the number of shares you are applying for by the first instalment amount (\$2.00) which gives the total amount payable for the first instalment. The Ready Reckoner overleaf may assist you in calculating the correct payment amount.

Make your cheque payable to 'Telstra 3 Share Offer' for the total amount of the first instalment. This should be the amount you entered on the application form.

The cheque must be in Australian dollars drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable'. Please ensure sufficient cleared funds are held in your account as your cheque will be banked as soon as it is received.

Insert your cheque details in the space provided on the reverse side of the tear-off form.

¹ 11 digit number found on the top right corner of your personalised application form

STEP 4 – RECORD YOUR REFERENCE NUMBER

On the back of your cheque, record your 11 digit reference number which is found in the top right hand corner of the application form. You should also keep a separate record of your reference number in case you wish to check on the status of your application during the offer period, or your final allocation of shares via the Telstra 3 Telephone Information Centre or the Telstra 3 Share Offer website.

STEP 5 – LODGING YOUR APPLICATION

Firm Offer applicants

Applicants who have received a firm allocation of shares from their broker or financial planner should follow the lodgement and payment procedures provided by that broker or financial planner. In particular, note that these applications are required to be made payable to and delivered to your broker or financial planner. Please contact your broker or financial planner if you have any questions in relation to your firm allocation.

Personalised application form(s) (orange, green or red)

IMPORTANT: YOU MUST DETACH THE TEAR OFF APPLICATION FORM
Place the tear-off application form and cheque(s) in the reply paid envelope provided. Retain the top portion of the page for your records.

Non-personalised blue application forms

IMPORTANT: DO NOT DETACH THE LOWER PORTION OF THE APPLICATION FORM
Place the whole application form in the reply paid envelope provided.

You must lodge your application so that it is received by 4pm local time on 9 November, 2006, by either:

- Mailing it in the reply paid envelope provided. If you do not have a reply paid envelope, you should send your completed application form and cheque to the following address:
Telstra 3 Share Offer
Reply Paid 27
Eastern Suburbs Mail Centre NSW 2004
Please allow sufficient time for postal delivery; or
- Placing it in the collection box at any Commonwealth Bank branch in Australia.

FURTHER ASSISTANCE

If you need help to complete the application form:

- Contact a broker or financial adviser
- Phone the Telstra 3 Telephone Information Centre on 1800 18 18 18
- Visit the Telstra 3 Share Offer website: www.t3shareoffer.com.au

The Prospectus is also available in Braille, large print and on audio CD. For a copy in any of these formats, please call the Telstra 3 Telephone Information Centre on 1800 18 18 18. Alternatively, an electronic version of the Prospectus can be accessed on the Telstra 3 Share Offer website at www.t3shareoffer.com.au. This website also offers the Prospectus in large print, Rich Text File, HTML and MP3 audio formats.

If you require language services to understand the details of the Prospectus, please call the Translating and Interpreting Service on 131 450.

Online application instructions (with payment by BPAY®)

Retail Investors in the Shareholder Entitlement Offer and General Public Offer can also apply for shares online by accessing the Telstra 3 Share Offer website at www.t3shareoffer.com.au. You can only pay for your shares using BPAY® if you have completed an online application form. Paper forms will NOT be accepted with a BPAY® payment.

BPAY® is an electronic payment service that enables you to pay for shares directly from your cheque or savings account via Internet or telephone banking through participating banks, building societies and credit unions. You must apply online in order to pay via BPAY®.

TO USE BPAY®

Log onto www.t3shareoffer.com.au and complete the online application form. If you have received an orange, green or red personalised application form you will be asked to provide your reference number which is found at the top right corner of the form.

Once you have completed your online application form you will be given a BPAY® Biller Code. You will then need to:

1. Access your participating BPAY® financial institution's Internet or telephone banking service.
2. Select BPAY® and follow the prompts:
 - Enter the Biller Code supplied and your reference number (located in the top right corner of the application form).
 - Enter the amount to be paid
 - Select the account you wish your payment to come from (payments from credit card accounts can not be accepted).
 - Schedule your payment for same day value processing as applications without payment can not be accepted.
3. Record your BPAY® receipt number and date paid. Retain these for your records.

If you pay by BPAY®, you must complete and lodge your application form online. Your BPAY® payment must be made prior to 4.00pm on the Closing Date for the application to be valid.

You may wish to contact your financial institution to confirm any limits on your BPAY® account.

How to complete your application form

These instructions are cross-referenced to each section of the application form. Please complete all relevant sections of the application form in BLOCK LETTERS using black ink. Photocopies of the form will not be accepted. Do not write outside the white boxes. Please ensure you complete the correct form.

DETAILED INSTRUCTIONS FOR APPLICANTS COMPLETING THE BLUE NON-PERSONALISED GENERAL PUBLIC APPLICATION FORM

A Enter the total amount payable for the first instalment. This is calculated by multiplying the number of shares for which you are applying by the first instalment amount per share of \$2.00. The minimum number of shares you may apply for is 500, and in multiples of 50 shares thereafter. Applications can be for a maximum of 200,000 shares. Be sure that your cheque(s) total this amount. You may wish to use the Ready Reckoner below to help calculate the amount payable for the first instalment. The purchase price for shares is payable in two instalments. This payment is for the first instalment only. Be sure that your cheque(s) total this amount.

B Enter personal details. You can complete this form as an individual in your own capacity, or as a joint applicant with one or two other individuals (this would represent one application).

You can also complete this form on behalf of a company or a person under the age of 18, as trustee of a trust or superannuation fund, as executor of an estate or partnership (or, if the trustee, executor or partner is a company, on behalf of that company). An authorised office bearer may apply on behalf of a club or incorporated body.

You should refer to the table overleaf for instructions on how to fill out the applicant's name(s) on the application form.

C Enter address details. You must use an Australian address. If you are making a joint application, the address should be that of the first person named on the form. All further correspondence will be mailed to this address.

D CHES HIN. If you are already a CHES participant, or sponsored by a CHES participant, write your Holder Identification Number (HIN) here.

Lower Portion of Application Form

Contact Details. Clearly write your name in BLOCK LETTERS and provide a daytime contact telephone number including your STD code.

Record your total payment. This should be the same as the amount shown in Box A.

Signatures. Please sign on the reverse of the application form where indicated.

Recording your cheque details. Please record your cheque(s) details in the table provided on the reverse side of the application form. Make your cheque(s) payable to 'Telstra 3 Share Offer' in Australian dollars (A\$) drawn on an Australian branch of an Australian Bank, crossed 'Not Negotiable'.

Recording your reference number. Write your reference number on the back of your cheque(s) and at the bottom of this page in the space provided.

READY RECKONER FOR FIRST INSTALMENT – FOR EXAMPLE 1,000 SHARES @ \$2.00 PER SHARE = \$2,000

This Ready Reckoner will help you calculate the money you need to pay for the first instalment at \$2.00 per share.

Shares	Amount	Shares	Amount	Shares	Amount
500	\$1,000	2,000	\$4,000	10,000	\$20,000
750	\$1,500	3,000	\$6,000	50,000	\$100,000
1,000	\$2,000	5,000	\$10,000	100,000	\$200,000

Record your reference number(s) here:

DETAILED INSTRUCTIONS FOR APPLICANTS COMPLETING THE ORANGE, GREEN OR RED PERSONALISED APPLICATION FORMS

If you are a current Telstra shareholder, a client of a broker or financial planner or have requested for a Prospectus and personalised application form via the Telstra 3 Telephone Information Centre or Telstra 3 Share Offer website you should have received an orange, green or red personalised application form. All your personalised details have already been recorded on the application form. To complete the application form please follow the instructions below.

1 Enter the total number of shares you wish to apply for
All applicants: The minimum number of shares you may apply for is 500, and above this in multiples of 50 thereafter. Applications can be for up to a maximum of 200,000 shares.

Shareholders only: Listed on the form will be your entitlement to shares. You may apply for more shares or less shares than your shareholder entitlement. If you apply for more shares than your shareholder entitlement you will be allocated at least the amount of your shareholder entitlement if applications need to be scaled back. Shareholder entitlements for Retail Investors are subject to a maximum guaranteed entitlement of 200,000 shares. See section 2.4.2 of the Prospectus for details of how your entitlement was calculated. If your Telstra shareholding changed between Friday 15 September 2006 and Friday 13 October 2006, your entitlement may vary from what is shown.

2 Enter the total amount payable for the first instalment. This is calculated as the number of shares applied for multiplied by the first instalment amount per share of \$2.00. Be sure that your cheque(s) total this amount. Use the Ready Reckoner below to help calculate the correct amount payable for the first instalment. The purchase price of shares is payable in two instalments. This payment is for the first instalment only.

Tear Off Application Form

Contact Details. Clearly write your name in BLOCK LETTERS and provide a daytime contact telephone number including your STD code.

Record your total payment. This must equal the amount shown in Box 2.

Signatures. Please sign on the reverse of the tear-off application form where indicated.

Recording your cheque details. Please record your cheque(s) details in the table provided on the reverse side of the tear-off application form. Make your cheque payable to 'Telstra 3 Share Offer' in Australian dollars (A\$) drawn on an Australian branch of an Australian Bank, crossed 'Not Negotiable'.

Recording your reference number. Write your reference number on the back of your cheque(s) and at the bottom of this page in the space provided.

HOW TO FILL OUT YOUR NAME(S) ON THE APPLICATION FORM

Use <> brackets and the letters A/C where indicated. If applicable, and you wish to apply for the shares using your CHESS HIN, you must write your name in EXACTLY THE SAME FORMAT as it appears on your CHESS transaction confirmation statement(s).

TYPE OF INVESTOR	CORRECT FORM OF REGISTRATION	INCORRECT FORM OF REGISTRATION
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use the company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co
Joint application Use full and complete names	Mr Peter Paul Tranche Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated bodies/Business names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint applicant(s) and/or account description using <> as indicated above in designated spaces at section B on the Application Form.

EXAMPLES OF HOW TO COMPLETE YOUR PERSONAL DETAILS

INDIVIDUAL

ENTER PERSONAL DETAILS

B E D W A R D S
Applicant 1 – Last Name/Company Name

M R S K A T H E R I N E C L A R E
Title First Name Middle Name

JOINT (WITH ONE OR TWO OTHERS)

ENTER PERSONAL DETAILS

B T R A N C H E
Applicant 1 – Last Name/Company Name

M R P E T E R P A U L
Title First Name Middle Name

T R A N C H E
Joint Applicant 2 – Last Name

M S M A R Y O R L A N D O
Title First Name Middle Name

COMPANY

ENTER PERSONAL DETAILS

B L I Z B I Z P T Y L T D
Applicant 1 – Last Name/Company Name

EXAMPLES OF USE OF <DESIGNATED ACCOUNT>

TRUST

ENTER PERSONAL DETAILS

B S M I T H
Applicant 1 – Last Name/Company Name

M R S A L E S S A N D R A H E R B E R T
Title First Name Middle Name

Joint Applicant 2 – Last Name

Title First Name Middle Name

< A L E S S A N D R A S M I T H A / C >
Designated account e.g. <Super Fund> (or Joint Applicant 3)

MINOR

ENTER PERSONAL DETAILS

B H A M I L T O N
Applicant 1 – Last Name/Company Name

M R S S A L L Y
Title First Name Middle Name

Joint Applicant 2 – Last Name

Title First Name Middle Name

< H E N R Y H A M I L T O N >
Designated account e.g. <Super Fund> (or Joint Applicant 3)

high-margin PSTN revenue stream and to grow its mobile, Internet and other next generation revenues.

Telstra intends to streamline its businesses, systems and operations to reduce the high operating costs associated with maintaining and supporting complex legacy IT systems, products and services. However, Telstra expects depreciation and amortisation to increase as it invests heavily in transforming its IT base, together with the acceleration of depreciation for certain assets that are being phased out.

A number of key regulatory decisions and determinations are still unresolved. In August 2006, for example, the ACCC made several interim determinations reducing ULLS access pricing for some of Telstra's largest wholesale customers to \$17.70 per month in band 2 (representing the metropolitan area, where the greatest number of ULLS services will be provided). These decisions are only interim determinations by the ACCC and the ACCC's final determinations can be higher or lower than this price. Telstra is uncertain as to the ACCC's timeframe for making these final determinations.

Telstra no longer proposes to build a fibre to the node (FTTN) network because it disagreed with the ACCC as to the costs which could be taken into account in setting a price at which Telstra's competitors could use that network.

FINANCIAL YEAR 2007 OUTLOOK

Telstra is in the early years of its transformation which has required increased capital and operating expenditures to roll-out new networks and implement Telstra's planned system and operational changes, resulting in significant reductions to its earnings and cash flows.

Accordingly, Telstra expects that its financial year 2007 financial results will show:

- reported revenue (total income) growth of between 1.5% and 2.0% compared with Telstra's financial year 2006 total income of \$23,100 million;
- reported earnings before interest and income tax expense (EBIT) growth in the range of 2.0% and 4.0% compared with Telstra's financial year 2006 EBIT of \$5,497 million and a decline in the range of 18% and 20% compared with Telstra's financial year 2005 EBIT of \$6.935 million. Note 7(b) of Telstra's audited Financial Report (page 156 of Telstra's 2006 Annual Report) and Note 5 of the audited Concise Financial Report (page 70 of Telstra's 2006 Annual Review) disclose that in explaining the 2006 financial performance it is relevant to

note that expenses associated with the implementation of the strategic review initiatives of \$1.1 billion were incurred.

Telstra expects similar net costs of approximately \$0.8 billion to be incurred in 2007; and

- reported cash capital expenditure (excluding investments) in the range of \$5,400 million to \$5,700 million.

Importantly, Telstra's ability to achieve the financial year 2007 outlook described above, as well as Telstra's outlook for the first and second halves of financial year 2007 described below, is subject to a number of key assumptions, including:

- not building an FTTN network;
- a band 2 ULLS price of \$17.70 per month applying to all wholesale customers for the remainder of financial year 2007;
- no additional redundancy and restructuring provision;
- slowing the decline in PSTN revenues;
- retail volume growth in mobiles voice and data traffic, dependent in part on the successful roll out of NEXT G™ network services;
- growth in the retail broadband market and in Telstra's market share;
- growth in Sensis print and online revenues;
- not exceeding budgeted net transformation related operating expenditure costs of approximately \$0.5 billion; and
- general productivity gains from Telstra's reduced workforce.

Telstra's ability to achieve its financial year 2007 outlook is also subject to significant risks. See section 4 'Risk Factors' for a description of these key risks.

Telstra expects financial year 2007 to be the largest transformation spend year in terms of operating and capital expenditure. Provided there are no further material adverse regulatory outcomes and Telstra continues to be successful in implementing its transformation strategy, Telstra expects its free cash flow to improve in financial year 2008 compared with financial year 2007.

TWO MONTHS ENDED 31 AUGUST 2006 REVIEW

Telstra's unaudited operating results for the two month period ended 31 August 2006 compared with the prior corresponding period show the following:

- sales revenue growth of 3.3% reflecting continued growth in retail broadband of 41%, mobiles of 9.0% and advertising and directories revenue of 10.6%. This growth was partially offset by the decline in PSTN revenues of 5.9% as the market continues its trend from high-margin PSTN products and services to lower-margin emerging telecommunication products and

3. Overview of Telstra (continued)

services. In addition, the rise in sales revenue reflected the inclusion of revenues for the New World Mobility Group; and

- EBIT decline of 8.6% as Telstra's income growth during the two months was offset by higher expenses mainly due to an increase in cost of goods sold led by additional take up of Telstra's 3G mobile handsets, and a rise in the number of subscribers to Telstra's services and higher depreciation and amortisation expenses attributable to its transformation initiatives. The increase in expenses was partially offset by lower labour expenses reflecting a reduction in the number of staff.

Telstra believes that its results for the first two operating months of financial year 2007 are consistent with the trends identified during financial year 2006 and Telstra is on track to achieve its financial year 2007 outlook. Investors should note, however, that these results are only for two months and are not necessarily indicative of what Telstra's results will be for the whole year.

FIRST HALF FINANCIAL YEAR 2007 OUTLOOK

Telstra expects that its reported results for the first half of financial year 2007 will be impacted by the following factors:

- revenue will be impacted by the distribution of Melbourne Yellow™ being completed in the second half of financial year 2007, therefore the revenue will be recognised in the second half of financial year 2007. In financial year 2006, distribution of Melbourne Yellow™ was completed in the first half of financial year 2006 and as a result, the revenue was recognised in the first half of financial year 2006;
- expenses will include significant transformation related costs in the first half of financial year 2007 compared with no transformation expenses in the first half of financial year 2006;
- revenue and expenses for CSL New World will be included for the full year in financial year 2007; and
- accelerated depreciation and amortisation expenses in the range of \$150 million to \$175 million will be reported in the first half of financial year 2007, reflecting Telstra's transformation, compared with no accelerated depreciation and amortisation in the first half of financial year 2006.

As a result of these factors, Telstra expects its reported EBIT to be 17% to 20% lower in the first half of financial year 2007 compared with the first half of financial year 2006.

SECOND HALF FINANCIAL YEAR 2007 OUTLOOK

Telstra expects that its reported results for the second half of financial year 2007 will be impacted by the following factors:

- revenue will be impacted by the distribution of Melbourne Yellow™ being completed in the second half of financial year 2007, therefore the revenue will be recognised in the second half of financial year 2007. In financial year 2006, distribution of Melbourne Yellow™ was completed in the first half of financial year 2006 and as a result, the revenue was recognised in the first half of financial year 2006;
- expenses will reduce in the second half of financial year 2007 compared with the second half of financial year 2006. During financial year 2006, transformation costs were only incurred in the second half of financial year 2006 including the redundancy and restructuring provision. Telstra does not expect to raise a redundancy and restructuring provision during financial year 2007; and
- revenue and expenses for CSL New World will be included for the full year in financial year 2007.

As a result of these factors, Telstra expects its EBIT to be 37% to 40% higher in the second half of financial year 2007 compared with the second half of financial year 2006. Due to the combination of Telstra's expected first half and second half reported results for financial year 2007, Telstra expects reported EBIT for financial year 2007 to increase between 2.0% and 4.0% compared with financial year 2006 as previously outlined.

3.6 Dividends

The Board has considered the level of future dividends. In the interests of shareholders, it is the current intention of the Board to declare fully franked ordinary dividends of 28 cents per share for financial year 2007. This assumes that Telstra continues to be successful in implementing its transformation strategy and there are no further material adverse regulatory outcomes during the course of financial year 2007.

The Board is unable to give guidance on ordinary dividends for financial year 2008 owing to the continuing uncertainty attached to regulatory outcomes and the impact on its business, as well as transformation and market place risks. The final amount of dividends declared for any year is a decision for the Board to make twice a year in its normal cycle having regard to the company's earnings and cash flow, as well as regulatory impacts.

3.7 Organisational structure

Telstra operates through a number of strategic and corporate centre business units. Telstra's strategic business units are as follows:

- **Telstra Consumer Marketing and Channels** is responsible for serving Telstra's consumer customers, offering Telstra's full range of products and services including fixed lines, mobiles, Internet access, and pay TV services. It also has responsibility for mass marketing channels including Telstra's call centres, Telstra shops and the dealer network.

Telstra Consumer Marketing and Channels is focused on designing, delivering and developing products and services based on the needs of its customers. Using the principles of market based management, it aims to deliver a broader range of integrated and innovative products and services that are flexible, reliable, simple and capable of meeting customer needs.

- **Telstra Business** is responsible for serving the needs of Australia's small to medium enterprises with fixed line, mobile, broadband, as well as data and Internet solutions tailored for business.

Telstra Business is focused on providing SME customers with business solutions that allow them to do business their way.

- **Telstra Enterprise and Government** is responsible for providing innovative Information and Communications Technology (ICT) solutions to large corporate and government customers in Australia and New Zealand. It is also responsible for KAZ Group Pty Limited (KAZ) and TelstraClear. KAZ and Telstra service Telstra's Enterprise and Government customers' IT needs. TelstraClear is New Zealand's second largest full service telecommunications company, providing innovative market leading products and services to the business, government, wholesale and residential sectors. Telstra Enterprise and Government is also responsible for Telstra's Global Business operations, recently renamed Telstra International.

Telstra Enterprise and Government is focused on partnering with Telstra's customers to provide innovative products and solutions that add value to their business.

- **Telstra Country Wide**[®] provides telecommunications and information technology services to customers in outer metropolitan, regional, rural and remote parts of Australia.

Telstra's transformation aims to change the technology landscape in country Australia with a profound impact on the delivery of services to regional and rural customers. The recent launch of the NEXT G™ network brings high speed wireless broadband and new features such as video calling and content rich entertainment to many areas for the first time. It will also provide a broadband solution to those customers who have good mobile coverage but live outside the distance limitations of ADSL.

- **Telstra BigPond**[®] is responsible for the management and control of Telstra's retail Internet products, BigPond[®] brand and marketing, services and content, contact centres, customer relations and associated functions, for broadband and dial-up delivery.

BigPond is focused on growing broadband subscribers, the provision of content and value added services and improving the customer experience.

- **Sensis** is Telstra's advertising, search and information services business. Sensis manages three of Australia's leading brands: Yellow™, White Pages[®] and Trading Post[®], along with the CitySearch[®] online city guide, the Whereis[®] online, mobile and satellite navigation services, the GoStay™ print guide and online complementary website, the sensis.com.au search engine, the Sensis[®] 1234 voice service and the 51% owned SouFun investment, a leading real estate and home furnishing website in China.

Sensis is an integral part of Telstra's overall strategy and vision and aims to continue to innovate to drive user and advertiser value and growth. Sensis is focused on building on its recent success by defending and growing print revenues and margins, driving continued rapid growth online and managing new growth opportunities in its emerging satellite navigation, digital marketing services and transactional businesses.

- **Strategic Marketing** is responsible for Telstra's corporate strategy, mergers and acquisitions and the overall marketing, pricing, brand, sponsorship, promotions and advertising direction of Telstra. Strategic Marketing is also responsible for Telstra Asia, which manages Telstra's international interests in the region and directs Telstra's offshore strategy with a current focus on enhancing the value of its existing investments, profitably rationalising non-core-assets and positioning Telstra to capture high growth opportunities, particularly in China and South East Asia.

3. Overview of Telstra (continued)

- **Telstra Media** is responsible for Telstra's FOXTEL investment.
- **Telstra Operations** has responsibility for the core or shared elements of Telstra's infrastructure and related support units. Using a 'one factory' approach to improve Telstra's customer service delivery and customer satisfaction, the group includes Telstra Services, Network and Technology, Wireless, IT Services, Product Management, Procurement, Strategic Supplier Relations, Credit Management, Billing and the corporate Program Office. The Program Office identifies and prioritises opportunities for streamlining, implementing and coordinating all aspects of Telstra's transformation strategy implementation.
- **Telstra Wholesale** provides a wide range of wholesale products and services to the Australian domestic market, including fixed, wireless, data and Internet, transmission and IP, interconnection, access to network facilities, and retail/rebill products. It also serves global wholesale markets to satisfy growing Internet and high bandwidth needs.

Telstra Wholesale is committed to building strong commercial relationships that encourage and enable existing customers and new participants to succeed by providing the support and solutions needed to grow their business.

3.8 Telstra's main activities and international investments

Telstra offers a broad range of telecommunications and information products and services to a diverse customer base.

BASIC ACCESS SERVICES

Basic access services are the telecommunications backbone into most homes and businesses in Australia. Telstra's basic access service includes installing and maintaining connections between customers' premises and its Public Switched Telephone Network (PSTN) and providing basic voice, facsimile and Internet services.

LOCAL, NATIONAL LONG DISTANCE, FIXED TO MOBILE AND INTERNATIONAL CALLS

Telstra provides local call services to more residential and business customers than any other service provider in Australia. It is the leading provider of national long distance and international telephone services in Australia and provides fixed to mobile calls from its PSTN/ISDN to a mobile network.

In addition, Telstra provides value added services such as voicemail, call waiting, call forwarding, call conferencing and call return and offers a number of inbound call services.

Telstra also provides customer premises equipment for rental or sale to its residential, consumer, business and Government customers and is the leading provider of payphones in Australia.

MOBILE TELECOMMUNICATION SERVICES

Telstra offers a wide range of mobile services to its customers, including voice calling and messaging, text and multimedia messaging and a range of information, entertainment and connectivity services. These services are currently provided over a number of networks:

NEXT G™ 3GSM 850

Telstra's 3GSM 850 NEXT G™ wireless network was launched on 6 October 2006 and provides 3G coverage to 98% of the Australian population. It is the largest 3G network in Australia.

3GSM 2100

Telstra has a 3GSM 2100 network sharing arrangement with Hutchison under which it has access to an existing 3GSM 2100 network which covers over 50% of the Australian population in a number of mainland capital cities.

GSM digital service

Telstra's digital GSM network covers around 96% of the Australian population.

CDMA digital service

Telstra's existing CDMA network currently provides Australia's largest cellular mobile phone coverage, spanning more than 1.6 million square kilometres and covering around 98% of the Australian population. Telstra intends to close its CDMA network once its national NEXT G™ network provides the same or better coverage than the CDMA network and the software upgrades are complete and any necessary Government approvals have been gained.

Other Mobile Services

Telstra also operates Telstra Mobile Satellite and offers a number of BigPond® services which enables customers to use their mobile phones to browse and purchase a broad range of up-to-date information and entertainment and to access content.

DATA AND INTERNET SERVICES

Telstra provides new generation data and Internet services including broadband and dial-up services for consumers and small and medium business customers across Australia through BigPond®, business grade Internet solutions, IP Solutions, Business DSL and IP based WAN.

Telstra BigPond® provides online and mobile content services which include music, movies, games, sports entertainment, video on demand and DVD rental offerings.

Telstra also offers other data services, in some cases with business partners, including collaboration services, e-commerce solutions, online customer management facilities, digital video networks and managed wide area networks (WANs).

ADVERTISING, SEARCH AND INFORMATION SERVICES

Telstra is a leading provider of advertising, search and information services through its wholly owned subsidiary, Sensis. Sensis' popular information services include Australia's leading business directory – Yellow™, White Pages®, Trading Post®, CitySearch® and Whereis®.

Sensis also operates the Yellow™ *OnLine* site and the White Pages® *OnLine* sites and participates in the travel and accommodation market with its GoStay™ print guide and its complementary website – gostay.com.au. The GoStay™ print guide has the largest distribution of any printed Australian travel guide.

Telstra has recently purchased a 51% shareholding in SouFun, a leading real estate and home furnishing website in China. SouFun provides an attractive entry point into China, one of the world's fastest growing economies.

WHOLESALE SERVICES TO OTHER CARRIERS, CARRIAGE SERVICE PROVIDERS AND ISPS

Telstra is Australia's leading full service wholesaler of telecommunications solutions and network capacity and provides a range of products specifically tailored for wholesale customers, including:

- resale products;
- interconnection services, preselection services and access to network facilities such as ducts, towers and exchange space;
- domestic and international transmission services;
- broadband, IP backbone and traditional data services; and
- both GSM and CDMA mobile products and services.

Telstra also manages and delivers a wide range of customer processes for wholesale customers.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) SOLUTIONS, SERVICES AND OUTSOURCING

Telstra partners with its wholly owned subsidiary, KAZ, to service Telstra's medium and large Enterprise and Government customers in Australian and Asia Pacific markets. The combination of KAZ's IT capabilities and Telstra's telecommunications strengths gives Telstra market leading capabilities in the provision of end-to-end ICT services and solutions.

SUBSCRIPTION TELEVISION

Telstra owns 50% of FOXTEL, with Publishing and Broadcasting Limited and News Corporation Limited each owning 25%.

FOXTEL is Australia's leading provider of subscription television services, with over 1.25 million subscribers (including resale subscribers and those receiving FOXTEL programming through Optus Television and others). FOXTEL markets its services to more than 5 million homes, split reasonably equally between those homes passed by Telstra's hybrid fibre co-axial (HFC) cable and those covered by a satellite distribution.

Telstra is the exclusive long-term supplier of cable distribution services for FOXTEL's cable subscription television services in Telstra's cabled areas, and Telstra receives a share of FOXTEL's cable subscription television revenues. Telstra also resells Austar subscription television services.

INTERNATIONAL INVESTMENTS

Telstra's major international investments include:

- **CSL New World.** Telstra owns 76.4% of CSL New World Mobility Group, Hong Kong's leading mobile operator;
- **TelstraClear.** Telstra owns 100% of TelstraClear, the second largest full service carrier in New Zealand;
- **REACH.** Telstra is a 50/50 joint venture participant with PCCW in REACH. REACH is a provider of global connectivity and international voice and satellite services; and
- **SouFun.** Telstra owns 51% of SouFun, a leading real estate and home furnishing website in China.

Telstra also has a 46.9% equity interest in Australia-Japan Cable Holdings Limited, a network cable provider which owns and operates a fibre optic cable between Australia and Japan.

3. Overview of Telstra (continued)

3.9 Historical financial information

The tables on the following page show historical income, balance sheet and cash flow information derived from Telstra's 2006 audited Financial Report.

The historical financial information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS). Comparative figures for financial year 2005 have been restated to reflect the adoption of A-IFRS, with the exception of the accounting standards on financial instruments that were subject to an exemption and adopted from 1 July 2005. Refer to note 36 of Telstra's 2006 audited Financial Report, which is included in Telstra's 2006 Annual Report, for reconciliations and descriptions of the impact of transition to A-IFRS on Telstra's income statement, balance sheet and statement of cash flows.

INCOME STATEMENT¹ – SUMMARISED DATA FOR FINANCIAL YEAR 2006 AND 2005

	Telstra Group Year ended 30 June	
	2006 ² A\$m	2005 A\$m
Revenue (excluding finance income) ³	22,772	22,181
Other income	328	261
Total income (excluding finance income)	23,100	22,442
Expenses ⁴	13,516	11,978
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA) ⁴	9,584	10,464
Depreciation and amortisation	4,087	3,529
Earnings before interest and income tax expense (EBIT)	5,497	6,935
Net finance costs	936	880
Income tax expense	1,380	1,746
Profit for the year	3,181	4,309
	cents	cents
Basic Earnings per share	25.7	34.7
Diluted Earnings per share	25.7	34.6
Total dividends declared per share⁵	34.0	40.0

1 Refer to the income statement in Telstra's 2006 audited Financial Report (page 118 of Telstra's 2006 Annual Report) and audited Concise Financial Report (page 60 of Telstra's 2006 Annual Review) for further details.

2 A discussion of material items, including the financial impact of Telstra's transformation strategy, relevant in explaining Telstra's financial year 2006 financial performance is contained in note 7 of Telstra's 2006 audited Financial Report and note 5 of Telstra's 2006 audited Concise Financial Report.

3 Includes sales revenue and other revenue. Refer to the notes to the income statement in Telstra's 2006 audited Financial Report and Concise Financial Report for further details.

4 Includes share of net (gain)/loss from jointly controlled and associated entities. Refer to the income statement in Telstra's 2006 audited Financial Report and Concise Financial Report for further details.

5 The dividends declared include special dividends of 6.0 cents for 2006 and 12.0 cents for 2005 as disclosed in note 4 of Telstra's 2006 audited Financial Report (page 143 of Telstra's 2006 Annual Report) and note 4 of the audited Concise Financial Report (page 69 of Telstra's 2006 Annual Review).

BALANCE SHEET¹ – SUMMARISED DATA FOR FINANCIAL YEAR 2006 AND 2005

	Telstra Group Year ended 30 June	
	2006 A\$m	2005 A\$m
Current assets	4,879	5,582
Non current assets	31,296	29,629
Total assets	36,175	35,211
Current liabilities	7,886	6,412
Non current liabilities	15,457	15,141
Total liabilities	23,343	21,553
Total equity	12,832	13,658

1 Refer to the balance sheet in Telstra's 2006 audited Financial Report (page 119 of Telstra's 2006 Annual Report) and audited Concise Financial Report (page 61 of Telstra's 2006 Annual Review) for further details.

CASH FLOWS¹ – SUMMARISED DATA FOR FINANCIAL YEAR 2006 AND 2005

	Telstra Group Year ended 30 June	
	2006 \$m	2005 \$m
Net cash provided by operating activities	8,562	8,960
Net cash used in investing activities	(4,012)	(3,766)
Free cash flow²	4,550	5,194
Net cash used in financing activities	(5,399)	(4,347)
Net increase/(decrease) in cash	(849)	847

1 Refer to the statement of cash flows in Telstra's 2006 audited Financial Report (page 121 of Telstra's 2006 Annual Report) and audited Concise Financial Report (page 63 of Telstra's 2006 Annual Review) for further details.

2 Cash from operating activities less cash used in investing activities.

4. Risk Factors

Telstra faces several risks, whether they be regulatory, transformation related or from the general market or operating conditions. The following describes some of the significant risks that could affect Telstra. These risks are also described in the 2006 Supplemental Information. Some risks may be unknown to Telstra or the Commonwealth and other risks, currently believed to be immaterial, could turn out to be material. Some or all of these could materially adversely affect Telstra's business, profits, assets, liquidity and capital resources. These risks should be considered in conjunction with any forward-looking statements in this Prospectus and the cautionary statement regarding forward looking information in the 'Important notices' section of this Prospectus.

4.1 Regulatory risks

Telstra operates in a highly regulated environment that significantly affects its business. In particular, Telstra believes regulation can limit Telstra's ability to pursue certain business opportunities and the returns it can generate for its shareholders. Regulation impacts the way Telstra does business and Telstra believes it is the most significant ongoing risk to Telstra. There can be no assurance as to future policies and regulatory outcomes. Regulatory outcomes may be significantly adverse to Telstra shareholders. Telstra believes the current regulatory regime is value destroying. However, Telstra is committed to seeking regulatory reform on behalf of its shareholders.

Telstra faces substantial regulatory risks that it believes have, and will continue to have, substantial adverse effects on its business.

A description of the aims of the regulatory regime is set out in section 5.3 'Commonwealth as shareholder and regulator'.

Risk	Description	Risk Impact
Access Pricing	The ACCC can require Telstra to provide certain services to its competitors using its networks, at a price based on the ACCC's calculation of the efficient costs of providing these services if the parties fail to agree. In many cases Telstra has disagreed with the ACCC's calculation of these costs. The ACCC is yet to issue final determinations in arbitrations about prices Telstra charges its competitors for various services, including for unconditioned local loop service (ULLS) and spectrum sharing service (SSS). Telstra is effectively required by law to charge the same prices for a basic line rental service for all retail customers across Australia. The ACCC has not, however, adopted an averaging approach in assessing ULLS prices Telstra can charge its competitors to access its network. Instead, the ACCC has in its interim decisions set prices which differentiate between metropolitan and non-metropolitan areas. As a result of this and differences in the approaches to estimating costs, the prices set to date are well below Telstra's calculation of the efficient costs of supply. In addition, the ACCC proposes to significantly reduce SSS prices which Telstra believes would lead to accelerated growth in SSS, enabling Telstra's competitors to provide broadband and VoIP services while Telstra is restricted to supplying basic access services. Further, Telstra believes such reduced access prices would be likely to lead to a reduction in Telstra's retail prices.	<p>Telstra's competitors can target customers in metropolitan areas where access prices are low, leaving Telstra to provide services to some customers in high cost regional and rural areas at the same retail price as in metropolitan areas.</p> <p>The ACCC may reduce access prices further which would adversely affect Telstra's revenues, earnings and shareholder returns, including dividends. Telstra will consider all avenues open to it to challenge any such outcome.</p>
Restrictions on future investments in Telstra's business	Telstra seeks a competitive rate of return when it invests its capital. If Telstra cannot be confident that ACCC regulation of prices for competitor access to a new network will allow a competitive rate of return, Telstra will not invest in the network.	Telstra believes FTTN is an example of how Telstra is and could be exposed to significant limitations and costs in relation to its current and future activities, which may make it prudent for Telstra not to engage in some business activities or to delay or defer capital projects.

Risk	Description	Risk Impact
Restrictions on future investments in Telstra's business (continued)	This year, Telstra planned to start building a \$3 billion FTTN network. However, Telstra disagreed with the ACCC on the price its competitors should pay for access to the network and, as a result, Telstra decided not to build the network.	Telstra believes these regulatory risks could therefore have an adverse effect on the returns Telstra can generate for its shareholders and could benefit its competitors.
Mandated access to Telstra networks	A key part of Telstra's transformation strategy involves deploying next generation networks, including its new NEXT G™ wireless network. The ACCC may hold a public inquiry at any time into whether compulsory competitor access to this network should be required. Telstra believes such compulsory competitor access would not be appropriate because of the wide availability of competing wireless networks.	If the ACCC allows competitors to access Telstra's new NEXT G™ wireless network, this would deprive Telstra of the benefits of the wider coverage of its network and Telstra believes this would materially adversely affect its business and shareholder returns, including dividends. This may undermine Telstra's commercial incentives to continue to invest in the NEXT G™ wireless network, for example, to increase data speeds.
Conduct regulation	<p>Telstra and the ACCC differ in critical instances in their views of what amounts to anti-competitive conduct in breach of the Trade Practices Act. For example, the ACCC has stated it has reason to believe that Telstra, by raising its basic access prices to competitors without a similar increase in retail prices, has engaged in anti-competitive conduct. In Telstra's view, an increase in access prices to allow a greater recovery of its costs is not anti-competitive conduct.</p> <p>The ACCC may take Telstra to the Federal Court for this alleged breach. The maximum potential penalties which the Court could impose exceed \$470 million as at 30 September 2006 and are increasing at \$3 million per day. Optus has issued proceedings in the Federal Court in the same matter seeking damages and an injunction. Telstra will vigorously defend the proceedings on the basis that it has not acted anti-competitively and should be allowed to move its prices closer to its costs.</p>	<p>The ACCC may in future reach the view that other Telstra conduct is a breach of the Trade Practices Act. For example, a refusal by Telstra to supply services to its competitors for what Telstra believes to be normal commercial reasons may in the ACCC's view be a breach of the Act.</p> <p>Telstra believes that, should the ACCC allege anti-competitive conduct, it will rely upon the potential for very large fines in an endeavour to have Telstra modify what Telstra believes to be normal commercial behaviour.</p>
Wide regulatory discretion	The Minister for Communications has a broad power to impose and vary licence conditions on Telstra. For example, the requirement to operate separate retail, wholesale and network business units (operational separation) places an additional burden on Telstra with many restrictions imposed on the way it runs its business. In addition, Telstra is subject to retail price controls and is obliged to make certain uneconomic services available in rural and remote areas, without receiving what in Telstra's opinion is a fair contribution to its costs from its competitors.	<p>The real risk with operational separation, in Telstra's opinion, lies in the power of the Minister to determine the way Telstra conducts its business by directing it to vary its operational separation plan, subject to the aims and objects of the legislation which are very broad.</p> <p>These regulatory discretions could in Telstra's opinion be used with a significant adverse effect on Telstra.</p>

4. Risk Factors (continued)

4.2 Transformation strategy risks

Telstra may not succeed in implementing its transformation strategy or the strategy may not achieve the expected benefits.

Telstra has invested substantial capital and resources in the development, streamlining and modernisation of its networks and systems and has embarked on a substantial transformation of Telstra. However, Telstra may be required to incur significant capital expenditures in addition to those already planned in order to remain competitive. Further, transformation may not be an adequate solution to the ever present operational, competitive and technological risks.

Issue	Description	Risk Impact
<p>Scale of transformation</p>	<p>The transformation strategy impacts all of Telstra's businesses, key systems and processes. It represents a complex and fundamental change in the way Telstra does business and requires large-scale customer migration as old networks and systems are replaced. Telstra's transformation strategy is, in Telstra management's view, the most comprehensive of any telecommunications company worldwide. Much of the new technology to be used in the transformation has not been deployed on a similar scale before and the timetable for implementation is aggressive. The next generation technologies which Telstra is deploying span its fixed line and NEXT G™ wireless networks and IT systems and processes. Other than NEXT G™, Telstra is still in the early stages of rolling out these technologies. The transformation program is very costly and has resulted in significant declines in Telstra's earnings and cash flow available for reinvestment or the payment of dividends.</p> <p>The IT component of the transformation is the most complex and highest risk element of the plan and is in the early stages of implementation.</p> <p>There is a significant risk that Telstra may not be successful in the implementation of its transformation strategy and in restoring earnings and cash flows to the level that existed when the transformation commenced.</p>	<p>The expected benefits of Telstra's transformation strategy may not be achieved or may be delayed, with a risk that Telstra will lose market share and profitability. If the transformation is not successful, there may be a significant reduction in shareholder returns including dividends. Telstra faces other risks in executing its transformation including:</p> <ul style="list-style-type: none"> ■ Telstra's new technologies and network and IT support systems do not function as anticipated; ■ customer take-up and migration to new products and services, for example Telstra's recently launched NEXT G™ network, may be significantly less than planned and customers may not be willing to pay for some of the value-added services; ■ the migration of Telstra's CDMA subscribers may take longer than expected, leading to significant additional costs for Telstra; ■ key vendors, on which Telstra is dependent, may not perform as expected; ■ extended delays and other execution problems may occur in implementation of its transformation strategy; ■ competitors may in time offer similar services and capabilities; and ■ Telstra's actual capital and operating costs may turn out to be substantially greater than those budgeted.
<p>Key personnel</p>	<p>The success of Telstra's transformation strategy is highly dependent on key personnel at Telstra. Telstra's CEO and a number of key members of his senior management team have joined the company within the last eighteen months and bring with them extensive telecommunications expertise.</p>	<p>A loss of one or more of these key executives, in particular the CEO or COO, could have a material adverse impact on Telstra's ability to achieve the transformation strategy and consequently on Telstra's shareholder returns, including dividends. Also, there is a risk that if the CEO were to leave Telstra one or more of the overseas executives he has recruited may also leave.</p>
<p>Retaining and attracting skilled and experienced people</p>	<p>As technology evolves Telstra will need to attract, retain and train its workforce.</p>	<p>Relevant skills are in short supply worldwide. This could impact Telstra's ability to remain competitive.</p>

4.3 Market and operating risks

Aside from the regulatory and transformation risks, Telstra faces general market and operating risks. These risks may arise from changes in economic conditions both in Australia and the world, actions by Telstra's competitors and changing consumer trends.

Issue	Description	Risk Impact
Continued decline in high margin fixed line products and services	Telstra's traditional fixed line (or PSTN) revenues declined by 6.7% in financial year 2006. This decline will continue and may accelerate because of increasing competition, substantial regulatory impacts and the continued development of technologies that are able to offer increasingly viable alternatives to Telstra's PSTN services – such as mobiles and broadband services. PSTN revenues comprise a significant portion of Telstra's revenues and provide high margins and strong cash flows that enable it to invest in and develop its business.	If Telstra is unable to arrest the rate of decline, manage costs and grow alternative revenue sources in newer lower-margin products and services such as mobiles and broadband, Telstra's earnings and shareholder returns, including dividends, could be materially adversely affected.
Rapid technology change and convergence of traditional telecommunications markets	Rapid changes in telecommunications and IT are continuing to redefine the markets in which Telstra operates. These changes are likely to broaden the range and capabilities and reduce the costs of infrastructure capable of delivering these products and services, leading to greater competition. Telstra is responding through the modernisation of its networks and systems, including the deployment of the NEXT G™ network.	Future technology and market changes may create the need for other network and system changes at considerable cost to Telstra.
Competition	<p>Although the overall Australian telecommunications market has experienced growth, Telstra has lost substantial market share in some key markets as a result of aggressive price competition, the development of new technologies and facilities by competitors, the market entry of non-traditional competitors with access to significant content and resources and increased regulatory action. As a result, Telstra has lowered the prices of its products and services. Telstra has also implemented strategies to better understand its customers and concentrated on delivering new and better products and services to remain competitive.</p> <p>The Government has announced Connect Australia, a \$1.1 billion scheme to subsidise the building of infrastructure and the supply of broadband, mobile and fixed line services for people living in regional, rural and remote areas.</p> <p>Separately, nine of Telstra's competitors have outlined a possible model for the building of a jointly owned FTTN network to deliver broadband services to a large number of customers.</p>	Telstra expects vigorous competition, including price- and facilities-based competition, to continue or accelerate with competitors marketing aggressively to its high-value customers. The continued loss of market share or downward pressure on prices would have an adverse effect on Telstra's financial results.
Joint investments	Telstra is in joint control of some of its businesses like FOXTEL, REACH, its 3GSM 2100 network sharing partnership with Hutchison (3GIS), CSL New World and SouFun.	Certain key matters in these businesses require the agreement of Telstra's partners. Any disputes or disagreements from time to time with its partners may negatively affect Telstra's ability to pursue its business strategies.

4. Risk Factors (continued)

Issue	Description	Risk Impact
Network and system failures	Telstra's networks are vulnerable to extreme weather, cable cuts and intentional wrongdoing. Hardware or software failures and computer viruses could also affect the quality of its services. Major customer requirements could be in excess of Telstra's capacity to supply.	Any of these occurrences could result in customer dissatisfaction and compensation claims as well as reduced revenue and earnings.
Electromagnetic Energy (EME)	Reports have suggested that EME emissions from wireless equipment may have adverse health consequences. However, the overwhelming weight of scientific evidence is that there are no adverse health effects when wireless equipment is used in accordance with applicable standards.	Any widespread perception of EME risks may adversely affect Telstra's wireless business.

4.4 Investment and other risks

Issue	Description	Risk Impact
New director sought by the Commonwealth	<p>There are significant differences between the Commonwealth and the Telstra Board with respect to the nomination for election as a director of Mr Geoffrey Cousins.</p> <p>Telstra's annual general meeting on 14 November 2006 will be held shortly before the completion of the Offer at which time the Commonwealth will still own 51.8% of Telstra shares. The Commonwealth has sought the nomination of Mr Geoffrey Cousins for election as a director of Telstra at the AGM and has indicated that it will vote in favour of the election of Mr Cousins. Mr Cousins has more than 26 years experience as a company director and is currently a director of Insurance Australia Group Limited. Mr Cousins was previously the Chairman of George Patterson Australia and is a former Director of Publishing and Broadcasting Limited, the Seven Network, Hoyts Cinemas group and NM Rothschild & Sons Limited. He was the first Chief Executive of Optus Vision and before that held a number of executive positions at George Patterson, including Chief Executive of George Patterson Australia. Mr Cousins is a director of the Cure Cancer Australia Foundation.</p> <p>Mr Cousins was a part-time consultant to the Prime Minister for 9 years resigning upon his nomination for the Board.</p>	<p>The Government believes that Mr Cousins will act independently as a director and not as a representative of the Government on the Telstra Board.</p> <p>However, Telstra operates in a highly regulated environment and the Commonwealth and its agencies are the key regulators. While Telstra acknowledges that Mr Cousins has served as a public company director, Telstra believes that there is a risk if Mr Cousins cannot be considered an independent director that this could prove disruptive to the smooth and effective functioning of the Board. Were this to occur, this could also affect Telstra's ability to attract and retain qualified directors.</p>

Issue	Description	Risk Impact
New director sought by the Commonwealth (continued)	<p>The Government believes that Mr Cousins has the necessary qualifications to serve as a director given his broad experience across the telecommunications, broadcasting and advertising sectors and if elected would be an effective director. It does not intend or believe that Mr Cousins will act as a representative of the Government on the Telstra Board. It is not the Government's intention to issue additional directions specific to Telstra shares to the Future Fund (see section 5.7 'Future Fund'). The Government raised Mr Cousins' nomination with Telstra at the beginning of the week commencing 11 September 2006 and believes that it has given Telstra ample time to consider his nomination, having regard to his extensive experience.</p> <p>The Telstra Board did not seek Mr Cousins' nomination and did not have the opportunity to adequately assess Mr Cousins' candidacy in accordance with its governance processes, which include assessing a proposed director having regard to the independence requirements of the Board's Charter and the ASX Principles of Good Corporate Governance. The Board's Charter states that it is the Board's current intention that non-executive directors should be independent directors. While the Board has not reached a concluded view, the Board is concerned that there is a risk that Mr Cousins' previous consulting role with the Government could interfere with his capacity to be considered an independent director. In the Notice of Meeting for the AGM, the Board did not recommend that shareholders vote in favour of Mr Cousins.</p> <p>To be satisfied that a director is independent the Board would need to conclude, among other things, that the director is not "associated directly with a substantial shareholder of Telstra" and "is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the exercise of his or her unfettered and independent judgement and ability to act in the best interests of the company". The Board has been very careful to ensure that it does not, and is not seen to, prejudice in any way whether Mr Cousins would meet these requirements. However it is clear from the circumstances of Mr Cousins' nomination and his previous association with Government that these issues will require careful examination in accordance with best practice and that this is likely to take some time to conduct appropriately. The Board has commenced a process to assist it reaching a conclusion on these issues.</p>	

4. Risk Factors (continued)

Issue	Description	Risk Impact
Lower level of dividends	The Board's current intention is to declare dividends totalling 28c per share fully franked for the 2007 financial year, subject to Telstra continuing to be successful in implementing its transformation strategy and there being no further material adverse regulatory outcomes during the course of the year.	There is a risk that if Telstra is unsuccessful in implementing its transformation strategy or there are material adverse regulatory or other outcomes, the amount of dividends in any year may be reduced or not fully franked which would negatively affect yield.
Future Fund as a substantial shareholder	<p>The Commonwealth will transfer its unsold Telstra shares to the Future Fund. The Future Fund will have a substantial shareholding in Telstra which, after a 2 year escrow period, it will be required to sell down over the medium term to a level consistent with its investment strategy (at least below 20% of Telstra's issued share capital).</p> <p>The Finance Minister may also issue ministerial directions to the Future Fund Board in relation to Telstra shares held by the Future Fund, including specifying how voting rights relating to the shares are exercised.</p>	<p>A sale or anticipated sale by the Future Fund of Telstra shares could reduce the price of Telstra shares, and could negatively impact the timing and effectiveness of capital raising activities, with an adverse impact on Telstra's cost of capital.</p> <p>Whilst the Government does not intend to issue directions specific to Telstra shares (except to impose the escrow and require the subsequent sell-down), a future Government might take a different approach, using the directions power to vote the shares held by the Future Fund to pursue Government objectives.</p> <p>There is also a risk that the interests of the Future Fund and / or the Commonwealth may not be aligned with the interests of other shareholders, and the Future Fund could take actions that are not in the best interests of Telstra's other shareholders.</p>
Instalment receipts and market risk	Several factors, many of which are beyond the control of Telstra, may affect the price of the instalment receipts and the underlying shares, including overall economic conditions, changes in government policies, movement in interest rates and stock markets and general operational and business risks relating to Telstra and investor perception of the success of the transformation strategy.	<p>The price at which instalment receipts trade may be higher or lower than the amount of the first instalment. In addition, the price of Telstra shares following payment of the final instalment may be less than the total price you paid for them.</p> <p>Instalment receipts may trade at a price reflecting a premium or discount to the price of fully-paid Telstra shares</p> <p>The partial payment characteristics of instalment receipts may make percentage price movements in them greater than percentage price movements if they were fully paid shares in similar circumstances.</p>

5. Additional information

5.1 Materials in the Appendix

The following is an indication of the materials contained in the Appendix:

- Interests of and benefits to Directors required to be disclosed by the Corporations Act, including their interests in the Offer
- Interests of named advisers and experts required to be disclosed by the Corporations Act, including benefits given or agreed to be given for their services in connection with the Offer
- Consents given by certain persons named in the Prospectus to be so named and disclaimer
- Telstra's expenses relating to the Offer which the Commonwealth has agreed to reimburse
- Further information about the Institutional Offer, including bidding in the global bookbuild, the Institutional Offer allocation policy and setting of the final price in the Institutional Offer
- Entitlement of nominee and Telstra ESOP holders under the Shareholder Entitlement Offer
- Principal ASIC relief including confirmations of, modifications to and exemptions from the Corporations Act in connection to the Offer
- Principal ASX waivers and confirmations in respect of the ASX Listing Rules
- Quotation application and agreement between the Trustee and ASX under which the Trustee will apply for quotation of the instalment receipts on ASX and comply with certain ASX requirements
- Description of the Telstra shares and constitution, including the rights attached to shares and a summary of Telstra's constitution proposed to be adopted at its annual general meeting on 14 November 2006
- Description of the instalment receipts and Trust Deed, including further detail on the instalment structure, the Prepayment Discount, transferring instalment receipts and rights and obligations attached to instalment receipts
- Qualifying for the Bonus Loyalty Shares (and for the VWAP-based cap on the final instalment amount described in section 2.4.3 'Retail Offer price and payment' under 'How much is the final instalment?'), including details of the same registered name requirement and exceptions to it and of arrangements that may apply for selling Bonus Loyalty Shares and paying the proceeds to those entitled if at the relevant time they are resident outside Australia or other legal impediments to delivery of Bonus Loyalty Shares exist

- Restrictions on foreign ownership in the Telstra Act and related provisions in Telstra's constitution and the Trust Deed, including notification, deeming and enforcement provisions, special provisions for transfer among foreign holders and changes to the foreign ownership limits as a consequence of the Offer and transfer of shares to the Future Fund
- Certain income taxation implications of investment in instalment receipts and shares, including taxation of distributions and dividends and capital gains tax
- Indemnities and insurance of Telstra directors, officers and employees under Telstra's constitution, deeds of indemnity Telstra has entered into and policies maintained by Telstra
- Indemnities provided by the Commonwealth of Australia to Telstra, its directors and certain of its executives in connection with the Offer

You can obtain a copy of the Appendix free of charge from the Telstra 3 Telephone Information Centre or by accessing www.t3shareoffer.com.au

5.2 Telstra's regular reporting and disclosure obligations

Telstra is a 'disclosing entity' for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Telstra to notify ASX of information about specific events and matters as they arise so that ASX can make that information available to the stock market conducted by ASX.

In particular, Telstra has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately as it becomes aware of any information concerning Telstra that a reasonable person would expect to have a material effect on the price or value of Telstra's securities. Information concerning Telstra which has been notified by Telstra to ASX since 25 September 2006, including the 2006 Supplemental Information, is available free of charge from the Telstra 3 Telephone Information Centre or by accessing www.telstra.com.au/abouttelstra/investor.

Telstra also has other reporting obligations under the ASX Listing Rules under which, for example, it has lodged its 2006 Annual Report and 2006 Annual Review. Copies of Telstra's 2006 Annual Report and 2006 Annual Review are also available free of charge from the Telstra 3 Telephone Information Centre or by accessing www.t3shareoffer.com.au.

5. Additional information (continued)

In addition, all documents lodged with ASIC in relation to Telstra may be obtained from ASIC.

To the extent permitted by law, the Commonwealth accepts no liability for information notified to ASX and ASIC by Telstra.

Because Telstra is a disclosing entity, this Prospectus contains less information than would usually be included in a prospectus for an initial public offering of securities which are not currently quoted on a stock exchange.

Investors should conduct and rely on their own investigations and enquiries and make their own assessment of the investment described in this Prospectus. Investors may wish to obtain professional advice before applying for instalment receipts under this Prospectus.

5.3 Commonwealth as shareholder and regulator

The Commonwealth is currently Telstra's controlling shareholder and has special rights and privileges under the Telstra Act. As a result of the Commonwealth's current majority shareholding, Telstra has obligations to the Commonwealth under the Telstra Act and other Commonwealth legislation. A summary of the effect of the Offer on those obligations is set out in section 5.5 'Effect of the Offer on Telstra'.

The Commonwealth also has responsibility for regulation. The telecommunications regulatory regime is intended to promote the long-term interests of telecommunications consumers, including through promoting competitive telecommunications markets and encouraging economically efficient investment in infrastructure. The telecommunications regime supports industry self-regulation and is intended to minimise the financial and administrative burdens on the telecommunications industry.

Since the market was fully opened to competition in 1997, consumers have benefited through a wider range of services and significant reductions in prices.

The Commonwealth considers that the telecommunications industry is currently in transition to full competition and that appropriately targeted regulation is in place to facilitate this outcome. Overall, the regulatory legislation is settled. However, the Commonwealth has announced that it will review the telecommunications competition regulatory regime in 2009.

5.4 Annual general meeting

Telstra's annual general meeting will be held on 14 November 2006. The following items of business will be considered at that meeting:

- Chairman and CEO presentations
- Remuneration report
- Discussion of financial statements and reports
- Election and re-election of directors
- New constitution

In its notice of annual general meeting, the Board recommends the re-election of the four serving Directors, and does not recommend the election of the five external candidates, including Mr Geoffrey Cousins.

Due to the timing of the Offer, applicants under the Offer will not have the right to attend and vote at Telstra's annual meeting on 14 November 2006 unless they are existing Telstra shareholders. For further information see section 5.9, 'Rights of holders and instalment receipts and shareholders'.

At the time of the annual general meeting, the Commonwealth will hold 51.8% of Telstra's shares. The Commonwealth intends to exercise its voting rights at the forthcoming Annual General Meeting on 14 November 2006 in the following manner:

- to support the resolution that the remuneration report be adopted;
- in relation to the election and re-election of directors, to vote for Mr Macek, Dr Stocker, Mr Willcox, Mr Zeglis and Mr Cousins and to vote against Mr Vogt, Mr Mayne, Mr Cooper and Mr Kenos; and
- to support the special resolution to adopt a new constitution.

5.5 Effect of the Offer on Telstra

The sale of the Commonwealth's shares in Telstra will have a significant impact on Telstra's obligations under the Telstra Act. Certain provisions in the Telstra Act and other Commonwealth legislation will cease to have effect or apply to Telstra once the Commonwealth's ownership of Telstra falls below one of two particular levels. Those two ownership thresholds are below 50% and 15% or less. For this purpose, Telstra shares transferred to the Future Fund following the completion of the Offer will not be considered to be owned by the Commonwealth. This means that these thresholds will be triggered following the Offer.

The Commonwealth's ownership of Telstra will fall below 50% on completion of the Offer which is anticipated to be on or about 24 November 2006. As a result of this, Telstra will lose its Australian capital gains tax (CGT) exempt status on assets that it acquired before 20 September 1985. Accordingly, any future gains in the value of these assets after completion of the Offer may be taxable upon disposal of the asset by Telstra. As Telstra does not currently intend to dispose of any material assets acquired before 20 September 1985, the loss of CGT exempt status for these assets is not expected to have a material impact on Telstra.

The legislative consequences of the Commonwealth's ownership of Telstra falling below 50% are not considered to have a material impact on Telstra but include:

- Telstra's employees who are members of the Commonwealth Superannuation Scheme (CSS) will cease to be "eligible employees" for the purposes of the Superannuation Act 1976, and will no longer be entitled to contribute to the CSS; and
- Telstra's auditor, currently the Commonwealth Auditor-General, is expected to resign. The Auditor-General will cease to be Telstra's auditor on the earlier of his resignation and the end of the first annual general meeting held after the Commonwealth's ownership of Telstra falls below 50%. This means that Telstra shareholders can decide who to appoint as Telstra's auditor.

The Commonwealth has advised Telstra that it will introduce legislation into parliament, which maintains coverage for Telstra employees under existing Commonwealth employee long service leave legislation for 3 years after the Commonwealth's ownership in Telstra falls below 50%.

The Commonwealth's ownership of Telstra is expected to fall to 15% or less no later than when the Commonwealth transfers to the Future Fund Telstra shares not sold as part of the Offer. This is intended to occur as soon as practicable following the exercise or expiry of the Over-allocation Option, and in any event, no later than 24 February 2007. The main consequences of the Commonwealth's ownership of Telstra falling to 15% or less are:

- Telstra will no longer be subject to certain obligations to provide financial and other information to the Commonwealth;
- Telstra will no longer be subject to the Communications Minister's power to direct Telstra (as appears to the Communications Minister to be necessary, in the public interest); and
- Telstra will no longer be subject to the Finance Minister's power to direct Telstra not to dilute the Commonwealth's equity in Telstra or to issue securities or financial products.

Upon completion of the Offer, Telstra expects to no longer have a standing obligation to appear before and provide information to Parliamentary committees.

Telstra will agree that it will not issue, sell, offer to issue or sell, or otherwise dispose of, directly or indirectly, any shares (or securities convertible into shares) for a period of 180 days after the date instalment receipts are first listed on ASX without the prior written consent of the Joint Global Coordinators other than pursuant to or in connection with any employee, executive or agent share option or purchase plans.

Other effects of the Offer on Telstra are described throughout this Prospectus, including in sections 2.8 'Future Fund overview' and 5.7 'Future Fund'.

5.6 Capacity to fulfil obligations

The Commonwealth's principal obligation in relation to the Offer will be to transfer the shares sold under the Offer to the Trustee on settlement of the Offer, expected to occur on 24 November 2006, and to transfer or procure the transfer of Bonus Loyalty Shares to those entitled to them after the Final Instalment Due Date. Prior to settlement of the Offer, first instalment monies will be held in trust for applicants. The Commonwealth will retain sufficient shares to meet Bonus Loyalty Share obligations to applicants in the Retail Offer, and these retained shares will be held for the Commonwealth by the Trustee until they are transferred to those entitled. The Commonwealth has a number of other obligations under the Trust Deed, including making payments in connection with the administration of the instalment receipt trusts. The Commonwealth has sufficient funds to comply with its obligations in relation to the instalment receipts.

The Trustee will have a number of obligations under the Trust Deed (and the Commonwealth has agreed to meet the costs of fulfilling those obligations), but its most important obligation will be to transfer shares to instalment receipt holders on payment of the final instalment. The Trustee will hold the Telstra shares necessary to fulfil this obligation, transferred to it by the Commonwealth upon settlement, on the terms of the Trust Deed. It will also separately hold for the Commonwealth the shares required to meet Bonus Loyalty Share obligations to applicants in the Retail Offer, as outlined above.

5. Additional information (continued)

5.7 Future Fund

THE FUTURE FUND

The Future Fund is a Commonwealth investment fund set up to strengthen the Commonwealth's long-term finances by providing for its unfunded superannuation liabilities. The Future Fund Board is responsible for investment decisions and holds the Future Fund's investments (for and on behalf of the Commonwealth).

The Future Fund Board is a separate legal entity from the Commonwealth. The members of the Future Fund Board are appointed by the Commonwealth for terms of up to 5 years. Their appointment may only be terminated in certain limited circumstances. The Future Fund Board members are subject to duties similar to those of company directors.

Currently, the Chair of the Future Fund Board is Mr David Murray. Other members of the Future Fund Board are Mr Jeffrey Browne, Ms Susan Doyle, Dr John Mulcahy, Mr Trevor Rowe AM and Mr Brian Watson. There is currently one vacancy on the Future Fund Board.

NO SPECIFIC DIRECTION

The Future Fund Act 2006 (Cth) provides that, subject to its obligations under that Act and any directions from the Commonwealth, the Future Fund Board must seek to maximise the return earned over the long term, consistent with international best practice for institutional investment.

The Government does not intend to issue directions specific to Telstra shares held by the Future Fund Board, other than the escrow direction and changes to the general investment mandate discussed below. However, a future Government may take a different approach.

In the absence of such specific directions, the Future Fund Board may vote the Future Fund's Telstra shares as it sees fit, subject to complying with the Future Fund's obligations under the Future Fund Act 2006 (Cth) and the general investment mandate issued by the Government.

ESCROW DIRECTION

On the day that shares are first transferred to the Future Fund, the Finance Minister will direct the Future Fund Board not to dispose of or agree to dispose of the Future Fund's Telstra shares for a period of two years from the date instalment receipts under the Offer are first listed on ASX except:

- in order to satisfy demand from eligible Telstra shareholders under a Telstra initiated dividend reinvestment plan (if any); or
- as part of a Telstra capital management initiative (if any), such as a buy-back or capital reduction; or
- to a single investor, provided that:
 - the disposal involves more than 3% of Telstra's issued ordinary shares at the time of the disposal;
 - the disposal does not take place until at least six months after the date instalment receipts are first listed on ASX;
 - the investor provides an acceptable undertaking for at least the balance of the escrow period;
 - the price per share is no less than the Institutional Offer price; and
 - Telstra is advised prior to such disposal.

After the two year escrow period, the Future Fund Board will be required to sell down its Telstra shareholding over the medium term as directed under the investment mandate. The Government intends that the escrow direction will not be varied or revoked. However, a future Government may take a different approach.

GENERAL INVESTMENT MANDATE

The current investment mandate requires, among other things, that the Future Fund Board adopt a benchmark for returns on the Future Fund of at least an average return of the Consumer Price Index + 4.5% to + 5.5% per annum over the long term.

Prior to the shares being transferred to the Future Fund, the Commonwealth intends to amend the investment mandate.

The revised directions will be consistent with the following principles:

- after the two year escrow, the Future Fund Board will be required to sell down its Telstra shareholding over the medium term to a level consistent with its investment strategy (at least below 20% of Telstra's issued capital);
- the sell down is to be on a best endeavours basis with a view to optimising the long term value of the Future Fund;
- the performance of the Future Fund Board's Telstra shareholding will be assessed and reported separately to the rest of the Fund until the sell-down is complete; and
- the investment mandate will no longer prohibit the Future Fund Board from purchasing Telstra shares.

The Finance Minister and Treasurer will formally invite the Future Fund Board to make a submission on the revised

directions to be issued and must consider any submission that the Future Fund Board chooses to make, as consistent with the Future Fund Act 2006 (Cth).

5.8 Obligations of holders of instalment receipts

Your instalment receipts will evidence your beneficial interest in underlying shares. However, the shares themselves will be held by the Trustee in accordance with the Trust Deed. The Trustee will hold the shares on trust for you as the owner of the beneficial interest and for the Commonwealth as the holder of a security interest securing payment, among other things, of the final instalment. After you pay the final instalment by the Final Instalment Due Date in cleared funds, the instalment receipts will be cancelled, the Trustee will transfer the underlying shares to you and you will become the registered holder of the shares. The Commonwealth will no longer have a security interest in them.

If you are allocated instalment receipts and you continue to hold them until 15 May 2008, you become legally bound to pay the final instalment on or by 29 May 2008. Reminder notices will be sent before the final instalment is due. If you sell the instalment receipts, and the transfer is registered by 15 May 2008, the purchaser assumes the liability to pay the final instalment. The last day for ASX transactions in instalment receipts is expected to be around 9 May 2008.

If you do not pay the final instalment on time, you may have to pay interest on the amount due. The Trustee can then sell some or all of the underlying shares relating to your instalment receipts to pay the final instalment (and any related interest, costs, expenses, administration charges, duties and taxes you may owe). If there is any balance from the sale, the Trustee will refund it to you. If there is a deficit, you will be liable to pay the outstanding amount.

5.9 Rights of holders of instalment receipts and shareholders

Holders of instalment receipts will generally have equivalent rights to Telstra shareholders. Both are entitled to receive dividends declared by Telstra, to receive notices, financial reports and other documents required to be sent to shareholders and to attend meetings of shareholders. Shareholders are entitled to vote at such meetings. Holders of instalment receipts may

vote at meetings of shareholders by directing the Trustee how to vote the shares underlying their instalment receipts. Due to the timing of the Offer, applicants under the Offer will not receive a notice of meeting and will not have the right to attend and vote at Telstra's annual general meeting to be held on 14 November 2006, unless they are existing Telstra shareholders. Shareholders are entitled to requisition and convene shareholder meetings if they satisfy certain pre-requisites. Instalment receipt holders may only requisition or convene such meetings if they satisfy similar prerequisites and if they request the Trustee to do so.

While management of Telstra is vested in the Directors, the approval of shareholders is required for certain matters. Shareholders and instalment receipt holders may transfer their shares or instalment receipts subject to the requirements of Telstra's constitution (in the case of shares), the Trust Deed (in the case of instalment receipts), the Telstra Act, the Corporations Act and the requirements of ASX. If Telstra is wound up, subject to any special rights attached to shares, shareholders are entitled to any surplus assets of Telstra after paid-up capital has been repaid, in proportion to capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively. Any winding up payment made while instalment receipts were on issue would be paid to instalment receipt holders, subject to deduction of the final instalment which would be paid to the Commonwealth.

For further information see section 10 of the Appendix 'Description of shares and constitution' and section 11 of the Appendix 'Description of instalment receipts and Trust Deed'.

5.10 Conditional and deferred settlement trading in instalment receipts

The contract formed on acceptance of your application by the Commonwealth is conditional on settlement under any International Purchase Agreement. While the International Purchase Agreement has not yet been executed, it is expected to include rights of termination. These would include the right of the purchasers to terminate the agreement upon, among other things, certain material adverse developments relating to Telstra, stock markets or banking systems. The International Purchase Agreement is expected to be signed on or about 18 November 2006. Until settlement under any International Purchase Agreement occurs and instalment receipts are issued,

5. Additional information (continued)

trading in instalment receipts on ASX will be on a conditional basis. Conditional trading in instalment receipts is expected to commence on 20 November 2006. If settlement under any International Purchase Agreement and issue of instalment receipts does not occur within ten business days after the commencement of conditional trading:

- instalment receipts will not be issued;
- the contract formed on acceptance of your application will be cancelled;
- your application monies will be refunded without interest; and
- all conditional trades that have occurred will be cancelled.

After the issue of instalment receipts there will be a further period of deferred settlement trading until the dispatch of transaction confirmation statements which is expected to occur by 30 November 2006.

It is your responsibility to determine your allocation before trading your instalment receipts to avoid the risk of selling instalment receipts you do not own. To assist you in determining your allocation prior to receipt of your transaction confirmation statement, the Commonwealth will announce the basis of allocation by placing advertisements in the major national and metropolitan newspapers in Australia. This is expected to take place by 20 November 2006. From that date, you may call the Telstra 3 Telephone Information Centre on 1800 18 18 18 or access the Telstra 3 Share Offer website at www.t3shareoffer.com.au to seek information on your allocation, quoting the reference number on your application form. If you sell instalment receipts before you receive confirmation of your allocation, you do so at your own risk.

5.11 Selling instalment receipts

Your instalment receipts and later, your shares, will be registered either on ASX's Clearing House Electronic Subregister System (CHES) or an issuer-sponsored subregister. Following the issue of instalment receipts to successful applicants, you will receive a transaction confirmation statement showing how many instalment receipts or shares you hold. This transaction confirmation statement is expected to be dispatched by 30 November 2006 and will also provide details of a HIN (for shareholders on the CHES sub-register) or the SRN (for shareholders on the issuer-sponsored sub-register) for each of the sponsored holders.

Telstra and the Trustee will apply for the instalment receipts and the underlying shares to be quoted on ASX and have applied for quotation on NZSX. Quotation means that you should be able to sell your instalment receipts, or later when you receive them, your shares. The amount you receive for your instalment receipts or shares will depend on whether there are any buyers, how much they are prepared to pay and any transaction costs involved.

For further information see section 11 of the Appendix 'Description of instalment receipts and Trust Deed'.

5.12 Over-allocation and market stabilisation

The Joint Global Coordinators may agree with the Commonwealth to over-allocate up to 15% of the base offer size or any increased base offer size to Institutional Investors under the Institutional Offer. These over-allocations, if any, may be satisfied by acquiring additional instalment receipts from the Commonwealth pursuant to the Over-allocation Option which has been granted by the Commonwealth and/or by purchasing instalment receipts on the stock market which may have the effect of stabilising the secondary market price of instalment receipts. If the Over-allocation Option is exercised in full and additional instalment receipts are acquired from the Commonwealth, the final number of shares sold by the Commonwealth will increase by 15% of the base offer size or any increased base offer size.

If instalment receipts are over-allocated under the Over-allocation Option, the Joint Global Coordinators will initially borrow instalment receipts from the Commonwealth on settlement of the Offer to facilitate settlement of the instalment receipts so over-allocated. Instalment receipts delivered on settlement of the Offer, under the borrowing and related arrangements, will be delivered under this Prospectus, and it is not intended that there be any later delivery of instalment receipts.

During the 30 day period following the commencement of conditional and deferred settlement trading on ASX, the Joint Global Coordinators may engage in market stabilisation activities by purchasing instalment receipts in accordance with procedures agreed with ASX and ASIC. Such purchases may have the effect of stabilising the secondary market price for instalment receipts in circumstances where the secondary market price is at or below the amount of the first instalment paid by Institutional Investors.

During this period the Joint Global Coordinators may resell some or all of the instalment receipts so purchased. The resale of instalment receipts may also affect the market price of instalment receipts, although no price constraints apply to these.

There is no guarantee at any time that the market price of instalment receipts will not drop below the first instalment price.

If the Over-allocation Option is exercised, the obligations of the Commonwealth to deliver instalment receipts on exercise will be offset against the Joint Global Coordinators' obligations to redeliver instalment receipts borrowed from the Commonwealth, and the purchase monies received by the Joint Global Coordinators for the corresponding over-allocated instalment receipts will be released to the Commonwealth. If the Over-allocation Option is not exercised in full, the Joint Global Coordinators will transfer to the Commonwealth instalment receipts purchased in market stabilisation activities which have not been resold, by way of redelivery of instalment receipts borrowed from the Commonwealth.

The Commonwealth will be entitled to receive any profits arising from market stabilisation activities, and also any interest earned on purchase monies held by the Joint Global Coordinators in respect of over-allocated instalment receipts up until the time those purchase monies are released to the Commonwealth.

5.13 Restrictions on foreign ownership

By law:

- foreign person(s) cannot have, in total, a stake in Telstra of more than 35% of shares held by persons other than the Commonwealth (Aggregate Limit); and
- no single foreign person can have a stake in more than 5% of shares not held by persons other than the Commonwealth (Individual Limit).

Telstra shares transferred to the Future Fund following the completion of the Offer will not be considered to be held by the Commonwealth for the purposes of these restrictions on foreign ownership.

While the Commonwealth owns 51.8% of Telstra, the Aggregate Limit is effectively 16.87% and the Individual Limit is effectively 2.41% of Telstra's issued capital. 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%.

If you are an Australian citizen or are usually resident in Australia, you will generally not be a foreign person for the purposes of these restrictions (but see below if you are investing as a company or a trustee). However, if you are investing on behalf of a foreign person or are under the control of, or accustomed or obliged to act in accordance with the wishes or instructions of, a foreign person, or are acting in concert with a foreign person, that foreign person will be treated as having an interest in your investment and the foreign ownership restrictions will apply to that foreign person and to your investment.

A company or trustee will be a foreign person if:

- in the case of a company, a foreign person or company and its associates hold an interest in 15% or more of the company or foreign person(s) and/or companies and their associates together hold interests in 40% or more of the company; and
- in the case of a trustee (other than the Trustee), a foreign person or company and its associates is entitled to 15% or more of the distributions of capital or income from the trust or foreign person(s) and/or companies and their associates together are entitled to distributions of 40% or more of capital or income from the trust.

PROVISION OF INFORMATION ON FOREIGN OWNERSHIP

You are required to provide the Trustee with information as to foreign ownership and it has the power to sell your investment if the foreign ownership limit is breached. The Trustee will publish the rules which will be applied in exercising its powers in relation to foreign ownership. The above description simplifies the foreign ownership provisions of the Telstra Act. If you believe that you, your company or trust may be a foreign person or a foreign person may have an interest in your investment, you should refer to section 13 in the Appendix 'Restrictions on Foreign Ownership' and the legislation for the detailed provisions.

5.14 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.

5. Additional information (continued)

The taxation position for a particular investor can be complex. The discussion below may not be applicable to you, for example, if you are a share trader. Further details are also contained in section 14 of the Appendix 'Taxation'. You should consult a professional adviser about your own taxation circumstances. The discussion below is based on the law in force at the date of this Prospectus and relates only to Australian resident retail investors. It does not deal with the treatment of investors who are not residents of Australia or who are temporarily residents of Australia under Australia's tax laws.

TAXATION OF DIVIDENDS

Any dividends you receive while you hold instalment receipts will be treated for tax purposes as trust distributions rather than dividend distributions. You may still be eligible for the benefit of any franking credits attached to the dividends, whether they are paid as trust distributions or dividend distributions. Once you become the registered holder of the share after you pay the final instalment, all dividends paid to you by Telstra will be treated for tax purposes in the same way as other dividends. You must generally declare both trust and dividend distributions as part of your assessable income. The ATO requests that this income be shown at the dividend income box of your tax return.

Where the dividend is a franked dividend, the franking credit associated with that dividend may also be included in your assessable income. An offset of tax equivalent to the franking credit (known as a 'tax offset') may also be available to you. However, there are circumstances where you may not be entitled to the benefit of franking credits. The application of these rules depends on your own circumstances including the period for which the instalment receipts and shares are held and the extent to which you are 'at risk' in relation to your investment.

TAXATION OF CAPITAL GAINS

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

- an instalment receipt which is, for capital gains tax purposes, an interest in an Australian trust estate; and
- 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 this clarification will be made available on the ATO website at: www.ato.gov.au.

DISPOSAL OF INSTALMENT RECEIPTS

If you dispose of an instalment receipt for more than its cost base the gain may be subject to tax. If the instalment receipt has been held for at least 12 months after the date of acquisition, you may be entitled to discount the capital gain arising on disposal of the instalment receipt. Resident individuals and trustees may discount the gain by 50%. Trustees of complying superannuation funds may discount the gain by 33½%. 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 you dispose of an instalment receipt for less than its cost base you may incur a capital loss. A capital loss can only be offset against capital gains.

There may be tax consequences for you if the Trustee has to sell your shares because you do not pay the final instalment.

If you dispose of an instalment receipt prior to 15 May 2008, or if you prepay the final instalment, your Loyalty Right may expire. In that event you will incur a capital loss equal to the cost base of the Loyalty Right. This capital loss can be offset against a capital gain, including a capital gain realised on the disposal of the instalment receipt.

DISPOSAL OF SHARES

If you dispose of a share for more than its cost base the gain may be subject to tax. If the share has been held for at least 12 months after the date of acquisition prior to sale, you may be entitled to discount a capital gain you make on disposal of the share.

If you are provided Bonus Loyalty Shares the cost base of the Loyalty Rights exercised to obtain those shares will form the cost base of the shares. The exercise of the Loyalty Right by the investor will not constitute a 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 these purposes, the date of acquisition of a share is:

- for a share held as a result of an instalment receipt acquired pursuant to this Prospectus – the date the Commonwealth accepts your application to acquire the instalment receipt; and
- for a Bonus Loyalty Share – on the day you are allocated the Bonus Loyalty Share.

If you sell a share for less than its cost base you may incur a capital loss. A capital loss can only be offset against capital gains.

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 payment of the final instalment.

For a more detailed description of the taxation position, please refer to section 14 in the Appendix 'Taxation'.

5.15 Fees and commissions

Brokers and financial planners (including the Retail Lead Managers) will be entitled to a brokerage fee of 0.75% of the net present value of the total amount payable by Retail Investors for shares sold pursuant to applications lodged through brokers, including shareholder entitlements but excluding applications under the Firm Offer, and a brokerage fee of 1.25% of the net present value of the total amount payable by Retail Investors for shares sold pursuant to applications under the Firm Offer.

Commissions will be payable to the Institutional Selling Syndicate in respect of shares allocated to Institutional Investors under the Institutional Offer. In respect of shares allocated to Australian and New Zealand institutions, the relevant syndicate members will be paid collectively a commission of 0.4% of the net present value of the total amount payable by Institutional Investors. This commission rate will also be paid to participating brokers in respect of allocations made to Retail Investors in relation to successful broker sponsored bids lodged by those brokers on behalf of these Retail Investors. These fees will not constitute part of the commissions payable to the Institutional Selling Syndicate. In respect of shares sold outside Australia and New Zealand, the international syndicate members will receive collectively a commission of 0.4% of the net present value of the total amount payable by Institutional Investors and a further 0.04% of the amount of the first instalment representing an underwriting fee. The underwriting fee component will not apply to shares that are the subject of the Over-allocation Option and associated stock borrowing arrangements.

For the purposes of calculating the net present value of the total amount payable, the amount of the first instalment plus the discounted amount of the final instalment will be used.

In addition to a capped reimbursement for direct expenses, the Joint Global Coordinators will collectively receive a project management fee of \$9 million for acting as consultants to the Commonwealth in connection with the Offer.

5.16 Foreign selling restrictions

No action has been taken to register or qualify the instalment receipts, the underlying shares or the Offer, or otherwise to permit a public offering of these securities, in any jurisdiction outside Australia, New Zealand and Japan. Neither the instalment receipts nor the underlying shares have been, or will be, registered under the US Securities Act and these securities may not be offered or sold in the United States or to, or for the account or benefit of, US Persons except in accordance with an applicable exemption from the registration requirements of the US Securities Act under Rule 144A and applicable US state securities laws.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Each applicant in the Retail Offer will be taken to have represented, warranted and agreed as follows (and will be taken to have done so if it makes an application in the Institutional Offer):

- it is an Australian or New Zealand citizen or resident in Australia or New Zealand, is located in Australia or New Zealand at the time of the application and is not acting for the account or benefit of any person in the United States, a US Person or any other foreign person; and
- it will not offer or sell the instalment receipts or the underlying shares in the United States or in any other jurisdiction outside Australia or New Zealand or to a US Person, except in transactions exempt from registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such securities are offered and sold.

5. Additional information (continued)

Each person in Australia and New Zealand to whom the Institutional Offer is made under this Prospectus or the New Zealand Investment Statement (as applicable) will be required to represent, warrant and agree as follows (and will be taken to have done so if it bids in the Institutional Offer):

- it understands that the instalment receipts and the shares have not been and will not be registered under the US Securities Act and may not be offered, sold or resold in the United States or to a US Person, except in transactions exempt from registration under the US Securities Act;
- it is not in the United States or a US Person and is not acting for the account or benefit of a US Person; and
- it is not engaged in the business of distributing securities or, if it is, it agrees that it will not offer or resell in the United States or to a US Person (a) any instalments receipt or shares it acquires in the Offer at any time or (b) any instalment receipts or shares it acquires other than in the Offer until 40 days after the completion of the Offer, in either case other than in a transaction meeting the requirements of Rule 144A under the US Securities Act; provided, however, that the foregoing will not prohibit any sale of instalment receipts or shares in regular way transactions on ASX or NZSX if neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States.

No person is authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations will not be relied upon as having been authorised by the Commonwealth, Telstra, the Joint Global Coordinators or any other person, nor will any such persons have any liability or responsibility for them.

5.17 Minister's consent

The Finance Minister has given, and has not withdrawn, his consent to the issue of this Prospectus and to its lodgement with ASIC.

5.18 Directors' consent

Each Director has given, and has not withdrawn, their consent to the issue of this Prospectus and to its lodgement with ASIC.

6. Glossary

3GSM or 3G	Third Generation Global System for Mobile communications
3GSM 2100	3G GSM technology operating on 2100MHz spectrum
3GSM 850	3G GSM technology operating on 850MHz spectrum
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
ADSL	Asymmetric Digital Subscriber Line – a broadband technology that provides access to the Internet at fast speeds. ADSL uses data transmission technology that allows high speed data to be carried over everyday copper network phone lines. These data rates can enable the delivery of voice, data and video services
A-IFRS	Australian equivalents to International Financial Reporting Standards
Appendix	the appendix to this Prospectus lodged with ASIC on 9 October 2006
ASIC	Australian Securities and Investments Commission
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
CDMA	Code Division Multiple Access – a mobile standard which provides voice, data, fax and short messaging services
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

6. Glossary (continued)

cheque	cheque, in Australian dollars drawn on an Australian branch of an Australian bank, or money order
CHES	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
Closing Date	closing date of the Retail Offer (expected to be 9 November 2006)
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
Concise Financial Report	the concise financial report contained in the Annual Review of Telstra for the year ended 30 June 2006
COO	Telstra's chief operating officer
Corporations Act	Corporations Act 2001 (Cth)
CSP	Carriage Service Provider – a company that provides carriage services to individuals or organisations
Directors	the directors of Telstra
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
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
Financial Report	the consolidated financial report contained in the Annual Report of Telstra for the year ended 30 June 2006
FTTN	fibre to the node – infrastructure that delivers fibre close to the customer premises, including broadband data and potentially television services.
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
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'

Future Fund Board	the Future Fund Board of Guardians established under section 34 of the Future Fund Act 2006 (Cth) and described in section 2.8 'Future Fund overview' and section 5.7 'Future Fund'
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
GSM	Global System for Mobile communications
ICT	Information and Communications Technology
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 of the close of the Institutional Offer (adjusted for dealings up to that time – see section 5 of the Appendix 'Further information about the Institutional Offer'). 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'
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 Pty Ltd; UBS AG, Australia Branch; Citigroup Global Markets Pty Limited; Credit Suisse (Australia) Limited; Daiwa Securities SMBC Europe Limited; J.P.Morgan Australia Limited; Lehman Brothers Inc.; Morgan Stanley Dean Witter; 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
IP	Internet Protocol - a standard set of rules for the carriage of digital information such as voice, video, data and images across a global network
ISP	Internet Service Provider - a company that connects individuals or organisations to the Internet
Joint Global Coordinators	ABN AMRO Rothschild, Goldman Sachs JBWere and UBS

6. Glossary (continued)

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
Offer or Telstra 3 Share Offer	the Offer comprises the Retail Offer and the Institutional Offer
Over-allocation Option	the option to over-allocate up to 15% of the base offer size (that is, the offer size before any over-allocations) to Institutional Investors under the Institutional Offer (see section 5.12 'Over-allocation and market stabilisation')
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
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 2.4.3 'Retail Offer price and payment' under 'Can I prepay the final instalment?'
Prospectus	this prospectus dated 9 October 2006 relating to the Telstra 3 Share Offer to Australian resident investors
PSTN	Public Switched Telephone Network
QIB	a qualified institutional buyer as defined in Rule 144A
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 page "RBA28" (or any page which replaces that page) at 4.30 pm on that day
Regulation S	Regulation S under the US Securities Act
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>
SSS	spectrum sharing service – allows an access seeker to supply broadband services to customers while the access provider supplies voice services to the customer
Telstra	Telstra Corporation Limited ACN 051 775 556 and/or its controlled entities
Telstra Act	Telstra Corporation Act 1991 (Cth)
Treasurer	the Treasurer of the Commonwealth of Australia
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
ULLS	Unconditioned or Unbundled Local Loop Service – the Local Loop is the copper wire that connects the Telstra exchange in your area to your premises. Telstra is required to provide access to this wire to other operators. Other telecommunications providers can provide customers with their own services – like broadband and the plain old telephone service – by installing their own equipment in Telstra exchanges and connecting to the Local Loop
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
VoIP	Voice over Internet Protocol
VPN	Virtual Private Network
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’, crossings 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

7. Directory

Joint Global Coordinators

ABN AMRO Rothschild
Level 29, ABN AMRO Tower
88 Phillip Street
Sydney NSW 2000

Goldman Sachs JBWere Pty Ltd
Level 17
101 Collins Street
Melbourne VIC 3000

UBS AG, Australia Branch
Level 25, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Retail Lead Managers

ABN AMRO Morgans
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Bell Potter Securities Limited
Level 29
101 Collins Street
Melbourne VIC 3000

Citigroup Wealth Advisors Pty Limited
Citigroup Centre
2 Park Street
Sydney NSW 2000

Commonwealth Securities Limited
Level 18
363 George Street
Sydney NSW 2000

ETRADE Australia Securities Limited
Level 7
10 Bridge Street
Sydney NSW 2000

Goldman Sachs JBWere Pty Ltd
Level 17
101 Collins Street
Melbourne VIC 3000

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
Perth WA 6000

SHAW Stockbroking Ltd
Level 16
60 Castlereagh Street
Sydney NSW 2000

UBS Wealth Management Australia Ltd
Level 27, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Wilson HTM Limited
Level 38, Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

Co-Lead Managers

Citigroup Global Markets
Australia Pty Limited
Citigroup Centre
2 Park Street
Sydney NSW 2000

Credit Suisse (Australia) Limited
Level 31, Gateway
1 Macquarie Place
Sydney NSW 2000

Daiwa Securities SMBC
Europe Limited
5 King William Street
London EC4N 7AX
United Kingdom

J.P. Morgan Australia Limited
Level 32
225 George Street
Sydney NSW 2000

Lehman Brothers Inc.
745 Seventh Avenue
New York, New York
10019
USA

Morgan Stanley Dean Witter
Australia Securities Limited
Level 38, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Co-Managers

Commonwealth Securities Limited
Level 18
363 George Street
Sydney NSW 2000

RBC Capital Markets
Level 46, Citigroup Centre
2 Park Street
Sydney NSW 2000

The Commonwealth of Australia

Department of Finance and Administration
John Gorton Building
King Edward Terrace
Parkes ACT 2600

Telstra Corporation Limited

Registered Office:
Level 41
242 Exhibition Street
Melbourne VIC 3000

Company Secretary: Douglas Gratton

Legal Advisers

To the Commonwealth
Freehills
MLC Centre
19 Martin Place
Sydney NSW 2000

To Telstra
Mallesons Stephen Jaques
Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

To the Joint Global Coordinators
Allens Arthur Robinson
Level 28, Deutsche Bank Place
Corner Hunter and Phillip Streets
Sydney NSW 2000

Business Advisers

To the Commonwealth
Calburn Partnership
Level 34, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

To Telstra
Carnegie Wylie & Company
Level 33
101 Collins Street
Melbourne VIC 3000

Merrill Lynch International
(Australia) Limited
Level 38, Governor Phillip Tower
1 Farrer Place, Sydney NSW 2000

Accounting Adviser

PricewaterhouseCoopers Securities Ltd
Freshwater Place, 2 Southbank Boulevard
Southbank VIC 3006

Instalment Receipt and Share Registrar

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

The Trustee

Telstra Sale Company Limited
c/- Maxim Chartered Accountants
6 Oxley Street
Griffith ACT 2603



TELSTRA 3
SHARE OFFER