

12 March 2003

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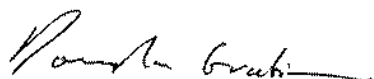
ELECTRONIC LODGEMENT

Dear Sir or Madam

Telstra and Austar pay TV heads of agreement

In accordance with the listing rules I attach an announcement for release to the market.

Yours sincerely



Douglas Gration
Company Secretary

Telstra Corporation Limited
ACN 051 775 556
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Joint Announcement

New arrangements for Austar and Telstra

- **Shareholder changes to TelstraClear**
- **Austar and Telstra pay TV heads of agreement**

Austar United Communications Limited (Austar) and Telstra Corporation Limited (Telstra) today announced new arrangements which will allow both companies to leverage their respective strengths for future growth.

Telstra will move to full ownership of the parties' New Zealand joint venture, TelstraClear Limited. In a separate agreement the parties have also agreed in principle to allow Telstra to resell the Austar subscription television service to Telstra customers in regional Australia.

TELSTRACLEAR

Subject to the satisfaction of various conditions including New Zealand Overseas Investment Commission approval, Telstra will acquire full ownership of TelstraClear.

Telstra CEO Dr Ziggy Switkowski said the agreement to purchase the remaining 42 per cent shareholding in TelstraClear for \$A25m (\$NZ26.86m) was a reflection of Telstra's confidence in the business.

"TelstraClear is making solid progress towards profitability and has become a significant player in the New Zealand communications market. It's a promising business that brings Telstra's Trans Tasman strength to New Zealand to the benefit of New Zealand customers. This deal demonstrates that New Zealand is a pivotal part of Telstra's long term strategy."

Austar CEO Mr John Porter said "Since its early days, TelstraClear has been about challenging the status quo, and Austar is proud to have been a major part in bringing competition to the New Zealand market. Given where the company is today, it is a natural point of exit for Austar, particularly as we focus on our core business of providing subscription television services to regional Australia."

Dr Switkowski said there would be no changes to TelstraClear's management team, with the business continuing to be managed in New Zealand and to trade under the well-recognised TelstraClear brand.

Pay TV ARRANGEMENTS

The parties have signed a Heads of Agreement which, subject to regulatory and other approvals, will allow regional Australians to acquire Austar subscription television services with Telstra's telephony services.

Mr Porter said, "As a company that has invested over \$1 billion dollars to provide services to regional Australia, we are pleased to be working with Telstra to allow customers to have increased choice and opportunities."

It is expected that the bundling arrangements will be made available later in the year once operational requirements have been finalised.

For Further information

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BACKGROUND

TELSTRACLEAR

TelstraClear Limited is New Zealand's second largest full service communications company, providing innovative market leading products, services and customer focus to the business, government, wholesale and residential sectors. As at January 2002, TelstraClear serves over 300,000 business and residential customers in every central business district and over 30 regional centres. This represents more than 11% of the New Zealand market through a full voice, data, Internet Protocol and cable TV product range. Created from the acquisition of CLEAR Communications Limited by TelstraSaturn Limited in December 2001, TelstraClear provides a real choice in the New Zealand communications market, and seamless services to trans-Tasman customers. For further information visit www.telstraclear.co.nz

AUSTAR

Austar Communications is Australia's second largest subscription TV operator, providing principally satellite delivered services to regional and rural Australia. Austar bundles mobile telephony and internet services with its television product. In addition, Austar was the first company in Australasia to launch digital interactive television.