



AUSTAR UNITED
COMMUNICATIONS

AUSTAR UNITED COMMUNICATIONS LIMITED

ABN 88 087 695 707

NOTICE OF EXTRAORDINARY GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

**For the Extraordinary General Meeting of Austar United Communications Limited
to be held at 35 Robina Town Centre Drive, Robina, Queensland
on 4 November 2003 at 11:30am.**

This is an important document and requires your immediate attention.

If you are unable to attend the Extraordinary General Meeting, please complete the form of proxy and return it in accordance with the instructions.

Chairman's letter



3 October 2003

Dear AUSTAR Shareholder

The board of Austar United Communications Limited has undertaken a review of employee remuneration and performance incentives, with the ultimate aim of ensuring employees' interests are aligned with those of AUSTAR's shareholders.

Your directors are mindful of community concerns regarding executive options. Consequently, the board proposes that AUSTAR terminate the current Executive Share Option Plan and offer to cancel options issued under that plan.

Nevertheless, your directors strongly believe that it is important to align employees' and management's interests with those of shareholders to enhance management focus on creating shareholder value. Accordingly, subject to AUSTAR shareholder approval, the board proposes to introduce three share-based incentive schemes:

- the General Employee Share Scheme;
- the Management Group Share Scheme; and
- the Senior Management Share Scheme.

Each of these Share Schemes will involve participating employees investing their own money to acquire shares in AUSTAR. The Senior Management Share Scheme will also involve executives borrowing from AUSTAR to acquire shares. The loans will not involve any actual payments of cash by AUSTAR to participating executives. AUSTAR's non-executive directors will not participate in these schemes.

A number of shareholder approvals will be required to implement these proposals:

- approval for options issued under the current Executive Share Option Plan to be cancelled; and
- approval of the new Share Schemes and participation of John Porter, AUSTAR's Chief Executive Officer, in the Senior Management Share Scheme.

We have called an extraordinary general meeting to seek approval from AUSTAR's shareholders for these matters. The enclosed Notice of Extraordinary General Meeting and Explanatory Memorandum provide details of the above resolutions and the implications for AUSTAR and shareholders of approving them. We encourage you to read them in full.

Also, separate shareholder approvals will be sought to increase the total remuneration paid to directors so that all of AUSTAR's non-executive directors will receive fees (not just its independent directors), and to issue 136,986 bonus shares to each of its independent directors. Your directors consider that it is important to review its remuneration policy for non-executive directors to take into account their experience, performance and responsibilities in dealing with AUSTAR's affairs.

Your directors believe that implementation of the new Share Schemes is in AUSTAR's best interests. The new schemes will better align the interests of employees and executives with those of AUSTAR shareholders and will better focus them on creation of shareholder value. Your non-executive directors recommend that you vote in favour of the new Share Schemes. Those non-executive directors who do not hold options under the current Executive Share Option Plan also recommend that you vote in favour of the cancellation of options issued under that plan.

Yours faithfully

A handwritten signature in black ink, appearing to read 'W Ferris', with a horizontal line extending to the right.

William D Ferris, AO
Chairman

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Key dates

Proxies must be received by AUSTAR	11:30am on 2 November 2003
Extraordinary general meeting held	11:30am on 4 November 2003

Contact

If you have any questions about the extraordinary general meeting or the resolutions, please call:

Deanne Weir
Company Secretary
Telephone: 61 2 9295 0103
Facsimile: 61 2 9295 0150

Austar United Communications Limited
Level 1, Wilcox Mofflin Building
46-52 Mountain Street
Ultimo NSW 2007



AUSTAR UNITED COMMUNICATIONS LIMITED

ABN 88 087 695 707

Notice of Extraordinary General Meeting

Notice is given to the members of AUSTAR that an extraordinary general meeting of the company will be held at 35 Robina Town Centre Drive, Robina, Queensland on 4 November 2003 at 11:30am.

The purpose of the meeting is to consider and pass the proposed resolutions set out below. Resolutions 1 and 2 must be passed as special resolutions and Resolutions 3 and 4 must be passed as ordinary resolutions.

Important

The proposed resolutions should be read in conjunction with the Explanatory Memorandum included in this booklet, and which forms part of this notice of meeting. The Explanatory Memorandum contains detailed explanations of the background and reasons for the proposed resolutions.

Certain terms used below are defined in the Glossary at page 26 of this booklet.

AUSTAR is required to disregard votes cast in favour of resolutions 1 to 4 by certain shareholders as explained in the "Persons precluded from voting" section. If your vote on those resolutions has to be disregarded, please do not vote. If you have any questions about whether AUSTAR is required to disregard your votes, please contact your legal adviser.

Special Business

Resolutions:

1 Cancellling Executive Options

"That approval be given:

- (a) to the cancellation of any and all Executive Options in return for payment by AUSTAR of consideration to the holders of the cancelled Executive Options for purposes of Listing Rule 6.23.2 of the ASX Listing Rules;
- (b) to AUSTAR entering into agreements for cancellation of Executive Options, and to providing financial benefits under such agreements, to Directors and to related parties connected with those Directors, who hold Executive Options for the purpose of section 208 of the Corporations Act;
- (c) to AUSTAR financially assisting holders of Executive Options who agree to cancellation of their Executive Options to acquire Shares under the Share Schemes for the purpose of section 260C(4) of the Corporations Act; and
- (d) the cancellation of any and all Executive Options in return for payment by AUSTAR of consideration to the holders of the cancelled Executive Options for all other purposes."

2 Approval of Share Schemes

“That:

- (a) the Constitution be modified:
 - (1) to insert in rule 1.1(a), before the definition of ‘ASX’, a definition of A Class Share in the form tabled at the meeting and signed by the chairman for identification, with effect from the resolution being passed;
 - (2) to insert in rule 1.1(a), after the definition of ‘ASX’, a definition of B Class Share in the form tabled at the meeting and signed by the chairman for identification, with effect from the resolution being passed; and
 - (3) to insert after rule 2.2, rules 2.2A and 2.2B in the form tabled at the meeting and signed by the chairman for identification, with effect from the resolution being passed; and
- (b) approval be given:
 - (1) to each of the Share Schemes for the purpose of the definition of ‘employee share scheme buy-back’ in section 9 of the Corporations Act;
 - (2) to AUSTAR entering into the contracts contemplated by the Senior Management Share Scheme with, and to providing financial benefits under the Senior Management Share Scheme to, John Clinton Porter for the purpose of section 208 of the Corporations Act;
 - (3) to each of the Share Schemes, and to AUSTAR taking security over Shares under the Share Schemes, for the purpose of section 259B(2) of the Corporations Act;
 - (4) to each of the Share Schemes, and to the provision of financial assistance under the Share Schemes, for the purpose of section 260C(4) of the Corporations Act;
 - (5) to each of the Share Schemes, and to the issue of Shares under the Share Schemes, for the purpose of Exception 9 of Listing Rule 7.2 of the ASX Listing Rules;
 - (6) to John Clinton Porter acquiring up to a maximum of 3,750,000 A Class Shares and 20,471,923 B Class Shares under the Senior Management Share Scheme for the purpose of Listing Rule 10.14 of the ASX Listing Rules;
 - (7) to AUSTAR providing termination benefits to John Clinton Porter under the Senior Management Share Scheme for the purpose of Listing Rule 10.19 of the ASX Listing Rules; and
 - (8) to each of the Share Schemes, and to the transactions contemplated by the Share Schemes, for all other purposes.”

3 Increasing directors’ fees

“That approval be given for the purpose of ASX Listing Rule 10.17, and for all other purposes, to AUSTAR increasing the total amount of directors’ fees payable to non-executive Directors by \$276,000 per annum up to a maximum aggregate amount of \$576,000 per annum (including superannuation) for the financial year ending 30 June 2004 and each subsequent financial year.”

4 Issuing bonus Shares to independent Directors

“That approval be given:

- (a) to AUSTAR issuing 136,986 Ordinary Shares each to Timothy David Downing and Justin Herbert Gardener for the purpose of ASX Listing Rule 10.11, for the purpose of section 208 of the Corporations Act and for all other purposes; and
- (b) to the maximum aggregate remuneration of non-executive Directors of AUSTAR for the financial year ending 30 June 2004 only being fixed at \$576,000 plus the value of the Ordinary Shares issued as contemplated by resolution 4(a), if resolution 3 is passed, and

\$300,000 plus the value of the Ordinary Shares issued as contemplated by resolution 4(a), if resolution 3 is not passed for purposes of rule 8.3 of the Constitution.”

5 Other business

To transact any other business that may properly be brought forward in conformity with the Constitution.

Persons precluded from voting

AUSTAR will disregard any votes cast on resolution 1 by:

- holders of Executive Options to be cancelled, including John William Dick, Timothy David Downing, Justin Herbert Gardener, John Clinton Porter and Gene Walter Schneider;
- any associates of those persons.

AUSTAR will disregard any votes cast on resolution 2 by:

- John Clinton Porter, being a Director eligible to participate in Share Schemes;
- any officer of any member of the AUSTAR Group who is entitled to participate in a termination benefit; and
- any associates of those persons.

AUSTAR will disregard any votes cast on resolution 3 by:

- the Directors; and
- any associates of those persons.

AUSTAR will disregard any votes cast on resolution 4 by:

- Timothy David Downing and Justin Herbert Gardener; and
- any associates of those persons.

However, AUSTAR need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting

Members can vote in the following ways:

- by attending the extraordinary general meeting and voting either in person or by attorney;
- for members who are body corporate – by corporate representative; or
- by appointing a proxy to attend and vote on the member’s behalf, using the proxy form enclosed with this Notice of Extraordinary General Meeting.

Voting in person (or by attorney)

Members, or their attorneys, who plan to attend the extraordinary general meeting are asked to arrive at the venue 30 minutes before the start of the meeting, if possible, so that their shareholding can be checked against AUSTAR’s register of members, and their attendance noted. Please bring your proxy form, which contains a bar code, to facilitate entry into the venue of the meeting. Attorneys should also bring to the meeting original or certified copies of the power of attorney under which they have been authorised to attend and vote at the extraordinary general meeting.

Voting by corporate representative

In order to vote in person at the extraordinary general meeting, a body corporate that is a member may appoint an individual to act as its representative. The appointment must comply with section 250D of the Corporations Act. Unless previously been lodged with AUSTAR, the representative must bring to the meeting satisfactory evidence of his or her appointment to attend on that body corporate's behalf, including any authority under which it is signed.

Voting by proxy

A member entitled to attend and vote is entitled to appoint a proxy. The proxy need not be a member.

If the member is entitled to cast two or more votes at the extraordinary general meeting, the member may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where 2 proxies are appointed and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.

A proxy form is attached to this notice of meeting. To appoint a proxy, a member should follow the instructions and notes on the proxy form enclosed with the Notice of Extraordinary General Meeting.

For the appointment of a proxy to be effective, a completed and signed proxy form must be received by 11:30am on 2 November 2003 (which is 48 hours before the meeting) at:

- Austar United Communications Limited Share Registry, Computershare Investor Services Pty Limited GPO Box 242, Melbourne VIC 3001;
- AUSTAR's registered office at Level 1, Wilcox Mofflin Building, 46-52 Mountain Street, Ultimo NSW 2007; or
- by facsimile at (02)8235 8220.

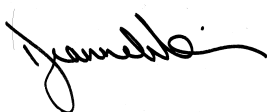
Proxy forms received after this time will be invalid.

If the proxy form is signed by an attorney, the attorney must declare that the attorney has not received any notice of revocation of appointment and a certified copy of the power of attorney, or the power itself, must be received at 11:30am on 2 November 2003 as above.

Members who are entitled to vote

The board has determined that for the purposes of the extraordinary general meeting, Shares will be taken to be held by the persons who are the registered as a holder of those Shares 48 hours before the appointed time for holding the meeting. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By order of the Board



Deanne Weir
Company Secretary
Dated 3 October 2003

Explanatory Memorandum

This memorandum has been prepared for the information of AUSTAR's shareholders in connection with the business to be conducted at the extraordinary general meeting to be held at 35 Robina Town Centre Drive, Robina, Queensland on 4 November 2003 at 11:30am. The information in this memorandum is provided in accordance with the ASX Listing Rules.

This memorandum forms part of, and should be read in conjunction with, the accompanying Notice of Extraordinary General Meeting.

1 Introduction

1.1 Employee incentive schemes

Since April 2003, AUSTAR has been reviewing the effectiveness and long-term suitability of its current Executive Share Option Plan, particularly with regard to investor concerns in relation to the appropriateness of option-based incentive schemes. In light of investor sentiment about such schemes, as well as AUSTAR's revised business plan and changed market conditions, the Board has formed the view that the current Executive Share Option Plan is no longer appropriate.

Accordingly, AUSTAR proposes to terminate its Executive Share Option Plan and offer to cancel already-issued Executive Options in return for a cash payment.

Nevertheless, the Board remains committed to providing employee performance incentives that:

- align the interests of participants with those of Shareholders; and
- focus management on creation of Shareholder value.

The Board strongly believes that employees who commit their own money to AUSTAR are likely to become even more committed to AUSTAR's ongoing success and the interests of all Shareholders. Consequently, it has developed 3 new Share-based schemes:

- the General Employee Share Scheme;
- the Management Group Share Scheme; and
- the Senior Management Share Scheme.

Each of these Share Schemes will require participating employees and executives to invest their own money to acquire Shares. The Senior Management Share Scheme will also involve executives borrowing from AUSTAR to acquire Shares (as well as investing their own money). These loans will not involve any actual payments of cash by AUSTAR to participating executives.

Assuming that all employees invited to participate in the Share Schemes subscribe for the maximum number of Shares that they are invited to apply for, Shares issued under the Share Schemes will comprise 10.2% of AUSTAR's total share capital (after the issue of Shares under the Share Schemes). However, as at the date that Shares are issued, the maximum total dilutionary impact of the issue will be about 1%, taking into account the money received on subscription for Shares under the General Share Scheme, Management Group Share Scheme and Purchased Shares Plan, and AUSTAR's rights under the loans provided to fund the acquisition of Shares under the Matching Shares Plan and Additional Shares Plan.

1.2 Directors' remuneration

AUSTAR also proposes to:

- increase the total remuneration paid to its non-executive Directors to extend the remuneration currently provided to its independent Directors to all non-executive Directors; and

- issue 136,986 bonus Shares to each of its independent Directors (Timothy David Downing and Justin Herbert Gardener).

1.3 Conditions to implementation

As well as Shareholder approval, AUSTAR requires the consent of its banks under its current loan facility agreement to cancel the Executive Options and implement the Share Schemes.

AUSTAR has applied to its banks for consent and expects to receive their response by 4 November 2003. AUSTAR will announce the banks' response to the ASX.

AUSTAR also requires approval from the Foreign Investment Review Board (**FIRB**) in relation to the implementation of the Senior Management Share Scheme. AUSTAR has notified FIRB and expects a response by 4 November 2003.

2 Cancelling Executive Options

2.1 Valuation of Executive Options

AUSTAR has 37,576,071 Executive Options on issue under its current Executive Share Option Plan as at 16 September 2003. This represents about 3.2% of AUSTAR's capital base.

Executive Options have been issued under the plan with a range of exercise prices. AUSTAR engaged KPMG to prepare a range of hypothetical valuations of the Executive Options currently on issue as at 11 August 2003. The following table sets out the values obtained for the Executive Options by AUSTAR using the Black-Scholes valuation methodology which KPMG used:

Date of issue	Exercise price	Number on issue*	Value†	Total value
20 July 1999	\$1.80	9,645,321	\$0.0552	\$352,421.72
20 July 1999	\$4.70	653,250	\$0.0148	\$9,668.10
17 September 1999	\$4.70	500,000	\$0.0161	\$8,050.00
18 April 2000	\$6.43	17,500	\$0.0134	\$234.50
18 April 2000	\$6.25	10,000	\$0.0140	\$140.00
20 December 2000	\$1.75	510,000	\$0.0815	\$41,565.00
23 March 2001	\$0.85	325,000	\$0.1449	\$47,092.50
21 May 2001	\$1.75	1,350,000	\$0.0185	\$24,975.00
27 June 2001	\$0.73	240,000	\$0.1628	\$39,072.00
19 April 2002	\$0.50	12,162,500	\$0.2073	\$2,521,286.25
19 April 2002 (non-vesting)	\$0.50	12,162,500	\$0.00	\$0.00

* The 'number on issue' does not include Executive Options held by certain former employees of the AUSTAR Group as at 16 September 2003. These Executive Options lapse within 3 months of termination of their employment and AUSTAR will not be offering to cancel them.

† These values are assessed on the basis of an Ordinary Share value of \$0.365, being the Share price at the close of trading on 16 September 2003, and on the assumption that the appropriate level of volatility of AUSTAR's Share price is 50% per annum.

2.2 Offer to cancel Executive Options

AUSTAR proposes to offer participants in the Executive Share Option Plan (other than certain employees whose employment has terminated) consideration for the cancellation of their Executive Options determined as follows:

- (1) Subject to the cap in (2), the consideration offered for the different classes of Executive Options issued under the Executive Share Option Plan will be as per the valuations set out in section 2.1.
- (2) A cap will apply so that no person will receive more for Executive Options in a particular class than the person outside AUSTAR's senior management team who holds the most Executive Options in that class. This means that the 13 members of the senior management team will *not* receive any more for any Executive Options of a particular class that they own than the maximum paid to a person outside the senior management team.

The total amount payable for all Executive Options (assuming that all optionholders accept the offers made to them) will be \$573,088.85.

This offer has been made on 6 October 2003 (conditional on shareholder approvals and bank consents) and will be open for acceptance until 25 November 2003 unless closed earlier by AUSTAR.

2.3 Resolutions

(a) Approval for the purposes of Listing Rule 6.23.2

AUSTAR requires Shareholder approval to cancel the Executive Options in return for payment under Listing Rule 6.23.2 of the ASX Listing Rules. Accordingly, AUSTAR is seeking Shareholder approval for the cancellation on the terms set out in section 2.2.

(b) Approval of cancellation of Directors' Executive Options

As a number of Directors currently have Executive Options under the Executive Share Option Plan. The following table sets out the number of Executive Options held by each Director and the consideration that AUSTAR proposes to offer them for all of their Executive Options:

Director	Number of Executive Options	Total value*	Consideration offered
John William Dick	100,000	\$10,365.00	\$10,365.00
Timothy David Downing	150,000	\$14,440.00	\$14,440.00
Justin Herbert Gardener	150,000	\$14,440.00	\$14,440.00
John Clinton Porter	15,880,850	\$1,371,966.92	\$39,490.00
Gene Walter Schneider	2,403,316	\$139,238.04	\$10,817.50
Total	18,684,166	\$1,550,449.96	\$89,552.50

* These values are assessed on the basis of an Ordinary Share value of \$0.365, being the Share price at the close of trading on 16 September 2003, and on the assumption that the appropriate level of volatility of AUSTAR's Share price is 50% per annum.

Each of the Directors who holds Executive Options has indicated that they would be willing to accept the consideration offered in return for the cancellation of their Executive Options.

AUSTAR is seeking Shareholder approval in relation to the cancellation of Executive Options held by Directors under section 208 of the Corporations Act to provide financial benefits to the Directors.

The provision of the above consideration to Directors will have the following costs for AUSTAR and its Shareholders:

- The cash payment to Directors will diminish the cash available to AUSTAR for purposes of its business by up to \$89,552.50.
- None of the Directors (apart from John Clinton Porter) will have any ongoing participation in any performance incentive scheme.

However, cancellation of these Executive Options will discharge AUSTAR from its ongoing obligation to issue Shares in respect of the Executive Options. In relation to John Clinton Porter and Gene Walter Schneider, the cancellation occurs at a significant discount to the value of the Executive Options set out in section 2.1. Also, it will help simplify AUSTAR's capital structure.

Furthermore the terms on which Directors' Executive Options will be cancelled are the same as the terms on which AUSTAR is offering to cancel other employees' Executive Options.

This cancellation of Executive Options should not adversely affect AUSTAR's tax position in any material respect.

Having regard to these benefits and after considering the costs involved, the Directors who do not hold any Executive Options (William (Bill) Duncan Ferris, Michael Thomas Fries, David Fletcher Jones and Howard DeWitt Morgan) all recommend that Shareholders vote in favour of the resolution to approve the payment of the above consideration in return for cancellation of Directors' Executive Options. Each of the other Directors make no recommendation as to how Shareholders should vote as they stand to receive consideration from AUSTAR in return for cancellation of their Executive Options if the proposal is approved.

(c) Financial assistance approval

Most of the participants in the Executive Share Option Plan will be invited to participate in the Share Schemes. The timing of the cancellation of the Executive Options and the offers to participate in the Share Schemes means that they may be able to use the proceeds of the cancellation of their Executive Options to acquire Shares under the Share Schemes.

To the extent that this means that the payment for the Executive Options involves AUSTAR financially assisting employees to acquire Shares under the Share Schemes, AUSTAR is seeking Shareholder approval by special resolution under section 260C of the Corporations Act.

The financial assistance would be limited to the consideration paid for the surrender of the Executive Options by any participant in the Executive Share Option Plan who accepts the offer to cancel their Executive Options and who is invited to participate in the Share Schemes. The maximum amount that AUSTAR would pay participants in the Executive Share Option Plan who are also being invited to participate in the Share Schemes is \$489,296.35. As at 31 August 2003 AUSTAR's total current liabilities were approximately \$63 million, and its total assets had a book value of about \$314 million of which \$88 million represented current assets.¹ The Directors believe that payment for the cancellation of Executive Options will not materially affect AUSTAR's ability to fund its business plan or borrow, and AUSTAR will still be able to meet its debts as and when they fall due.

Shareholder approval for this purpose will enable AUSTAR to pay consideration to any of the participants in the Executive Share Option Plan who agree to their Executive Options being cancelled, even though any consideration paid may be applied to acquire Shares under the Share Schemes.

3 Approval of Share Schemes

3.1 General Share Scheme

The General Share Scheme will be open to all permanent (full-time and part-time) employees of the AUSTAR Group. This scheme will provide employees of the AUSTAR Group with an opportunity to acquire Ordinary Shares as part of their remuneration package.

The General Share Scheme has been designed to comply with the conditions set out in the Australian tax legislation which gives employees the opportunity to acquire up to \$1,000 worth of

¹ These amounts are based on AUSTAR's unaudited financial records as at 31 August 2003.

shares at their 'market value' (for tax purposes) in any one financial year as tax-exempt remuneration.

(a) Eligibility to participate

The Board may approve full-time employees, part-time employees or directors of AUSTAR Group companies as eligible to participate in the General Share Scheme. Eligibility will be set having regard to the requirements of Australian tax law. Presently, AUSTAR does not intend to extend eligibility to participate in the General Share Scheme to its directors.

From time to time, AUSTAR may invite eligible persons to participate in the General Share Scheme (although eligibility does not confer a right to receive an invitation). The Board determines the terms on which an eligible person may participate, including:

- the number of Ordinary Shares that may be allocated to the participant;
- the acquisition price (if any) for Ordinary Shares allocated to the participant; and
- vesting dates and other conditions for Ordinary Shares subject to the General Share Scheme.

AUSTAR proposes that for this financial year all its permanent employees will be invited to acquire either \$500 or \$1,000 worth of Ordinary Shares at market value under the General Share Scheme. These Ordinary Shares will vest 3 years from the date they are issued to participants and no vesting conditions will apply. However, invitations may be made on different terms in the future.

Invitations made to eligible persons at the same time need not be on the same terms, subject to the requirements of Australian tax law.

Eligible persons who receive an invitation may apply to participate in the General Share Scheme on the terms set out in the invitation. On receiving an application, the Board may accept or reject the application at its discretion. If an application is accepted, AUSTAR will allocate Ordinary Shares to the participant.

(b) Contribution plan

Eligible persons may be invited to deduct a part of their salary on a regular basis and contribute the amounts deducted to acquire Ordinary Shares under the General Share Scheme. At any time, an eligible person will be able to discontinue participation in the contribution plan.

An eligible person's contribution will be kept in a trust account until applied to acquire Ordinary Shares allocated to the eligible person under the General Share Scheme. Any contributions held in the trust account (including any accrued interest) will be returned to the eligible person if the eligible person discontinues his or her participation in the contribution plan.

(c) Ordinary Shares subject to the General Share Scheme

Each participant will be absolutely entitled to the Ordinary Shares allocated to him or her under the General Share Scheme. As such, each participant :

- is entitled to all dividends paid on Ordinary Shares allocated to the participant; and
- may participate in bonus issues (on the basis that bonus securities will be subject to the scheme) and rights issues.

However, sale of Ordinary Shares will be restricted and participants will not be able to dispose of Ordinary Shares allocated to them under the General Share Scheme until they vest and are withdrawn from the scheme.

(d) Vesting and withdrawal of Ordinary Shares

Participants will not be able to withdraw Ordinary Shares allocated to them under the General Share Scheme until either:

- they cease to be an employee of an AUSTAR Group company; or

- the vesting date for the relevant Ordinary Shares occurs and any other applicable conditions are satisfied.

As part of its corporate governance policies, AUSTAR may specify that trading windows apply to withdrawal of Ordinary Shares from the General Share Scheme. Participants whose Ordinary Shares have vested will only be able to withdraw them during such trading windows.

3.2 Management Group Share Scheme

The Management Group Share Scheme will provide employees of AUSTAR who are invited to participate with an opportunity to acquire Ordinary Shares using their own money.

Initially, under the Management Group Share Scheme, AUSTAR intends to invite up to 70 employees within the AUSTAR Group to invest up to \$10,000 in subscribing for Ordinary Shares at 16 cents a Share under the Management Group Share Scheme, although it may issue further invitations in the future. Assuming that all employees invited to participate in the Share Schemes subscribe for the maximum number of Ordinary Shares that they are invited to apply for under the scheme, 4,375,000 Ordinary Shares will be issued under the Management Group Share Scheme, comprising 0.33% of AUSTAR's total Share capital (after the issue of Shares under the Share Schemes).

The Management Group Share Scheme has been designed to provide participating employees with an opportunity to receive tax concessions specifically contemplated under Australian tax legislation such that participating employees have the opportunity to defer any tax payable on the discount at which they acquire Ordinary Shares under the scheme until they withdraw the Ordinary Shares allocated to them from the scheme.

(a) Eligibility to participate

The Board may approve full-time employees, part-time employees or directors of AUSTAR Group companies as eligible to participate in the Management Group Share Scheme. Eligibility will be set having regard to the requirements of Australian tax law. Presently, AUSTAR does not intend to extend eligibility to participate in the Management Group Share Scheme to its directors.

From time to time, AUSTAR may invite eligible persons to participate in the scheme (although eligibility does not confer a right to receive an invitation). The Board determines the terms on which an eligible person may participate, including:

- the number of Ordinary Shares that may be allocated to the participant;
- the acquisition price (if any) for Ordinary Shares allocated to the participant; and
- vesting dates and conditions for Ordinary Shares subject to the Management Group Share Scheme.

Initially, eligible employees will be invited to subscribe up to a maximum of \$10,000 Ordinary Shares at 16 cents a Share. These shares will vest on 1 April 2004. Invitations on the same or different terms may be made in the future under this scheme.

Invitations made to eligible persons at the same time need not be on the same terms, subject to the requirements of Australian tax law.

Eligible persons who receive an invitation may apply to participate in the scheme on the terms set out in the invitation. On receiving an application, the Board may accept or reject the application at its discretion. If an application is accepted, AUSTAR will allocate Ordinary Shares to the participant (or to the person nominated by the participant).

(b) Ordinary Shares subject to the Management Group Share Scheme

Each participant will be absolutely entitled to the Ordinary Shares allocated to him or her under the Management Group Share Scheme. As such, each participant:

- is entitled to all dividends paid on Ordinary Shares allocated to the participant; and

- may participate in bonus issues (on the basis that bonus securities will be subject to the scheme) and rights issues.

However, sale of Ordinary Shares will be restricted and participants will not be able to dispose of Ordinary Shares allocated to them under the Management Group Share Scheme until they vest and are withdrawn from the scheme.

Furthermore, AUSTAR will have an option to buy-back Ordinary Shares subject to Management Group Share Scheme at the price the Shares were originally issued if:

- the participant ceases to be an employee (other than as a result of incapacity, redundancy or retirement) before the Ordinary Shares vest; or
- at any time before the 10th anniversary of the date they acquire the Ordinary Shares under the Management Group Share Scheme, the Board determines that the participant has been dismissed for cause or has committed an act of fraud, defalcation or gross misconduct in relation to an AUSTAR Group company.

(c) Vesting and withdrawal of Ordinary Shares

Participants will not be able to withdraw Ordinary Shares allocated to them under the Management Group Share Scheme until either:

- they cease to be an employee of an AUSTAR Group company as a result of incapacity, redundancy or retirement;
- the vesting date for the relevant Ordinary Shares occurs and any applicable vesting conditions are satisfied; or
- a Liquidity Event occurs (see section 3.3).

If a Partial Liquidity Event occurs (see section 3.3), participants will be able to withdraw only a portion of their Ordinary Shares allocated to them under the scheme.

As part of its corporate governance policies, AUSTAR may specify that trading windows apply to withdrawal of Ordinary Shares from the Management Group Share Scheme. Participants whose Ordinary Shares have vested will only be able to withdraw them during such trading windows.

3.3 Senior Management Share Scheme

The Senior Management Share Scheme will comprise 3 share plans:

- Purchased Shares Plan: see section 3.4;
- Matching Shares Plan: see section 3.5; and
- Additional Shares Plan: see section 3.6.

Only permanent employees (full-time or part-time) and directors of AUSTAR Group companies who are approved by the Board will be eligible to participate in the Senior Management Share Scheme. AUSTAR intends to invite up to 13 senior executives to participate in the Senior Management Share Scheme. Additional executives may be invited to participate from time to time, although AUSTAR anticipates that this would only occur where the new executive replaces a participant in the scheme who leaves the AUSTAR Group.

Assuming that all employees invited to participate in the Share Schemes subscribe for the maximum number of Shares that they are invited to apply for, Shares issued under the Senior Management Share Scheme will comprise 9.7% of AUSTAR's total share capital (after the issue of Shares under the Share Schemes). However, as at the date that Shares are issued, the maximum total dilutionary impact of the issue will be about 1%, taking into account the money received on subscription for Shares under the General Share Scheme, Management Group Share Scheme and Purchased Shares Plan, and AUSTAR's rights under the loans provided to fund the acquisition of Shares under the Matching Shares Plan and Additional Shares Plan.

The Senior Management Share Scheme is designed to provide performance incentives to senior management within the AUSTAR Group so that the benefits that participants in this scheme receive are linked to the return that CHAMP and UGC, as shareholders, realise from their investment in AUSTAR, and hence to the increase in shareholder value.

In each plan, vesting of Shares will be triggered by the following Liquidity Events and Partial Liquidity Events:

Liquidity Events	AUSTAR or a related entity conducts a public offering together with a listing on the ASX or another recognised financial market. This does not apply if AUSTAR remains listed.
	AUSTAR or AUSTAR Group companies sell substantially all of their assets
	CHAMP and UGC sell securities comprising 75% of their combined initial stake in the AUSTAR Group (whether in one or a number of transactions)
	A series of events occurs that result in CHAMP and UGC disposing of at least 75% of their combined economic interest in AUSTAR and the Board determines a liquidity event to have occurred
	1 April 2008 if a Partial Liquidity Event has occurred
	1 April 2010
Partial Liquidity Events	CHAMP or UGC sell securities comprising 90% of their respective initial stakes in the AUSTAR Group (whether in one or a number of transactions)
	A series of events occurs that result in CHAMP or UGC disposing of at least 90% of their respective economic interest in AUSTAR and the Board determines a partial liquidity event to have occurred

The Board believes that the value realised by CHAMP and UGC of their investment on the occurrence of the above Liquidity Events provides a strong indication of the real increase in the value of all Shares (given the number of Shares that would be involved in such a transaction). Therefore, the Board considers that linking the benefits received by the senior management under the Senior Management Share Scheme to these Liquidity Events and the value realised by CHAMP and UGC provides a way of linking employee benefits to overall performance of AUSTAR and the increase in value of all Shares.

As Partial Liquidity Events do not provide as strong an indication of the value of Shares as do Liquidity Events (given the lower number of Shares that would be involved in a Partial Liquidity Event), the plans comprising the Senior Management Share Scheme provide for members of the senior management team to receive only part of the benefits available under the plans on occurrence of a Partial Liquidity Event.

3.4 Purchased Shares Plan

The Purchased Shares Plan will provide employees of AUSTAR who are invited to participate with an opportunity to acquire A Class Shares using their own money. Initially, AUSTAR intends to invite the eligible senior managers to invest between \$20,000 and \$200,000 in subscribing for A Class Shares at 16 cents a Share. These shares will vest on 1 April 2004. Invitations on the same or different terms may be made in the future under this plan.

A Class Shares will have the same dividend and capital rights as Ordinary Shares but will have only limited voting rights (and will be 'non-voting shares' for purposes of the Corporations Act). AUSTAR may convert them into Ordinary Shares at any time, but it is only required to do so once they vest and are withdrawn from the Senior Management Share Scheme. On conversion, AUSTAR will apply to the ASX for quotation of the Ordinary Shares (assuming that it is still listed at the time).

The terms on which participants in the Purchased Shares Plan hold A Class Shares, including restrictions on disposal, buy-back rights and applicable vesting conditions, will be the same as those applicable to Ordinary Shares under the Management Group Share Scheme.

3.5 Matching Shares Plan

Members of AUSTAR's senior management team who participate in the Purchased Shares Plan will be eligible to participate in the Matching Shares Plan.

(a) Allocation of A Class Shares and limited recourse loan

Participants will be allocated 2 A Class Shares under the Matching Shares Plan for every A Class Share acquired under the Purchased Shares Plan. The maximum total number A Class Shares allocated to all participants in the Matching Shares Plan will be about 32,500,000 representing about 2.5% of AUSTAR's total share capital after the issue of Shares under the Share Schemes (assuming that all employees invited to participate in the Share Schemes subscribe for the maximum number of Shares that they are invited to apply for).

These A Class Shares will be issued at the 'market value' of the A Class Shares as calculated by an independent valuer having regard to the market value of Ordinary Shares and the differences in the rights attaching to Ordinary Shares and A Class Shares.

AUSTAR will provide participants with funds to acquire the A Class Shares by way of an interest-free limited recourse loan entered into as part of the Matching Shares Plan. The loan will not involve any actual payments of cash by AUSTAR to participating executives. Assuming that A Class Shares have a market value of \$0.40 at the time of issue, the maximum amount of the loan will be \$13 million (although this may increase if the value of A Class Shares is higher at the time of issue).

Except in certain circumstances (eg, fraud), AUSTAR's recourse under the loan will be limited to the returns received in respect of the A Class Shares and the proceeds of sale of the A Class Shares (including following a buy-back) or of the Ordinary Shares arising on conversion of the A Class Shares. AUSTAR's rights under the limited recourse loan will be secured by a mortgage over the participant's A Class Shares.

Generally, the loan will become repayable if A Class Shares are bought back or withdrawn from the Matching Shares Plan. Part of the loan will also become repayable if the percentage of A Class Shares initially allocated to the participant and held under the Purchased Shares Plan falls below the percentage of A Class Shares initially allocated to the participant and held under the Matching Shares Plan.

(b) A Class Shares subject to the Matching Shares Plan

Each participant will be absolutely entitled to the A Class Shares allocated to him or her under the Matching Shares Plan. As such, each participant:

- is entitled to all dividends paid on A Class Shares allocated to the participant (although these will be applied to repay the loan); and
- may participate in bonus issues (on the basis that bonus securities will be subject to the plan) and rights issues on the same basis as if the A Class Shares were Ordinary Shares.

However, sale of A Class Shares will be restricted and participants will not be able to dispose of A Class Shares allocated to them under the Purchased Shares Plan until they vest and are withdrawn from the plan.

Furthermore, AUSTAR will have an option to buy-back A Class Shares subject to the Matching Shares Plan at the price the Shares were originally issued (less any distributions paid since issue) if:

- the participant ceases to be an employee (other than as a result of incapacity, redundancy or retirement) before the A Class Shares vest;

- if at any time the percentage of all A Class Shares initially allocated to the participant under the Purchased Shares Plan that remain subject to that plan falls below the percentage of A Class Shares initially allocated to the participant under the Matching Shares Plan that remain subject to the plan; or
- any time before the 10th anniversary of the date they acquire the A Class Shares under the Matching Shares Plan, the Board determines that the participant has been dismissed for cause or has committed an act of fraud, defalcation or gross misconduct in relation to an AUSTAR Group member.

Participants will also be able to offer to sell their A Class Shares back to AUSTAR.

(c) Vesting and withdrawal of A Class Shares

A Class Shares subject to the Matching Shares Plan will vest over a 5 year period on the following basis:

Vesting date	Percentage of A Class Shares that vest	Vesting date	Percentage of A Class Shares that vest
1 April 2004	10.0%	1 July 2006	5%
1 July 2004	7.5%	1 October 2006	5%
1 October 2004	7.5%	1 January 2007	5%
1 January 2005	7.5%	1 April 2007	5%
1 April 2005	7.5%	1 July 2007	5%
1 July 2005	5%	1 October 2007	5%
1 October 2005	5%	1 January 2008	5%
1 January 2006	5%	1 April 2008	5%
1 April 2006	5%		

Participants will not be able to withdraw A Class Shares allocated to them under the Matching Shares Plan until:

- they cease to be an employee of an AUSTAR Group company as a result of incapacity, redundancy or retirement;
- the A Class Shares vest in accordance with the timetable set out above; or
- a Liquidity Event occurs – in which case all A Class Shares will vest.

Some of the A Class Shares will also vest on a Partial Liquidity Event occurring:

- about 54% of the A Class Shares vest if a Partial Liquidity Event in relation to CHAMP occurs; and
- about 46% of the A Class Shares vest if a Partial Liquidity Event in relation to UGC occurs.

These percentages reflect CHAMP and UGC’s relative economic interest in AUSTAR following the capital restructure that occurred earlier this year.

As part of its corporate governance policies, AUSTAR may specify that trading windows apply to withdrawal of A Class Shares from the Matching Shares Plan. Participants whose A Class Shares have vested will only be able to withdraw them during such trading windows. Also, AUSTAR may defer withdrawal where conversion of A Class Shares into Ordinary Shares could result in any person acquiring relevant interests in Ordinary Shares in breach of Chapter 6 of the Corporations Act.

Generally, participants will be able to retain their A Class Shares under the Matching Shares Plan after vesting (rather than withdrawing them immediately). However, participants in the Matching

Shares Plan will have to withdraw and sell A Class Shares under the plan to ensure that at all times, the percentage of A Class Shares initially allocated under the Matching Shares Plan which the participant still retains, is no more than the percentage of A Class Shares initially allocated under the Purchased Shares Plan which the participant still retains

3.6 Additional Shares Plan

Members of AUSTAR's senior management who participate in the Purchased Shares Plan will also be eligible to participate in the Additional Shares Plan.

(a) Allocation of B Class Shares and limited recourse loan

Each participant will be allocated a fixed number of B Class Shares under the Additional Shares Plan. The maximum total number of B Class Shares allocated to all participants in the Additional Shares Plan will be about 78,963,132 representing about 6.0% of AUSTAR's total share capital taking into account Shares issued under the Share Schemes (assuming that all employees invited to participate in the Share Schemes subscribe for the maximum number of Shares that they are invited to apply for).

B Class Shares will have the same dividend and capital rights as Ordinary Shares but will have only limited voting rights (and will be 'non-voting shares' for purposes of the Corporations Act). Also, they will have only limited rights to participate in bonus issues and rights issues. AUSTAR may convert the B Class Shares into Ordinary Shares at any time, but it is only required to do so once they vest and are withdrawn from the Additional Shares Plan. On conversion, AUSTAR will apply to the ASX for quotation of the Ordinary Shares (assuming that it is still listed at the time).

The B Class Shares allocated to participants will be issued at the market value of the B Class Shares as calculated by an independent valuer having regard to the market value of Ordinary Shares and the differences in the rights attaching to Ordinary Shares and B Class Shares.

As under the Matching Shares Plan, AUSTAR will provide participants with funds to acquire the B Class Shares by way of an interest-free limited recourse loan entered into as part of the Additional Shares Plan. The loan will not involve any actual payments of cash by AUSTAR to participating executives. Assuming that B Class Shares have a market value of \$0.40 at the time of issue, the amount of the loan will be about \$31.6 million (although this may increase if the value of A Class Shares is higher at the time of issue).

Except in certain circumstances (eg, fraud), AUSTAR's recourse under the loan will be limited to the returns received in respect of the B Class Shares and the proceeds of sale of the B Class Shares (including following a buy-back) or of the Ordinary Shares arising on conversion of the B Class Shares. AUSTAR's rights under the limited recourse loan will be secured by a mortgage over the participant's B Class Shares.

The loan will become fully repayable upon a Liquidity Event occurring or AUSTAR buying back B Class Shares. If a Partial Liquidity Event occurs the loan will become repayable in respect of the B Class Shares that vest.

If it conducts a rights issue, AUSTAR may, at its discretion, provide additional loans under the Additional Shares Plan, to fund the exercise rights to subscribe for additional B Class Shares.

(b) B Class Shares subject to the Additional Shares Plan

Each participant will be absolutely entitled to the B Class Shares allocated to him or her under the Additional Shares Plan. As such, each participant :

- is entitled to all dividends paid on B Class Shares allocated to the participant (although these will be applied to repay the loan); and
- may participate in bonus issues and rights issues of B Class Shares (on the basis that bonus securities will be subject to the plan) on the same terms as bonus issues or rights issues are conducted in relation to Ordinary Shares. AUSTAR may, at its discretion, provide additional loans under the plan, to holders of B Class Shares to fund the exercise of rights.

However, sale of B Class Shares will be restricted and participants will not be able to dispose of B Class Shares allocated to them under the Additional Shares Plan until they vest and are withdrawn from the plan.

Furthermore, AUSTAR will have an option to buy-back B Class Shares subject to Additional Shares Plan at the price the Shares were originally issued (less any distributions paid since issue) if:

- the participant ceases to be an employee before the B Class Shares vest;
- a Liquidity Event occurs, or two Partial Liquidity Events have occurred, and the B Class Shares allocated to the participant have not been withdrawn from the plan within 60 days;
- any time before the 10th anniversary of the date they acquire the B Class Shares under the Additional Shares Plan, the Board determines that the participant has been dismissed for cause or has committed an act of fraud, defalcation or gross misconduct in relation to an AUSTAR Group member.

(c) Vesting and withdrawal of B Class Shares

If a Liquidity Event or Partial Liquidity Event occurs, the percentage of B Class Shares allocated to the participant under the Additional Shares Plan that vests will be the lowest of:

- The percentage that would result in all participants in the Additional Shares Plan receiving Ordinary Shares with a net value (after repayment of loans) calculated by reference to the internal rate of return achieved by CHAMP or UGC (or both) in relation to AUSTAR. Under the formula, the higher the internal rate of return achieved on the investment, the greater the percentage of any increase in value of AUSTAR that participants would receive. The net value will then be allocated among participants by reference to their relative allocations of B Class Shares under the plan.
- The percentage that would result in all participants in the Additional Shares Plan receiving Ordinary Shares with a net value (after repayment of loans) equal to 3% of the value of the AUSTAR Group at the time of the Liquidity Event, disregarding further capital raisings (or the relative value of CHAMP's and UGC's interests in the AUSTAR Group in relation to Partial Liquidity Events). This will then be allocated among participants by reference to their relative allocations of B Class Shares under the plan.
- For a Liquidity Event 100%, for a Partial Liquidity Event in relation to CHAMP about 54% and for a Partial Liquidity Event in relation to UGC about 46%.

Participants will not be able to withdraw B Class Shares allocated to them under the Additional Shares Plan until the B Class Shares have vested.

As part of its corporate governance policies, AUSTAR may specify that trading windows apply to withdrawal of B Class Shares from the Additional Shares Plan. Participants whose B Class Shares have vested will only be able to withdraw them during such trading windows. Also, AUSTAR may defer withdrawal where conversion of B Class Shares into Ordinary Shares could result in any person acquiring relevant interests in Ordinary Shares in breach of Chapter 6 of the Corporations Act.

3.7 Administration and termination of Share Schemes

AUSTAR will be primarily responsible for administration of the Share Schemes and the Board (or its delegate) will be able to resolve conclusively the application or interpretation of the relevant rules.

The Board may vary the rules of the Share Schemes subject to restrictions on variation in the ASX Listing Rules. Any variations that reduce the rights of participants in respect of Shares already allocated to them under a Share Scheme will require the prior written consent of at least 75% of the participants in the relevant scheme (other than changes to correct manifest errors, comply with laws or address adverse tax implications arising from changes to tax laws).

The Board will be able to determine that Shares subject to the Share Schemes vest if it considers that significant changes to AUSTAR's structure or control have occurred or are likely to occur that may adversely affect the rights of, or value of benefits to, participants.

A Share Scheme will terminate if:

- AUSTAR is wound up;
- a compulsory acquisition notice is given to acquire all Shares subject to the scheme.
- all necessary shareholder approvals are obtained to transfer to an acquirer, cancel or buy-back all Shares subject to the scheme; or
- the Board resolves to wind the scheme up.

For Share Schemes (other than the Additional Shares Plan), unless the Board determines otherwise, all Shares subject to the relevant scheme will be withdrawn from the scheme on termination. On termination of the Additional Shares Plan, the Board will need to determine how to deal with B Class Shares subject to that plan.

3.8 Tax implications for AUSTAR

AUSTAR will not be able to deduct the value of Shares issued under the Share Schemes from AUSTAR's income for tax purposes (other than the first \$1,000 worth of Shares issued to each participant under the General Share Scheme).

The loans given by AUSTAR to fund the acquisition of Shares by participants (including John Clinton Porter) under the Matching Shares Plan and the Additional Shares Plan should be treated as ordinary commercial loans, and not as a 'deemed dividend' or a fringe benefit for tax purposes.

If at the time AUSTAR buys-back any Shares under the Share Schemes, it has any retained earnings and franking credits, part of the buy-back proceeds may be regarded for tax purposes as franked dividends.

3.9 Accounting implications

The Australian Accounting Standards Board is currently proposing to issue a new financial reporting standard for reporting periods beginning on or after 1 January 2004. Also for reporting periods beginning on or after 1 January 2005, it is expected that AUSTAR will have to comply with International Financial Reporting Standards (**IFRS**) as issued by the Australian Accounting Standards Board.

The new financial reporting standards may require expenses to be recognised for share-based payments including Shares issued under the Share Schemes.

3.10 Resolutions

Under the Corporations Act and ASX Listing Rules, Shareholder approval is required in relation to a number of aspects of the Share Schemes.

(a) Modification of Constitution

Implementation of the Senior Management Share Scheme will involve the issue of A Class Shares and B Class Shares to participants. AUSTAR proposes to introduce rules into its Constitution governing the terms on which these classes of Shares are issued. Copies of the relevant rules are attached as annexure A.

The proposed A Class Shares will have the same dividend and capital rights as Ordinary Shares but will have only limited voting rights (and will be 'non-voting shares' for purposes of the Corporations Act). AUSTAR will be able to convert the A Class Shares into Ordinary Shares at any time. Holders of the A Class Shares will not have a right to convert the A Class Shares into Ordinary Shares.

Like the proposed A Class Shares, B Class Shares will have the same dividend and capital rights as Ordinary Shares but will have only limited voting rights (and will be 'non-voting shares' for purposes of the Corporations Act). However, unlike A Class Shares, B Class Shares will carry specific rights to participate in further issues of securities:

- where AUSTAR conducts a bonus issue of Ordinary Shares to current holders of Ordinary Shares, it will also have to conduct a bonus issue of B Class Shares to current holders of B Class Shares, in the same proportion; and
- where AUSTAR offers Ordinary Shares under a rights issue open to current holders of Ordinary Shares, it will have to offer B Class Shares to B Class Shareholders on the same terms.

AUSTAR has obtained ASX approval to the issue of A Class Shares and B Class Shares under Listing Rule 6.2 of the ASX Listing Rules, and a waivers of Listing Rules 6.8 and 6.9 of the ASX Listing Rules, which regulate the voting rights that must attach to Shares.

(b) Approval of buy-backs under the Share Schemes

The Management Group Share Scheme and the Senior Management Share Scheme both provide for AUSTAR to be able to buy-back Shares issued under those schemes in certain circumstances (essentially, where Shares are 'forfeited').

The Management Group Share Scheme and the Purchased Shares Plan allow AUSTAR to buy-back Shares at the price at which they were issued, and the Matching Shares Plan and Additional Shares Plan allow AUSTAR to buy-back Shares at the price at which they were issued less the value of any dividends or distributions paid to the relevant Shareholders since issue. This price may be either lower or higher than the 'market value' of the Shares at the time the buy-back is conducted.

In order to be able to conduct buy-backs of Shares subject to the Share Schemes without requiring further shareholder approval by special or unanimous resolution, AUSTAR is seeking Shareholder approval of the Share Schemes for the purposes of the definition of 'employee share scheme buy-back' in section 9 of the Corporations Act.

Where the number of Shares that are bought back, when added to all Shares bought back during the previous 12 months, is less than 10% of the smallest number of Shares on issue at any time in the previous 12 months (the **10/12 limit**), AUSTAR will be able to buy-back the Plan Shares without further Shareholder approval at all. Where the number of Shares bought back exceeds the 10/12 limit, AUSTAR will only require Shareholder approval by ordinary (rather than special or unanimous) resolution.

(c) Approval of related party benefits given to John Clinton Porter

Under the Senior Management Share Scheme, AUSTAR has invited John Clinton Porter (its Chief Executive Officer and a Director) to apply for:

- up to 1,250,000 A Class Shares under the Purchased Shares Plan to be acquired 16 cents a Share; and
- up to 2,500,000 A Class Shares under the Matching Shares Plan to be acquired at the market value of the A Class Shares as calculated by an independent valuer having regard to the market value of Ordinary Shares and the differences in the rights attaching to Ordinary Shares and A Class Shares; and
- up to 20,471,923 B Class Shares under the Additional Shares Plan to be acquired at the market value of the B Class Shares as calculated by an independent valuer having regard to the market value of Ordinary Shares the differences in the rights attaching to Ordinary Shares and B Class Shares.

AUSTAR will issue the above Shares no later than 1 December 2003.

These Shares will be held subject to the terms of those plans. AUSTAR will also lend money under the Matching Shares Plan and Additional Shares Plan to fund his acquisition of Shares under those plans. Assuming that A Class Shares and B Class Shares have a market value of \$0.40 at the time of issue, the maximum amount lent will be \$8,188,769 (although this may increase if the value of A Class Shares and B Class Shares is higher at the time of issue). Except in relation to the number of Shares he is invited to apply for, John Clinton Porter will participate in the Senior Management Share Scheme on the same terms as other senior executives of AUSTAR. Assuming that all his A Class Shares and B Class Shares are bought back, the maximum amount payable by AUSTAR will be \$8,388,769 (of which, up to \$8,188,769 would be used to repay the loans made to him).

AUSTAR is seeking the following Shareholder approvals in relation to the issue of Shares to John Clinton Porter and his participation in the Senior Management Share Scheme:

- shareholder approval under section 208 of the Corporations Act to provide financial benefits under the Senior Management Share Scheme to John Clinton Porter; and
- shareholder approval under Listing Rule 10.14 of the ASX Listing Rules to the issue of Shares to John Clinton Porter under the Senior Management Share Scheme.

Shareholder approval would only relate to John Clinton Porter's participation in the Share Schemes. Separate Shareholder approvals would be required if any other Directors were to participate in the Share Schemes.

The provision of the above financial benefits will have the following implications for AUSTAR and its Shareholders:

- By offering an interest free loan, AUSTAR is foregoing additional revenue in the form of interest repayments. However, the Board considers that the revenue foregone is not be material, given that the total amount advanced under the loan is limited to the acquisition price of the relevant Shares.
- Assuming that he subscribes for all the Shares he is invited to apply for, the total number of Shares issued to him will be about 1.8% of AUSTAR's total Share capital taking into account Shares issued under the Share Schemes (assuming that all employees invited to participate in the Share Schemes subscribe for the maximum number of Shares that they are invited to apply for).

As noted in section 3.8, these Share issues and loans should not have any effect on AUSTAR's tax position.

The Board (other than John Clinton Porter) considers that the costs outlined above need to be balanced against the perceived benefits accruing to AUSTAR from John Clinton Porter's participation in the Senior Management Share Scheme, including increasing the alignment of his interests with those of other Shareholders.

Having regard to these benefits and after considering the costs involved, each of the non-executive Directors recommends that Shareholders vote in favour of the resolution to approve the provision of financial benefits to John Clinton Porter under the Senior Management Share Scheme. As he is receiving financial benefits under the Senior Management Share Scheme if it is approved, John Clinton Porter makes no recommendation as to how Shareholders should vote.

(d) Approval for AUSTAR to take a mortgage over Shares

Under the Matching Shares Plan and the Additional Shares Plan, AUSTAR will lend participants the funds that they need to acquire A Class Shares and B Class Shares under the plans. Participants will give AUSTAR a mortgage over the Shares that are allocated to them under the relevant plan in order to secure AUSTAR's rights to repayment of that loan, and to secure AUSTAR's rights under those plans to buy-back the Shares.

AUSTAR will be able to enforce its rights under a mortgage on the loan secured by the mortgage becoming repayable. On enforcing the mortgage, AUSTAR will be able to withdraw Shares from

the relevant plan and sell them on the ASX, or allow Shares to be bought back in accordance with the rules of the relevant plan. As mortgagee, AUSTAR will not be able to exercise any voting rights attaching to the Shares.

Under section 259B of the Corporations Act, AUSTAR requires Shareholder approval, by ordinary resolution, in order to take security over its own Shares. Accordingly, in order to implement the Share Schemes, AUSTAR seeks shareholder approval to take security over its own Shares under the Share Schemes.

(e) Financial assistance approval

The Share Schemes involve AUSTAR financially assisting participants in the different schemes to acquire Shares in a number of ways, including the following:

- AUSTAR will provide participants in the Matching Shares Plan and Additional Shares Plan with the funds needed to acquire A Class Shares and B Class Shares under the plans by way of an interest-free limited recourse loan (although the loan will not involve any actual payments of cash by AUSTAR to participants).
- Under the Management Group Share Scheme and the Purchased Shares Plan, AUSTAR will assist the acquisition of Ordinary Shares and A Class Shares by issuing them at a discount to their market value (the issue price will be 16 cents as compared to the market price for Ordinary Shares as at close of trading on 16 September 2003 of 36.5 cents for Ordinary Shares).
- Under the General Share Scheme, AUSTAR will facilitate the acquisition of Ordinary Shares by providing participants with access to a contribution plan under which they can make regular deductions from their wages for use in acquiring the Shares.

AUSTAR is seeking shareholder approval in accordance with section 260C of the Corporations Act to permit AUSTAR to assist participants to acquire Shares in accordance with the terms of the Share Schemes.

Assuming that all employees invited to participate in the Share Schemes subscribe for the maximum number of Shares that they are invited to apply for, Shares issued under the Share Schemes will comprise 10.2% of AUSTAR's total share capital (including the Shares issued under the Share Schemes). However, as at the date that Shares are issued, the maximum total dilutionary impact of the issue will be about 1%, taking into account the money received on subscription for Shares under the General Share Scheme, Management Group Share Scheme and Purchased Shares Plan, and AUSTAR's rights under the loans provided to fund the acquisition of Shares under the Matching Shares Plan and Additional Shares Plan.

The Board considers that AUSTAR's provision of financial assistance does not materially affect its creditors as the loans under the Share Schemes do not involve any actual payments of cash by AUSTAR to the participants, and the Share Schemes do not otherwise involve AUSTAR disposing of any assets.

(f) Approval for the purposes of Exception 9 of Listing Rule 7.2

Listing Rule 7.1 of the ASX Listing Rules restricts AUSTAR from issuing equity securities exceeding 15% of its total Share capital in any 12 month period. Issues under the Share Schemes may be disregarded for purposes of applying the 15% limit on issues of equity securities in any 12 month period if Shareholders approve the Share Schemes for purposes of Exception 9 of Listing Rule 7.2 of the ASX Listing Rules.

Accordingly, AUSTAR is seeking Shareholder approval of the issue of Shares under the Share Schemes for purposes of this exception. The exception will apply to all issues of Shares under the Share Schemes that occur before 4 November 2006. No Shares have yet been issued under the Share Schemes.

Excepting issues of Shares under the Share Schemes from the limit on issuing shares in Listing Rule 7.1 of the ASX Listing Rules will provide AUSTAR with more flexibility in raising capital to fund future business expansion.

(g) Approval for the purposes of Listing Rule 10.19

The Share Schemes provide for Shares to vest upon termination of employment in certain circumstances, allowing participants to withdraw their Shares from the relevant scheme.

Under ASX Listing Rule 10.19, shareholder approval is required where such benefits exceed 5% of AUSTAR's equity interests (as set out in the latest accounts given to ASX under the ASX Listing Rules). AUSTAR's equity interests, which are calculated by reference to its net assets, are currently less than \$0.

Consequently, shareholder approval is required to permit Shares issued under the plans to vest and be withdrawn on participants' employment terminating.

4 Increasing director's fees

Currently, AUSTAR pays Timothy David Downing and Justin Herbert Gardener, its independent Directors, about \$72,000 per annum each in director's fees (including superannuation). None of the other non-executive Directors have been receiving director's fees from AUSTAR.

In order to recognise the experience and skills brought by the other non-executive Directors, and their responsibilities as directors, AUSTAR proposes to pay director's fees to its other non-executive Directors (William (Bill) Duncan Ferris, John William Dick, Michael Thomas Fries, David Fletcher Jones, Howard DeWitt Morgan and Gene Walter Schneider) on the same basis as it pays its independent Directors.

AUSTAR currently has shareholder approval to pay aggregate directors' fees to non-executive Directors of \$300,000 per annum. Therefore, this proposal will involve the maximum amount of director's fees payable to non-executive Directors being increased by \$276,000 to \$576,000 per annum (including superannuation). The increased aggregate amount of director's fees will apply for the whole of the financial year ending 30 June 2004, and each following financial year (unless otherwise reduced or increased with further Shareholder approval).

AUSTAR's constitution and the ASX Listing Rules require AUSTAR to obtain Shareholder approval for any increases in the maximum aggregate annual director's fees of non-executive Directors. Accordingly, AUSTAR is seeking Shareholder approval is sought for the above increase.

5 Issuing bonus Shares to independent Directors

5.1 Proposal

AUSTAR proposes to issue 136,986 Ordinary Shares each to AUSTAR's independent Directors, Timothy David Downing and Justin Herbert Gardener. The issue is designed to recognise the additional responsibilities of the independent Directors particularly in relation to assessment of transactions in which CHAMP and UGC may have a significant interest, and protection of the interests of AUSTAR's minority Shareholders.

The independent Directors will not have to pay anything on subscription for these Ordinary Shares, and AUSTAR will not receive any funds in respect of the issue. Based on the price of Ordinary Shares at the close of trading on 16 September 2003 of 36.5 cents, the Ordinary Shares issued to each independent Director have a total value of \$50,000.

Transfer and other dealing in these Shares will be restricted and they will be held subject to a holding lock. Each year on 1 April while the independent Director remains on the Board, 27,397 of the independent Director's Shares will be released from the restrictions on transfer. Shares will

also be released from the restrictions on occurrence of a Liquidity Event or Partial Liquidity Event (see section 3.3). If the independent Director's directorship terminates while some of the Shares issued to him are still subject to restrictions on transfer, those remaining Shares will remain subject to the restrictions on transfer to 1 April 2013.

Subject to receiving shareholder approval, AUSTAR intends to issue these Ordinary Shares by 1 December 2003.

5.2 Resolutions

(a) Approval of issue under ASX Listing Rule 10.11

Shareholders are being asked to approve this issue as required by ASX Listing Rule 10.11. If shareholders approve this issue, it will be disregarded for purposes of applying the 15% limit on issues of equity securities in any 12 month period without Shareholder approval under ASX Listing Rule 7.1. This approval is separate to the approval of the increase in director's fees discussed in section 4, and if shareholders approve the issue, these Ordinary Shares will be issued in addition to the payment of \$576,000 in director's fees for the financial year ending 30 June 2004.

(b) Approval of related party benefits to independent Directors

AUSTAR requires Shareholder approval in relation to the issue of bonus Shares under section 208 of the Corporations Act to provide financial benefits to the independent Directors.

The issue of the bonus Shares to the independent Directors will dilute other Shareholders' holdings by about 0.02%. AUSTAR will not receive any funds for this issue. However, the dilutionary impact of the issue will need to be balanced against the perceived benefits accruing to AUSTAR from increasing the alignment of the independent Directors' interests with those of other Shareholders.

The remuneration currently provided to the independent Directors is above the upper quartile for companies with similar market capitalisation to AUSTAR,² and at the upper quartile for media companies.³ Nevertheless, the Board (other than the independent Directors) considers that the proposed remuneration is appropriate having regard to the additional responsibilities of the independent Directors in relation to AUSTAR, in particular having regard to their important ongoing role in reviewing transactions between AUSTAR and CHAMP and UGC in circumstances where the other non-executive Directors are unable to vote.

This issue of Shares should not adversely affect AUSTAR's tax position in any material respect.

Having regard to these benefits and after considering the costs involved, each of the Directors other than Timothy David Downing and Justin Herbert Gardener recommends that Shareholders vote in favour of the resolution to approve the issue of bonus Shares to the independent Directors. As they are receiving the bonus Shares if the issue is approved, Timothy David Downing and Justin Herbert Gardener make no recommendation as to how Shareholders should vote.

6 Additional information

6.1 Directors' interests

Each of the Directors who has an interest in securities in AUSTAR, as set out in the following table, has an interest in the outcome of the resolutions:

² ASX All Ordinaries: Top 200 companies with market capitalisations between \$180 million and \$700 million excluding property trusts, investment companies and resources companies.

³ ASX All Ordinaries: Top 200 companies operating in the media sector excluding those that are not broadly comparable with AUSTAR in terms of market capitalisation.

Director's name	Number of Shares	Nature of interest in Shares	Number of Options	Nature of interest in Options
William (Bill) Duncan Ferris* †	-	-	-	-
John William Dick†	-	-	100,000	Owned
Timothy David Downing	31,914	Held by Merton Investments Pty Limited	150,000	Owned
Michael Thomas Fries* †	-	-	-	-
Justin Herbert Gardener	24,316	Held non-beneficially by JH & AL Gardener as trustees of the JH & AL Gardener Super Trust	150,000	Owned
David Fletcher Jones* †	-	-	-	-
Howard DeWitt Morgan* †	-	-	-	-
John Clinton Porter	52,894	Owned	15,600,850	Owned
Gene Walter Schneider*†	-	-	2,403,316	Owned
Total	109,124		18,404,166	

* As at 15 September 2003, Michael Thomas Fries beneficially owned 14,182 shares of class A common stock, and options for 1,284,084 shares of class A common stock, in UnitedGlobalCom, Inc and Gene Walter Schneider beneficially owned 160,170 shares of class A common stock, options for 1,181,205 shares of class A common stock, 4,806,728 shares of class B common stock and options for 1,655,836 shares of class B common stock in UnitedGlobalCom, Inc. Not included are options that will only become exercisable after 15 September 2003 and interests in Shares held by a trustee under an employee incentive scheme. William (Bill) Duncan Ferris, David Fletcher Jones and Howard DeWitt Morgan are also interested as each holds shares in companies in the CHAMP group.

† As at 15 September 2003, John Dick, William (Bill) Duncan Ferris, Michael Thomas Fries, David Fletcher Jones, Howard DeWitt Morgan and Gene Walter Schneider were directors of companies comprising United Austar Partners, which owned 968,282,140 Ordinary Shares (being about 81.8% of all Ordinary Shares on issue).

For additional information in relation to the interests of Directors who hold Executive Options in resolution 1, see section 2.3(b). The other Directors do not have an interest in the outcome of that resolution.

For additional information in relation to John Clinton Porter's interest in resolution 2, see section 3.10(c). The other Directors do not have an interest in the outcome of that resolution.

For additional information in relation to the interests of John Dick, William (Bill) Duncan Ferris, Michael Thomas Fries, David Fletcher Jones, Howard DeWitt Morgan and Gene Walter Schneider in resolution 3, see section 4.

For additional information in relation to the interests of Timothy David Downing and Justin Herbert Gardiner in resolution 4, see section 5. The other Directors do not have an interest in the outcome of that resolution.

6.2 Waivers of ASX Listing Rules

AUSTAR has obtained the following waivers from the ASX in respect of the Share Schemes and other transactions set out in this notice:

- waivers of ASX Listing Rules 6.8 and 6.9 to enable it to issue A Class Shares and B Class Shares without voting rights;
- waiver of ASX Listing Rule 6.12 to permit buy-back of Shares subject to the Management Group Share Scheme and the Senior Management Share Scheme;

- waiver of ASX Listing Rule 10.1 in relation to:
 - payment for the cancellation of Executive Options held by Directors;
 - provision of loans to, and buy-back of Shares from, John Clinton Porter under the Senior Management Shares Scheme;
 - payment of additional remuneration to non-executive Directors.

6.3 No other information

Except as disclosed in this Notice of Extraordinary General Meeting and Explanatory Memorandum, there is no other information material to a Shareholder's decision on how to vote on the resolutions known to AUSTAR.

7 Glossary and interpretation

In this Notice of Extraordinary General Meeting and Explanatory Memorandum, unless the context requires otherwise:

A Class Shares means fully paid A class shares in AUSTAR.

Additional Shares Plan means the employee share scheme known as the 'Austar United Communications Senior Management Share Scheme – Additional Shares Plan'.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Stock Exchange Limited.

ASX Listing Rules means the listing rules of the ASX.

AUSTAR means Austar United Communications Limited ABN 88 087 695 707 of Level 1, Wilcox Mofflin Building, 46-52 Mountain Street, Ultimo NSW 2007.

AUSTAR Group means AUSTAR and its Subsidiaries from time to time.

B Class Shares means fully paid B class shares in AUSTAR.

Board means the board of Directors.

CHAMP means AUN SPV Pty Limited ACN 103 192 730, Castle Harlan Australian Mezzanine Partners Pty Limited ABN 33 091 067 846, Castle Harlan Australian Mezzanine Partners 1E Worldwide SCRL, Castle Harlan, Inc., CHAMP 1 Australia Partnership and any entity that is a Subsidiary of any of them, or that one or more of them controls or manages, from time to time, but excludes United Austar Partners and any entity that it controls from time to time.

Constitution means AUSTAR's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means directors of AUSTAR.

Executive Options means options to acquire Ordinary Shares in AUSTAR issued under the Executive Share Option Plan.

Executive Share Option Plan means the employee share option scheme known as the 'Austar United Communications Executive Share Option Plan'.

General Share Scheme means the employee share scheme known as the 'Austar United Communications General Share Scheme' as described in section 3.1.

KPMG means KPMG Corporate Finance (Aust) Pty Limited ABN 43 007 363 215.

Management Group Share Scheme means the employee share scheme known as the 'Austar United Communications Management Group Share Scheme' as described in section 3.2.

Liquidity Events means the events specified as Liquidity Events in the relevant Share Schemes and which are described as liquidity events in the table in section 3.3.

Senior Management Share Scheme means the employee share scheme known as the ‘Austar United Communications Senior Management Share Scheme’ and comprising:

- (a) the Purchased Shares Plan;
- (b) the Matching Shares Plan; and
- (c) the Additional Shares Plan.

Matching Shares Plan means the employee share scheme known as the ‘Austar United Communications Senior Management Share Scheme – Matching Shares Plan’.

Ordinary Shares means fully paid ordinary shares in AUSTAR.

Partial Liquidity Events means the events specified as CHAMP Liquidity Events and UGC Liquidity Events in the relevant Share Schemes and which are described as partial liquidity events in the table in section 3.3.

Purchased Shares Plan means the employee share scheme known as the ‘Austar United Communications Senior Management Share Scheme – Purchased Shares Plan’.

Shareholder means a holder of Shares.

Shares means shares in AUSTAR, including Ordinary Shares, A Class Shares and B Class Shares.

Share Scheme means each of the following employee share schemes:

- (a) General Share Scheme;
- (b) Management Group Share Scheme; and
- (c) Senior Management Share Scheme.

Subsidiary has the same meaning as in the Corporations Act.

UGC means UnitedGlobalCom, Inc., United Asia/Pacific Communications, Inc. and any entity that is a Subsidiary of either, or that one or more of them controls, from time to time, but excludes United Austar Partners and any entity that it controls from time to time.

United Austar Partners means United Austar Partners, a general partnership under Colorado law between CHAMP 1 Australia Partnership, Castle Harlan Australian Mezzanine Partners 1E Worldwide SCRL and United Asia/Pacific Communications, Inc.

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Annexure A – New Rules for Constitution

2.2A A Class Shares

- (a) The company may issue A Class Shares that confer on their holders the rights, powers and privileges contained in, and subject to this rule.
- (b) Without prejudice to any other right, power or privilege conferred on a holder each A Class Share confers on its holder the right to:
 - (1) receive notice of any general meeting of the company and a copy of all material sent to holders of ordinary shares in relation to the meeting; and
 - (2) attend any general meeting of the company.
- (c) An A Class Share entitles its holder to vote at a meeting of the company as follows:
 - (1) on a proposal to reduce the company's share capital, but only where the reduction involves a cancellation of A Class Shares; and
 - (2) on a proposal that affects the rights attached to the A Class Share.
- (d) Except as set out in rule 2.2A(c), an A Class Share does not entitle its holder to vote a meeting of the company.
- (e) At a general meeting, in respect of resolutions on which holders of A Class Shares are entitled to vote under rule 2.2A(c):
 - (1) on a show of hands, each holder present in person or by proxy, attorney or representative has 1 vote; and
 - (2) on a poll, each holder has 1 vote for each fully paid A Class Share held by the holder and in respect of which the member is entitled to vote.
- (f) The company may convert any A Class Shares into ordinary shares at any time by resolution of its directors. If the resolution specifies a time for conversion, conversion takes effect at that time. Otherwise, the conversion takes effect on the resolution being passed.
- (g) On conversion, one A Class Share converts into one ordinary share.
- (h) From the date of conversion under rule 2.2A(f), each ordinary share ranks equally with fully paid ordinary shares in the company.
- (i) Within 5 business days of converting any of a holder's A Class Shares into ordinary shares, the company must notify the holder of the conversion.
- (j) Within 5 business days of the company notifying the holder that it has converted any of the holder's A Class Shares into ordinary shares, the holder must return any share certificate referable to those A Class Shares to the company.
- (k) A holder of A Class Shares has no entitlement to convert A Class Shares.
- (l) The rights attached to A Class Shares may be varied only by a special resolution of the company and:
 - (1) with the written consent of the holders of 75% of the A Class Shares; or
 - (2) by a special resolution passed at a separate meeting of the holders of A Class Shares.
- (m) The provisions of the constitution relating to general meetings apply, with necessary changes, to separate class meetings as if they were general meetings.
- (n) The rights conferred on the holders of A Class Shares are to be taken as not having been varied by the creation or issue of ordinary shares, A Class Shares, B Class Shares or any other shares ranking equally with them.
- (o) Except as provided in this rule 2.2A, A Class Shares rank equally with ordinary shares in respect of pro rata issues, bonus issues, dividends and other distributions to, or entitlements of, holders of ordinary shares.

2.2B B Class Shares

- (a) The company may issue B Class Shares that confer on their holders the rights, powers and privileges contained in, and subject to this rule.
- (b) Without prejudice to any other right, power or privilege conferred on a holder each B Class Share confers on its holder the right to:

- (1) receive notice of any general meeting of the company and a copy of all material sent to holders of ordinary shares in relation to the meeting; and
- (2) attend any general meeting of the company.
- (c) A B Class Share entitles its holder to vote at a meeting of the company as follows:
 - (1) on a proposal to reduce the company's share capital, but only where the reduction involves a cancellation of B Class Shares; and
 - (2) on a proposal that affects the rights attached to the B Class Share.
- (d) Except as set out in rule 2.2B(c), a B Class Share does not entitle its holder to vote a meeting of the company.
- (e) At a general meeting, in respect of resolutions on which holders of B Class Shares are entitled to vote under rule 2.2B(c):
 - (1) on a show of hands, each holder present in person or by proxy, attorney or representative has 1 vote; and
 - (2) on a poll, each holder has 1 vote for each fully paid B Class Share held by the holder and in respect of which the member is entitled to vote.
- (f) The company may convert any B Class Shares into ordinary shares at any time by resolution of its directors. If the resolution specifies a time for conversion, conversion takes effect at that time. Otherwise, the conversion takes effect on the resolution being passed.
- (g) On conversion, one B Class Share converts into one ordinary share.
- (h) From the date of conversion under this rule 2.2B(f), each ordinary share ranks equally with fully paid ordinary shares in the company.
- (i) Within 5 business days of converting any of a holder's B Class Shares into ordinary shares, the company must notify the holder of the conversion.
- (j) Within 5 business days of the company notifying the holder that it has converted any of the holder's B Class Shares into ordinary shares, the holder must return any share certificate referable to those B Class Shares to the company.
- (k) A holder of B Class Shares has no entitlement to convert B Class Shares.
- (l) The rights attached to B Class Shares may be varied only by a special resolution of the company and:
 - (1) with the written consent of the holders of 75% of the B Class Shares; or
 - (2) by a special resolution passed at a separate meeting of the holders of B Class Shares.
- (m) The provisions of the constitution relating to general meetings apply, with necessary changes, to separate class meetings as if they were general meetings.
- (n) The rights conferred on the holders of B Class Shares are to be taken as not having been varied by the creation or issue of ordinary shares, A Class Shares, B Class Shares or any other shares ranking equally with them.
- (o) If the company offers or issues ordinary shares, or rights to subscribe for ordinary shares, to holders of its ordinary shares:
 - (1) for cash;
 - (2) before conversion of all the B Class Shares into ordinary shares; and
 - (3) in proportion to the number of ordinary shares held by the holders,
 holders of B Class Shares are entitled to receive an offer or issue of B Class Shares, or rights to subscribe for B Class Shares on the following terms:
 - (4) the offer or issue to holders of B Class Shares must be made at the same time as the offer or issue to holders of ordinary shares;
 - (5) B Class Shares, or rights to subscribe for B Class Shares, must be offered or issued to holders of B Class Shares in the same proportion to the holders' holdings of B Class Shares as ordinary shares are offered to holders of ordinary shares; and
 - (6) the cash amount payable by holders of B Class Shares to subscribe for each B Class Share offered must be the same as the cash amount payable by holders of ordinary shares to subscribe for each ordinary share offered or such other lower amount that the board may determine having regard to the relative values of B Class Shares and ordinary shares.

- (p) If the company makes a bonus issue of ordinary shares to holders of its ordinary shares:
 - (1) before conversion of all the B Class Shares into ordinary shares; and
 - (2) in proportion to the number of ordinary shares held by the holders,holders of B Class Shares are entitled to receive a bonus issue of B Class Shares on the following terms:
 - (3) the bonus issue to holders of B Class Shares must be made at the same time as the bonus issue to holders of ordinary shares; and
 - (4) B Class Shares must be issued to holders of B Class Shares in the same proportion to the holders' holdings of B Class Shares as ordinary shares are issued to holders of ordinary shares.
- (q) Except as provided in rule 2.2B(o) and (p), holders of B Class Shares have no right to participate in any pro rata issue or bonus issue of shares, securities or rights.
- (r) Except as provided in this rule 2.2B, B Class Shares rank equally with ordinary shares in respect of dividends and other distributions to, or entitlements of, holders of ordinary shares.

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