

notice of meeting

Qantas 2006



14 September 2006

Dear Shareholder

2006 ANNUAL GENERAL MEETING

The 2006 Annual General Meeting (AGM) of Qantas Airways Limited is to be held at 2:00pm on Thursday, 19 October 2006 in the City Recital Hall, Angel Place, Sydney. The formal Notice of Meeting is attached.

Qantas has many shareholders around Australia. To provide an opportunity for the maximum number of shareholders to attend an AGM, Qantas holds its AGMs in a different State and Territory each year. The last time the Qantas AGM was held in Sydney was in 2000. The 2005 AGM was held in Canberra and the 2007 AGM is planned to be held in Melbourne.

Shareholders who are unable to attend the AGM and have access to the Internet will be able to access a live webcast of the AGM on the Qantas website (<http://www.qantas.com.au/info/about/investors/agms>).

BUSINESS

1. CONSIDERATION OF REPORTS

The Financial Report, the Directors' Report and the Independent Audit Report for the year ended 30 June 2006 will be presented for consideration.

Unless the Qantas Share Registry has been notified otherwise, each shareholder will have received an Annual Report which contains the Financial Report for the year ended 30 June 2006.

2. QUESTIONS AND COMMENTS

Following the Consideration of Reports, the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management of Qantas.

The Chairman will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- a. the conduct of the audit;
- b. the preparation and content of the Independent Audit Report;
- c. the accounting policies adopted by Qantas in relation to the preparation of the financial statements; and
- d. the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Audit Report or the conduct of the audit. A list of written questions, if any, submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

3. ELECTION OF DIRECTORS

3.1 Peter Gregg

Peter Gregg retires by rotation and, being eligible, offers himself for re-election as an Executive Director.

Peter Gregg was appointed Chief Financial Officer and to the Board in September 2000.

He is Chairman of the Singapore-based company, Orangestar Investment Holdings Pte Ltd and is a Director of a number of controlled entities and associated companies of the Qantas Group.

Mr Gregg is a Director of Leighton Holdings Limited and Stanwell Corporation Limited. He was formerly a Director of Air Pacific Limited.

He was also actively involved in the privatisation of Qantas. Mr Gregg is responsible for Group Finance, Investor Relations, Strategy, Economics, IT Services, Shared Services and Strategic Procurement.

Previously, Mr Gregg was Deputy Chief Financial Officer and Group Treasurer at Qantas. He was also Treasurer of Australian Airlines and has worked for the Queensland Government in various risk management roles.

He is a Fellow of the Finance and Treasury Association, a Member of the Australian Institute of Company Directors and holds a Bachelor of Economics.

The Board believes that Mr Gregg has made and will continue to make a significant contribution to the work of the Board and the management and success of the Qantas Group. He adds considerable value and skill in the areas of finance, strategy and general management.

Mr Gregg says, "I have worked for the Qantas Group since 1988 in the Finance and Strategy areas and I remain committed to making Qantas a great business as well as a great airline".

The Directors (with Peter Gregg abstaining) recommend that you vote in favour of this Ordinary Resolution.

3.2 Patricia Cross

Patricia Cross retires by rotation and, being eligible, offers herself for re-election as an Independent Non-Executive Director.

Patricia Cross was appointed to the Board in January 2004.

She is a Member of the Qantas Audit Committee and Qantas Remuneration Committee.

Mrs Cross is a Director of Wesfarmers Limited, National Australia Bank Limited and the Murdoch Children's Research Institute.

She is also a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Fellow of the Finance and Treasury Association.

Mrs Cross was previously the Chairman of Qantas Superannuation Limited and Deputy Chairman of Victoria's Transport Accident Commission. She was a Director of AMP Limited and Suncorp-Metway Limited. Mrs Cross was a Member of the Financial Sector Advisory Council, the Companies and Securities Advisory Committee, the Merrill Lynch Australasia Advisory Board and an Advisory Member of the Deloitte Touche Board of Partners. She has also served on a variety of not-for-profit boards.

Prior to becoming a professional company director in 1996, Mrs Cross held various senior executive positions with Chase Manhattan Bank, Banque Nationale de Paris and National Australia Bank in New York, Europe and Australia.

Mrs Cross holds a Bachelor of Science (Honours) from Georgetown University.

In 2003, Mrs Cross received a Centenary Medal for service to Australian society through the finance industry.

The Board believes that Mrs Cross' considerable experience in the banking and finance industries combined with her experience as a professional director, including as Chairman of Qantas Superannuation Limited from 2002 to 2005, brings significant strength to Qantas and its Board.

Mrs Cross says, "I have very much enjoyed working with the entire team of people that make Qantas such a great airline. I look forward to continuing to make a contribution drawing on my experience gained on a diverse range of boards, and from my executive background in banking and financial services".

The Directors (with Patricia Cross abstaining) recommend that you vote in favour of this Ordinary Resolution.

3.3 James Packer

James Packer retires by rotation and, being eligible, offers himself for re-election as an Independent Non-Executive Director.

James Packer was appointed to the Board in March 2004.

Mr Packer has been Executive Chairman of Publishing and Broadcasting Limited since May 1998 and prior to that was the Chief Executive Officer from March 1996 to May 1998.

Mr Packer is the Executive Chairman of Consolidated Press Holdings Limited. He is also Non-Executive Chairman of SEEK Limited and a Director of Challenger Financial Services Group Limited.

The Board believes that Mr Packer's unique experience and perspective adds significant value and he has proven to be a major contributor to Board deliberations.

Mr Packer says, "It is an honour for me to be a Director of Qantas".

The Directors (with James Packer abstaining) recommend that you vote in favour of this Ordinary Resolution.

3.4 James Strong, AO

James Strong was appointed by the Directors as an Independent Non-Executive Director on 1 July 2006 pursuant to clause 6.5(a) of the Qantas Constitution, which allows the Board to appoint a Director to fill a casual vacancy.

Mr Strong retires as required by clause 6.5(b) of the Qantas Constitution and, being eligible, offers himself for election as an Independent Non-Executive Director.

He is Chairman of the Qantas Remuneration Committee.

Mr Strong was previously the Chief Executive Officer and Managing Director of Qantas between 1993 and March 2001, following an appointment to the Board in 1991.

He is Chairman of Woolworths Limited, Insurance Australia Group Limited (IAG), Rip Curl Group Pty Ltd and the Australian Council for the Arts. He is also involved in other arts and private organisations.

Mr Strong was formerly the Group Chief Executive of the DB Group in New Zealand and National Chairman of Partners of Corrs Chambers Westgarth. He was also Chief Executive Officer of Australian Airlines from December 1985 until September 1989. He has been admitted as a barrister and/or solicitor in various state jurisdictions in Australia.

In 2006, Mr Strong was made an Officer of the Order of Australia.

The Board believes that Qantas is extremely fortunate that Mr Strong accepted its invitation to join the Board. His extensive aviation, commercial, operational and management experience will be a major asset to Qantas shareholders.

Mr Strong says, "I am very pleased to be involved with Qantas as a Non-Executive Director. If I am re-elected, it is my intention to use my background and exposure in aviation to contribute to Board discussions on future strategy and operations".

The Directors (with James Strong abstaining) recommend that you vote in favour of this Ordinary Resolution.

4. QANTAS DEFERRED SHARE PLAN

As shareholders will be aware, the Qantas Deferred Share Plan (Plan) was approved by shareholders at the 2002 AGM. The Plan is designed to deliver to employees an appropriate equity interest in Qantas, and in doing so, align the interests of employees with those of Qantas shareholders to the maximum extent possible.

At the same time the Plan was approved by shareholders, shareholder approval was also obtained under an exception to Australian Stock Exchange Listing Rule 7.1, which restricts (in certain circumstances) the issue of new securities in any year to 15 per cent of issued shares without shareholder approval.

The applicable exception is contained in Listing Rule 7.2 Exception 9. The effect of shareholder approval under that exception is that any issues of securities under the Plan are treated as having been made with the approval of shareholders for the purposes of Listing Rule 7.1. Approval under the exception lasts for three years. Qantas seeks shareholder approval to refresh that approval for a further three years.

In accordance with Listing Rule 7.2 Exception 9, a summary of the key terms of the Plan follows.

Summary of the Plan

The Plan provides a platform for the broader delivery of equity ownership to employees.

The objectives of the Plan are to:

- provide an incentive for the creation of, and focus on, shareholder wealth;
- align the interests of employees with those of Qantas shareholders;
- ensure the remuneration packages of employees are consistent with market practice and provide competitive compensation;
- provide a medium-term incentive for the retention of key employees; and
- support the culture of employee share ownership.

The Board believes that the Plan provides management focus on long-term performance during both upturn and downturn cycles as the employee has a shareholding position to consider.

Under the Terms & Conditions of the Plan:

- Qantas shares and performance rights (which may convert into Qantas shares) may be offered under the Plan (details of offers of shares and performance rights under the Plan in 2006 are contained below);
- the Board has discretion to determine who is offered the opportunity to participate;
- the Board can decide whether to purchase shares on-market or issue new shares; and
- generally, shares are subject to a holding restriction and cannot be traded for two years or as otherwise specified at the time of the relevant award after acquisition by the Participant.

To support the culture of employee share ownership, the Board has determined to implement an employee share purchase program under the Plan. This will allow participation by Executive Directors and permanent employees of Qantas on a salary-sacrifice basis. There will be no discount to the market price for shares acquired under this program.

Non-Executive Directors will also be able to participate in a share purchase program on a fee-sacrifice basis on terms similar to those applying to the employee share purchase under the Plan.

Since the introduction of the Plan in 2002, the following securities have been awarded under the Plan:

- 1,926,659 securities awarded that are no longer subject to applicable holding restrictions;
- 5,559,224 securities awarded that are subject to applicable holding restrictions; and
- 45,084 securities awarded in satisfaction of vested rights that are not subject to applicable holding restrictions.

Voting on the Ordinary Resolution

Ordinary Resolution 4

Qantas will disregard any votes cast on Ordinary Resolution 4 by the Directors and their associates.

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

- i. a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- ii. the person chairing the AGM as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Directors (with Geoff Dixon and Peter Gregg abstaining) recommend that you vote in favour of this Ordinary Resolution.

5. QANTAS DEFERRED SHARE PLAN – EXECUTIVE DIRECTOR PARTICIPATION

Approval Sought

Qantas seeks shareholder approval for the Executive Directors (Geoff Dixon and Peter Gregg) to participate in the Plan. The Plan was first approved by shareholders at the 2002 AGM. Executive Director participation in the Plan under various awards was also approved by shareholders at the 2002, 2003 and 2004 AGMs.

Details of the Qantas Executive Remuneration Philosophy and Objectives can be found from page 54 of the 2006 Annual Report and on the Corporate Governance section of the Qantas website (<http://www.qantas.com.au/info/about/corporateGovernance>). Details of all awards of equity made to the Executive Directors appear in the 2006 Annual Report.

Background

2006 Award of Deferred Shares to Qantas Executives

Qantas includes a medium-term incentive in Executive remuneration, delivered via the offer of deferred shares (Shares).

In relation to the year ended 30 June 2006, Shares will be offered to approximately 1,020 Qantas Executives because Qantas achieved certain "Balanced Scorecard" targets set by the Board in 2005. The Balanced Scorecard targets for the 2006 Award related to:

- Customer Experience – independent customer service survey result;
- Financial Performance – unit cost improvement;
- Operational Performance – Qantas' on-time punctuality performance; and
- People (Safety) – reduction in employee injury rate.

The Board has approved the award of Shares to Qantas Executive General Managers. The Board has also delegated to the Chief Executive Officer authority to determine how many Shares are to be offered to each other participating Executive from an approved "pool". Each Executive is entitled to an "at target" number of Shares which may be increased or decreased depending on their individual performance and contribution during the year. No consideration is payable by participating Executives.

Shares are issued or purchased on-market at the prevailing market price and are held on behalf of each Participant by the Qantas Deferred Share Plan Trustee (Trustee) until the expiry of a specified holding lock period. The holding lock expires on the tenth anniversary from the date of allocation. However, Executives can "call" for the Shares prior to the expiration of the holding lock but not before 1 July 2007 in relation to one-half of the Shares and 1 July 2008 in relation to the remaining Shares awarded in 2006. Upon call or the expiry of the relevant holding lock, Shares will be transferred from the Trustee and registered in the relevant Executive's name.

Any dividends paid on the Shares will be distributed to the relevant Executive.

Generally, any Shares, which remain subject to the holding lock will be forfeited if the relevant Executive ceases employment with the Qantas Group. Shares will also be forfeited if the Executive is guilty of gross misconduct in relation to the Qantas Group.

Background

2006 Award of Performance Rights to Qantas Executives

Qantas includes a long-term incentive in Executive remuneration delivered via the grant of performance rights (Rights). This is also a key element of the Qantas Executive retention strategy.

Subject to achievement of a Board set Performance Hurdle, Rights may be converted (on a one-for-one basis) to Qantas ordinary shares up to ten years after award at no cost. Once the Performance Hurdle is satisfied, Executives can "call" for the Rights to be converted.

The Performance Hurdle set by the Board for the 2006 grant of Rights is the Total Shareholder Return (TSR) of Qantas in comparison to:

- companies with ordinary shares included in the S&P/ASX100 Index in relation to 50 per cent of the Rights; and
- a basket of global listed airlines in relation to the other 50 per cent of the Rights.

The TSR will be first tested as at 30 June 2009 and, if required, the performance period is extended and re-tested every three months over the subsequent two years. The offers of Rights under the Plan allows for limited periodic re-testing of the TSR hurdle because the impacts of long-term decision-making may not neatly coincide with a fixed three year period. It should also be noted that this does not reduce the rigour and performance requirement of the original test.

The Performance Hurdle will be considered satisfied in accordance with the following table:

Qantas TSR Performance Compared to the Relevant Target	Satisfaction of Performance Hurdle
0 to 49th percentile	Nil
50th to 74th percentile	50% to 99% satisfied
75th to 100th percentile	100% satisfied

Generally, any Rights which have not vested will lapse if the relevant Executive ceases employment with the Qantas Group. Rights will also lapse if the Executive is guilty of gross misconduct in relation to the Qantas Group.

Once Rights vest, Qantas shares will be issued or purchased on-market on a one-for-one basis and registered in the name of the relevant Executive.

The detailed conditions of the offers of Shares and Rights under the Plan will be contained in specific Plan Rules, which will be approved by the Board.

Executive Director Participation in the Plan

The Executive Directors, Geoff Dixon and Peter Gregg, are eligible to participate in the Plan and shareholder approval is sought to permit their participation in the award of Shares and Rights.

5. QANTAS DEFERRED SHARE PLAN – EXECUTIVE DIRECTOR PARTICIPATION CONTINUED

5.1 Participation in the Plan by Geoff Dixon

The Board has received independent advice from PricewaterhouseCoopers on the appropriate level of remuneration to be made available to the current Executive Directors. Taking this advice into account, the Board (with Geoff Dixon abstaining) believes it is appropriate and has resolved that, subject to shareholder approval, the Chief Executive Officer, Geoff Dixon, participates in the Plan as set out below.

Deferred Shares

In August 2006, Geoff Dixon signed a new Employment Agreement with Qantas and has agreed to continue as Chief Executive Officer on an ongoing basis. A summary of the key terms of the new Employment Agreement were announced to the market on 8 August 2006. As such, the Board considers it appropriate to seek shareholder approval to offer the Chief Executive Officer awards of Shares for each of the 2007, 2008 and 2009 financial years. This is a three year approval. It is proposed that this will be up to 900,000 Shares for the 2007, 2008 and 2009 financial years (ie. an average of 300,000 Shares per annum). Shareholder approval was obtained to offer up to 150,000 Shares to the Chief Executive Officer in the 2006 financial year at the 2004 AGM.

The target set in relation to these Shares will remain the same as for other Qantas Executives – the achievement of the "Balanced Scorecard" targets referred to earlier. The Board will measure the performance of Qantas Executives and the Chief Executive Officer against these targets. The amount actually offered will be dependent on the Board's assessment of achievement against the specific targets and the Chief Executive Officer's performance against individual Key Performance Indicators (KPIs), particularly in light of the conditions prevailing in the airline industry during that year.

It is proposed that the 2007 Balanced Scorecard set by the Board will relate to similar targets as set by the Board for the 2006 Award which was detailed earlier. It is the Board's current intention that the 2007 Balanced Scorecard will relate to:

- Customer Experience;
- Financial Performance;
- Operational Performance; and
- People (Safety).

Similar Balanced Scorecard targets will be set by the Board for the 2008 and 2009 financial years and these will be disclosed in the relevant Annual Reports.

As such, the Board seeks shareholder approval to offer the Chief Executive Officer a pool of up to 900,000 Shares for the 2007 (2007 Award), 2008 (2008 Award) and 2009 (2009 Award) financial years (ie. an average of 300,000 Shares per annum), dependent on satisfactory achievement of the Balanced Scorecard targets set each year by the Board.

In addition to the above, Geoff Dixon elected to sacrifice his cash incentive payable to him in respect of the 2005/06 financial year (Bonus) into Shares under the Plan. All Shares were acquired on-market. The Board is not required to seek nor seeks shareholder approval in relation to the Chief Executive Officer's election to sacrifice this Bonus into Shares.

Performance Rights

Shareholders are also requested to approve the award of up to 900,000 Rights to the Chief Executive Officer. This is a three year approval.

It is proposed that the Board will offer Geoff Dixon an annual grant of Rights at an average of 300,000 Rights per annum at the beginning of the 2007, 2008 and 2009 financial years. Each tranche will be subject to separate Performance Hurdles.

It is proposed that the Performance Hurdle will be the same as that applied to any offer of Rights to Qantas Executives. The 2006 TSR based Performance Hurdle was described above.

It is intended that the Performance Hurdle for the 2007, 2008 and 2009 offers will also be TSR based. Whilst the Board has retained the discretion to review the Performance Hurdles applicable to each offer of Rights, it is the Board's current intention that the Performance Hurdle relevant to each offer will be the TSR of Qantas in comparison to:

- companies with ordinary shares included in the S&P/ASX100 Index in relation to 50 per cent of the Rights; and
- a basket of global listed airlines in relation to the other 50 per cent of the Rights.

These Performance Hurdles will be disclosed in the relevant Annual Report.

Each Performance Hurdle will be first tested as at 30 June, three years after grant and, if required, re-tested every three months over the subsequent two years.

If Qantas terminates Mr Dixon's Employment Agreement, any unvested Rights outstanding at that time will remain in force as if Mr Dixon was still an employee, subject to two further conditions:

- there will be a pro-rata lapse of awards at termination for the part of the Performance Period (being the three year period commencing from 1 July in the year of award) under each award that remains unserved at termination; and
- any awards for which less than 18 months of the Performance Period relating to that award has been served will lapse in full.

Generally, any Rights which have not vested will lapse if the Chief Executive Officer resigns, however the Board may elect to allow vesting of the Rights under special circumstances, eg. total and permanent disablement or death. Rights will also lapse if the Chief Executive Officer is guilty of gross misconduct in relation to the Qantas Group.

To the extent the Performance Hurdles are met, Rights will be converted into Qantas shares which will be issued or purchased on-market and registered in Mr Dixon's name.

It is the Board's current intention that the shares will be acquired on-market.

Further Information

Under Listing Rule 10.14, no director can acquire securities under an employee incentive scheme without shareholder approval. Whilst this requirement does not apply in respect of securities purchased on-market (and although it is the Board's current intention that Shares will be acquired on-market), the Board nevertheless wishes to seek approval for the acquisition of both Shares and Rights by the Chief Executive Officer.

In accordance with the Listing Rules, the following information is provided for shareholders:

- i. shareholders are requested to approve the acquisition for the Chief Executive Officer, Geoff Dixon, under the Plan, of up to 900,000 Shares (subject to the satisfaction of the relevant Balanced Scorecard targets described above) and the award of up to 900,000 Rights (which Rights, subject to satisfaction of relevant Performance Hurdles, convert one-for-one into Qantas shares);
- ii. under the Terms & Conditions and Rules of the Plan, the Rights will be granted to Geoff Dixon at no cost and the Shares will be issued or purchased on-market at the prevailing market price at no cost to Geoff Dixon;
- iii. subject to the Terms & Conditions and Rules of the Plan, any Shares to be offered under the 2007 Award, will not generally be able to be sold or otherwise dealt with until after:
 - (a) 30 June 2008 in respect of up to half of the Shares; and
 - (b) 30 June 2009 in respect of the remaining Shares;
- iv. subject to the Terms & Conditions and Rules of the Plan, any Shares to be offered under the 2008 Award, will not generally be able to be sold or otherwise dealt with until after:
 - (a) 30 June 2009 in respect of up to half of the Shares; and
 - (b) 30 June 2010 in respect of the remaining Shares;
- v. subject to the Terms & Conditions and Rules of the Plan, any Shares to be offered under the 2009 Award, will not generally be able to be sold or otherwise dealt with until after:
 - (a) 30 June 2010 in respect of up to half of the Shares; and
 - (b) 30 June 2011 in respect of the remaining Shares;
- vi. upon satisfaction of the Performance Hurdles set by the Board and the expiration of a holding lock period (which is determined by the Terms & Conditions and Rules of the Plan and each relevant award), the Rights will vest and the Chief Executive Officer will be entitled to convert each vested Right for one Qantas share;
- vii. no loan will be made by Qantas in connection with the acquisition of Shares or Rights by the Chief Executive Officer;
- viii. the Executive Directors (Geoff Dixon and Peter Gregg) are the only persons referred to in Listing Rule 10.14 entitled to receive an award of Shares and Rights under the Plan;
- ix. details of any Shares or Rights purchased, issued or granted under the Plan to Geoff Dixon will be published in each Annual Report relating to the period in which the securities have been purchased, issued or granted and that approval for the purchase, issue or grant of securities was obtained under Listing Rule 10.14;
- x. any additional persons (for whom shareholder approval is required) who become entitled to participate in the Plan after the Ordinary Resolution 5.1 is approved and who are not named in the Notice of Meeting, will not participate in the Plan until approval is obtained under Listing Rule 10.14;
- xi. the following Shares and Rights have been awarded to the Executive Directors under the Plan since shareholder approval was last obtained at the 2004 AGM:
 - (a) Chief Executive Officer, Geoff Dixon:
 - (i) 150,000 Shares allocated on 21 October 2004 with all of the Shares having a holding lock period until 21 October 2014. However, Geoff Dixon can request that the holding lock be removed after 30 June 2005 for 75,000 Shares and after 30 June 2006 for the remaining Shares (the acquisition price for the purchase of these Shares was \$3.68);
 - (ii) 150,000 Shares allocated on 17 August 2005 with all of the Shares having a holding lock period until 17 August 2015. However, Geoff Dixon can request that the holding lock be removed after 30 June 2006 for 75,000 Shares and after 30 June 2007 for the remaining Shares (acquisition price of \$3.38);
 - (iii) 142,500 Shares allocated on 22 August 2006 with all of the Shares having a holding lock period until 22 August 2016. However, Geoff Dixon can request that the holding lock be removed after 30 June 2007 for all Shares (acquisition price of \$3.49); and
 - (iv) 450,000 Rights granted on 21 October 2004 which may vest on or after 30 June 2007 subject to the satisfaction of specific Performance Hurdles; and
 - (b) Chief Financial Officer, Peter Gregg:
 - (i) 90,000 Shares allocated on 21 October 2004 with all of the Shares having a holding lock period until 21 October 2014. However, Peter Gregg can request that the holding lock be removed after 30 June 2005 for 45,000 Shares and after 30 June 2006 for the remaining Shares (the acquisition price for the purchase of these Shares was \$3.68);
 - (ii) 90,000 Shares allocated on 17 August 2005 with all of the Shares having a holding lock period until 17 August 2015. However, Peter Gregg can request that the holding lock be removed after 30 June 2006 for 45,000 Shares and after 30 June 2007 for the remaining Shares (acquisition price of \$3.38);
 - (iii) 85,500 Shares allocated on 22 August 2006 with all of the Shares having a holding lock period until 22 August 2016. However, Peter Gregg can request that the holding lock be removed after 30 June 2007 for 42,750 Shares and after 30 June 2008 for the remaining Shares (acquisition price of \$3.49);
 - (iv) 90,000 Rights granted on 21 October 2004 which may vest on or after 30 June 2007 subject to the satisfaction of specific Performance Hurdles; and
 - (v) 90,000 Rights granted on 17 August 2005 which may vest on or after 30 June 2008 subject to the satisfaction of specific Performance Hurdles;

5. QANTAS DEFERRED SHARE PLAN – EXECUTIVE DIRECTOR PARTICIPATION CONTINUED

The Shares referred to in paragraphs (a) and (b) above were purchased on-market at the prevailing market price at no cost to Geoff Dixon or Peter Gregg; and

- xii. it is expected that Shares for Geoff Dixon will be acquired under this approval by no later than 30 September 2009 except for shares acquired upon the conversion of Rights. In any event, no Shares will be acquired and no Rights granted under this approval later than three years after the date of the 2006 AGM.

5.2 Participation in the Plan by Peter Gregg

The Board has received independent advice from PricewaterhouseCoopers on the appropriate level of remuneration to be made available to the current Executive Directors. Taking this advice into account, the Board (with Peter Gregg abstaining) believes it is appropriate and has resolved that, subject to shareholder approval, the Chief Financial Officer, Peter Gregg, participates in the Plan as set out below.

Deferred Shares

In August 2006, Peter Gregg signed a new Employment Agreement with Qantas and has agreed to continue as Chief Financial Officer on an ongoing basis. A summary of the key terms of the new Employment Agreement were announced to market on 8 August 2006. As with the request for the Chief Executive Officer, the Board considers it appropriate to request shareholders to approve a three year award of Shares to the Chief Financial Officer. The Board seeks shareholder approval to offer the Chief Financial Officer awards of Shares for each of the 2007, 2008 and 2009 financial years. It is proposed that this will be up to 300,000 Shares for the 2007, 2008 and 2009 financial years (ie. an average of 100,000 Shares per annum). Shareholder approval was obtained to offer up to 90,000 Shares to the Chief Financial Officer in the 2006 financial year at the 2004 AGM.

The target set in relation to these Shares will remain the same as for other Qantas Executives – the achievement of the "Balanced Scorecard" targets referred to earlier. The Board will measure the performance of Qantas Executives and the Chief Financial Officer against these targets. The amount actually offered will be dependent on the Board's assessment of achievement against the specific targets and the Chief Financial Officer's performance against individual KPIs, particularly in light of the conditions prevailing in the airline industry during that year.

The proposed 2007 Balanced Scorecard that will be set by the Board was detailed earlier.

Similar Balanced Scorecard targets will be set by the Board for the 2008 and 2009 financial years and these will be disclosed in the relevant Annual Reports.

In addition to the above, the Board has approved, subject to shareholder approval, the award of 400,000 Shares to the Chief Financial Officer as a retention incentive. Shares will be issued or purchased on-market at the prevailing market price and will be held on behalf of the Chief Financial Officer by the Trustee until the expiry of a three year holding restriction. Award of these Shares is subject to the Chief Financial Officer achieving his personal KPIs and remaining an employee until 30 June 2009. This

award is consistent with the Executive Remuneration Philosophy in the 2005 Annual Report, which stated that "selected Executives may be also invited to participate in a deferred cash retention scheme, involving operational performance objectives and a deferral period typically of between three and five years." It is proposed that Shares be offered to the Chief Financial Officer rather than deferred cash as the Shares provide a more restrictive variant of the retention program involving share price exposure as well as the holding restriction and the achievement of KPIs.

As such, the Board seeks shareholder approval to offer the Chief Financial Officer:

- a pool of up to 300,000 Shares for the 2007 (2007 Award), 2008 (2008 Award) and 2009 (2009 Award) financial years (ie. an average of 100,000 Shares per annum), dependent on satisfactory achievement of the Balanced Scorecard targets set each year by the Board; and
- 400,000 Shares (Retention Award) to be held on behalf of the Chief Financial Officer by the Trustee until the expiry of a three year holding restriction.

Performance Rights

Shareholders are also requested to approve the award of up to 300,000 Rights to the Chief Financial Officer. This is also a three year approval.

It is proposed that the Board will offer Peter Gregg an annual grant of Rights at an average of 100,000 Rights per annum at the beginning of the 2007, 2008 and 2009 financial years. Each tranche will be subject to separate Performance Hurdles.

For the 2007 financial year, following Mr Gregg entering into a new Employment Agreement, this award of up to 100,000 Rights is proposed to replace the previous approval of up to 90,000 Rights relating to this year.

It is proposed that the Performance Hurdle will be the same as that applied to any offer of Rights to Qantas Executives. The 2006 TSR based Performance Hurdle was described above.

It is intended that the Performance Hurdle for the 2007, 2008 and 2009 offers will also be TSR based. The Board's current intention in respect of the Performance Hurdles for each offer of Rights in the 2007, 2008 and 2009 financial years was described above. These Performance Hurdles will be disclosed in the relevant Annual Report.

Each Performance Hurdle will be first tested as at 30 June, three years after grant and, if required, re-tested every three months over the subsequent two years.

Generally, any Rights which have not vested will lapse if the Chief Financial Officer ceases employment with the Qantas Group however the Board may elect to allow vesting of the Rights under special circumstances, eg. total and permanent disablement or death. Rights will also lapse if the Chief Financial Officer is guilty of gross misconduct in relation to the Qantas Group.

To the extent the Performance Hurdles are met, Rights will be converted into Qantas shares which will be issued or purchased on-market and registered in Mr Gregg's name.

It is the Board's current intention that the shares will be acquired on-market.

Further Information

Under Listing Rule 10.14, no director can acquire securities under an employee incentive scheme without shareholder approval. Whilst this requirement does not apply in respect of securities purchased on-market (and although it is the Board's current intention that Shares will be acquired on-market), the Board nevertheless wishes to seek approval for the acquisition of both Shares and Rights by the Chief Financial Officer.

In accordance with the Listing Rules, the following information is provided for shareholders:

- i. shareholders are requested to approve the acquisition for the Chief Financial Officer, Peter Gregg, under the Plan, of up to 700,000 Shares subject to the satisfaction of the relevant Balanced Scorecard targets, and the award of up to 300,000 Rights (which Rights, subject to satisfaction of relevant Performance Hurdles, convert one-for-one into Qantas shares);
- ii. under the Terms & Conditions and Rules of the Plan, the Rights will be granted to Peter Gregg at no cost and the Shares will be issued or purchased on-market at the prevailing market price at no cost to Peter Gregg;
- iii. subject to the Terms & Conditions and Rules of the Plan, any Shares to be offered under the 2007 Award, will not generally be able to be sold or otherwise dealt with until after:
 - (a) 30 June 2008 in respect of up to half of the Shares; and
 - (b) 30 June 2009 in respect of the remaining Shares;
- iv. subject to the Terms & Conditions and Rules of the Plan, any Shares to be offered under the 2008 Award, will not generally be able to be sold or otherwise dealt with until after:
 - (a) 30 June 2009 in respect of up to half of the Shares; and
 - (b) 30 June 2010 in respect of the remaining Shares;
- v. subject to the Terms & Conditions and Rules of the Plan, any Shares to be offered under the 2009 Award, will not generally be able to be sold or otherwise dealt with until after:
 - (a) 30 June 2010 in respect of up to half of the Shares; and
 - (b) 30 June 2011 in respect of the remaining Shares;
- vi. subject to the Terms & Conditions and Rules of the Plan, any Shares to be offered under the Retention Award will not generally be able to be sold or otherwise dealt with until after three years from the date of allocation;
- vii. upon satisfaction of the Performance Hurdles set by the Board and the expiration of the holding lock period (which is determined by the Terms & Conditions and Rules of the Plan and each relevant award), the Rights will vest and the Chief Financial Officer will be entitled to convert each vested Right for one Qantas share;
- viii. no loan will be made by Qantas in connection with the acquisition of Shares or Rights by the Chief Financial Officer;
- ix. the Executive Directors (Geoff Dixon and Peter Gregg) are the only persons referred to in Listing Rule 10.14 entitled to receive an award of Shares and Rights under the Plan;
- x. details of any Shares or Rights purchased, issued or granted under the Plan to Peter Gregg will be published in each Annual Report relating to the period in which the securities have been purchased, issued or granted and that the approval for the purchase, issue or grant of securities was obtained under Listing Rule 10.14;
- xi. any additional persons (for whom shareholder approval is required) who become entitled to participate in the Plan after Ordinary Resolution 5.2 is approved and who are not named in the Notice of Meeting, will not participate in the Plan until approval is obtained under Listing Rule 10.14;
- xii. the following Shares and Rights have been awarded to the Executive Directors under the Plan since shareholder approval was last obtained at the 2004 AGM:
 - (a) Chief Executive Officer, Geoff Dixon:
 - (i) 150,000 Shares allocated on 21 October 2004 with all of the Shares having a holding lock period until 21 October 2014. However, Geoff Dixon can request that the holding lock be removed after 30 June 2005 for 75,000 Shares and after 30 June 2006 for the remaining Shares (the acquisition price for the purchase of these Shares was \$3.68);
 - (ii) 150,000 Shares allocated on 17 August 2005 with all of the Shares having a holding lock period until 17 August 2015. However, Geoff Dixon can request that the holding lock be removed after 30 June 2006 for 75,000 Shares and after 30 June 2007 for the remaining Shares (acquisition price of \$3.38);
 - (iii) 142,500 Shares allocated on 22 August 2006 with all of the Shares having a holding lock period until 22 August 2016. However, Geoff Dixon can request that the holding lock be removed after 30 June 2007 for all Shares (acquisition price of \$3.49); and
 - (iv) 450,000 Rights granted on 21 October 2004 which may vest on or after 30 June 2007 subject to the satisfaction of specific Performance Hurdles; and

5. QANTAS DEFERRED SHARE PLAN – EXECUTIVE DIRECTOR PARTICIPATION CONTINUED

- (b) Chief Financial Officer, Peter Gregg:
- (i) 90,000 Shares allocated on 21 October 2004 with all of the Shares having a holding lock period until 21 October 2014. However, Peter Gregg can request that the holding lock be removed after 30 June 2005 for 45,000 Shares and after 30 June 2006 for the remaining Shares (the acquisition price for the purchase of these Shares was \$3.68);
 - (ii) 90,000 Shares allocated on 17 August 2005 with all of the Shares having a holding lock period until 17 August 2015. However, Peter Gregg can request that the holding lock be removed after 30 June 2006 for 45,000 Shares and after 30 June 2007 for the remaining Shares (acquisition price of \$3.38);
 - (iii) 85,500 Shares allocated on 22 August 2006 with all of the Shares having a holding lock period until 22 August 2016. However, Peter Gregg can request that the holding lock be removed after 30 June 2007 for 42,750 Shares and after 30 June 2008 for the remaining Shares (acquisition price of \$3.49);
 - (iv) 90,000 Rights granted on 21 October 2004 which may vest on or after 30 June 2007 subject to the satisfaction of specific Performance Hurdles; and
 - (v) 90,000 Rights granted on 17 August 2005 which may vest on or after 30 June 2008 subject to the satisfaction of specific Performance Hurdles;

The Shares referred to in paragraphs (a) and (b) above were purchased on-market at the prevailing market price at no cost to Geoff Dixon or Peter Gregg; and

- xiii. it is expected that Shares for Peter Gregg will be acquired under this approval by no later than 30 September 2009 except for shares acquired upon the conversion of Rights. In any event, no Shares will be acquired and no Rights granted under this approval later than three years after the date of the 2006 AGM.

VOTING ON THE ORDINARY RESOLUTIONS

Ordinary Resolutions 5.1 and 5.2

Qantas will disregard any votes cast on Ordinary Resolutions 5.1 and 5.2 by the Directors and their associates.

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

- i. a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- ii. the person chairing the AGM as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Directors (with Geoff Dixon and Peter Gregg abstaining) recommend that you vote in favour of Ordinary Resolutions 5.1 and 5.2.

6. REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report set out in the 2006 Qantas Annual Report. The Report:

- explains Qantas' Executive Remuneration Philosophy and Objectives and the link between the remuneration of employees and Qantas' performance;
- sets out remuneration details for each Director and for each named Executive; and
- makes clear that the basis for remunerating Non-Executive Directors is distinct from the basis for remunerating Executives, including Executive Directors.

The Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the Remuneration Report. An Advisory Resolution that the Remuneration Report is adopted will then be put to the vote.

While there is no legal requirement to abstain from voting, Qantas believes it appropriate that none of the Directors, the named Executives or their associates should vote on this Advisory Resolution, except as directed by any proxies.

The Directors recommend that you vote in favour of this Advisory Resolution.

If you have any questions relating to any issue to be considered at the AGM, please call me on 61 2 9691 4262 prior to the AGM.

Yours sincerely



Cassandra Hamlin
Acting Company Secretary

Enclosures

Enclosed with this letter are:

- i. the Notice of Meeting;
- ii. a Proxy Form to be completed if you would like to be represented at the AGM by proxy. An electronic proxy facility is also available to shareholders via the Qantas website (<http://www.qantas.com.au/info/about/investors/agms>);
- iii. an AGM Question Form to be completed if you would like a specific question to be addressed by the Chairman or Auditor at the AGM; and
- iv. a reply paid envelope for you to return either or both the Proxy Form and AGM Question Form.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Qantas Airways Limited will be held:

Date: Thursday, 19 October 2006 **Time:** 2:00pm **Venue:** City Recital Hall, Angel Place, Sydney.

BUSINESS

1. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Audit Report of Qantas Airways Limited for the financial year ended 30 June 2006.

2. QUESTIONS AND COMMENTS

Shareholders will be given a reasonable opportunity to ask questions about or comment on the management and audit of Qantas.

3. ELECTION OF DIRECTORS

3.1 Peter Gregg

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That, Peter Gregg, an Executive Director retiring in accordance with the Constitution, being eligible, is re-elected as an Executive Director of Qantas Airways Limited."

3.2 Patricia Cross

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That, Patricia Cross, a Non-Executive Director retiring in accordance with the Constitution, being eligible, is re-elected as a Non-Executive Director of Qantas Airways Limited."

3.3 James Packer

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That, James Packer, a Non-Executive Director retiring in accordance with the Constitution, being eligible, is re-elected as a Non-Executive Director of Qantas Airways Limited."

3.4 James Strong, AO

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That, James Strong, a Non-Executive Director appointed by the Directors on 1 July 2006 pursuant to clause 6.5(a) of the Constitution and retiring in accordance with the Constitution, being eligible, is elected as a Non-Executive Director of Qantas Airways Limited."

4. QANTAS DEFERRED SHARE PLAN

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That the Qantas Deferred Share Plan (DSP) described in the explanatory letter accompanying the 2006 Notice of Meeting is approved for all purposes (including so as to qualify as an exception to Listing Rule 7.1 for the issue of shares to employees or Directors of Qantas and its subsidiaries in accordance with the terms of the DSP)."

5. QANTAS DEFERRED SHARE PLAN – EXECUTIVE DIRECTOR PARTICIPATION

5.1 Participation in the Qantas Deferred Share Plan by Geoff Dixon

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That, pursuant to Listing Rule 10.14 and under the Terms & Conditions of the Qantas Deferred Share Plan (DSP), Geoff Dixon, the Chief Executive Officer, is permitted to participate in the DSP as is contemplated by the explanatory letter accompanying the 2006 Notice of Meeting."

5.2 Participation in the Qantas Deferred Share Plan by Peter Gregg

To consider and, if thought appropriate, pass the following Ordinary Resolution:

"That, pursuant to Listing Rule 10.14 and under the Terms & Conditions of the Qantas Deferred Share Plan (DSP), Peter Gregg, the Chief Financial Officer, is permitted to participate in the DSP as is contemplated by the explanatory letter accompanying the 2006 Notice of Meeting."

6. REMUNERATION REPORT

To consider and, if thought appropriate, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 30 June 2006 (set out in the Directors' Report) is adopted."

Dated: 14 September 2006

By Order of the Board



Cassandra Hamlin
Acting Company Secretary

Notes:

- 1 A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Shareholders can appoint a body corporate as well as an individual as their proxy. A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at general meetings of Qantas or in the capacity of a shareholder's proxy at general meetings of Qantas. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a general meeting or in voting on a resolution.
- 2 A shareholder who appoints two proxies may state on the Proxy Form what proportion or number of the shareholder's votes each proxy is being appointed to exercise. If a shareholder appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, each of the proxies may exercise half the shareholder's votes.
- 3 If a shareholder has appointed two proxies, when a resolution is decided on a show of hands, only the first person named on the Proxy Form may vote. If two Proxy Forms have been completed, the person whose name is earlier in alphabetical sequence may vote.
- 4 A proxy need not be a shareholder of Qantas.
- 5 Either the original, facsimile or electronic transmission of the Proxy Form(s) and any Power of Attorney or authority under which they are signed must be received at least 48 hours prior to the AGM (ie by no later than 2:00pm on Tuesday, 17 October 2006) or any adjournment. Any Proxy Form received after this deadline, including at the AGM, will be invalid.
- 6 A Proxy Form accompanies this Notice of Meeting.
- 7 Additional Proxy Forms will be supplied by the Qantas Share Registry on request.
- 8 An electronic proxy facility is also available to shareholders via the Qantas website, www.qantas.com.au/info/about/investors/agms.
- 9 If a corporate representative is to attend the AGM on behalf of a corporation, a formal Notice of Appointment must be brought to the AGM.
- 10 In accordance with Regulation 7.11.37 of the Corporations Regulations, the Board has determined that a person's entitlement to vote at the AGM will be the entitlement of that person set out in the register of shareholders as at 7:00pm (Sydney time) on Tuesday, 17 October 2006. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the AGM.
- 11 If you wish a question to be put to the Chairman or Auditor and you are not able to attend the AGM, please complete the Question Form which is attached to this Notice of Meeting.
- 12 Either the original or a facsimile transmission of the Question Form must be received at least five business days prior to the AGM (ie by no later than 5:00pm on Thursday, 12 October 2006) or any adjournment. This is to allow time to collate questions and to prepare answers.

Registered Office

Qantas Airways Limited
Qantas Centre, Level 9 Building A, 203 Coward Street
Mascot NSW 2020 Australia

Phone 61 2 9691 3636 Fax 61 2 9691 3339

Qantas Share Registry

Level 12, 680 George Street, Sydney NSW 2000 Australia
Locked Bag A14 Sydney South NSW 1235 Australia

Toll Free 1800 177 747 International 61 2 8280 7390
Fax 61 2 9287 0309 Email registry@qantas.com Website qantas.com



Qantas Airways Limited ABN 16 009 661 901

qantas.com