

Telstra Share Offer



Employee
Offer
Document





Where you can find more information

You can find more detailed information about the special offers to eligible employees of Telstra by reading this Employee Offer Document as well as the accompanying Public Offer Document, and in the Telstra Employee Share Ownership Plan Trust Deed (Telstra ESOP trust deed) and the Telstra Loan Scheme. The Telstra ESOP trust deed dated 26 September 1997 sets out the terms on which the extra shares arising from the 'One for Four Offer' and the shares bought through the Telstra loan will be held on your behalf by Telstra ESOP Trustee Pty Ltd (Telstra ESOP Trustee), as trustee.

The Loan Scheme describes the rules under which the interest-free Telstra loans will be made to eligible employees.

If you would like copies of the Telstra ESOP trust deed or Loan Scheme, you may obtain a copy free of charge by calling the Telstra Staff Hotline on 1800 626 999. You should do this as soon as possible.

These documents are also available on the Telstra intranet site at:

<http://www.cdn.telstra.com.au/erinfo/shareoff.htm>

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'One for Four Offer'

The Commonwealth has guaranteed that all eligible employees will be able to buy up to 2,000 shares and so be able to receive up to 500 extra shares free – the 'One for Four Offer'.

Telstra is providing an interest-free loan to eligible employees to buy up to 2,000 shares in the 'One for Four Offer'. The actual value of the loan to each employee will depend on the final share price and the number of shares applied for under the loan.

You can apply for shares in the 'One for Four Offer' using the Telstra loan, or buy shares with your own money, or a combination of the two.

Telstra Loan Scheme

- An easy way to invest in Telstra
- Get 1 extra share free for every 4 shares you buy with the loan
- No tax is payable on the first \$999 worth of extra shares, but tax is assessed in the 1997/98 financial year on the value of extra shares above this amount
- The Telstra loan is interest-free with no personal tax impact on the loan itself
- The loan is repaid from after-tax dividends on the shares and extra shares
- You can repay the loan in full at any time with your own money
- There is no personal risk on the loan but if you leave the Telstra group (see page 7) the loan is repayable either by selling the shares and the extra shares or, at your choice, using your own funds
- You cannot sell the shares you buy with the loan or the extra shares for 3 years if you remain an employee of the Telstra group, and while the loan is not repaid

Using your own money

- Get 1 extra share free for every 4 shares you buy
- No tax is payable on the first \$1,000 worth of extra shares if you use your own money, but tax is assessed in the 1997/98 financial year on the value of extra shares above this amount
- You can also buy some of the shares using the Telstra loan, but if you do both, the maximum tax exempt amount on the extra shares is \$999
- You can sell the shares you buy with your own money at any time
- You cannot sell the extra shares you receive from buying shares with your own money for 3 years if you remain an employee of the Telstra group

'One for Ten Loyalty Offer'

The Commonwealth will provide loyalty shares, at no additional cost, on a one for ten basis, up to a maximum of 200 loyalty shares – the 'One for Ten Loyalty Offer'. In order to qualify for loyalty shares, you must buy shares in the public offer with your own money. The shares bought under the 'One for Four Offer' do not count towards qualifying for loyalty shares.

- Get 1 loyalty share at no additional cost for every 10 shares you buy in the public offer and hold continuously for 12 months
- You can receive a maximum of 200 loyalty shares but there is no guarantee that you can buy sufficient shares to qualify for the full 200
- The value of the loyalty shares will be assessed for tax in the 1997/98 financial year
- You can sell the shares you buy with your own money at any time
- Loyalty shares will be issued after 12 months and can then be sold at any time

Note: The above summary assumes that you are employed in the Telstra group on the allocation date, that you acquire shares under both offers and you seek exemption from tax on the extra shares in the 'One for Four Offer' (see page 17 for details on tax).



Minister for Finance
Parliament House, Canberra, ACT, 2600

Dear Telstra Employee,

On behalf of the Commonwealth, I am pleased to be able to offer you the opportunity to invest in your Company. The one-third sale of Telstra will be a particularly significant opportunity for Telstra employees to participate in our nation's largest ever share offer.

There are two offers open to eligible employees of Telstra – a special offer for employees and the general public offer. Consistent with the Government's pre-election commitments, both offers have been structured to give eligible employees a good opportunity to own shares in one of the nation's biggest companies – your Company.

As an eligible Telstra employee, you can enjoy two special benefits. If you buy shares under the employee 'One for Four Offer', you will receive extra shares free – one extra share free for every four shares purchased (up to 500 extra shares). And if you purchase shares in the public offer then, under the 'One for Ten Loyalty Offer', you will receive loyalty shares – one loyalty share at no additional cost for every ten shares you are allocated and which you hold continuously for 12 months (up to a maximum of 200 loyalty shares at no additional cost).

Under both offers, the full payment for shares applied for is made in two instalments. This further ensures that the Telstra Share Offer is accessible to all eligible employees who wish to participate. The first instalment is payable on application and the second (and final) instalment will be due on 17 November 1998.

Please take the time to consider these offers carefully by reading this Employee Offer Document and the Public Offer Document. You should be aware that an investment in Telstra is not guaranteed by the Commonwealth and that the value of shares can go down as well as up. Please consult a stockbroker or financial adviser if you are unsure about investing.

It is with great pleasure that the Government is able to give you the opportunity to own a share in your Company and the ability to participate in its future. I commend the Telstra Share Offer to you.

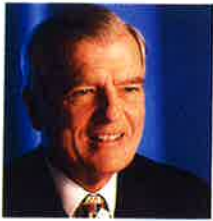
Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Fahey'.

John Fahey

Minister for Finance

29 September 1997



29 September 1997

For the first time, you have the opportunity to become a part owner in the future success and growth of Telstra.

The Telstra Board and management want you to participate as owners in building the company for the future. Accordingly, Telstra is making it easy for you to take up the Commonwealth's special 'One for Four Offer' by providing an interest free loan.

I would like to encourage you to take advantage of the loan. You will never be obliged to use your own money to repay it, and it will continue to be interest free. Very attractive terms!


By using this generous funding, you will be able to acquire a significant asset of 2,000 shares and 500 extra shares under the 'One for Four Offer'. This leaves you free, if you wish, to apply your own money to buy shares in the public offer and so qualify for the loyalty shares available under the 'One for Ten Loyalty Offer'.

Your ownership of shares in Telstra will strengthen the partnership between you and this great company. You will directly benefit from your work in satisfying the rapidly growing demand for communication solutions and in delivering value to customers. It is an opportunity for you to invest in your future and the future of the company, and to follow its achievement through Telstra's share price and dividends.

Taking up the full loan is a simple and sound way to invest in the company.

I hope you will join me in taking this opportunity to become a part owner of Telstra.

Your sincerely,



W Frank Blount
Chief Executive Officer



To promote share ownership by Telstra's eligible employees, the Commonwealth is providing special opportunities to buy shares in Telstra.

This Employee Offer Document outlines the special opportunities provided by the Commonwealth, the Telstra Loan Scheme and the Telstra Employee Share Ownership Plan (Telstra ESOP).

The special Commonwealth opportunities for eligible employees

The Commonwealth is providing two special opportunities for eligible employees – the 'One for Four Offer' and the 'One for Ten Loyalty Offer'. These are separate opportunities and eligible employees can participate in both.

The 'One for Four Offer' provides one extra share free for every four shares you buy, up to a maximum of 500 extra shares. The Commonwealth is guaranteeing that 2,000 shares will be made available for eligible employees to buy.

The 'One for Ten Loyalty Offer' provides one loyalty share, at no additional cost, for every ten shares you buy in the public offer and hold continuously for 12 months. A maximum of 200 loyalty shares can be obtained.

If the public offer is very popular, you may not receive all the shares you apply for, so you may not qualify for the maximum number of loyalty shares. The shares you buy under the 'One for Four Offer' do not count towards qualifying for loyalty shares.

The Telstra Loan Scheme

Telstra is encouraging share ownership by providing, to all eligible employees, an interest-free loan to buy shares in the 'One for Four Offer'. The actual amount of the loan will depend upon the final share price and the number of shares you buy under the loan.

The loan will enable you to buy up to 2,000 shares, and so receive up to 500 extra shares free.

The Telstra Loan Scheme is voluntary, and has been structured so that there is no personal risk on the loan as long as you remain employed by Telstra, its subsidiaries or the Telstra entity you were employed by on the allocation date (Telstra group). If you leave the Telstra group, the loan is repayable either by selling the shares and the resulting extra shares, or, at your choice, using your own money.

You can also use your own money to buy some or all of the shares in the 'One for Four Offer'.

Mechanics of the sale

Payment for shares will be in two instalments. The first instalment is for a fixed amount of \$1.95 per share and is due when the shares are applied for. The final instalment of not more than \$1.35 per share is payable on 17 November 1998. The final instalment and total price per share, will be the same as the final instalment and price for Public Applicants under the public offer.

If you choose all or part of the Telstra loan, Telstra will advance both instalments on your behalf.

Since the final instalment payment for the shares does not occur until 17 November 1998, successful applicants (or the Telstra ESOP Trustee, on your behalf) will receive instalment receipts to reflect your beneficial interest in the shares.

For extra shares received under the 'One for Four Offer', you will have no obligation to pay either instalment. If you, or the Telstra ESOP Trustee are no longer the registered holder on 4 November 1998 (for instance, because you have sold them after leaving Telstra), then the buyer will have to pay the final instalment on 17 November 1998. (See page 7 of Public Offer Document.)

In this Employee Offer Document, a reference to a 'Share' means:

- an instalment receipt issued in respect of a Telstra share, until such time as the instalment receipt is cancelled and a Telstra share is transferred to the holder; and
- thereafter, a Telstra share.

The Telstra Employee Share Ownership Plan

The Telstra ESOP Trustee has been established to administer the Telstra ESOP.

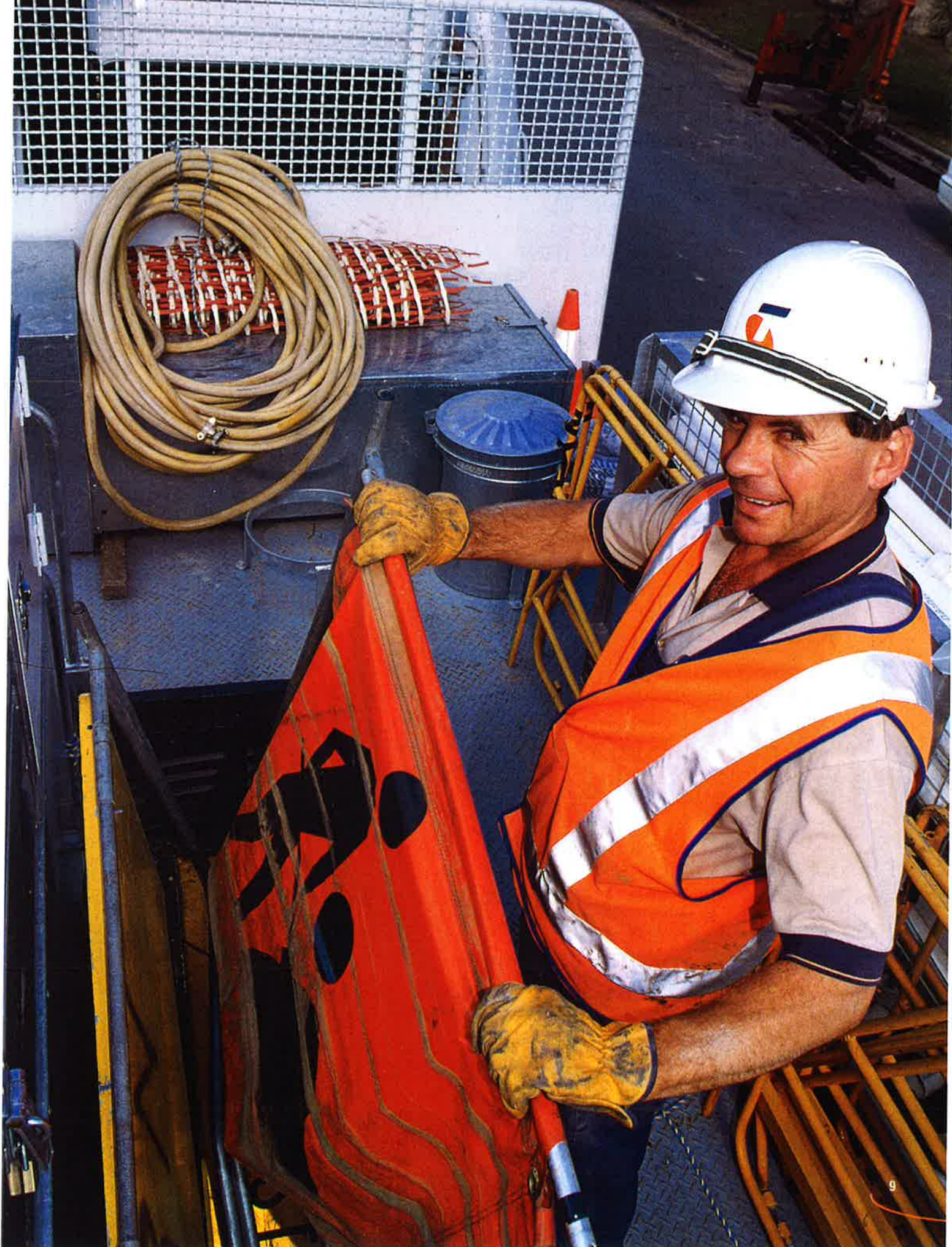
All extra Shares received under the 'One for Four Offer' or any Shares bought using the Telstra loan will be held by the Telstra ESOP Trustee on your behalf until you are able to sell them, such as when you leave the Telstra group or when the selling restrictions cease to apply. You cannot create an encumbrance (such as a mortgage) over these Shares until you are able to sell them.

The Telstra ESOP does not cover the loyalty shares received under the 'One for Ten Loyalty Offer'.

Who is eligible?

The offers contained in this document are available only to eligible employees. To be an 'eligible employee', you must have been on 20 September 1997:

- (a) an employee of Telstra Corporation Limited or any company in which Telstra owns more than 50% of the issued capital;
- (b) and not:
 - a part-time employee who receives loading in lieu of employee benefits (such as sick leave, annual leave or long service leave); or
 - a fixed term employee (ie employed for a specified period); or
 - a casual employee; or
 - a contractor; or
 - an employee on leave without pay unless it is maternity/parental leave, sick leave or study leave, subject to verification of your status in these categories by Telstra; or
 - an employee living outside Australia.



Your steps to ownership

Step 1 – *Read the offer documents*

You should read this Employee Offer Document and the accompanying Public Offer Document. Whether you accept the loan from Telstra to buy shares or buy shares with your own money is entirely voluntary and will have no effect on your employment.

Step 2 ‘*One for Four Offer*’ – *Join the Telstra Loan Scheme*

An easy way to invest in Telstra is to use the Telstra loan.

Telstra is providing an interest-free loan to enable you to buy up to 2,000 shares in the ‘One for Four Offer’, and so receive up to 500 extra shares free. A minimum of 400 shares must be applied for under the loan, and then in multiples of 100 shares.

Details on buying shares using the Telstra loan are outlined on page 11.

Instructions for applying for shares using the loan are given on page 20.

Use the blue personalised ‘One for Four Offer’ application form.

Step 3 ‘*One for Four Offer*’ – *Buy shares with your own money*

If you decided to apply for 2,000 shares with the Telstra loan, go to Step 4.

If you did not apply for the full loan, you should next decide whether you want to use any of your own money to buy shares in the ‘One for Four Offer’.

If you decided to apply for a part of the Telstra loan under Step 2, you now need to decide whether you want to buy additional shares to obtain up to 2,000 shares in total, and so receive all of the 500 extra shares free.

If you decided not to accept the loan under Step 2, you can buy up to 2,000 shares with your own money, and so receive up to 500 extra shares free. A minimum of 400 shares must be applied for, and then in multiples of 100 shares.

Details on buying shares using your own money are outlined on page 13.

Instructions for applying for shares using your own money are given on page 20.

Use the blue personalised ‘One for Four Offer’ application form.

Step 4 ‘*One for Ten Loyalty Offer*’

The ‘One for Ten Loyalty Offer’ is a part of the public offer. You do not need to buy shares in either Step 2 or 3 above before being able to participate in the ‘One for Ten Loyalty Offer’.

You can apply for as many shares as you wish in the public offer. A minimum of 400 shares must be applied for, and then in multiples of 100 shares.

You must use your own money to buy these shares.

Details on buying shares using your own money under the ‘One for Ten Loyalty Offer’ are outlined on page 15.

Instructions for applying for shares in the public offer are given on page 22

Use the green personalised application form.

If you have any questions, call the Telstra Staff Hotline on 1800 626 999

'One for Four Offer' – Join the Telstra Loan Scheme

Under the Telstra ESOP, Telstra is offering you an interest-free loan to buy up to 2,000 shares available under the 'One for Four Offer'. If you decide to accept the loan, Telstra will advance the first and final instalments on your behalf.

You can borrow so that you can buy:

- a maximum of 2,000 shares and so receive 500 extra shares free. The amount of the loan in this case would not exceed \$6,600; or
- a minimum of 400 shares and so receive 100 extra shares free. The amount of the loan in this case would not exceed \$1,320; or
- between the maximum and minimum in multiples of 100 shares and so receive multiples of 25 extra shares free. The amount of the loan per multiple of 100 shares would not exceed \$330.

How is the loan repaid?

The loan will be repaid through any dividends paid on the Shares bought through the loan. The dividends on the resulting extra Shares will also be applied to pay off the loan.

As dividends are taxable, not all of the dividend will go to repay the loan; part of it will be passed on to you to cover this tax. The top marginal tax rate will be assumed, and allowance will be made for any franking credits received, when determining the amount of dividend to pass on, to assist you in not being out of pocket.

The longer you hold these Shares and the more dividends that are paid on these Shares, the more the outstanding balance on your loan will decrease.

Other ways to repay the loan

There are two other ways to repay the loan while you are an employee of the Telstra group:

- You can repay the outstanding amount of the loan at any time using your own funds. However, the loan must be repaid in full; you cannot repay just part of it. The shares you buy with the loan and the resulting extra shares will not be made available to you, even if you repay the loan, for a period of 3 years after allocation.
- After 3 years, you can repay the loan by arranging for the Telstra ESOP Trustee to sell some or all of these shares on your behalf. The shares can only be sold if the proceeds from the sale are sufficient to repay the loan in full and any sale costs (eg. broker's fees).

When can you sell these shares and extra shares?

As long as you are an employee of the Telstra group, you cannot sell the shares you buy with this loan or the extra shares you receive as a result until 3 years after allocation. From then on you can continue to hold the shares, or if you desire, sell them at any time once the loan is repaid in full.

These shares will be held by the Telstra ESOP Trustee until you are able to sell them.

What happens if you leave the Telstra group?

If you leave the Telstra group, you (or if you die, your legal representative) will have the opportunity to repay the outstanding amount of the loan before the later of:

- 2 months of leaving; or
- 1 year if you die or you leave because of total and permanent disablement; or
- 2 months after the final instalment is due, if you leave the Telstra group before 17 November 1998. Telstra will still advance the final instalment on your behalf.

Once the loan is repaid, the Shares and any resulting extra Shares will be transferred to your name. You will then be able to continue to hold them or, if you desire, sell them at any time.

If you sell the extra Shares and are no longer the registered holder on 4 November 1998, you will receive only part of the value.

This is because the buyer will become liable to pay the final instalment on the extra Shares. If you had continued to hold them, the final instalment would have been free to you.

If you do not want to outlay any of your own money to repay the loan, the Telstra ESOP Trustee will sell the Shares bought through the loan, and the resulting extra Shares, in order to repay the loan. Any surplus on the sale will go to you after repaying the loan and any sale costs. If the market price for the Shares and extra Shares is not sufficient to repay the loan and any sale costs, the Telstra ESOP Trustee will continue to hold the Shares and extra Shares until this is the case. This means that Telstra always bears the risk on the loan.

'One for Four Offer' – Buy shares with your own money

If you choose to buy less than the 2,000 available shares offered through the Telstra loan, you can buy shares using your own money in order to take full advantage of the 'One for Four Offer'.

If you do not participate in the Telstra loan at all, you can buy:

- a maximum of 2,000 shares and so receive 500 extra shares free; or
- a minimum of 400 shares and so receive 100 extra shares free; or
- between the maximum and minimum in multiples of 100 shares, and so receive multiples of 25 extra shares free.

If you buy some, but not all, of the 2,000 shares offered through the Telstra loan, you can also buy shares in multiples of 100 shares with your own money.

However, the total number of shares you buy in the 'One for Four Offer' cannot exceed 2,000 shares.

If you buy shares with your own money, you must pay the first instalment when you apply for the shares.

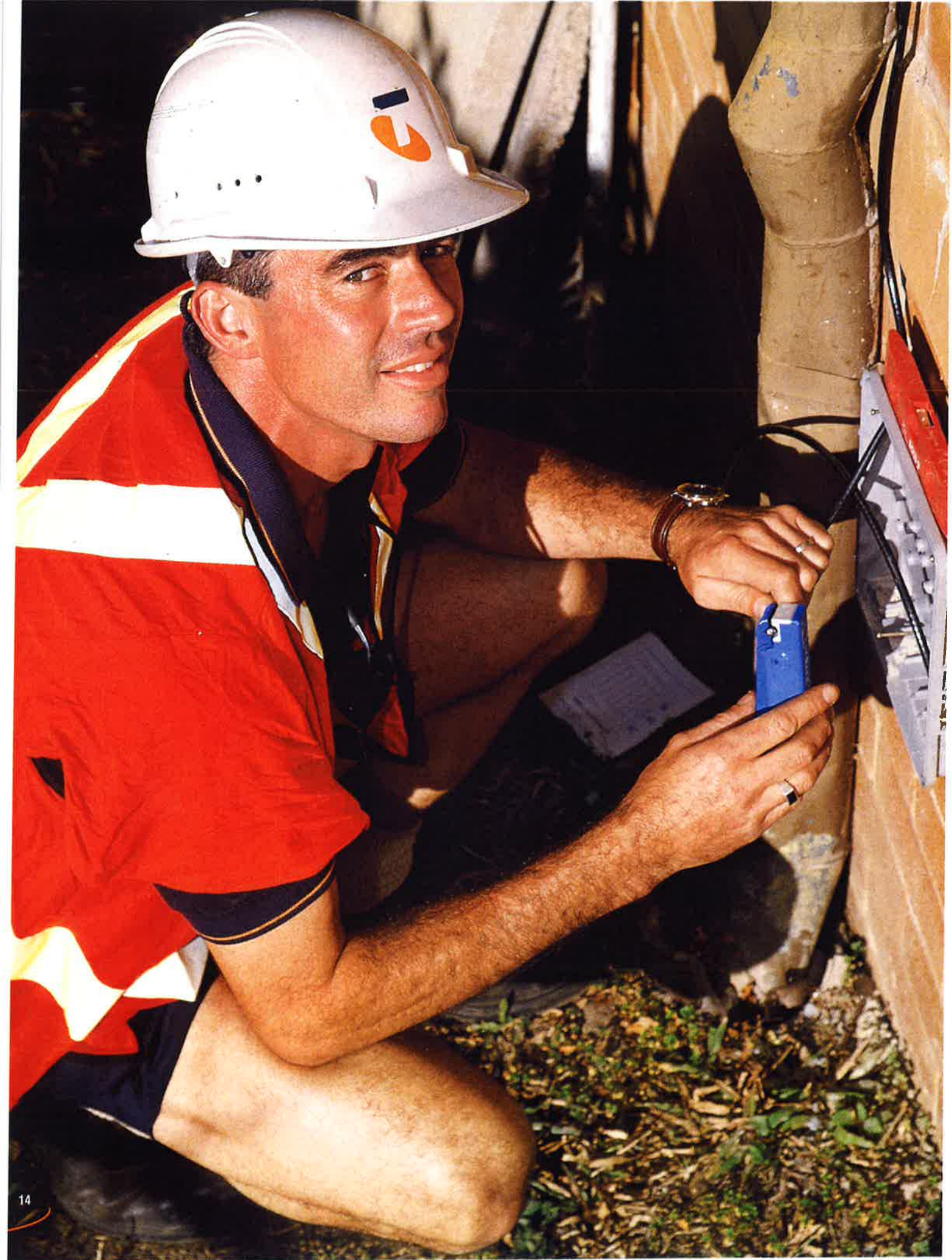
Any extra shares you receive from buying shares with your own money will become part of the Telstra ESOP.

When can you sell these Shares and extra Shares?

You may sell Shares bought with your own money at any time.

However, so that eligible employees can take advantage of the tax exemption, you cannot sell the extra Shares that you receive from buying the Shares with your own money until 3 years after allocation, unless you leave the Telstra group. The Telstra ESOP Trustee will hold them for you in its name until that time, and will then transfer them to you as the registered holder. You will then be able to continue to hold the shares or, if you desire, sell them at any time.

If you sell the extra Shares and are no longer the registered holder on 4 November 1998, you will receive only part of the value. This is because the buyer will become liable to pay the final instalment on the extra Shares. If you had continued to hold them, the final instalment would have been free to you.



'One for Ten Loyalty Offer'

If you are an eligible employee and buy shares under the public offer in your employee name, you will receive at no additional cost 1 loyalty share for every 10 shares you buy and hold continuously until the qualifying date, 17 November 1998. You can qualify for up to 200 loyalty shares.

The public offer may be very popular and as a result you, along with other members of the public, may not get all the shares you apply for. For instance, although you may apply for 2,000 shares under the public offer, you may be allocated fewer shares and so will qualify for less than 200 loyalty shares.

As an eligible employee, Telstra has reserved a Public Offer Document on your behalf and if you apply for shares using the green personalised application form accompanying this Employee Offer Document, you have a minimum guaranteed entitlement of 600 shares, and you will be automatically registered to qualify for loyalty shares at a later date. You can apply for more or less than 600 shares (but at least the minimum of 400 shares) using this form.

You are not required to participate in the 'One for Four Offer' to be eligible for loyalty shares. If you do acquire shares under the 'One for Four Offer', those shares will not count towards determining the number of loyalty shares you will receive. Only shares bought under the public offer count.

When do you pay tax on the loyalty shares?

You will be assessed for tax on the value of these loyalty shares in the 1997/98 financial year, even though you will not actually receive them until the 1998/99 financial year. This assumes you seek the tax exemption on the extra Shares under the 'One for Four Offer'. Details can be found in the section "Do you have to pay tax?" (see page 17).

When do you get the loyalty shares?

If you buy any shares under the public offer and sell any of them before the qualifying date of 17 November 1998, only the remaining Shares that you continue to hold on that date will be used to determine the number of loyalty shares you will receive. You will still be eligible to receive loyalty shares, even if you leave the Telstra group, provided the relevant shares you buy in the public offer are held until the qualifying date in your employee name.

For example, suppose you buy 1,500 Shares under the public offer then sell 1,200 of those Shares on 1 May 1998 so that you have only 300 shares left on the qualifying date. In this case you will receive 30 loyalty shares.

If the shares are held by your estate or successors on the qualifying date, they will not qualify for the allocation of loyalty shares.

If you qualify, you will receive the loyalty shares as soon as practicable after the qualifying date of 17 November 1998.

When can you sell the loyalty shares?

You may sell the loyalty shares at any time after you receive them.





Do you have to pay tax?

A general guide to the current tax position for employees who are employed in the Telstra group on the allocation date, which is expected to be 16 November 1997, is set out below. This guide has been confirmed by the Australian Taxation Office. If you have any questions about tax, you should discuss them with a tax agent.

Receiving extra Shares and loyalty shares may increase your taxable income. This might have other consequences in addition to paying tax (eg superannuation surcharge tax).

Do you have to pay tax on the acquisition of the Shares?

Ordinarily, you do not have to pay tax when you acquire shares. Since extra Shares and loyalty shares are received at no additional cost, this benefit is taxable.

However, a tax exemption is available for up to \$1,000 for extra Shares received under the 'One for Four Offer'. You will be assessed for tax purposes in the 1997/98 financial year on the value of the extra Shares in excess of that amount.

You will be assessed for tax purposes on the value of the loyalty shares. The time when, and the amount on which, you will be assessed for loyalty shares will vary depending on whether you claim the tax exemption under the 'One for Four Offer'.

If you claim the tax exemption, you will be assessed on the loyalty shares in the 1997/98 financial year, even though you do not receive them until the next financial year or never receive them.

If you do not claim the tax exemption, you will not get the benefit of the \$1,000 tax exemption, but you will defer paying tax. However, you will be assessed at a later time on the value at that time of the extra Shares and the loyalty shares and, importantly, you will also be assessed on any increase in value of the Shares you acquire using a Telstra loan.

To obtain the tax exemption, you must make an 'election'. You will be given details about the election at a later date.

More details are provided on page 18.

Tax on dividends

Any dividends paid by Telstra while you hold instalment receipts in Telstra shares or while Shares are held by the Telstra ESOP Trustee will be treated for tax purposes as trust distributions to you 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 shares, all dividends paid to you by Telstra will be treated for tax purposes in the same way as other dividends. You must declare both trust and dividend distributions as part of your income. The Australian Taxation Office requests that this income be shown at the dividend income label on your return of income.

While an amount remains outstanding on your Telstra loan, the Telstra ESOP Trustee will pay to you part of the dividend on the Shares purchased through the Telstra loan and the resulting extra Shares to enable you to pay tax on that distribution assuming you are taxed at the top marginal tax rate, and making an allowance for any franking credits received.

Do you have to pay tax when you sell Shares?

You will be assessed on any capital gains made when selling Shares.

Details on capital gains tax are provided on page 19.

These details will not be applicable if you are a share trader – you should seek your own advice.

Stamp duty

No stamp duty will be payable by you on the issue of the instalment receipts, payment of the first or final instalment or the transfer of Shares to you by the Trustee or the Telstra ESOP Trustee.

Do you have to pay tax on the interest free loan?

There is no personal tax impact on the interest free element of the loan provided by Telstra.



The calculation of personal income tax on the allocation of extra Shares and loyalty shares and on capital gains and losses is complex and changes frequently and it may differ for some employees.

You may want to have a tax agent review this information.

Paying tax on the acquisition of Shares

If you seek the tax exemption for the 'One for Four Offer'

Shares acquired under the 'One for Four Offer'

You should not be assessed on any extra Shares that you receive up to the value of \$1,000 under the 'One for Four Offer'. The value of the extra Shares is the amount of the first and final instalments for shares acquired by Public Applicants. You will be assessed in the 1997/98 tax year on the value of extra Shares in excess of \$1,000.

If you buy Shares through a Telstra loan, this tax exempt limit is reduced to \$999 as Telstra will be providing you with a \$1.00 benefit to reduce the cost of purchasing these Shares. This nominal benefit will be tax free if you seek the exemption and is available so that you do not have to pay tax on the transfer of Shares from the Telstra ESOP Trustee to you.

Loyalty shares acquired under the 'One for Ten Loyalty Offer'

You will be assessed on the loyalty shares – no tax exemption is available. You will need to include as assessable income in your 1997/98 tax return the value of each loyalty share which you may become entitled to receive under the 'One for Ten Loyalty Offer'. The value of each loyalty share will be the amount of the first and final instalments for shares acquired by Public Applicants.

You will be assessed on the loyalty shares even though you do not actually receive the loyalty shares in the 1997/98 tax year and even though you may never actually acquire the loyalty shares (for example, because you do not hold the applicable Shares for 12 months).

If you are assessed on the loyalty shares in the 1997/98 tax year but you never acquire the loyalty shares, then in the 1998/99 tax year you will be able to amend your 1997/98 tax return and claim a refund of any tax paid on those shares.

If you do not seek the tax exemption for the 'One for Four Offer'

You should seek expert advice before deciding to give up the tax exemption.

By giving up the tax exemption, it is possible to defer the assessment on the extra Shares which exceed the tax exemption limit and to defer assessment on the loyalty shares.

Shares under the 'One for Four Offer'

You will not be assessed when you acquire the Shares, but will be assessed at a later time (taxing date) on the full value of the extra Shares at that time and on any increase in value of the Shares purchased with the loan (in addition to the \$1.00 free benefit).

The taxing date will be the the earliest of:

- the time you leave employment in the Telstra group;
- the time when you are able to sell the relevant Shares; and
- 10 years after you acquired the relevant instalment receipts.

Therefore, for shares bought through the Telstra Loan Scheme and the resulting extra shares, if your loan has not been repaid, assessment can be deferred for up to ten years. For extra shares received as a result of shares you buy with your own money, assessment can be deferred for three years. In both cases it is assumed that you remain in the Telstra group.

If you hold instalment receipts at the taxing date, the amount assessed will be based on:

- the ASX trade price of the instalment receipts at the taxing date plus the final instalment less, in the case of instalment receipts acquired with a Telstra loan, the first and final instalment to be paid by Public Applicants; or
- if you sell the instalment receipts within 30 days of the taxing date, the sale price less, in the case of instalment receipts acquired with a Telstra loan, the first instalment to be paid by Public Applicants.

If you hold shares at the taxing date, the amount assessed will be based on:

- the market value of the shares at the taxing date as determined under the tax rules less, in the case of shares acquired with a Telstra loan, the sum of the first and final instalments; or
- if you sell the shares within 30 days of the taxing date, the sale price of the shares less, in the case of shares acquired with a Telstra loan, the sum of the first and final instalments.

The taxing date for various Shares under the 'One for Four Offer' may be different because the selling restrictions differ for different Shares.

Loyalty shares acquired under the 'One for Ten Loyalty Offer'

You will be assessed on the loyalty shares at the earlier of:

- the time you acquire the loyalty shares – and you will be assessed on the market value of the loyalty shares at that time, determined under the tax rules, or, if you sell the shares within 30 days of acquisition, the sale price of the loyalty shares; or
- the time when you leave employment in the Telstra group – and you will be assessed on the market value of the loyalty shares at that time, which is equal to the ASX traded price of the instalment receipts on that date, plus the final instalment to be paid by Public Applicants, or, if you sell the loyalty shares within 30 days of that time, the sale price of the loyalty shares.

If you are assessed on the loyalty shares in the 1997/98 tax year but you never acquire the loyalty shares, then in the 1998/99 tax year you will be able to amend your 1997/98 tax return and claim a refund of any tax paid on those shares.

If you only participate in the 'One for Ten Loyalty Offer'

The time when, and the amount on which, you will be assessed for tax on the loyalty shares will vary depending on whether you make an 'election' to be assessed in the 1997/98 tax year.

If you make the election, you will be taxed in the 1997/98 tax year on the value of the loyalty shares to which you may become entitled; being the sum of the first and final instalments for shares to be paid by Public Applicants.

If you do not make the election, you will be assessed on the loyalty shares as indicated in the section on this

page titled "Loyalty shares acquired under the 'One for Ten Loyalty Offer'".

If you are assessed on the loyalty shares in the 1997/98 tax year but you never acquire the loyalty shares, then in the 1998/99 tax year you will be able to amend your 1997/98 tax return and claim a refund of any tax paid on those shares.

Capital gains tax

You will not be liable for capital gains tax when the Telstra ESOP Trustee transfers Shares to you or when you acquire Shares under the 'One for Four Offer' or the 'One for Ten Loyalty Offer'.

If you sell an instalment receipt, a taxable capital gain will arise if and to the extent that the sale price exceeds the cost base for the instalment receipts. If you sell the instalment receipt 12 months or more after you acquired it, any gain will be adjusted to take account of inflation.

If you sell a share, a taxable capital gain will arise if and to the extent that the sale price exceeds the cost base of the share. If you sell the share 12 months or more after you acquired the instalment receipt, the gain will be adjusted to take account of inflation.

For capital gains tax purposes, if you make an 'election', the cost base of Shares acquired under the 'One for Four Offer' (other than those you buy under the offer from your own money) and loyalty shares acquired under the 'One for Ten Loyalty Offer' will be the full amount of the first and final instalments for shares to be paid by Public Applicants.

If you did not make an 'election', the cost base for Shares will generally be the value on which you were previously assessed on the Shares, discussed earlier.

The cost base of the Shares you buy using your own money under the 'One for Four Offer' will be the first instalment and will include the final instalment once it is payable.

You have to declare any capital gains in your income tax return in the year of sale.

If you sell a Share and the sale price is less than the cost base, a capital loss will arise. No inflation adjustment is taken into account in this calculation. The loss amount may be used to reduce capital gains in the same or future years but does not reduce other assessable income and is not an allowable deduction.

Applying for shares – 'One for Four Offer'

You must use the blue personalised employee 'One for Four Offer' application form accompanying this Employee Offer Document to apply for shares under the 'One for Four Offer'.

This form is used to apply for shares using the Telstra loan, or using your own money, or both.

For every four shares you buy, you will receive one extra share free up to a maximum of 500 extra shares.

WHEN APPLYING FOR SHARES, DO NOT INSERT IN THE BLUE APPLICATION FORM THE EXTRA SHARES YOU ARE ENTITLED TO RECEIVE.

By applying for shares using the blue application form, you will be taken to have applied for the extra shares.

The blue application form and cheque (if buying any shares with your own money) must be received no later than 4.00 pm local time on Friday, 31 October 1997. If using Australia Post, please allow sufficient time for postal delivery.

There is a seven step process that you should follow for filling out the blue application form and returning it:

STEP 1 – Use the correct form

You must use the blue personalised employee 'One for Four Offer' application form. You cannot apply for shares under the 'One for Four Offer' using any other coloured form.

STEP 2 – Fill in the form correctly

Follow the instructions on the back of the blue application form.

STEP 3 – Sign the form

All applicants must sign the blue application form, either personally or by attorney, in the space provided at the bottom of the blue application form.

IF YOU ARE ONLY USING THE TELSTRA LOAN, GO TO STEP 5.

STEP 4 – Attach your cheque if buying any shares with your own money DO NOT SEND CASH.

Attach the cheque to the blue application form.

- To calculate the correct amount for your cheque, use the ready reckoner on the back of the blue application form.
- Your cheque should be made payable to 'Telstra Share Offer' and crossed 'Not Negotiable'.
- Cheques must be in Australian dollars (A\$) and drawn on an Australian branch of an Australian bank.
- Cheques will be deposited on the day of receipt. If insufficient funds are available in your bank on this day, your application for shares that you wish to buy yourself may be rejected.
- Write your application number (opposite your name and address details on the blue application form) on the back of your cheque.
- Pin (DO NOT STAPLE) the cheque horizontally to the front of the blue application form where indicated – top left corner.

STEP 5 – Record your application number

For future reference, record your application number (opposite your name and address details on the blue application form) in the space provided below. Your application number can be used to check on your final allocation of shares via the Telstra Share Information Centre after share allocation takes place.

APPLICATION NUMBER

STEP 6 – Fold as shown

Carefully fold the blue application form along the marks shown.

Place the folded blue application form and, if applicable, cheque, in the enclosed reply paid envelope (blue-edged).

STEP 7 – Lodge your application

Lodge your completed blue application form and cheque (if buying any shares with your own money) in the blue-edged reply paid envelope by:

- mailing it by Australia Post; or
- placing it in the collection box at any Commonwealth Bank branch in Australia; or
- lodging it with any Stockbroker.

If you misplace your envelope, send your blue application form and cheque (if buying any shares with your own money) to this address:

Reply Paid AAA 5021
Telstra Share Offer
MELBOURNE VIC 8036.

Applications must be received no later than 4.00 pm local time on Friday, 31 October 1997. If using Australia Post, please allow sufficient time for postal delivery.

Applications received at a Commonwealth Bank branch or Stockbroker in Australia will be treated as having been received at the Application Processing Centre on the same day.

What if I lose my form?

If you lose your blue application form, or if you fill it in incorrectly, please contact the Telstra Staff Hotline on 1800 626 999. They will tell you what to do.

Important Notices

You are encouraged to apply for shares as soon as possible after the offer opens. The Commonwealth has a right to close the offer early without prior notice, extend the offer, or otherwise vary the timing of (including re-opening) the offer.

Make sure that you use the blue personalised employee 'One for Four Offer' application form. You will miss out on your benefits if you do not.

Applying for Shares – 'One for Ten Loyalty Offer'

You should use the green personalised employee application form accompanying this Employee Offer Document to apply for shares in the Telstra Share Offer to qualify to receive loyalty shares under the 'One for Ten Loyalty Offer'.

Be very careful to use the correct form. The green form enables you to receive a guaranteed entitlement of 600 shares (although you can apply for more or less shares) and you will also be automatically registered to receive loyalty shares after 12 months. You can also apply for shares in your employee name in the public offer using the yellow and orange application forms. However, you will not be automatically registered to receive loyalty shares if you choose to use these forms.

DO NOT INSERT IN THE APPLICATION FORM(S) THE LOYALTY SHARES FOR WHICH YOU MAY QUALIFY.

If you use the orange or yellow application forms to apply for shares in the public offer in your employee name, you will be taken to have applied for the loyalty shares and to have given the same declarations and statements as on the back of the green personalised employee application form.

The green application form and cheque must be received no later than 4.00 pm local time on Monday, 3 November 1997. If using Australia Post, please allow sufficient time for postal delivery.

There is a seven step process that you should follow for filling out the green application form and returning it:

STEP 1 – Use the correct form

You should use the green personalised employee application form.

STEP 2 – Fill in the form correctly

Follow the instructions on the back of the green application form.

STEP 3 – Sign the form

All applicants must sign the green application form, either personally or by attorney, in the space provided at the bottom of the green application form.

STEP 4 – Attach your cheque

DO NOT SEND CASH.

- To calculate the correct amount for your cheque, use the ready reckoner on the back of the green application form.
- Your cheque should be made payable to 'Telstra Share Offer' and crossed 'Not Negotiable'.
- Cheques must be in Australian dollars (A\$) and drawn on an Australian branch of an Australian bank.
- Cheques will be deposited on the day of receipt. If insufficient funds are available in your bank on this day, your application for shares may be rejected.
- Write your application number (opposite your name and address details on the green application form) on the back of your cheque.
- Pin (DO NOT STAPLE) the cheque horizontally to the front of the green application form where indicated – top left corner.

STEP 5 – Record your application number

For future reference, record your application number (opposite your name and address details on the green application form) in the space provided below. Your application number can be used to check on your final allocation of shares via the Telstra Share Information Centre after share allocation takes place.

APPLICATION NUMBER

STEP 6 – Fold as shown

Carefully fold the green application form along the marks shown.

Place the folded green application form and cheque in the reply paid envelope (green-edged).

STEP 7 – Lodge your application

Lodge your completed green application form and cheque in the green-edged reply paid envelope by:

- mailing it by Australia Post; or
- placing it in the collection box at any Commonwealth Bank branch in Australia; or
- lodging it with any Stockbroker.

If you misplace your envelope, send your green application form and cheque to this address:

Reply Paid AAA 5021
Telstra Share Offer
MELBOURNE VIC 8036.

Applications must be received no later than 4.00 pm local time on Monday, 3 November 1997. If using Australia Post, please allow sufficient time for postal delivery.

Applications received at a Commonwealth Bank branch or Stockbroker in Australia will be treated as having been received at the Application Processing Centre on the same day.

What if I lose my form?

If you lose your green application form, or if you have filled it in incorrectly, please contact the Telstra Staff Hotline on 1800 626 999. They will tell you what to do.

Important Notices

You are encouraged to apply for shares as soon as possible after the offer opens. The Commonwealth has a right to close the offer early without prior notice, extend the offer, or otherwise vary the timing of (including re-opening) the offer. Make sure that you use the green personalised employee application form.

Seller's and Directors' authorisation

This document is authorised by the Commonwealth and is signed for and on behalf of the Commonwealth by:



John Fahey, Minister for Finance

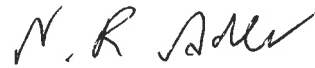
This document is authorised and signed by all the directors of Telstra:



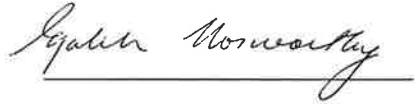
David M Hoare



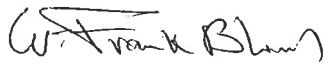
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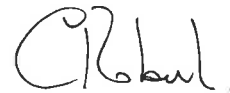
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Elizabeth A Nosworthy



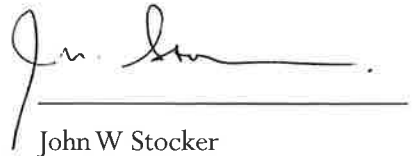
W Frank Blount



Christopher I Roberts



Anthony J Clark



John W Stocker



Michael H Codd



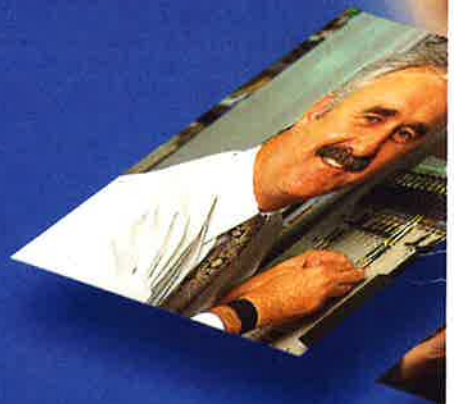
Stephen W Vizard



Malcolm G Irving

Telstra Staff Hotline

1800 626 999



Telstra

Share
Offer

