RECEIVED
- 9 MAR 2004

STOCK EXCHANGE OF NEWCASTLE LIMITED
ABN 11 000 902 063

Ground Floor,
384 Hunter Street
Newcastle NSW 2300
Tel: +61 2 4929 6377
Fax: +61 2 4929 1556
Web Site: www.newsx.com.au
Email: mail@newsx.com.au

9 March 2004

Attention: Ms Tracy Lyons
Manager
Markets Regulations

Australian Securities & Investments Commission
Level 18
1 Martin Place
SYDNEY NSW 2000

BY HAND

Dear Madam,

RE: COMPENSATION ARRANGEMENTS FOR NEWCASTLE STOCK EXCHANGE "("NSX")

We refer to our meeting with you and Ms Jennifer O'Donnell and others on 9th March 2004 and enclose Deed Poll duly executed under the common seal of the Stock Exchange of Newcastle Limited.

We advise and hereby undertake that if Westpac Banking Corporation refuses to draw down the letter of credit presently issued by Westpac Banking Corporation to pay a claim because NSX Business Rule Part F Rule 4A is not approved by the Minister then NSX undertakes to pay the Fidelity Fund claim which would have triggered the draw down of the letter of credit.

We trust this is satisfactory.

Yours faithfully,

Raymond L Whitten
Director

Michael Cox
Director

30062.10

DEED POLL

Stock Exchange of Newcastle Limited (ACN 000 902 063)

DEED POLL dated 9 March 2004 is made by:

Stock Exchange of Newcastle Limited (ACN 000 902 063) of Ground Floor, 384 Hunter Street, Newcastle, New South Wales **("Exchange").**

Recitals

A The Exchange is the holder of an Australian markets licence granted under the Corporations Act 2001 ("**Corporations Act**") which allows it to operate the financial market known as the Newcastle Stock Exchange ("**Market**").

B After 10 March 2004, under paragraph 792A(e) and section 881A of the Corporations Act the Exchange is obliged to have in place compensation arrangements in relation to the Market that are approved in accordance with Division 3 of Part 7.5 of the Corporations Act ("**Approved Compensation Arrangements**").

C The Exchange may not have Approved Compensation Arrangements in place by that date and has agreed to enter this deed poll for the benefit of persons to whom Participants in the Market provide financial services as Retail Clients.

D The purpose of this deed poll is to ensure that there are legally enforceable arrangements in lieu of the Approved Compensation Arrangements during the period after 10 March 2004 and until Approved Compensation Arrangements are in place.

IT IS DECLARED as follows:

1. INTERPRETATION

1.1 General Interpretation

In this deed poll, unless the contrary intention appears:

(a) a reference to this deed poll or another instrument includes any variation of replacement of any of them;

(b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(c) the singular includes the plural and vice versa;

(d) the word "person" includes a firm, body corporate, an unincorporated associate or an authority;

(e) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(f) a reference to any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of persons is a reference to all of them collectively, to any two or more of the collectively and to each of them individually; and

(g) a reference to clauses, annexures and schedules are references to clauses, annexures and schedules of this deed poll.

1.2 Headings

Headings are inserted for convenience and do not affect the interpretation of this deed poll.

1.3 Irrevocability

This deed poll is irrevocable.

1.4 Definitions

In this deed poll unless the context otherwise requires:

"Client" means a person who is or has been a client of a Participant or a person who was a Participant in the Market;

"Participant" has the same meaning as that term has in section 761A of the Act;

"Retail Client" has the same meaning as that term has in section 761A of the Act.

Other words used in Annexure A, but not defined in Annexure A, have the meaning given to them in the version of the document entitled "NSX Stock Exchange of Newcastle Limited – Definitions – Business Rules & Listing Rules" lodged with the Australian Securities and Investments Commission under section 793D of the Corporation Act on 16 February 2004.

2. BENEFIT

2.1 Custody of this deed poll

This deed poll must be deposited with the Australian Securities and Investments Commission for so long as any claim made against the Exchange by any Client under this deed poll has not been finally adjudicated, settled or discharged.

2.2 Production of this deed poll

The Exchange acknowledges the rights of every Client to the production of this deed poll provided that the Exchange is not obliged to execute more than one original counterpart of it.

2.3 Benefit of this deed poll

The Exchange acknowledges and covenants that its obligations contained in this deed poll are binding upon it and are owed to, and are for the benefit of, each Client severally. Each Client is entitled severally to enforce those obligations against the Exchange.

3. Compensation Arrangements

3.1 Effective date

The covenants of the Exchange set out in this clause 3 take effect on and from 11 March 2004.

3.2 Obligation to Pay Compensation

The Exchange covenants with each Client that it will, on the terms and conditions set out in Annexure A, compensate Clients for those losses identified in Annexure A:

(a) for which the Exchange must pay compensation on the terms and conditions of Annexure A; and

(b) which arise or are claimed prior to the date on which compensation arrangements for the Exchange are approved.

3.3 Compensation deemed to be made under Rule 4A and Business Rules

For the avoidance of doubt, the Exchange acknowledges that any claim for compensation made by a Client under this deed poll:

(a) will be a claim under Rule 4A as contemplated by the provisions of Annexure A; and

(b) will, when the provisions of Annexure A form part of the Exchange's Approved Compensation Arrangements, be a claim under Rule 4A of the Exchange's Business Rules.

4. Notices

4.1 Notices to clients

The Exchange may serve notices on any Client either personally or by leaving it at, or posting it in a prepaid envelope to, the address the Client nominates or if agreed by the Client, by telex, facsimile transmission or other written or electronic form. The Exchange may also serve notices on any Client by publishing that notice in the Australian Financial Review. Where a notice is published more than once, it is taken to have been served on the day that it is first published.

4.2 Notices to the Exchange

A Client may serve notices on the Exchange either personally or by leaving it at, or posting it in a prepaid envelope to, the registered office of the Exchange or if agreed by the Exchange, by telex, facsimile transmission or other written or electronic form.

5. Governing law

This deed poll is governed by the law in force in New South Wales.

EXECUTED as a deed poll

SIGNED, SEALED AND DELIVERED by Stock Exchange of Newcastle Limited under Section 127(1) of the Corporations Act

STOCK EXCHANGE OF NEWCASTLE LIMITED
ACN 000 902 063
ABN 11 000 902 063
Common Seal

....
Director

....
Director/~~Secretary~~

4. Fidelity Fund

4.1 The *Exchange* shall as long as it remains an *Exchange* recognised or approved under the Act, keep a fidelity fund which shall be administered by the *board* of the *Exchange* on behalf of the *Exchange* in accordance with Division 3, Part 7.5 of the Act.

4.2 The money in the fidelity fund, until invested or applied in accordance with the Act, shall be kept in a separate account in an *Australian ADI*.

4.3 Only payments permitted by the Act or by Part F Rule 4A shall be authorised by the *board* to be made from the fidelity fund.

4.4 The *participants* and *responsible officers* of the *Exchange* shall make contributions to the fund in accordance with the requirements of the Act or as levied by the *Exchange* in accordance with Part A, Rule 13 from time to time. These contributions are not refundable.

4.5 Each *participant* and *responsible officer* must comply with the procedures as prescribed by the *Exchange* from time to time for determining the *Exchange*'s exposure to the risk of claims on its fidelity fund.

4A Compensation arrangements

4A.1 Definitions

For the purposes of this rule:

> ***client*** means a *retail client* within the meaning of section 761G of the *Corporations Act.*
>
> ***financial service*** means a financial service within the meaning given in division 4 of part 7.1 of the *Corporations Act.*
>
> ***letter of credit*** means an irrevocable letter of credit.

4A.2 The *Exchange* shall, as long as it holds a *market licence,* have arrangements in place that comply with the *Corporations Act* to compensate a client who has incurred losses of the following kind:

(a) the client gave money or other property or authority over property to a person ("the defaulter")

   (i) who was a *participant* of the *Exchange* at that time; or

   (ii) who the client reasonably believed to be a *participant* of the *Exchange* at that time and who was a *participant* of the *Exchange* at some earlier time; and

(b) the money or other property or the authority was given to the defaulter in connection with effecting a transaction or proposed transaction covered by these *rules;*

(c) the effecting of the transaction through the market constitutes or would constitute the provision of a *financial service* to the client as a client; and

(d) the client suffers a loss because of:

   (i) if the client gave the defaulter money or other property – the defalcation or fraudulent misuse of the money or other property by the defaulter; or

   (ii) if the client gave the defaulter authority over property – the fraudulent misuse of that authority by the defaulter; or

   (iii) the defalcation or fraudulent misuse of money or other property or authority over property by a settlement agent of the defaulter ("the settlement defaulter"). Any such defalcation or fraudulent misuse is deemed to be the defalcation or fraudulent misuse of money or other property or authority over property by the defaulter, even though the settlement agent may have acted beyond its, express or implied, authority.

4A.3 A client of a defaulter who has suffered pecuniary loss as referred to in Rule 4A.2 is entitled to make a claim for compensation from the *Exchange* in respect of that pecuniary loss.

4A.4 A claim under Rule 4A.3 may be allowed by the *Exchange* even if the defaulter or the settlement defaulter against whom the defalcation or misuse is alleged has not been convicted or prosecuted and the evidence on which the claim is allowed would not be sufficient to establish the guilt of that defaulter or settlement defaulter in a criminal trial in respect of the defalcation or fraudulent misuse.

4A.5 A client may claim under rule 4A.3 the actual pecuniary loss suffered, calculated by reference to the market value of any relevant assets or liabilities as at the date that the loss was suffered, as well as the client's reasonable costs of, and disbursements incidental to, the making of and proof of the claim, less the amount or value of all money or other benefits received or receivable by the client from another source in reduction of the loss.

4A.6 In addition to the compensation payable under rule 4A.5, the client is entitled to claim interest on the amount of compensation less any amount attributable to costs and disbursements, at the rate of 5% per annum (or such other rate as prescribed by the Corporations Act from time to time) calculated from and including the day on which the pecuniary loss was suffered until the day on which the claim was satisfied.

4A.7 In addition to the funds available under Part F Rule 4, the *Exchange* will maintain a *letter of credit* that provides a sum of money in respect of any claim brought under rule 4A. The *Exchange* will ensure that its *letter of credit* will continue to be available if its *market licence* ceases (for any reason whatsoever) so that the rights of clients seeking compensation under the rule 4A, being rights that accrued whilst the *Exchange* was required to have such arrangements, will be protected, until claims are no longer possible because of the limitation period under Rule 4A.23.

4A.8 The Exchange will compensate clients for any loss suffered which is defined as "Division 3 loss" under the *Corporations Act*.

4A.9 A client making a claim must notify the *Exchange* in writing within six months of becoming aware of the pecuniary loss. A claim that is not so made is barred unless the *Exchange* determines otherwise.

4A.10 A client making a claim must notify the *Exchange* by way of a notice which includes the following information:

(a) the amount claimed, including the method of calculating the amount claimed; and

(b) the basis upon which the claim is made.

4A.11 Upon a client making a claim under rule 4A, the *Exchange* may at any time require that client to produce and deliver any securities, documents or statements of evidence necessary to support the claim.

4A.12 The *board* will make a determination of the claim based on the reasoning specified in the notice of the claim, and may require additional information from the client making the claim and / or the relevant defaulter or settlement defaulter.

4A.13 Clients making claims will be notified by written notice of the success or otherwise of their claim within 2 months of written notice of the claim having been received by the *Exchange*. The *Exchange* may find that the claim was partially successful, where the *board* in its discretion finds that the client making the claim contributed to the pecuniary loss. Where this is found, the amount payable by the *Exchange* will be reduced by the same proportion that it is determined that the client contributed to the loss.

4A.14 The limit of compensation to be awarded is $100,000 per claim. The Exchange may from time to time amend this limit in accordance with s884B of the Corporations Act.

4A.15 Claims will be prioritised by the *Exchange* on a proportional basis.

4A.16 If a claim is successful (either fully or partially), the *Exchange* will provide written notice to the client of their successful claim at the address notified to the *Exchange* in the notice of that claim.

4A.17 Successful claims will be paid by way of cheque. The *Exchange* will pay the claim within the time limits specified under 4A.21, once the *Exchange* has provided written notice to the client of their successful claim. Claims may be paid in a lump sum or by way of instalments, as contemplated in accordance with rule 4A.21(c).

4A.18 Once a claim has been found to be successful (either fully or partially) and the client has been provided with written notice to this effect by the *Exchange* and payment has been made, that same client may not make a claim in respect to the same subject matter of the claim dealt with by the *Exchange*.

4A.19 The *Exchange* will impose a levy on *participants* to contribute to these compensation arrangements in the following amount:

(a) an initial levy of $5000 upon becoming a *participant* of the *Exchange*; and

(b) an annual levy of $1000 per *participant*.

The Exchange may from time to time amend these amounts in accordance with s884B of the Corporations Act.

4A.20 The compensation arrangements in these *rules* will be administered by the *compliance officer*. The *compliance officer* will be responsible for:

(a) monitoring compliance with the compensation arrangements;

(b) reporting any breaches to the *board*;

(c) monitoring the adequacy of the compensation arrangements; and

(d) reporting to the *board* on the need for, or desirability of, changes to the compensation arrangements.

4A.21 Time limits for payment.

(a) The Board will make a determination on the status of the claim within 2 months of receipt of the claim in writing.

(b) For approved claims that are to be paid directly out of the Fidelity Fund, payments will be made for claims within 30 days of the claim being upheld by the NSX Board.

(c) For approved claims requiring recompense to the letter of credit then the claim will be paid within 30 days of the claim being upheld by the NSX Board..

4A.22 Losses of a kind which are contemplated in Rule 4A.2 and which were incurred prior to 11 March 2004, but claimed by a client after this date, are eligible to be compensated under Rule 4A.

4A.23 Losses of a kind which are contemplated in 4A.2 and which were incurred prior to the date before the *Exchange* ceases to be a holder of a *Market Licence*, but claimed by a client after this date, are eligible to be compensated under Rule 4A. The time limit for making claims after the *Exchange* ceases to be a *Market Licence* is six (6) months from the date it ceases to be a *Market Licence* holder.