

MERGER IMPLEMENTATION AGREEMENT KEY TERMS AND CONDITIONS PRECEDENT

No solicitation

SFE has agreed that neither it nor its related parties will solicit any competing offer or proposal from any other person to acquire control of SFE, a relevant interest in 20% or more of SFE's shares or all or a substantial part of its assets or business (Competing Transaction). SFE has also agreed that unless the fiduciary obligations of its directors oblige them to do so, SFE will not participate in negotiations or discussions for a Competing Transaction, and SFE will notify ASX of any unsolicited approach.

Re-imburement of costs

SFE has agreed to pay to ASX \$11 million if the merger does not proceed because:

- any member of the SFE Board withdraws their support or fails to recommend or adversely varies their recommendation (unless the Merger Implementation Agreement has been validly terminated by SFE or the Independent Expert has concluded that the proposed scheme is not in the best interests of SFE shareholders);
- any director of SFE publicly recommends, promotes or otherwise endorses a Competing Transaction in relation to SFE; or
- of a Competing Transaction which is reasonably capable of being completed, and which is more favourable to SFE shareholders than the Scheme, taking into account all terms and conditions of the Competing Transaction.

ASX has agreed to pay to SFE \$11 million if the merger does not proceed because:

- ASX breaches a term of the Merger Implementation Agreement, which results in a valid termination of the Merger Implementation Agreement by SFE; or
- ASX terminates the Merger Implementation Agreement because it refuses to provide undertakings that may be required as a condition of ACCC approval, and ASX's refusal is unreasonable in the circumstances.

Neither party is obliged to pay a break fee if:

- prior to a break fee event occurring, the Merger Implementation Agreement has been validly terminated; or
- the Scheme becomes effective notwithstanding the occurrence of the event.

Termination

The Merger Implementation Agreement may be terminated if:

- the SFE Board changes its recommendation, including any adverse modification to its recommendation, or withdraws its support for the scheme;
- a party is in material breach of the agreement which continues unremedied for 7 Business Days;
- within 14 days of the date of the Merger Implementation Agreement, either party becomes aware of events or circumstances occurring prior to the date of the agreement which would be reasonably likely to have a material adverse effect on the consolidated net profit after tax or consolidated net assets of the other party;
- if the conditions precedent are not satisfied or waived;
- the scheme is not implemented by 30 September 2006.

Conditions precedent

The Scheme will not become Effective unless each of the following conditions precedent is satisfied or waived:

- (a) **Regulatory Approvals:** before 8.00am on the Second Court Hearing Date:
 - (i) ASIC and ASX issue or provide such consents or approvals or do other acts which SFE and ASX agree are necessary or reasonably desirable to implement the Scheme;
 - (ii) ASX receives written advice from the Treasurer of the Commonwealth of Australia under section 851B of the Corporations Act specifying unconditionally and for an indefinite period that ASX may have Voting Power in SFE of up to 100% for the purpose of section 850B of the Corporations Act and the Treasurer of the Commonwealth of Australia neither revokes, nor varies the terms of, that approval; and
 - (iii) the ACCC either:
 - (A) indicates that it does not intend to oppose the proposed acquisition of SFE Shares by ASX;
 - (B) indicates that it does not intend to oppose the proposed acquisition of SFE Shares by ASX subject to receipt of undertakings acceptable to both SFE and ASX; or
 - (C) has not commenced, or threatened to commence, proceedings in respect of the proposed acquisition;
- (b) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other

material legal restraint or prohibition preventing the Scheme is in effect as at 8.00am on the Second Court Hearing Date;

- (c) **No ASX Material Adverse Change:** no ASX Material Adverse Change occurs or becomes apparent between the date of this agreement and 8.00am on the Second Court Hearing Date;
- (d) **No SFE Material Adverse Change:** no SFE Material Adverse Change occurs or becomes apparent between the date of this agreement and 8.00am on the Second Court Hearing Date;
- (e) **No ASX Prescribed Event:** no ASX Prescribed Event occurs between the date of this agreement and 8.00am on the Second Court Hearing Date;
- (f) **No SFE Prescribed Event:** no SFE Prescribed Event occurs between the date of this agreement and 8.00am on the Second Court Hearing Date;
- (g) **Independent Expert report:** the Independent Expert issues its report which concludes that the Scheme is in the best interests of Scheme Participants before the date on which the Scheme Booklet is lodged with ASIC;
- (h) **Execution of documents:** between the date of this agreement and the date of despatch of the Scheme Booklet, ASX executes the Deed Poll pursuant to which ASX covenants in favour of the Scheme Participants to perform its obligations under the Scheme;
- (i) **No termination:** this agreement has not been terminated before 8.00am on the Second Court Hearing Date;
- (j) **Scheme Participants approval:** the Scheme is approved by the requisite majorities of Scheme Participants in accordance with the Corporations Act;
- (k) **Court approval:** a court of competent jurisdiction approves the Scheme in accordance with section 411(4)(b) of the Corporations Act; and
- (l) **Interest in SFE:** between the date of this agreement and the Scheme becoming Effective, no person (other than ASX or an Associate of ASX) acquires an interest in securities so as to have Voting Power of more than 26% in SFE Shares; and
- (m) **Compliance:** neither party nor any of their Related Bodies Corporate, officers or directors is the subject of any formal investigation, charge or proceeding brought by ASIC in relation to an alleged offence under the Corporations Act.

Relevant definitions:

ASX Material Adverse Change means one or more events or circumstances occur or fail to occur after the date of this agreement and which, when taken as a whole is or are reasonably likely to have the effect of diminishing (other than substantially as a result of a reduction in trading volumes):

- (a) the ongoing consolidated annual net profit after tax of the SFE Group (calculated on the basis of AIFRS) by \$8 million or more; or
- (b) the consolidated net assets of the ASX Group (calculated on the basis of AIFRS) by \$50 million or more.

ASX Prescribed Event means the occurrence of any of the following:

- (a) ASX converting all or any of its shares into a larger or smaller number of shares;
- (b) ASX resolving to reduce its share capital in any way;
- (c) ASX:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) ASX declaring, paying or distributing any dividend, bonus or other share of its shareholder profits or shareholder assets or returning or agreeing to return any capital to its members (other than declaring and paying a dividend as contemplated by clause 4.6, or undertaking the Proposed Capital Management Initiative after the Scheme becomes Effective);
- (e) ASX or any of its Subsidiaries issuing shares to a person outside the ASX Group, or granting an option over its shares to a person outside the ASX Group, or agreeing to make such an issue or grant such an option to a person outside the ASX Group, other than as disclosed by ASX to SFE prior to the date of this agreement;
- (f) ASX or any of its Subsidiaries issuing or agreeing to issue securities or other instruments convertible into shares or debt securities to a person outside the ASX Group, other than as disclosed by ASX to SFE prior to the date of this agreement;
- (g) ASX or any of its Subsidiaries disposing or agreeing to dispose of the whole, or a substantial part, of its business or property;
- (h) other than in the ordinary course of business and consistent with past practice, ASX or any of its Subsidiaries creating or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;

- (i) other than in the ordinary course of business and consistent with past practice, ASX or any of its Subsidiaries:
 - (i) increasing the remuneration of, or otherwise varying, the employment arrangements with any of its directors or employees;
 - (ii) accelerating the rights of any of its directors or employees to compensation or benefits of any kind (including under any ASX executive or employee share plans); or
 - (iii) paying any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this agreement);
- (j) other than in the ordinary course of business and consistent with past practice, ASX or any of its Subsidiaries:
 - (i) entering into any contract or commitment involving revenue or expenditure of more than \$10,000,000 over the term of the contract or commitment; or
 - (ii) terminating or amending in a material manner any contract material to the conduct of the ASX Group's business or which involves expenditure or revenue of more than \$10,000,000 over the term of the contract;
- (k) ASX or any of its operating Subsidiaries resolving that it be wound up;
- (l) a liquidator, provisional liquidator or administrator of ASX or any of its operating Subsidiaries being appointed;
- (m) the making of an order by a court for the winding up of ASX or any of its operating Subsidiaries;
- (n) ASX or any of its operating Subsidiaries executing a deed of company arrangement; or
- (o) a receiver, or a receiver and manager, in relation to the whole, or a substantial part of the property of ASX or any of its operating Subsidiaries being appointed,

provided that none of the above events in paragraphs (a) to (j) will constitute an ASX Prescribed Event where ASX has first consulted, in reasonable detail, with SFE in relation to the proposed event, and SFE has either approved of the proposed event or has not objected to the proposed event within five Business Days of having been so consulted.

SFE Material Adverse Change means one or more events or circumstances occur or fail to occur after the date of this agreement and which, when taken as a whole is or are reasonably likely to have the effect of diminishing (other than substantially as a result of a reduction in trading volumes):

- (a) the ongoing consolidated annual net profit after tax of the SFE Group (calculated on the basis of AIFRS) by \$5 million or more; or

- (b) the consolidated net assets of the SFE Group (calculated on the basis of AIFRS) by \$35 million or more.

SFE Prescribed Event means the occurrence of any of the following:

- (a) SFE converting all or any of its shares into a larger or smaller number of shares;
- (b) SFE resolving to reduce its share capital in any way;
- (c) SFE:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) SFE declaring, paying or distributing any dividend, bonus or other share of its shareholder profits or shareholder assets or returning or agreeing to return any capital to its members (other than declaring and paying a dividend as contemplated by clause 4.6);
- (e) SFE or any of its Subsidiaries issuing shares, or granting an option over its shares to a person outside the SFE Group, or agreeing to make such an issue or grant such an option to a person outside the SFE Group, other than as disclosed by ASX to SFE prior to the date of this agreement;
- (f) SFE or any of its Subsidiaries issuing to a person outside the SFE Group or agreeing to issue securities or other instruments convertible into shares or debt securities to a person outside the SFE Group, other than as disclosed by ASX to SFE prior to the date of this agreement;
- (g) SFE or any of its Subsidiaries disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (h) other than in the ordinary course of business and consistent with past practice, SFE or any of its Subsidiaries creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;
- (i) other than in the ordinary course of business and consistent with past practice, SFE or any of its Subsidiaries:
 - (i) increasing the remuneration of, or otherwise varying, the employment arrangements with any of its directors or employees;
 - (ii) accelerating the rights of any of its directors or employees to compensation or benefits of any kind (including under any SFE executive or employee share plans); or

- (iii) paying any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this agreement);
- (j) other than in the ordinary course of business and consistent with past practice, SFE or any of its Subsidiaries:
 - (i) entering into any contract or commitment involving revenue or expenditure of more than \$10,000,000 over the term of the contract or commitment; or
 - (ii) terminating or amending in a material manner any contract material to the conduct of the SFE Group's business or which involves expenditure or revenue of more than \$10,000,000 over the term of the contract;
- (k) SFE or any of its operating Subsidiaries resolving that it be wound up;
- (l) a liquidator, provisional liquidator or administrator of SFE or any of its operating Subsidiaries being appointed;
- (m) the making of an order by a court for the winding up of SFE or any of its operating Subsidiaries;
- (n) SFE or any of its operating Subsidiaries executing a deed of company arrangement; or
- (o) a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of SFE or any of its operating Subsidiaries being appointed,

provided that none of the above events in paragraphs (a) to (j) will constitute a SFE Prescribed Event where SFE has first consulted, in reasonable detail, with ASX in relation to the proposed event, and ASX has either approved of the proposed event or has not objected to the proposed event within five Business Days of having been so consulted.