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Dear ASX Shareholder

Court approves SFE shareholders meeting to consider proposed merger with ASX

The purpose of this letter is to provide you with an update and further details on the proposed merger of SFE with ASX.

The proposed merger will create the 9th largest listed global exchange by market capitalisation[1]. The merger is a strategic merger which will provide ASX with a broader range of product, deeper management expertise and greater financial and operational scale.

Under the terms of the proposed merger, SFE shareholders will receive 0.51 ASX shares per SFE share or $2.58 cash per SFE share plus a variable ratio of ASX shares per SFE share such that the value of the cash and scrip alternative is equivalent to the all scrip proposal, immediately prior to the scheme meeting.

ASX considers that the proposed merger is in the best interests of the shareholders of ASX.

Approvals for Merger

The Federal Court on 29 May 2006 set the date for the meeting at which shareholders of SFE will vote on the scheme of arrangement for the merger of SFE with ASX. The meeting will be held on 5 July 2006.

For the proposed merger to be implemented, a majority in number (more than 50%) of SFE shareholders present and voting and at least 75% of the SFE shares voted must be in favour of the scheme. The SFE Board is unanimously recommending the merger to SFE shareholders. The scheme must also be approved by the Federal Court.

The proposed merger does **not** require the approval of ASX shareholders.

[1] Based on closing prices on 24 May 2006.

The scheme booklet will be mailed to SFE shareholders later this week. Should ASX shareholders wish to receive a copy of the scheme booklet, a copy may be downloaded from ASX's web site (asx.com.au) or, after Friday 2 June 2006, by request by telephoning our information line on (02) 8280 7111.

Conditions to the merger include obtaining clearance from the Australian Competition and Consumer Commission and the approval of the Federal Treasurer. On 24 May 2006, the ACCC condition was satisfied.

If the remaining approvals from the Treasurer and the Federal Court are obtained and the SFE shareholders approve the merger, it should become effective on or about 11 July 2006.

ASX Dividend for this Half Year

Consistent with its present dividend policy, ASX intends to pay a dividend for the 6 month period to 30 June 2006 equal to 90% of normalised net profit after tax. If the merger proceeds, the ASX dividend will be paid earlier than normal this year. It is expected that the dividend will be announced on or about 7 July 2006, the record date will be on or about 18 July 2006 (the same record date as for the scheme of arrangement) and the dividend will be paid on or about 9 August 2006.

If SFE shareholders do not approve the merger, then ASX's dividend will be announced on or about 17 August 2006 and paid in the normal course in September.

Merger Benefits

Further to the announcement of 27 March 2006, ASX expects that over the medium term the merger should generate sufficient earnings, subject to the level of trading volumes and extraction of synergies, to be normalised earnings per share[2] positive (before one-off costs to extract synergies and any amortisation of intangible assets created through the acquisition) in calendar year 2008 for ASX shareholders. This expectation is based on ASX's outlook for SFE's trading volumes and the synergies ASX expects to generate from the merger. In particular:

- ASX expects to achieve gross pre-tax cost synergies for the merged group in the order of $14 million to $18 million for the year ended 30 June 2008.

  The one-off integration costs associated with extracting these synergy benefits are expected to be incurred in the earlier years[3]. ASX expects these to amount to approximately $18 - $20 million for the 2 years ending 30 June 2008.

- ASX also expects that the merger will create further potential for revenue benefits in the medium to longer term (as set out in section 6.5 of the scheme booklet) such as from increases in the level of SPI trading and possible new product innovations.

- ASX notes that in the 4 months to 30 April 2006, exchange traded derivatives volume on SFE totalled 24.0 million contracts, an increase of approximately 24%

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2 Normalised earnings per share is calculated by dividing the normalised net profit for the reporting period by the weighted average number of ordinary shares of the company.

3 These one-off integration costs will be treated as significant items and therefore will be excluded from normalised net profit after tax.

versus the comparable period in 2005. March 2006 was a record month for SFE volumes with 8.74 million contracts traded.

- The above earnings per share expectations are based on assumptions concerning growth in SFE's trading volumes that are in a range below the compound annual growth rates experienced over the three years to 31 December 2005.

While historical trading volumes are no guarantee of the future level or growth in trading volumes, ASX has no reason to believe that the recent growth rates of SFE's volumes will not continue over the short to medium term. However, ASX can offer no assurance on the future level of trading volumes. While ASX believes that the level of synergies stated above can be achieved, ASX has not as yet been able to conduct an extensive analysis of the SFE business so it can give no assurance that the level of synergies will in fact be achieved.

The future performance of the merged group's businesses is subject to a number of known and unknown risks and other factors that may impact on ASX's actual results following the merger, including the risk factors set out in section 6.6 of the scheme booklet.[4]

ASX Board Composition

If the merger is approved, Mr Rick Holliday-Smith, Dr Stephen Grenville and Mr Peter Warne will join the ASX board. Each of Messrs Holliday-Smith, Grenville and Warne will bring extensive capital markets, payments system and derivatives experience to the ASX Board.

ASX believes that an appropriate Board size for the merged group in the short to medium term is 10 directors. With the addition of the 3 new directors, there will be 12 directors but ASX anticipates that a Board size of 10 will be achieved through retirements of 2 existing ASX directors leading up to the 2006 Annual General Meeting.

ASX capital management initiative

As previously announced, if the merger is successful ASX intends to undertake a capital management initiative of $100 million cash to be offered to shareholders after the merger becomes effective. The precise mechanism for undertaking the capital management initiative will be settled by ASX after obtaining external tax advice. Any shareholder approvals required are expected to be obtained at ASX's 2006 Annual General Meeting.

This initiative will replace the $50 million return of capital announced on 17 February 2006. As a result, ASX will no longer hold the previously announced Extraordinary General Meeting originally planned for early June. If the merger is not approved, ASX will

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4 These risk factors include both general risks, such as economic conditions, movements in interest rates and changes in government, fiscal and monetary policies, and specific risks relating to the operation of the merged group's business. These risk factors could affect future results of ASX following implementation of the merger, causing these results to differ materially from those expressed or implied in the statements in this letter. These factors are not necessarily all of the important factors that could cause actual results to differ from those expressed in this letter. Of course, other unknown or unpredictable factors could also have material adverse effects on future results of ASX following implementation of the merger. This is because, amongst other things, the performance of ASX is dependent on market conditions. Those market conditions are affected by a range of unpredictable factors. As a result of such factors, the merged group may not achieve its anticipated synergy benefits and actual trading outcomes may differ from the assumptions made in this letter.

proceed with the previously announced $50 million return of capital after obtaining external tax advice. Any shareholder approvals required are expected to be obtained at ASX's 2006 Annual General Meeting.

ASX Shareholder Information Line

We trust this update is useful to you in understanding why your Board is proposing the merger with SFE and will assist with your dividend planning.

If you have any further queries then we invite you to call our shareholder information line on (02) 8280 7111.

Yours sincerely

Maurice L Newman AC	Tony D'Aloisio
Chairman	Managing Director and CEO