



27 March 2006

**AUSTRALIAN STOCK EXCHANGE LIMITED
AND
SFE CORPORATION LIMITED
ANNOUNCE MERGER PROPOSAL**

Australian Stock Exchange Limited (“ASX”) and SFE Corporation Limited (“SFE”) today announced an agreed proposal to merge their businesses and create the leading financial markets exchange in the Asia-Pacific region. It will be the 9th largest listed exchange group globally and represents an important milestone in the development of Australia’s capital markets.

The Board of SFE unanimously recommends that all SFE shareholders support and accept the merger proposal, in the absence of a superior proposal. Board members intend to vote in favour of the proposal.

The merger proposal

Under the terms of the proposed merger, to be effected by a scheme of arrangement, SFE shareholders will receive 0.51 ASX shares per SFE share. The proposal values¹ SFE ordinary shares at \$16.93. This represents a 25% premium to the volume weighted average SFE share price for the period 10 to 21 March 2006. This also represents a 21% premium to an exchange ratio calculated using the twelve month volume weighted average ASX share price and the twelve month volume weighted average SFE share price.

Alternatively, SFE shareholders will be able to receive \$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.

Following the merger, ASX intends to undertake a capital management initiative of up to \$100 million in cash to all existing and new shareholders, subject to tax advice and any necessary approvals. This will exceed and supersede ASX’s previously announced \$50 million capital return.

¹ On the basis of ASX’s volume weighted average price for the period 10 to 21 March 2006 of \$33.19

Regulatory approvals

Conditions to the merger proposal include clearance by the Australian Competition and Consumer Commission (“ACCC”) and the approval of the Federal Treasurer. In relation to the ACCC, the attached letter sets out its position at this point.

Governance and management

Mr Rick Holliday-Smith and two non-executive directors from SFE will join the Board of ASX, adding valuable experience to the Board. The current Chairman of ASX, Mr Maurice Newman AC, will be Chairman of the combined group.

The current Managing Director and CEO of ASX, Mr Tony D’Aloisio, will be the Managing Director and CEO of the combined group. Mr Robert Elstone will continue as Managing Director and CEO of SFE until completion of the merger.

Key SFE executives will be retained by the merged group.

Merger rationale – a great strategic fit

Global financial markets are growing and innovating rapidly. There is an increasing trend worldwide towards exchange consolidation. The combined group will have a broader product mix and greater financial and operational scale than either entity can expect to possess alone.

SFE’s Managing Director and CEO, Mr Robert Elstone, said: “This is a great opportunity to enhance Australian capital markets, driving liquidity and market efficiencies to the benefit of all participants and shareholders.”

SFE’s Chairman, Mr Rick Holliday-Smith, said: “SFE has provided substantial benefits to its stakeholders since its demutualisation in August 2000. A merger with the ASX on the terms proposed is a logical progression and is supported by the SFE Board.”

ASX’s Chairman, Mr Maurice Newman AC, said: “The logic supporting this initiative is compelling. The businesses uniquely complement each other. Combined, they create the leading, integrated financial markets exchange in the Asia-Pacific region, able to punch above its weight in the global capital markets. This merger will have significant benefits for both sets of shareholders and all market participants, and the time is now right.”

ASX’s Managing Director and CEO, Mr Tony D’Aloisio, said: “This is a strategic merger which will deliver a broader range of product, deeper management expertise and greater financial scale. We congratulate SFE’s Board and CEO for what they have achieved at SFE in growing a great company.”

The Australian financial markets have grown strongly. Between 2002 and 2005 the level of trading activity on ASX and SFE grew at a compound annual rate of 21%² and 20%, respectively.

² Based on volumes of equity transactions

The Boards of both companies believe the combination of these two exchanges, creating a unified market place, should benefit shareholders and market participants.

Key outcomes

The merged company will be owned up to 40.2% by former SFE shareholders and 59.8% by existing ASX shareholders³.

Based on current market values, the merged group would be valued at up to \$5.3 billion, placing it around 50th in rank of the largest companies listed on ASX⁴.

Benefits for ASX and SFE shareholders

- Participation in a larger entity, financially and operationally
- A critical mass upon which to expand equity and equity index futures business including an improved environment for trading in the SPI contract
- Better positioning the combined group to participate in global and regional exchange consolidation
- Access to synergies
- A combination of two complementary businesses with minimal product duplication
- A better platform for product innovation
- ASX intends to retain its dividend pay-out policy of 90% for the merged entity and expects dividends will be fully franked

Benefits to existing ASX shareholders

The ASX Board sees the following benefits for ASX shareholders:

- Provides a scale entry into the interest rate derivatives market and a new revenue stream
- Access to a team of proven leaders in derivatives exchange management in SFE
- Expected to be EPS positive in calendar year 2008, subject to volumes in financial markets and the progress of integration

Benefits to existing SFE shareholders

The SFE Board sees the following benefits for SFE shareholders:

- Strong premium to recent share price performance
- Expected to be strongly EPS positive in the first year on a SFE share equivalent basis
- Increased dividend payout ratio for merged entity
- Provide a scale entry into cash equities

³ Assuming all SFE shareholders accept the all scrip proposal

⁴ Assuming all SFE shareholders accept the all scrip proposal and based on closing prices for SFE and ASX at 24 March 2006

Benefits to ASX and SFE participants

ASX's new pricing structure announced in December will, as previously advised, commence on 1 July 2006. It is intended that SFE's existing pricing policy will be maintained.

In time, the primary participant benefits are expected to include one front-line market supervisor, an improved environment for trading in the SPI contract, and one clearing & settlement system (with associated reduced back-office requirements). Some of these initiatives may not be finally implemented for two to three years as they remain subject to detailed scoping. Participants will be fully consulted during this process.

Financial information

Key financials

The key financials for the new entity on a proforma historical basis for the year ended 31 December 2005 are as follows:

Year ended 31 December 2005 A\$m	ASX Stand Alone ⁵	Merged entity Pro-forma ⁶
Revenue	291	426
EBITDA	169	255
EBIT	156	237

Synergies and integration

ASX and SFE will form an integration team to plan for the integration of the businesses. ASX proposes a phased implementation plan aimed at balancing synergy benefits with integration and business risks.

Subject to the results of integration scoping, ASX expects cost synergies through:

- Consolidation of premises
- Integration of IT environment including a move to common systems
- Administration and business efficiencies
- Personnel reductions in areas of direct overlap

ASX also believes further potential for revenue benefits exists in the medium to longer-term from:

- Higher trading in the SPI which has a greater affinity with ASX's core business
- Broader platform for product innovation encouraging development across debt and equity (e.g. retail derivative products)

⁵ Based on the addition of the results for the first half of the year ended 30 June 2006 and the second half of the year ended 30 June 2005

⁶ Excludes SFE's interest income on participant balances

In the medium term, ASX expects annual cost synergies in the order of \$14 to \$18 million by the year ended 30 June 2008. For the longer term, whether and to what extent further cost synergies exist, will be the subject of detailed work by the integration team.

Financing

ASX has approved and committed finance facilities for the cash component of the offer.

Merger Implementation Agreement

ASX and SFE have entered into a Merger Implementation Agreement under which they have agreed to proceed with a merger by way of a scheme of arrangement between SFE and its shareholders. Implementation of the merger is conditional on the satisfaction of a number of conditions precedent. The conditions precedent and key terms are described in attachment II.

SFE has applied to the Australian Securities and Investments Commission ("ASIC") for ASIC, instead of ASX, to supervise its compliance with ASX Listing Rules.

Anticipated timetable

The merger will be implemented through an SFE scheme of arrangement and is currently expected to be implemented by July/August 2006. Key steps include obtaining ACCC clearance and Treasurer approval; lodging scheme documents with ASIC; first court hearing; SFE shareholders' meeting; and second court hearing.

Shareholder information

Further information on the merger proposal will be lodged with the ASX and included on ASX's website at www.asx.com.au and SFE's website at www.sfe.com.au.

ABN AMRO Corporate Finance is acting as financial advisor to ASX and UBS AG Australia Branch is acting as financial advisor to SFE. Mallesons Stephen Jaques and Freehills are acting as legal advisors to ASX and Blake Dawson Waldron are acting as legal advisors to SFE.

Analyst Briefing

Time: 11.00 am

Venue: Radisson Plaza Hotel, 27 O'Connell Street (Cnr O'Connell and Pitt Streets), Sydney.

Dial-in numbers:

Australia Toll Free: 1800 555 616

Outside Australia: +61 3 9221 4420

Live webcast: <http://cm.world-television.com.au/xl?preid=31290>

Media Briefing

Time: 2.00 pm

Venue: Radisson Plaza Hotel, 27 O'Connell Street (Cnr O'Connell and Pitt Streets), Sydney.

Dial-in numbers:

Australia Toll Free: 1800 555 616

Outside Australia: +61 3 9221 4420

Live webcast: <http://cm.world-television.com.au/xl?preid=31292>

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Attachments

- I ACCC letter
- II Merger Implementation Agreement – Key Terms and Conditions Precedent