

7

ADDITIONAL INFORMATION

7.1 INFORMATION, DISCLOSURE AND AVAILABILITY

The Issuer and IAG are each subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These include preparation of yearly and half-yearly financial statements and a report on the operations of the Issuer and IAG respectively during the relevant period together with an audit or review report by their auditor.

Under ASX Listing Rule 3.1, the Issuer and IAG are under an obligation (subject to certain exceptions) to immediately notify ASX of any information concerning the Issuer and IAG respectively, of which they are or become aware and which a reasonable person would expect would have a material effect on the price or value of securities of the Issuer and IAG respectively. You can obtain copies of information released by the Issuer and IAG pursuant to their reporting and disclosure requirements under the Corporations Act and ASX Listing Rules on ASX's website and also on IAG's website at www.iag.com.au.

7.2 SUMMARY OF CHANGES TO THE TRUST DEED

The Trust Deed was executed on 20 November 2004 and amended on 22 November 2004 and 29 November 2004. If the proposed Amendments are approved, the Trust Deed will be amended and restated to reflect the Amended RES Terms (Amended Trust Deed). Accordingly, because the Portfolio will be removed from the Amended RES Terms, all provisions concerning the security held by the Trustee over the Portfolio and IAG Portfolio Limited (the manager of the Portfolio) will be deleted.

The parties to Amended Trust Deed will be the Issuer, IAG and the Trustee. IAG Portfolio will not be a party to the Amended Trust Deed.

7.2.1 Summary of deletions

The Amended Trust Deed will no longer contain the terms and conditions on which:

- IAG Portfolio provides a guarantee in respect of the Issuer's payment obligations under the Existing RES Terms;
- each of the Issuer and IAG Portfolio provides security for their payment obligations in respect of the Existing RES (including all provisions collateral to this); and
- events of default occur and on which certain representations are made.

Because IAG Portfolio is not a party to the Amended Trust Deed, all provisions relating to that entity will be removed from the Amended Trust Deed.

7.2.2 Summary of remaining terms

The Amended Trust Deed will contain the terms and conditions on which:

- the Issuer has issued the Amended RES;
- the Trustee agrees to act as trustee for the benefit of RES Holders;
- amounts owing to RES Holders are settled by payment to RES Holders or the Trustee; and
- RES Holders will have a subordinated claim against IAG if IAG fails to issue the Amended Preference Shares upon an Exchange.

7 ADDITIONAL INFORMATION

7.2.3 Remaining terms

Rights and liabilities of the Trustee

The rights and liabilities of the Trustee will be set out in the Amended Trust Deed.

The Amended Trust Deed also limits the responsibility and liability of the Trustee under the Transaction Documents to the amounts available to it as Trustee, except in circumstances where it has acted negligently or fraudulently or where there has been a gross or willful breach of its obligations under the Transaction Documents.

Removal and resignation of the Trustee

The Issuer may remove the Trustee by giving not less than 30 days' notice in writing. Where the Trustee has failed to perform any obligations under the Transaction Documents within 14 days from delivery of notice requiring remedy, the Issuer may immediately remove the Trustee by giving notice in writing.

The Trustee may retire as Trustee by giving the Issuer not less than 30 days' notice in writing. The Trustee must immediately retire if an insolvency event has occurred in respect of it in its personal capacity.

However, the Trustee's appointment will not cease until an approved replacement trustee has been appointed by the Issuer.

Where after 60 days' notice of removal or retirement, the Issuer has not appointed a replacement trustee, the Trustee may nominate a replacement.

Fees and indemnities

IAG must pay to the Trustee such fees as agreed between them.

The Issuer and IAG each indemnifies the Trustee against liabilities, costs and expenses incurred in exercising its powers as Trustee, other than in relation to certain taxes on the Trustee's remuneration or in circumstances where the Trustee has acted negligently or fraudulently or where there has been a gross or willful breach of its obligations under the Transaction Documents.

No events of default

There are no events of default under the Amended Trust Deed. This is required so that the Amended RES will qualify as Innovative Tier 1 Capital.

The Trustee and RES Holders agree and acknowledge this and that they have no right to accelerate the Amended RES, initiate an administration or proceedings for the winding-up of the Issuer or IAG or appoint a receiver or receiver and manager to the Issuer or IAG for non-payment of any amount owing under the Amended Trust Deed.

Application of moneys

The parties to the Amended Trust Deed agree that any amounts received in respect of the amounts owing under the Amended Trust Deed are to be applied promptly as follows:

- first, equally and rateably among themselves, in payment of any liabilities, costs, charges and expenses incurred in relation to Amended RES due and payable and unpaid to the Trustee or a Service Provider under any relevant Transaction Document;
- second, on an Interest Payment Date, equally and rateably among themselves, in payment of any Interest Payment due in respect of Amended RES to the RES Holders or the Trustee;
- third, on a Realisation Date, equally and rateably among themselves, in payment of any Redemption Amount due in respect of Amended RES to the RES Holders or the Trustee or, in the case of a Conversion, to IAG in payment of the Ordinary Share Issue Price; and
- fourth, any remaining amount to, or as directed to, the Issuer.

Statutory obligations of the Issuer and the Trustee

The Trust Deed describes the statutory obligations of the Issuer and the Trustee according to Chapter 2L of the Corporations Act in relation to offers of debentures.

Failure to issue Amended Preference Shares

Under the Amended Trust Deed, if IAG fails to issue an Amended Preference Share when required by an Exchange, then the Trustee and the affected RES Holder agree that they have no claim against the Issuer for that failed Exchange, that the failure does not constitute a repudiation or other breach of the Amended RES Terms or the Trust Deed by the Issuer or IAG entitling the RES Holder to be relieved of its obligations in connection with the Exchange and that any claim of the RES Holder in respect of RES in that case will be limited to:

- an order for specific performance that IAG issue the Amended Preference Shares according to the Amended RES Terms; or
- such monetary claim on IAG which the RES Holder would have had if the Amended Preference Shares had been issued in accordance with the Amended RES Terms.

This monetary claim ranks junior to the claims of all IAG Senior Creditors in that:

- all claims of IAG Senior Creditors must be paid in full before the claims of the RES Holders are paid; and
- until the IAG Senior Creditors have been paid in full, the RES Holders must not claim in the winding-up of IAG in competition with the IAG Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the IAG Senior Creditors would have been entitled to receive,

so that the RES Holder receives, in respect of the claim, the same amount it would have received if the Amended Preference Shares had been issued in accordance with the Amended RES Terms.

Power to amend Amended Trust Deed

The Issuer and the Trustee may jointly amend the Amended Trust Deed at any time, by written agreement:

- if the Issuer and the Trustee believe the amendment is formal or technical, made to cure ambiguity or errors, expedient to enable Amended RES to be listed or retain listing on a stock exchange and not considered by the Trustee to be materially prejudicial to RES Holders' interests as a whole, necessary to comply with the provision of any statute or requirement of a statutory authority, or to evidence the succession of another person to the Issuer;
- if such amendment is authorised by a Special Resolution;
- in any case, where such amendment is considered by the Trustee not to be materially prejudicial to the interests of RES Holders as a whole; or
- in respect of any time period stated, required or permitted in connection with any notice required for a Redemption, Conversion, Resale or Exchange.

7.2.4 Copies of documents

The Issuer will provide a copy of the following documents free of charge to any RES Holder who requests a copy:

- the form of the Amended Trust Deed; and
- the Amended RES Terms and the Amended Preference Share Terms not marked to show changes from the Existing RES and Existing Preference Shares.

These documents may be obtained by request from the Issuer at the addresses on the inside back cover of this Explanatory Statement.

7.3 ASIC RELIEF

ASIC has granted the Issuer relief from the on-sale provisions contained in section 707 of the Corporations Act. The relief confirms that any Amended Preference Shares or Ordinary Shares issued on Exchange or Conversion of the Amended RES, or any Ordinary Shares issued on Conversion of the Amended Preference Shares, may be subsequently on-sold without any further disclosure to investors.

7.4 ASX RELIEF

ASX has confirmed that:

- following implementation of the Amendments, the terms of the Amended RES and the Amended Preference Shares will continue to be appropriate and equitable for the purposes of Listing Rule 6.1;
- following implementation of the Amendments, the Amended RES will not be considered “preference securities” for the purposes of Listing Rules 6.3 to 6.7 (inclusive);
- neither of the amended reset mechanisms proposed to be included in the terms of the Amended RES and the Amended Preference Shares contravenes the requirements of Listing Rule 6.10;
- the amendments to the circumstances in which the divestment of Amended RES and the Amended Preference Shares may occur are appropriate and equitable for the purposes of Listing Rule 6.12;
- the waivers and confirmations granted by ASX to IAG and the Issuer respectively on 25 November 2004 will continue to remain in force and effect (as applicable) following implementation of the Amendments; and
- following implementation of the Amendments, the Issuer will continue to satisfy all of the conditions contained in Listing Rule 1.1 (as applicable), and that no further application for quotation of the Amended RES will be required.

7.5 ACKNOWLEDGEMENT AND PRIVACY STATEMENT

The Issuer, IAG and the Registry may already hold personal information about any individual RES Holder collected as part of your original acquisition of the Existing RES, or collected to register your holding. If you submit a Proxy Form, additional information provided on that form may be used in relation to the meeting of RES Holders and in administering your Existing RES or Amended RES, as applicable. For these purposes, your personal information may be disclosed between the Issuer, IAG and the Registry, and to their agents, contractors and third party service providers (including mail houses and financial advisers) and to ASX and other regulatory authorities. As required under the Corporations Act, certain details of security holders (including name and address) are held on a public register. If you do not provide the information requested on your Proxy Form, the Proxy Form may not be able to be processed correctly.

Under the *Privacy Act 1988* (Cwlth), you may request access to your personal information held by or on behalf of the Issuer. You can request access to your personal information or obtain further information about the Issuer’s management practices by contacting the Registry or the Issuer. If the Registry’s record of your personal information is incorrect or out of date, it is important that you contact the Issuer or the Registry so that your records can be corrected.

7.6 DIRECTORS’ INTERESTS

None of the Existing RES or other securities in the Issuer are held by the Directors or any directors of IAG.

7.7 NEW ZEALAND RESIDENT WITHHOLDING TAX

To avoid having New Zealand resident withholding tax (RWT) deducted at the highest rate, RES Holders who are liable to such withholding (i.e. New Zealand residents) will need to:

- provide the Issuer with a copy of a current RWT exemption certificate; or
- supply the Issuer with their tax file number and make an election as to the rate at which RWT is to be deducted.

For RES Holders that are companies for New Zealand tax purposes, the rates of RWT for interest are 33% and 39%. For other RES Holders, the current rates of RWT for interest are 19.5%, 33% and 39%. The Taxation (Consequential Rate Alignment and Remedial Matters) Bill currently before the New Zealand Parliament contains proposals to amend these rates with effect from 1 April 2010.

7.8 IMPORTANT NOTICE TO U.S. SECURITYHOLDERS

Neither the Existing RES nor the Amended RES have been, or will be, registered under the U.S. Securities Act of 1933 (as amended) (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and accordingly such securities may not be offered, issued, sold, resold or transferred in the United States unless an exemption from registration under the Securities Act and such other securities laws is available.

U.S. securityholders should note that the proposed transaction to amend the Existing RES is being effected in accordance with the laws of Australia. In addition, the Explanatory Statement and related materials have been prepared in accordance with the disclosure requirements of Australia, which are different from those of the United States. The financial information included in this Explanatory Statement has been prepared in accordance with Australian accounting standards, which may not be comparable to the financial statements of United States companies prepared in accordance with generally accepted accounting principles in the United States (or “U.S. GAAP”).

It may be difficult for you to enforce your rights and any claim you may have arising under United States federal securities laws, since the Issuer and IAG are located in Australia (and the Issuer is acting through its branch in New Zealand) and some or all of their respective officers and directors are residents of New Zealand or Australia. You may not be able to sue the Issuer, IAG or their respective officers or directors in New Zealand or Australia for violations of the United States securities laws. It may be difficult to compel the Issuer, IAG and their respective affiliates to subject themselves to a United States court’s judgment.

This Explanatory Statement has not been filed with or reviewed by the U.S. Securities and Exchange Commission or any U.S. state securities authority, and none of them has passed upon or endorsed the merits of the transaction or the accuracy, adequacy or completeness of this Explanatory Statement. Any representation to the contrary is a criminal offence.