

1 May 2014

Scheme Booklet Registered with ASIC

SteriHealth Limited (**SteriHealth**) announces that the Australian Securities and Investments Commission (**ASIC**) has registered the Scheme Booklet prepared by SteriHealth in relation to the previously announced Scheme of Arrangement under which Catalina Nominees Pty Ltd ACN 005 197 455 as trustee of the Danny Boulas Daniels Family Trust proposes to acquire 100% of the issued shares in SteriHealth which neither it nor its associates currently own for \$1.75 cash per SteriHealth share (**Scheme**).

The Scheme Booklet sets out details of the Scheme and constitutes the explanatory statement for the Scheme. It explains the manner in which the Scheme will be considered at the Scheme meeting and implemented if all conditions to the Scheme are satisfied or, if permitted, waived.

The Scheme Booklet together with a covering letter from the Chairman of SteriHealth, Mr Lorenzo Coppa, has been uploaded to the ASX along with this release. An electronic version of the Scheme Booklet can also be accessed on SteriHealth's website at www.sterihealth.com.au.

The Scheme Booklet, together with the covering letter and a proxy form for the Scheme Meeting, will be sent to shareholders this week.

The Scheme Booklet is an important document and SteriHealth encourages you to read it in full before making your decision on voting at the Scheme meeting.

The Scheme meeting will be held at 10:00am (Melbourne time) on Tuesday, 3 June 2014 at the offices of Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria. Your vote is important to the outcome of the Scheme.

Should you have questions please email: shareholder.questions@sterihealth.com.au

We thank you for your continued support.

Cameron Grant
Company Secretary
SteriHealth Limited

SteriHealth Limited

ABN 83 060 871 249

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Dear SteriHealth Shareholder

SteriHealth Limited: Scheme Booklet

Please find enclosed a copy of the Scheme Booklet which provides information in relation to the proposed scheme of arrangement between SteriHealth Limited and its shareholders (other than Catilina Nominees Pty Ltd and its associates) under which Catilina proposes to acquire all of the shares in SteriHealth which neither it nor its associates currently own for cash of \$1.75 per SteriHealth share (**Scheme**).

The Scheme Booklet provides information on the Scheme and the reasons behind the Independent Directors' unanimous recommendation that SteriHealth shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The Scheme Booklet also includes a full copy of the Independent Expert's Report which concludes that the Scheme is fair and reasonable and in the best interests of the SteriHealth shareholders (other than Catilina and those shareholders associated with Catilina).

The Independent Directors encourage you to read the Scheme Booklet in its entirety before making your decision on how to vote at the SteriHealth shareholders meeting to approve the Scheme, which is to be held at *10:00am on Tuesday, 3 June 2014 at the offices of Norton Rose Fulbright at Level 15, RACV Tower, 485 Bourke Street, Melbourne* (**Scheme Meeting**).

Your Vote is important to the outcome of the Scheme.

The process for voting on the Scheme is described in the Notice of Scheme Meeting which is included as Annexure D to the Scheme Booklet.

You are entitled to attend and vote in person at the Scheme Meeting. Alternatively, you can nominate a proxy for the Scheme Meeting by using the enclosed proxy form. Proxy forms must be lodged with Computershare Investor Services Pty Ltd, in accordance with the instructions on the proxy form, by 10:00am on Monday, 2 June 2014.

If you are a company, you may appoint a corporate representative as set out in the Notice of Scheme Meeting.

The proposed timetable for the Scheme set out in the Scheme Booklet is indicative only and the actual timetable will depend on factors which are outside the control of SteriHealth, including the Court approval process. Accordingly, the Scheme timetable remains subject to change.

Further information

SteriHealth will keep SteriHealth shareholders informed of any material developments in relation to the Scheme through announcements to the ASX Market Announcements Office (which can be accessed on the ASX website at www.asx.com.au (SteriHealth ASX Code: STP)) and on SteriHealth's website at www.sterihealth.com.au.

Should you have any questions, please email: shareholder.questions@sterihealth.com.au

Thank you for your continued support.



Mr Lorenzo Coppa
Chairman

29 April, 2014

Scheme Booklet

For a recommended scheme of arrangement in relation to the proposed acquisition of all of your shares in

SteriHealth Limited

ACN 060 871 249

by

Catilina Nominees Pty Ltd

ACN 005 197 455

as trustee of the Danny Boulas Daniels Family Trust

VOTE YES

The Independent Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has also concluded that the Scheme is fair and reasonable to, and in the best interests of, SteriHealth Shareholders (other than Excluded Shareholders), in the absence of a Superior Proposal.



OAK TOWER

Financial adviser



NORTON ROSE FULBRIGHT

Legal adviser

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with this document, you should consult your legal, investment or other professional adviser.

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Important notices

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SUBSECTION 411(1) OF CORPORATIONS ACT

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how SteriHealth Shareholders should vote (on this matter SteriHealth Shareholders must reach their own decision); or
- (b) has prepared, or is responsible for the content of, the explanatory statement.

The Scheme Booklet

This Scheme Booklet is dated 29 April 2014. The Scheme Booklet sets out details of the Scheme and constitutes the explanatory statement for the Scheme for the purposes of Section 412(1) of the Corporations Act.

It explains the manner in which the Scheme between SteriHealth and SteriHealth Shareholders (other than Excluded Shareholders) will be considered at the Scheme Meeting and implemented (if all of the conditions to the Scheme are satisfied or, if permitted, waived) and provides such information as is prescribed by law or is otherwise material to the decision of SteriHealth Shareholders whether or not to vote in favour of the Scheme. A copy of the proposed Scheme of Arrangement is included in this Explanatory Statement as Annexure C.

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the Resolution to be considered at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

ASIC and ASX

A copy of this Scheme Booklet has been provided to ASIC in accordance with section 411(2) of the Corporations Act. It was then registered by ASIC for the purposes of section 412(6) of the Corporations Act before being sent to SteriHealth Shareholders. Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Hearing. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, then it will be produced to the Court at the Second Court Hearing.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Investment decisions

The information contained in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet does not take into account the investment objectives, financial situation, tax position or particular needs of individual SteriHealth Shareholders or any other person. This Scheme Booklet should not be relied on as the sole basis for any decision in relation to the Scheme. Independent financial and taxation advice should be sought before making any decision in relation to the Scheme. You should consider whether any decision in relation to the Scheme is appropriate in light of your particular investment needs, objectives and financial circumstances.

Not an offer

This Scheme Booklet does not constitute or contain an offer to SteriHealth Shareholders, or a solicitation of an offer from SteriHealth Shareholders, in any jurisdiction.

Responsibility statement

The SteriHealth Information has been prepared by SteriHealth and its directors and is the responsibility of SteriHealth. Neither Catilina nor any one of its directors, officers or advisers assumes any responsibility for the accuracy or completeness of the SteriHealth Information except, where a director or officer of Catilina is also a director or officer of SteriHealth, in that capacity as a director or officer of SteriHealth.

The Catilina Information has been provided by Catilina and is the responsibility of Catilina. Neither SteriHealth nor any of its directors, officers or advisers assumes any responsibility for the accuracy or completeness of the Catilina Information except, where a director or officer of SteriHealth is also a director or officer of Catilina, in that capacity as a director or officer of Catilina.

RMS Bird Cameron Corporate has prepared the Independent Expert's Report in section 7 of this Scheme Booklet and is responsible for that report only.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward-looking statements in this Scheme Booklet reflect the current expectations of either SteriHealth or Catilina (as the context requires) concerning future results and events and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe SteriHealth's or Catilina's objectives, plans, goals or expectations are or may be forward-looking statements.

The statements contained in this Scheme Booklet about the advantages and disadvantages anticipated to result from the Scheme are also forward-looking statements. Such statements involve known and unknown risks, uncertainties, assumptions and other important factors that may cause the actual results, performance or achievements of SteriHealth to be materially different from the results, performance or achievements expressed or implied by such statements. The operation and financial performance of SteriHealth are subject to various risks that are summarised in this Scheme Booklet and which may be beyond the control of SteriHealth. As a result, the actual advantages of the Scheme may differ from those that are anticipated. SteriHealth Shareholders should note that historical financial performance of SteriHealth is no assurance of future financial performance of SteriHealth.

Any forward looking statements in this Scheme Booklet are made, and reflect views held, only as at the date of this Scheme Booklet. SteriHealth and Catilina make no representation and give no assurance or guarantee that the occurrence of the events or the achievement of results expressed or implied in such statements will actually occur. You are cautioned not to place undue reliance on any forward looking statement, and all subsequent written or oral forward looking statements attributable to SteriHealth or Catilina, or any person acting on their behalf are qualified by this cautionary statement. Subject to any continuing obligations under the Listing Rules or the Corporations Act, and except as set out in section 10.17 SteriHealth and Catilina disclaim any obligation or undertaking to update or revise any forward looking statements after the date of this Scheme Booklet other than with respect to information SteriHealth and Catilina respectively become aware of prior to the Scheme Meeting which is material to the making of a decision by SteriHealth Shareholders regarding whether or not to vote in favour of the Scheme.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside Australia.

Privacy and Personal Information

SteriHealth will need to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of SteriHealth Shareholders, plus contact details of individuals appointed by SteriHealth Shareholders to act as proxies, corporate representatives or attorneys at the Scheme Meeting. The primary purpose of the collection of personal information is to assist SteriHealth in the conduct of the Scheme Meeting and to enable the Scheme to be implemented. The collection of certain personal information is required or authorised by the Corporations Act.

SteriHealth Shareholders, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact the SteriHealth Share Registry on +61 0(3) 9415 4000 (outside Australia) or 1300 850 505 (within Australia) if they wish to exercise those rights.

Personal information may be disclosed to the share registrars of SteriHealth, print and mail service providers, authorised securities brokers, Related Bodies Corporate of SteriHealth and to SteriHealth's advisers to the extent necessary to effect the Scheme. If the information outlined above is not collected, SteriHealth may be hindered in, or prevented from, conducting the Scheme Meeting, or implementing the Scheme effectively or at all. SteriHealth Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

Timetable and dates

Unless otherwise stated, a reference to time in this Scheme Booklet is a reference to time in Melbourne, Victoria, Australia. All dates and times relating to implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from the Court and other regulatory authorities. Any changes to the timetable will be announced on the ASX Company's Announcement Platform (which can be accessed on the ASX website at www.asx.com.au (SteriHealth ASX Code: STP)) and on SteriHealth's website at www.sterhealth.com.au

Rounding

Certain financial figures in this Scheme Booklet have been rounded as applicable, unless otherwise stated. Such figures should be considered as approximate figures. Any discrepancies in any table between totals and sums of amounts listed therein or to previously published financial figures are due to rounding.

Defined terms and interpretation

Capitalised terms and certain abbreviations used in this Scheme Booklet are defined either in the Glossary and Definitions in Section 11 or in the body of this Scheme Booklet.

Unless otherwise indicated, all references to sections are reference to sections of this Scheme Booklet.

Unless otherwise stated or where the context otherwise requires, all data contained in this Scheme Booklet, including in charts, graphs and tables, is based on information available as at 29 April 2014.

References to "\$" or dollars in this Scheme Booklet are to Australian dollars, unless otherwise stated.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure D.

Further information

If you have any questions in relation to the Scheme or the Scheme Meeting, please contact your legal, investment or other professional adviser.

You can also email: shareholder.questions@sterihealth.com.au

Tax

SteriHealth Shareholders should consult their tax adviser as to the tax consequences of the Scheme relevant to their individual situation.

Date

This Scheme Booklet is dated 29 April 2014.

Timetable and key dates

| Event | Date |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Date of Scheme Booklet | 29 April 2014 |
| Scheme Meeting Proxies Last time and date by which Proxy Forms for the Scheme Meeting can be lodged | 10.00am on Monday, 2 June 2014 |
| Time and date for determining eligibility to vote at Scheme Meeting If you are registered as a SteriHealth Shareholder at 7:00pm (Melbourne time) on 1 June 2014, you will be entitled to attend, and vote at the Scheme Meeting | 7:00pm (Melbourne time) on Sunday, 1 June 2014 |
| Scheme Meeting The Scheme Meeting will be held at Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000 | 10.00am on Tuesday, 3 June 2014 |
| If the Resolution is passed at the Scheme Meeting by SteriHealth Shareholders (other than Excluded Shareholders): | |
| Second Court Hearing for approval of the Scheme | Wednesday, 11 June 2014 |
| Effective Date | Thursday, 12 June 2014 |
| Last day of trading in SteriHealth Shares on ASX | Thursday, 12 June 2014 |
| Record Date Time and date for determining entitlements to Scheme Consideration under the Scheme | 5:00pm (Melbourne time) on Friday, 20 June 2014 |
| Implementation Date Transfer of Scheme Shares to Catilina | Thursday, 26 June 2014 |
| Payment of Scheme Consideration to Scheme Participants | Thursday, 26 June 2014 |

All times referred to in this Scheme Booklet are references to time in Melbourne, Victoria, unless otherwise stated.

This timetable is indicative only, and the actual timetable will depend on many factors which are outside the control of SteriHealth. These factors include the Court approval process and the time at which the conditions precedent to the Scheme are satisfied or waived (as applicable). The conditions precedent are set out in section 4.7. SteriHealth has the right to vary the timetable set out above subject to the approval by Catilina, the Court and the ASX where required. Any variation to the timetable will be announced to the ASX and published on SteriHealth's website.

Letter from the Chairman

Dear SteriHealth Shareholder

On 27 March 2014, SteriHealth Limited (**SteriHealth**) announced that it had entered into a *Scheme Implementation Agreement* with its majority shareholder Catilina Nominees Pty Ltd ACN 005 197 455 as trustee of the Danny Boulas Daniels Family Trust (**Catilina**) in relation to a proposal by Catilina to acquire all of the fully paid ordinary shares on issue in SteriHealth which are not already held by Catilina or its associates via a scheme of arrangement under the *Corporations Act 2001* (Cth) (**Scheme**).

Scheme

On implementation of the Scheme, Scheme Participants will be entitled to receive \$1.75 cash for each Scheme Share held.

The Independent Directors believe that the Scheme consideration of \$1.75 cash per Scheme Share provides certain and immediate value to you and represents a significant premium to SteriHealth's recent share price prior to the Announcement Date.

The consideration of \$1.75 cash per Scheme Share represents a:

- 35% premium to the closing price of SteriHealth Shares on ASX on 26 March 2014 (being the trading day immediately prior to the Announcement Date);
- 35% premium to the 1 month VWAP of SteriHealth Shares to 26 March 2014; and
- 36% premium to the 3 month VWAP of SteriHealth Shares to 26 March 2014.

You will find a full list of reasons to vote in favour of the Scheme in section 1.2 of this Scheme Booklet. Section 1.3 of this Scheme Booklet sets out a list of reasons why you may consider voting against the Scheme.

Independent Directors' recommendation

For the reasons set out in this Scheme Booklet, the Independent Directors, being Mr John Sikkema, Ms May Wan Khor and myself, Mr Lorenzo Coppo, believe that the Scheme is in the best interest of SteriHealth Shareholders (other than the Excluded Shareholders) and therefore unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal.

Each of the Independent Directors intends to vote all SteriHealth Shares respectively held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.

Independent Expert's conclusion on the Scheme

The Independent Expert, RSM Bird Cameron, has also concluded that the Scheme is fair and reasonable to, and in the best interests of, SteriHealth Shareholders (other than the Excluded Shareholders), in the absence of a Superior Proposal.

The Independent Expert has valued SteriHealth Shares at between \$1.54 and \$1.88 per SteriHealth Share. The cash payment of \$1.75 per SteriHealth Share is within this range. The Independent Expert's Report is included in section 7 of this Scheme Booklet and the Independent Directors strongly encourage you to read it.

Your vote is important for the Scheme to proceed

In order for the Scheme to proceed, it will need to be agreed to by the requisite majorities at the Scheme Meeting which is to be held at 10.00am (Melbourne time) on Tuesday, 3 June 2014 at Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000.

The Independent Directors strongly encourage you to vote either by attending the Scheme Meeting in person or by appointing a proxy, attorney or corporate representative to attend the Scheme Meeting and vote on your behalf.

Further information

Please read this Scheme Booklet in its entirety before making your decision on how to vote at the Scheme Meeting.

SteriHealth will keep SteriHealth Shareholders informed of any material developments in relation to the Transaction through announcements to the ASX Market Announcements Office (which can be accessed on the ASX website at www.asx.com.au (SteriHealth ASX Code: STP)) and on SteriHealth's website at www.sterihealth.com.au.

Should you have any questions, please email: shareholder.questions@sterihealth.com.au

Thank you for your continued support.



Mr Lorenzo Coppo
Chairman

Highlights

The information in this section is a summary only and you should read the entire Scheme Booklet before deciding how to vote.

Key reasons to vote for the Scheme

- The Independent Directors unanimously recommend that SteriHealth Shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal.
- The Independent Expert has concluded that the acquisition of Scheme Shares by Catilina under the Scheme is fair and reasonable to, and in the best interests of, SteriHealth Shareholders (other than Excluded Shareholders), in the absence of a Superior Proposal.
- The cash consideration of \$1.75 per Scheme Share represents a significant premium to trading prices of SteriHealth Shares on the ASX prior to the Announcement Date.
- SteriHealth faces continuing high capital expenditure demands which the Independent Directors expect will continue to constrain the capacity of SteriHealth to pay and increase dividends over the mid-term.
- The medical waste part of SteriHealth's business continues to face margin compression with strong price competition and escalating costs for the disposal of waste in landfill and through incineration.
- If the Scheme does not become Effective, and no Superior Proposal emerges, the price of SteriHealth Shares may fall or SteriHealth Shares may persistently trade below \$1.75 per SteriHealth Share.
- You will receive certain and immediate value for your SteriHealth Shares in the form of cash consideration in a time of market volatility and an uncertain global environment.
- No brokerage will be payable by you on the transfer of Scheme Shares.
- As at the date of this Scheme Booklet, no Superior Proposal has emerged.

Key reasons you may consider voting against the Scheme

- You might disagree with the recommendation of the Independent Directors and the conclusion of the Independent Expert.
- SteriHealth has generated a consistent level of profit after tax over recent financial years with profit before tax of \$3.8m for the year ended 30 June 2011, \$4.0m for the year ended 30 June 2012 and \$3.9m for the year ended 30 June 2013.
- You may consider that the tax consequences of the Scheme for you (as assessed by you) do not suit your financial position.
- If the Scheme becomes Effective, you will no longer be a shareholder of SteriHealth and you will not be entitled to participate in any potential upside that may result from being a shareholder in SteriHealth.
- You may believe that there is the possibility of a Superior Proposal emerging.

Please refer to section 1 for greater detail as to reasons to vote for or against the Scheme.

1. Matters you should consider before voting on the Scheme

1.1 Unanimous recommendation of the Independent Directors

Each of the Independent Directors recommends that SteriHealth Shareholders vote in favour of the Scheme at the Scheme Meeting, and intends to vote in favour of the Scheme (in respect of their holdings) in each case in the absence of a Superior Proposal.

The Independent Directors believe that the Scheme will allow Scheme Participants the opportunity to realise their investment in SteriHealth for cash at a significant premium to the SteriHealth Share price prior to the Announcement Date.

In making their recommendation, the SteriHealth Directors have considered the advantages of the Scheme, as set out in section 1.2, the possible disadvantages of the Scheme, as set out in section 1.3, and other relevant considerations as set out in section 1.4.

In unanimously recommending that SteriHealth Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, the Independent Directors are not providing any recommendation to any Excluded Shareholder in respect of SteriHealth Shares held by them.

1.2 Reasons to vote in favour of the Scheme

(1) The Independent Expert has concluded that the acquisition of Scheme Shares by Catilina under the Scheme is fair and reasonable to, and in the best interests of, SteriHealth Shareholders, in the absence of a Superior Proposal

The Independent Expert has assessed the fair market value of a SteriHealth Share on a control basis to be \$1.54 to \$1.88.

RSM Bird Cameron, in its Independent Expert's Report, has determined that the Scheme Consideration of \$1.75 cash per Scheme Share is "...within the range of our assessment of the Fair Value of an STP share assessed on a control basis".

Accordingly, the Independent Expert has concluded that the Scheme is fair and reasonable to, and is in the best interests of, SteriHealth Shareholders (other than the Excluded Shareholders), in the absence of a Superior Proposal.

In assessing whether or not it considers the Scheme to be in 'the best interests' of SteriHealth Shareholders (other than the Excluded Shareholders), RSM Bird Cameron have considered whether the Scheme is 'fair' by assessing and comparing:

- (a) the 'fair value' of a SteriHealth Share on a control basis; and
- (b) the 'fair value' of the proposed consideration being offered under the Scheme of \$1.75 in cash per Scheme Share.

In assessing whether the Scheme is in the 'the best interests' of SteriHealth Shareholders (other than the Excluded Shareholders), RSM Bird Cameron has also considered whether the Scheme is 'reasonable' by undertaking an analysis of the following factors:

- (a) the extent to which a control premium is being paid;
- (b) the likely price of SteriHealth Shares post announcement of the Scheme;
- (c) the likelihood of an alternative takeover offer emerging;
- (d) the future prospects of SteriHealth, if the Scheme is not implemented;
- (e) the liquidity the Scheme provides; and
- (f) the tax implications of approving the Scheme.

The Independent Expert's Report is set out in section 7. You should read the Independent Expert's Report in its entirety as part of your assessment of the Transaction and before voting in favour of the Scheme.

(2) The Scheme Consideration represents a significant premium to recent SteriHealth Share prices

The consideration of \$1.75 cash per Scheme Share represents a:

- 35% premium to the closing price of SteriHealth Shares on ASX on 26 March 2014 (being the trading day immediately prior to the Announcement Date);
- 35% premium to the 1 month VWAP of SteriHealth Shares to 26 March 2014; and
- 36% premium to the 3 month VWAP of SteriHealth Shares to 26 March 2014.

The price is also higher than the price that SteriHealth Shares have traded on ASX over the preceding 12 months.

(3) SteriHealth faces continuing high capital expenditure demands which the Independent Directors expect will continue to constrain the capacity of SteriHealth to pay and increase dividends over the mid-term

The transition of SteriHealth's business to the provision of more sophisticated medical waste solutions for clients is capital intensive. By way of illustration, the development and roll out of the Clinismart product range has involved substantial investment in containers and facilities to empty and wash the containers. Long term forecasts for the business anticipate investment of this type continuing in addition to operational equipment requirements.

(4) The medical waste part of SteriHealth's business continues to face margin compression with strong price competition and escalating costs for the disposal of waste in landfill (through higher utility and landfill charges) and through incineration (with increasing utility and compliance costs)

Price competition in recent years has resulted in actual (and real) price decreases for medical waste services to large quantity waste generators. This is reflected in lower margins (both at a gross margin level and at the ratio of earnings before interest and tax to sales).

The cost increases for landfill include the impact of continuing increases in environmental levies applied to landfill in some states. Gas price increases have reflected market conditions.

(5) Mr Dan Daniels has confirmed that he and his associated entities do not have any interest in selling any of their equity interest in SteriHealth

Mr Dan Daniels' position limits the opportunity for other trade buyers to acquire SteriHealth and decreases the likelihood of a Superior Proposal emerging from a Third Party.

1. Matters you should consider before voting on the Scheme continued

(6) The Scheme provides a liquidity event for a relatively illiquid stock

The Scheme provides a liquidity event for a relatively illiquid stock. An overview of STP share trading activity prior to the Announcement Date is provided in the table below.

| | Share Price | | | | Volume Traded | | VWAP |
|----------|-------------|--------|--------|--------|---------------|------------|--------|
| | Open | Close | High | Low | Total | % on Issue | |
| 26/03/14 | \$1.30 | \$1.30 | \$1.30 | \$1.30 | 0 | 0.000% | \$- |
| 1 Week | \$1.29 | \$1.30 | \$1.30 | \$1.29 | 21,440 | 0.110% | \$1.31 |
| 1 Month | \$1.26 | \$1.33 | \$1.35 | \$1.26 | 46,010 | 0.235% | \$1.29 |
| 3 Month | \$1.30 | \$1.35 | \$1.35 | \$1.25 | 216,440 | 1.107% | \$1.28 |
| 6 Month | \$1.40 | \$1.53 | \$1.55 | \$1.25 | 1,113,300 | 5.696% | \$1.39 |
| 9 Month | \$1.25 | \$1.53 | \$1.55 | \$1.25 | 1,220,980 | 6.247% | \$1.39 |
| 12 Month | \$1.41 | \$1.53 | \$1.55 | \$1.11 | 1,394,700 | 7.136% | \$1.38 |

(7) The price of SteriHealth Shares may fall if the Scheme does not proceed

If the Scheme is not approved and if no Superior Proposal emerges, the Directors consider that it is likely that the price of SteriHealth Shares may fall below current trading levels.

In the 3 month period immediately prior to the announcement of the Scheme, the VWAP of SteriHealth Shares was \$1.28.

In the 5 trading day period following the announcement of the Scheme, the VWAP of SteriHealth Shares was \$1.69, and the value to SteriHealth Shareholders if the Scheme is approved is \$1.75 per SteriHealth Share.

The Independent Directors regard that the recent increase in the SteriHealth Share price is largely attributable to the announcement of the Scheme and it would be unlikely to be maintained (in the mid term) if the opportunity to realise the \$1.75 cash per SteriHealth Share pursuant to the Scheme was removed.

(8) Scheme Participants will receive certain and immediate value for their SteriHealth Shares

The Scheme Consideration of \$1.75 cash per Scheme Share provides Scheme Participants with certainty of value for their SteriHealth Shares, should the Scheme proceed.

In particular, the certainty of \$1.75 cash per Scheme Share should be weighed up in comparison with the risks and uncertainty which SteriHealth may face, should the Scheme not proceed, which could affect the future trading price of SteriHealth Shares, as discussed in section 4.11.

(9) If the Scheme does not become Effective, you will continue to be exposed to the risks associated with an investment in SteriHealth

Section 5.8 contains further information on the risk factors associated with an investment in SteriHealth.

(10) No brokerage will be payable on the transfer of your SteriHealth Shares

You will not incur any brokerage on the transfer of your SteriHealth Shares to Catilina in accordance with the Scheme.

(11) No Superior Proposal has emerged

Since the Announcement Date, no Superior Proposal has emerged. The SteriHealth Board is not aware of any Superior Proposal that is likely to emerge.

1.3 Possible reasons why you may consider voting against the Scheme

(1) You might disagree with the recommendation of the Independent Directors and the conclusion of the Independent Expert

In giving their recommendation to SteriHealth Shareholders to vote in favour of the Scheme in the absence of a Superior Proposal, the Independent Directors have had regard to the reasons set out in section 1.2 of this Scheme Booklet.

As set out in section 1.2(3), the Independent Expert has concluded that the acquisition of Scheme Shares by Catilina under the Scheme is fair and reasonable to, and in the best interests of, the SteriHealth Shareholders (other than Excluded Shareholders), in the absence of a Superior Proposal. However, you may hold a different view and you are not obliged to follow the recommendation of the Independent Directors. The Independent Directors encourage you to read the Independent Expert's Report, set out in section 7, in its entirety.

(2) Tax consequences

There are possible tax consequences for SteriHealth Shareholders arising out of the Scheme in relation to the disposal of their SteriHealth Shares to Catilina and these may not suit your financial circumstances.

A general guide to the taxation implications of the Scheme is set out in section 8 of this Scheme Booklet. This guide is expressed in general terms and individual SteriHealth Shareholders should seek their own taxation advice.

(3) You will no longer be a shareholder of SteriHealth

If the Scheme is implemented, Scheme Participants will no longer be shareholders of SteriHealth and will not participate in any potential upside that may arise from being a shareholder of SteriHealth.

In considering the financial upside that may arise it is notable that SteriHealth has consistently grown its revenue base over the past five financial years with revenue increasing from \$44.0m in the year ending 30 June 2009 to \$55.2m in the year ending 30 June 2013.

SteriHealth has generated stable levels of profit after tax in recent financial years including \$3.8m for the year ended 30 June 2011, \$4.0m for the year ended 30 June 2012 and \$3.9m for the year ended 30 June 2013. Earnings per share for these periods were in the range of 19.3c to 20.6c per SteriHealth Share and SteriHealth has paid dividends of 7c per SteriHealth Share in each of these years.

(4) A Superior Proposal could emerge

SteriHealth Shareholders may consider that there is a potential for a Superior Proposal to emerge before the Scheme Meeting. If an alternative proposal does arise, this will be announced to the ASX and the Independent Directors will carefully consider the alternative proposal and advise you of their recommendation.

1.4 Other relevant considerations

(1) Implications of a failure to approve the Scheme

If the Scheme is not approved by SteriHealth Shareholders (other than Excluded Shareholders) or the Court, SteriHealth Shareholders will retain their SteriHealth Shares. In the absence of a Superior Proposal, the trading price for SteriHealth Shares may fall.

(2) The Scheme may be implemented even if you vote against it

Even if you do not vote, or vote against the Resolution to approve the Scheme, the Scheme may still proceed if the Resolution is duly passed by the requisite majorities of SteriHealth Shareholders (other than Excluded Shareholders) and approved by the Court (see section 9 of this Scheme Booklet for more detail).

If the Scheme is implemented, your SteriHealth Shares will be transferred to Catilina and you will receive the Scheme Consideration despite the fact you did not vote on, or you voted against the Resolution to approve the Scheme.

(3) Conditionality of the Scheme

The Scheme is subject to a number of Conditions Precedent which are summarised in section 4.7.

If these Conditions Precedent are not satisfied or, if permitted, waived (as applicable) the Scheme will not proceed even if it has been approved by SteriHealth Shareholders (other than Excluded Shareholders) and Scheme Participants will not receive the Scheme Consideration as contemplated under the Scheme. In those circumstances, SteriHealth Shareholders will continue to hold their SteriHealth Shares and be exposed to the risks set out in section 5.8.

As at the date of this Scheme Booklet, the SteriHealth Board is not aware of any matter that would result in the non-fulfilment of the Conditions Precedent.

2. Your required action

The Scheme Meeting will be held on Tuesday, 3 June 2014 at 10:00am (Melbourne time) at Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000

2.1 Your vote is important

For the Scheme to become Effective, it is necessary that sufficient SteriHealth Shareholders (other than Excluded Shareholders) vote in favour of the Scheme.

If you are registered on the SteriHealth Share Register at 7:00pm (Melbourne time) on Sunday, 1 June 2014 and are not an Excluded Shareholder, you are entitled to vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of corporate SteriHealth Shareholders, by corporate representative.

2.2 Scheme Meeting

The Scheme will be voted on at the Scheme Meeting which is scheduled to start at 10:00am (Melbourne time) on Tuesday, 3 June 2014 at Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000.

The business of the Scheme Meeting is to consider, and if thought fit, to agree to the Scheme by passing the Resolution.

In order for the Scheme to become Effective, the Resolution must be agreed to by:

- (1) a majority (more than 50%) in number of SteriHealth Shareholders (other than Excluded Shareholders) present and voting at the Scheme Meeting (either in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative); and
- (2) at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by SteriHealth Shareholders (other than Excluded Shareholders) present and voting at the Scheme Meeting (either in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative).

Even if the Resolution is agreed to by SteriHealth Shareholders (other than Excluded Shareholders) at the Scheme Meeting, the Scheme is still subject to the approval of the Court.

2.3 Carefully read and consider this Scheme Booklet

This is an important document. As a SteriHealth Shareholder, you should read the information in this Scheme Booklet in its entirety before making a decision on how to vote on the Resolution to be considered at the Scheme Meeting.

If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

2.4 Consider the reasons whether to vote in favour of the Scheme

Refer to section 1.2 for a discussion of the reasons to vote in favour of the Scheme and section 1.3 for a discussion of the reasons why you may consider voting against the Scheme. Section 1.4 contains a discussion of other relevant considerations in relation to the Scheme.

2.5 Consider the unanimous recommendation of the Independent Directors

The Independent Directors unanimously recommend that you vote in favour of the Scheme in respect of all your SteriHealth Shares in the absence of a Superior Proposal.

In such circumstances, the Independent Directors also unanimously intend to vote in favour of the Scheme in respect of all SteriHealth Shares held by them or in which they otherwise have a Relevant Interest.

2.6 Consider the opinion of the Independent Expert

The Independent Expert has concluded that the acquisition of Scheme Shares by Catilina under the Scheme is fair and reasonable to, and in the best interests of, SteriHealth Shareholders (other than Excluded Shareholders), in the absence of a Superior Proposal.

The Independent Directors encourage you to read the Independent Expert's Report, set out in Section 7 of this Scheme Booklet, in its entirety.

2.7 Vote on the Scheme in person or by proxy

You are urged to vote at the Scheme Meeting, either:

- (1) in person, by attending the meeting (the Scheme Meeting will be held at the Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000 at 10:00am (Melbourne time) on Tuesday, 3 June 2014); or
- (2) by appointing a proxy to attend and vote on your behalf using the personalised Proxy Form that accompanies this Scheme Booklet. The Proxy Form must be completed and received by the SteriHealth Share Registry by 10:00am (Melbourne time) on Monday, 2 June 2014 by:
 - (a) mailing the Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 or using the reply paid envelope provided;
 - (b) hand delivering the Proxy Form to Computershare Investor Services Pty Limited at 452 Johnston Street, Abbotsford, Victoria 3067; or
 - (c) faxing the Proxy Form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 0(3) 9473 2555 (outside Australia).

2.8 Selling your SteriHealth Shares on the ASX

SteriHealth Shareholders may sell their SteriHealth Shares on the ASX at any time prior to the suspension of trading in SteriHealth Shares on the ASX.

You should take into account that at any time prior to the suspension of trading in SteriHealth Shares on ASX, you may sell your SteriHealth Shares on the ASX if you do not wish to hold them and participate in the Scheme.

It is expected that suspension of trading in SteriHealth Shares on the ASX will occur from close of trading on Thursday, 12 June 2014.

2.9 Your choice not to vote on the Scheme or sell your SteriHealth Shares on the ASX

SteriHealth Shareholders who do not wish to vote for or against the Scheme or sell their SteriHealth Shares on market should do nothing.

SteriHealth Shareholders should note that if they do nothing and the Scheme is approved and becomes Effective, then any Scheme Shares held by Scheme Participants will be transferred to Catilina, and Scheme Participants will be sent the Scheme Consideration, notwithstanding that they may not have voted for or against the Scheme.

SteriHealth Shareholders who do nothing may be liable to pay taxation (see Section 8).

2.10 Voting by corporate representative

To vote at the Scheme Meeting (other than by proxy or attorney), a corporation that is a SteriHealth Shareholder may appoint a person to act as its corporate representative. The appointment must comply with section 250D of the Corporations Act. The corporate representative will be required to provide written evidence of his or her appointment which complies with section 250D of the Corporations Act.

2.11 Voting by attorney

If you wish to vote by attorney, the power of attorney must be delivered, faxed or emailed and received by the SteriHealth Share Registry by no later than 10:00am (Melbourne time) on Monday, 2 June 2014 (24 hours prior to the commencement of the Scheme Meeting or any adjournment of that meeting). Further details in connection with the appointment of attorneys are contained in the Notice of Scheme Meeting in Annexure D.

2.12 If you have any further queries

If you have any questions in relation to the Scheme or the Scheme Meeting after reading this Scheme Booklet, please contact your legal, investment or other professional adviser.

You can also email your questions to shareholder.questions@sterihealth.com.au

3. Frequently asked questions

This section 3 answers some questions you may have about the Scheme. The information contained in this section is a summary only and is not intended to address all relevant issues for SteriHealth Shareholders. You should read the entire Scheme Booklet before deciding how to vote on the Scheme.

| Questions | Answers | Where to find more information |
|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Scheme at a glance | | |
| What is the Scheme? | <p>On 27 March 2014, SteriHealth announced that it had entered into the <i>Scheme Implementation Agreement</i> with Catilina which establishes the framework for implementing the Scheme.</p> <p>The Scheme involves Catilina acquiring all SteriHealth Shares (other than any SteriHealth Shares held by Excluded Shareholders) for \$1.75 cash per Scheme Share by way of scheme of arrangement under the Corporations Act.</p> | A copy of the Scheme Implementation Agreement is attached to this Scheme Booklet as Annexure A |
| Who is Catilina? | <p>Catilina and its associates hold, in aggregate, 46.58% of SteriHealth Shares and is SteriHealth's largest shareholder.</p> <p>Catilina holds the intellectual property over the Daniels Sharpsmart suite of products which has been internationally commercialised with product sales to healthcare related companies and various other healthcare related technologies, including scalpel holders and accessories used in the healthcare industry.</p> <p>Catilina is party to a number of supply agreements including an exclusive supply agreement with SteriHealth which gives SteriHealth exclusive access in Australia to the Daniels Sharpsmart suite of products.</p> | Section 6 |
| When and where will the Scheme Meeting be held? | <p>The meeting to approve the Scheme will be held at 10:00am (Melbourne time) on Tuesday, 3 June 2014.</p> <p>The Scheme Meeting will be held at Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000.</p> | Section 2.2 |
| Are there any conditions to the Scheme completing? | <p>The Scheme is subject to a number of Conditions Precedent which must be satisfied or waived in order for the Scheme to be implemented. The key Conditions Precedent include:</p> <ul style="list-style-type: none"> • Court approval of the Scheme; • approval of the Scheme by SteriHealth Shareholders (other than Excluded Shareholders); • no Target Prescribed Occurrence occurring before 8.00am on the Second Court Hearing Date; • no Bidder Prescribed Occurrence occurring before 8.00am on the Second Court Hearing Date; • no Target Material Adverse Change occurring between the date of the Scheme Implementation Agreement and 8:00am on the Second Court Hearing Date; • during the period from the date of the Scheme Implementation Agreement until 8:00am on the Second Court Hearing Date, the All Ordinaries Index does not fall, for a period of more than 3 consecutive trading dates, to a level that is 80% or less of the level as at the close of trading on the date of Scheme Implementation Agreement; • Catilina executes a facility agreement with its financiers to fund the Scheme Consideration before 5:00pm on the day which is 7 days before the date of the Scheme Meeting; • each of the conditions precedent to drawdown under the facility agreement contemplated in the preceding bullet point have been and remain, satisfied or waived in accordance with the terms of the facility agreement before 8.00am on the Second Court Hearing Date; and • ASIC and ASX have issued or provided such consents, confirmations or approvals or have done such other acts which SteriHealth and Catilina agree are reasonably necessary or desirable to implement the Scheme before 8.00am on the Second Court Hearing Date. | <p>See section 4.7 for a full description of the Conditions Precedent to the Scheme</p> <p>See section 6.7 for details of the Conditions Precedent which Catilina expects the debt facility will be subject to.</p> |

| Questions | Answers | Where to find more information |
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| The Scheme at a glance continued | | |
| What happens if a condition precedent is not satisfied or, if permitted, waived? | <p>If these Conditions Precedent are not satisfied or, if permitted, waived (as applicable) the Scheme will not proceed even if it has been approved by SteriHealth Shareholders (other than Excluded Shareholders) and Scheme Participants will not receive the Scheme Consideration as contemplated under the Scheme.</p> <p>In those circumstances, SteriHealth Shareholders will continue to hold their SteriHealth Shares and be exposed to the risks set out in section 5.8.</p> | Section 1.4(3) |
| Is there an exclusivity arrangement? | <p>Yes, under the Scheme Implementation Agreement, SteriHealth has agreed to certain restrictions during the Exclusivity Period, including not to:</p> <ol style="list-style-type: none"> (1) solicit, invite, encourage or initiate any enquiries, negotiations or discussions, or communicate any intention to do any of these things, with a view to obtaining any expression of interest, offer or proposal from any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Transaction; (2) enter into, continue or participate in negotiations or discussions with, or enter into any agreement, arrangement or understanding with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Transaction, even if: <ol style="list-style-type: none"> (a) the Competing Transaction was not directly or indirectly solicited, initiated, or encouraged by Target or any of its representatives; or (b) that person has publicly announced its Competing Transaction; or (3) without Bidder's prior written consent make available to any Third Party or permit any such person to receive any non-public information relating to Target or any of its Subsidiaries in connection with the person considering, formulating, developing or finalising a Competing Transaction, without Catilina's prior written consent. <p>However, the obligations referred to in items (2) and (3) above are subject to a fiduciary carve-out. That is, SteriHealth may undertake any action that would otherwise be prohibited in relation to a bona fide Competing Transaction where the Independent Directors:</p> <ol style="list-style-type: none"> (1) determine that the Competing Transaction is, or may reasonably be expected to lead to, a Superior Proposal; and (2) acting in good faith and after having consulted its external legal and financial advisers and having received written legal advice, determine that not undertaking the act would be likely to involve a breach of the fiduciary or statutory duties owed by any Independent Director. <p>SteriHealth is also under obligations to:</p> <ol style="list-style-type: none"> (1) procure that the Independent Directors do not withdraw, modify or qualify their unanimous recommendation of the Scheme; and (2) promptly notify and provide details to Catilina of any approach by any person to engage in, or it proposes to take, any action of a kind referred to in items (2) and (3) above. This obligation is also subject to a fiduciary carve-out. | <p>The exclusivity provisions are set out in section 12 of the Scheme Implementation Agreement, a copy of which is attached to this Scheme Booklet as Annexure A</p> |

3. Frequently asked questions continued

| Questions | Answers | Where to find more information |
|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Scheme at a glance continued | | |
| Is there a matching right for a Superior Proposal? | No, SteriHealth has not granted matching rights to Catilina in respect of any Superior Proposal that may arise. | N/A |
| Are any break fees payable? | <p>SteriHealth and Catilina have agreed to pay each other a break fee of \$140,000 in certain circumstances.</p> <p>The amount of each break fee is intended to compensate the recipient of the break fee for:</p> <ol style="list-style-type: none"> (1) advisory costs (including costs of advisers other than success fees) in respect of the Scheme; and (2) out-of-pocket expenses in respect of the Scheme. | The full break fee provisions are set out in section 13 of the Scheme Implementation Agreement, a copy of which is attached to this Scheme Booklet as Annexure A |
| When will SteriHealth become liable to pay Catilina the break fee? | <p>SteriHealth has agreed to pay Catilina a break fee of \$140,000 if the Independent Directors:</p> <ol style="list-style-type: none"> (1) fail to recommend the Scheme; or (2) withdraw or adversely modify that recommendation, <p>except as a result of any matter or thing giving SteriHealth the right to terminate the Scheme Implementation Agreement under clause 15.1 of the Scheme Implementation Agreement or as a result of the Independent Expert opining, to the effect, that the Scheme is not in the best interests of SteriHealth Shareholders (other than Excluded Shareholders).</p> | The full break fee provisions are set out in section 13 of the Scheme Implementation Agreement, a copy of which is attached to this Scheme Booklet as Annexure A |
| When will Catilina become liable to pay SteriHealth the break fee? | <p>Catilina has agreed to pay to SteriHealth a break fee of \$140,000 if:</p> <ol style="list-style-type: none"> (1) the Condition Precedent set out in section 4.7(12)(a) (Catilina finance condition) is not satisfied, or waived by Catilina, before 5:00pm on the day which is 7 days before the date of the Scheme Meeting; or (2) the Condition Precedent set out in section 4.7(12)(b) (Catilina finance condition) is not satisfied, or waived by Catilina, before 8:00am on the Second Court Hearing Date. | The full break fee provisions are set out in section 13 of the Scheme Implementation Agreement, a copy of which is attached to this Scheme Booklet as Annexure A |
| What happens if the Court does not approve the Scheme or the Scheme does not otherwise proceed? | <p>If the Resolution is not passed at the Scheme Meeting by the requisite majorities, or the Resolution is agreed to at the Scheme Meeting but is not approved by the Court, then the Scheme will not become Effective and will not be implemented.</p> <p>In those circumstances:</p> <ol style="list-style-type: none"> (1) SteriHealth Shareholders will continue to hold their SteriHealth Shares and be exposed to the risks set out in section 5.8; (2) SteriHealth will continue to operate in its current structure, as a stand-alone entity listed on the ASX. It is expected that SteriHealth would continue to focus on its current business model and strategy in the event that the Scheme does not proceed; and (3) Scheme Participants will not receive the Scheme Consideration. | Section 4.11 |

| Questions | Answers | Where to find more information |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Independent Directors' recommendations and reasons to vote for or against the Scheme | | |
| What do the Independent Directors recommend in relation to the Scheme? | The Independent Directors unanimously recommend that SteriHealth Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal. | The reasons for the Independent Directors' recommendation and other matters that you may wish to consider are set out in section 1 of this Scheme Booklet |
| What are the intentions of the Independent Directors in relation to the Scheme? | Each of the Independent Directors intends to vote (or procure the voting of) all SteriHealth Shares in which they hold a Relevant Interest in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal. | Section 1.1 |
| | At the date of this Scheme Booklet, the Independent Directors collectively hold a Relevant Interest in 818,186 SteriHealth Shares, representing approximately 4.2% of SteriHealth Shares. | Section 10.5 |
| What is the Independent Expert's conclusion? | The Independent Expert has concluded that the Scheme is fair and reasonable to the SteriHealth Shareholders (other than Excluded SteriHealth Shareholders) and, as such, that the Scheme is in the best interests of the SteriHealth Shareholders (other than Excluded SteriHealth Shareholders), in the absence of a Superior Proposal. | Section 7 |
| What are the reasons to vote in favour of the Scheme? | Reasons to vote in favour of the Scheme are set out in section 1.2. | Section 1.2 |
| What are the possible reasons to consider voting against the Scheme? | The possible reasons why you may consider voting against the Scheme are set out in section 1.3. | Section 1.3 |
| Voting on the Scheme | | |
| What vote is required to approve the Scheme? | In order for the Resolution to be passed by: <ul style="list-style-type: none"> a majority in number (more than 50%) of SteriHealth Shareholders (other than Excluded Shareholders) present and voting (whether in person, by proxy, by attorney or, in the case of corporate SteriHealth Shareholders, by corporate representative) (Headcount Test); and at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by SteriHealth Shareholders (other than Excluded Shareholders) present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate SteriHealth Shareholders, by corporate representative). <p>If either one of these thresholds is not satisfied, the Scheme will not be approved, other than in specific circumstances where the Court has the discretion to approve the Scheme despite the Headcount Test not being satisfied.</p> <p>Even if the Scheme is agreed to by SteriHealth Shareholders (other than Excluded Shareholders) at the Scheme Meeting, the Scheme is still subject to the approval of the Court.</p> | Section 9.1 |
| | No, voting is not compulsory. However, your vote is important in determining whether the Scheme will become Effective. If you cannot attend the Scheme Meeting to be held at 10:00am (Melbourne time) on Tuesday, 3 June 2014, you should complete and return the Proxy Form enclosed with the Scheme Booklet. Your Proxy Form must be completed and received by the SteriHealth Share Registry by 10:00am (Melbourne time) on Monday, 2 June 2014. | |
| Is voting compulsory? | | Section 2.7 |
| Why should I vote? | Your vote will be important in determining whether the Scheme will proceed. If you do not vote, but the Scheme is approved by the requisite majorities of SteriHealth Shareholders (other than the Excluded Shareholders), the Scheme will still proceed and your SteriHealth Shares will be acquired by Catilina. | Section 2.9 |

3. Frequently asked questions continued

| Questions | Answers | Where to find more information |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| The Independent Directors' recommendations and reasons to vote for or against the Scheme continued | | |
| What happens if I do not vote or vote against the Scheme? | If you do not vote, or vote against the Scheme, then it may not be approved and the Scheme will not proceed. If the Scheme does not proceed, the benefits outlined in section 1.2 will not be realised and the SteriHealth Share price may fall. In those circumstances, you will retain your SteriHealth Shares and be exposed to the risks set out in section 5.8. | Section 1.4 |
| | However, even if you do not vote or vote against the Scheme, this does not mean that the Scheme will not be approved. If the Scheme is approved by the requisite majorities of SteriHealth Shareholders and by the Court, the Scheme will be implemented, your SteriHealth Shares will be transferred to Catilina and you will receive Scheme Consideration for your SteriHealth Shares regardless of whether you voted against the Scheme (or did not vote at all). | Section 2.9 |
| What are the risks associated with an investment in SteriHealth, if the Scheme does not become Effective? | If the Scheme does not become Effective, the existing risks relating to SteriHealth's business and an investment in SteriHealth will continue to be relevant. | Section 5.8 |
| What you will receive under the Scheme | | |
| Who is entitled to receive the Scheme Consideration? | If you are registered on the SteriHealth Share Register as the holder of SteriHealth Shares at 5:00pm (Melbourne time) on the Record Date (currently Friday, 20 June 2014), you will be a Scheme Participant. | Section 9.4 |
| | If the Scheme becomes Effective, as a Scheme Participant, your SteriHealth Shares will be transferred to Catilina and you will receive the Scheme Consideration on the Implementation Date. | Section 9.6 |
| What will I receive if the Scheme proceeds? | If the Scheme proceeds and you are a Scheme Participant you will receive \$1.75 cash for each Scheme Share held at the Record Date. | Section 4.2 |
| When will the Scheme Consideration be paid? | If you are a Scheme Participant, it is expected that you will be paid your Scheme Consideration on Thursday, 26 June 2014. | Section 4.2, section 9.6 |
| How will I be paid the Scheme Consideration? | SteriHealth will pay you the Scheme Consideration from the Scheme Trust Account by: | |
| | <ul style="list-style-type: none"> if you have, before 5:00pm on the Record Date, made a valid election in accordance with the requirements of SteriHealth's Share Registry to receive dividend payments from SteriHealth by electronic funds transfer to a nominated bank account, paying, or procuring the payment of, the relevant amount of the Scheme Consideration in Australian currency by electronic means in accordance with that election; or otherwise dispatching, or procuring the dispatch of, a cheque for the relevant amount of the Scheme Consideration in Australian currency by prepaid post to your registered address as set out in the SteriHealth Share Register as at 5:00pm on the Record Date). | |
| | If you have previously nominated a bank account to SteriHealth's Share Registry for the purposes of receiving dividends from SteriHealth by way of electronic means and your nominated banking instructions remain unchanged, you do not need to do anything further and the Scheme Consideration will be paid to your nominated account. | Section 4.2, section 9.6 |
| | Should you wish to alter or update your nominated bank account details or, otherwise, provide your nominated bank account details to SteriHealth's Share Registry for the first time, please visit https://www-au.computershare.com/investor | |
| | SteriHealth Shareholders who wish to alter or update their nominated bank account details or, otherwise, provide their nominated bank account details to SteriHealth's Share Registry should do so by no later than 5:00pm (Melbourne time) on Friday, 20 June 2014. | |
| | If you are a joint holder of Scheme Shares, the Scheme Consideration will be sent to the address of the holder whose name first appears in the SteriHealth Share Register. | |

| Questions | Answers | Where to find more information |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| What you will receive under the Scheme continued | | |
| What are the tax consequences of the Scheme for me? | <p>Scheme Participants should seek independent advice regarding the taxation consequences of transferring their SteriHealth Shares to Catilina in accordance with the Scheme.</p> <p>Section 8 of this Scheme Booklet provides a general outline of the taxation consequences for SteriHealth Shareholders of transferring SteriHealth Shares to Catilina under the Scheme. However, this is a guide only. It is not intended to provide taxation advice in respect of the particular circumstances of any SteriHealth Shareholder.</p> | Section 8 |
| Will I have to pay broker fees or stamp duty in relation to the Scheme? | No, you will not have to pay any broker fees or stamp duty in relation to the Scheme, however if you elect to sell your SteriHealth Shares prior to the Record Date, you may incur broker fees in respect of that sale. | Section 4.10 |
| Additional Information | | |
| Can I sell my SteriHealth Shares? | Yes, SteriHealth Shareholders may sell their SteriHealth Shares on the ASX at any time prior to the suspension of trading in SteriHealth Shares on the ASX (should the Scheme proceed), if they do not wish to hold them and participate in the Scheme. | Section 2.8 |
| Have I given any warranties in respect of my SteriHealth Shares? | <p>You should be aware that under the Scheme, Scheme Participants are deemed to have warranted to SteriHealth that:</p> <ul style="list-style-type: none"> all of their SteriHealth Shares (including any rights and entitlements attaching to those shares) which are transferred to Catilina under the Scheme will, at the date of transfer be fully paid and free from all Encumbrances; and they have full power and capacity to sell and transfer their SteriHealth Shares to Catilina including any rights and entitlements attaching to those shares under the Scheme. <p>Scheme Participants should ensure that these warranties can be given by them before the Implementation Date.</p> <p>If a Scheme Participant breaches these warranties, they may be liable to pay Catilina any amounts paid by Catilina to acquire clear title to their SteriHealth Shares.</p> | Section 4.8 |
| Do I have to sign anything to transfer my SteriHealth Shares? | No. If the Scheme is approved and you are a Scheme Participant, SteriHealth will automatically have authority to sign a transfer on your behalf, and then the Scheme Consideration will be paid to you. | |
| Who can help answer my questions about the Scheme? | If you have any questions, please email shareholder.questions@sterihealth.com.au or consult your legal, investment or other professional adviser. | |

4. Key features of the Scheme

4.1 Background

On 27 March 2014, SteriHealth announced that it had entered into the Scheme Implementation Agreement with Catilina under which it is proposed that Catilina will acquire all SteriHealth Shares (other than SteriHealth Shares held by Excluded Shareholders) by way of a scheme of arrangement for \$1.75 per SteriHealth Share.

If the Scheme becomes Effective, all Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to Catilina on the Implementation Date and SteriHealth will be de-listed from ASX.

4.2 Scheme Consideration

If the Scheme becomes Effective, Scheme Participants will receive \$1.75 cash for each Scheme Share.

Catilina has an obligation under the Deed Poll to procure that the Scheme Consideration is paid into the Scheme Trust Account controlled by SteriHealth no later than 3:00pm on the Business Day immediately before the Implementation Date (or such other time as SteriHealth and Catilina agree).

The Scheme Consideration will be sent to Scheme Participants on the Implementation Date. Please refer to section 9.6 for further details.

4.3 Independent Expert's conclusion

SteriHealth commissioned RSM Bird Cameron to prepare a report on whether the Scheme is, in the Independent Expert's opinion, fair and reasonable and in the best interests of SteriHealth Shareholders (other than Excluded Shareholders).

The Independent Expert has assessed a value for 100% of SteriHealth, on a controlling interest basis, at between \$1.54 and \$1.88 per SteriHealth Share. As the Scheme Consideration for each Scheme Share is within the Independent Expert's valuation range for SteriHealth Shares, the Independent Expert has concluded that the Scheme is fair and reasonable to, and therefore in the best interests of, SteriHealth Shareholders, in the absence of a Superior Proposal.

The Independent Expert's Report is set out in Section 7 of this Scheme Booklet. The Independent Directors encourage SteriHealth Shareholders to read the Independent Expert's Report in full before deciding whether to vote in favour of the Scheme.

In concluding that the Scheme is fair and reasonable and in the best interests of SteriHealth Shareholders, in the absence of a Superior Proposal, the Independent Expert is not providing any conclusion as to whether the Scheme is in the best interests of Excluded Shareholders.

4.4 Independent Directors

(1) Independent Board Committee

The SteriHealth Board has established the Independent Board Committee (IBC) to consider the Transaction.

The current members of the IBC are Mr Lorenzo Coppa, Mr John Sikkema and Ms May Wan Khor.

The roles and responsibilities of the IBC in connection with the Transaction include:

- providing general oversight of SteriHealth's consideration of the Transaction;
- engaging, liaising and dealing with the Independent Expert and other advisers and experts;
- liaising and dealing with members of SteriHealth's management;

- ensuring the SteriHealth Board has available to it sufficient information and external advice to ensure informed decision-making of all matters related to the Transaction;
- supervising the preparation of SteriHealth Shareholder communications including the Notice of Scheme Meeting and disclosure documents (including this Scheme Booklet); and
- approving the final terms of corporate transactions and documents.

In addition to its responsibilities in connection with the Transaction, the IBC is responsible for considering any potential, proposed or actual Competing Transaction that may emerge prior to the Implementation Date (subject to, and in accordance with, the exclusivity provisions set out in the Scheme Implementation Agreement).

The IBC may meet as often as it deems necessary to fulfil its responsibilities. The IBC may seek the advice of SteriHealth's auditors, legal advisers or other independent advisers and experts about any matter in connection to its powers, duties or responsibilities.

(2) Independent Directors' recommendation

The Independent Directors unanimously recommend that SteriHealth Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The reasons for the Independent Directors' recommendation, and other matters that you may wish to take into consideration before deciding how to vote, are set out in section 1 of this Scheme Booklet.

In considering whether to vote in favour of the Scheme, the Independent Directors encourage you to:

- carefully read the whole of this Scheme Booklet (including the Independent Expert's Report);
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming Effective.

(3) Voting intentions of the Independent Directors

Each Independent Director intends to vote in favour of the Scheme at the Scheme Meeting in relation to the SteriHealth Shares held or controlled by them, in the absence of a Superior Proposal.

Details of the Relevant Interests of each Independent Director in SteriHealth Shares are set out in section 10.5.

4.5 Other SteriHealth Directors

(1) Mr Dan Daniels

Mr Dan Daniels is the sole shareholder, and a director of, Catilina. The other directors of Catilina are family members of Mr Daniels.

As a result of Mr Dan Daniels' interests in Catilina, Mr Dan Daniels does not consider it appropriate for him to make a recommendation to SteriHealth Shareholders in respect of the Scheme.

In addition, the 9,103,759 SteriHealth Shares held, in aggregate, by Mr Dan Daniels and his associates as at the date of this Scheme Booklet, details of which are set out in section 10.5, will not be subject to the Scheme and Mr Dan Daniels and his associates will be excluded from voting those shares at the Scheme Meeting.

(2) Mr Markus-Andreas Koch

Mr Markus Koch was the Chief Executive Officer of the Daniels group of companies, being entities associated with Catilina, until 30 September 2013. He has an outstanding bonus arrangement with Daniels Corporation International Pty Ltd which is dependent upon the financial performance of the Daniels group of companies, including SteriHealth. No part of that bonus arrangement is dependent upon whether or not the Scheme becomes Effective.

As a result of Mr Markus Koch's previous involvement and outstanding commercial arrangements with entities associated with Catilina, Mr Koch does not consider it appropriate for him to make a recommendation to SteriHealth Shareholders in respect of the Scheme.

Mr Markus Koch intends to vote in favour of the Scheme at the Scheme Meeting in relation to the SteriHealth Shares held or controlled by him (details of which are set out in section 10.5), in the absence of a Superior Proposal.

4.6 Key steps to implement the Scheme and approvals required

The key steps to implementing the Scheme are:

- (1) SteriHealth Shareholders (other than Excluded Shareholders) will vote on whether to agree to the Scheme at the Scheme Meeting;
- (2) if the requisite majorities of SteriHealth Shareholders (other than Excluded Shareholders) agree to the Scheme (see Section 9.1 of this Scheme Booklet), SteriHealth will apply to the Court to approve the Scheme at the Second Court Hearing (expected to be held on Wednesday, 11 June 2014);
- (3) if all the Conditions Precedent to the Scheme are satisfied or waived in accordance with the Scheme Implementation Agreement, and the Court approves the Scheme, SteriHealth will lodge a copy of the Court order approving the Scheme with ASIC. SteriHealth intends that the Court order will be lodged with ASIC on the day after the Second Court Hearing (the **Effective Date**);
- (4) it is expected that suspension of trading in SteriHealth Shares on the ASX will occur from close of trading on the Effective Date (expected to be from 5:00pm on Thursday, 12 June 2014);
- (5) no later than 3:00pm on the Business Day immediately before the Implementation Date (or such other time as SteriHealth and Catilina agree), Catilina will provide SteriHealth (as trustee for the Scheme Participants) the Scheme Consideration payable in respect of all Scheme Shares;
- (6) on the Implementation Date, all Scheme Shares will be transferred from Scheme Participants to Catilina; and
- (7) on the Implementation Date, SteriHealth will pay the Scheme Consideration received from Catilina to Scheme Participants by despatching cheques or making direct deposits into nominated bank accounts.

Section 9 of this Scheme Booklet contains more detailed information about the implementation of the Scheme, including information on the approvals required for the Scheme to proceed.

4.7 Conditions Precedent

The implementation of the Scheme is subject to a number of Conditions Precedent. The Conditions Precedent which must be satisfied or waived are:

(1) Scheme Regulatory Approvals

Before 8.00am on the Second Court Hearing Date, ASIC and ASX have issued or provided such consents, confirmations or approvals or have done such other acts which SteriHealth and Catilina agree are reasonably necessary or desirable to implement the Scheme.

As at the date of this Scheme Booklet, SteriHealth has applied for, and obtained, the ASIC relief set out in section 10.12.

(2) Restraints

No temporary restraining order, preliminary or permanent injunction or other order issued by any Court or other material legal restraint or prohibition preventing the Scheme is in effect at 8:00am on the Second Court Hearing Date.

(3) No Target Prescribed Event

No Target Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Hearing Date.

(4) No Bidder Prescribed Event

No Bidder Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Hearing Date.

(5) Independent Expert's Report

The Independent Expert issues its Independent Expert's Report which concludes that the Scheme is in the best interest of SteriHealth Shareholders (other than Excluded Shareholders) and the Independent Expert does not change or withdraw its recommendation prior to 8:00 am on the Second Court Hearing Date.

(6) No breach

No material breach of the Scheme Implementation Agreement by either SteriHealth or Catilina has occurred (which has not been remedied to the satisfaction of the other party) before 8:00am on the Second Court Hearing Date.

(7) SteriHealth Shareholder Approval

Before 8:00am on the Second Court Hearing Date, the Resolution is duly approved by SteriHealth Shareholders (other than Excluded Shareholders) at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act.

(8) Court Approval

The Court approves the Scheme in accordance with section 411(4) (b) of the Corporations Act on the Second Court Hearing Date.

(9) Orders convening Scheme Meeting

The Court orders the convening of the Scheme Meeting under section 411(1) of the Corporations Act.

(10) No Target Material Adverse Change:

No Target Material Adverse Change occurs between the date of the Scheme Implementation Agreement and 8:00am on the Second Court Hearing Date.

4. Key features of the Scheme continued

(11) No Index Decline

From the date of the Scheme Implementation Agreement until 8:00am on the Second Court Hearing Date, the All Ordinaries Index does not fall, for a period of more than 3 consecutive trading days, to a level that is 80% or less of the level as at the close of trading on the date of the Scheme Implementation Agreement.

(12) Catilina Finance Conditions

- (a) Before 5:00pm on the day which is 7 days before the date of the Scheme Meeting, Catilina and its financiers execute a facility agreement on substantially the terms contemplated by the terms sheet attached to the commitment letter executed by Catilina and its financiers (a redacted copy of which was provided by Catilina to the Independent Directors prior to the signing of the Scheme Implementation Agreement).
- (b) Before 8:00am on the Second Court Hearing Date, each of the conditions precedent to drawdown under the facility agreement contemplated in the condition precedent in section 4.7(12)(a) has been and remains, satisfied or waived in accordance with the terms of the facility agreement.

4.8 Warranty by Scheme Participants about their SteriHealth Shares

The terms of the Scheme provide that each Scheme Participant is taken to have warranted to SteriHealth and Catilina that:

- (1) all their SteriHealth Shares (including any rights and entitlements attaching to those shares) which are transferred to Catilina under the Scheme will, at the date of transfer, be fully paid and free from all Encumbrances; and
- (2) they have full power and capacity to sell and transfer their SteriHealth Shares to Catilina including any rights and entitlements attaching to those shares under the Scheme.

Under the Scheme, SteriHealth undertakes that it will provide such warranty to Catilina as agent and attorney of each Scheme Participant.

If the warranty is breached, Scheme Participants may be liable to pay Catilina any amount paid by Catilina to acquire clear title to the SteriHealth Shares.

4.9 Taxation implications

Section 8 of this Scheme Booklet contains a general overview of the taxation consequences for SteriHealth Shareholders in relation to the transfer of SteriHealth Shares to Catilina in accordance with the Scheme.

Section 8 of this Scheme Booklet is expressed in general terms and is intended as a guide only. It is not intended to provide taxation advice in respect of the particular circumstances of any SteriHealth Shareholder. SteriHealth Shareholders should seek advice from their own tax advisers having regard to their own particular circumstances.

4.10 No stamp duty

SteriHealth does not expect that any stamp duty will be payable on the transfer of the SteriHealth Shares to Catilina in accordance with the Scheme.

4.11 If the Scheme does not become Effective

If the Scheme does not become Effective:

- (1) SteriHealth Shareholders will continue to hold their SteriHealth Shares and be exposed to the risks set out in section 5.8.
- (2) SteriHealth will continue to operate in its current structure, as a stand-alone entity listed on the ASX. It is expected that SteriHealth would continue to focus on its current business model and strategy in the event that the Scheme does not proceed.
- (3) Scheme Participants will not receive the Scheme Consideration.

As at the date of this Scheme Booklet, no Superior Proposal has been received by SteriHealth. It is possible, but unlikely, that a Superior Proposal will be forthcoming prior to implementation of the Scheme.

The Independent Directors are of the opinion that if the Scheme does not proceed, SteriHealth's share price is likely to decline below current trading levels due to the failure of the Scheme in the absence of a Superior Proposal.

5. Information about SteriHealth

5.1 Introduction

SteriHealth Limited is a public company listed on the ASX which provides medical waste collection and disposal services in Australia.

SteriHealth offers disposal products, including pails and bags, disposable bio-can sharps waste containers and other safety products, and consumables and equipment for research and diagnostic applications in the areas of pathology and laboratory. SteriHealth also provides waste bins, reusable sharps waste containers and solutions for home healthcare sharps and clinical waste.

SteriHealth's services include collection and disposal services of clinical waste, medical waste and sharps waste disposal management, product recalls and retrievals, healthcare on-site waste stream management and pharmaceutical waste disposal services. The company also provides secure waste disposal for sensitive documents, as well as a range of products, including seizures from police, quarantine and customs, and destruction of commercial products.

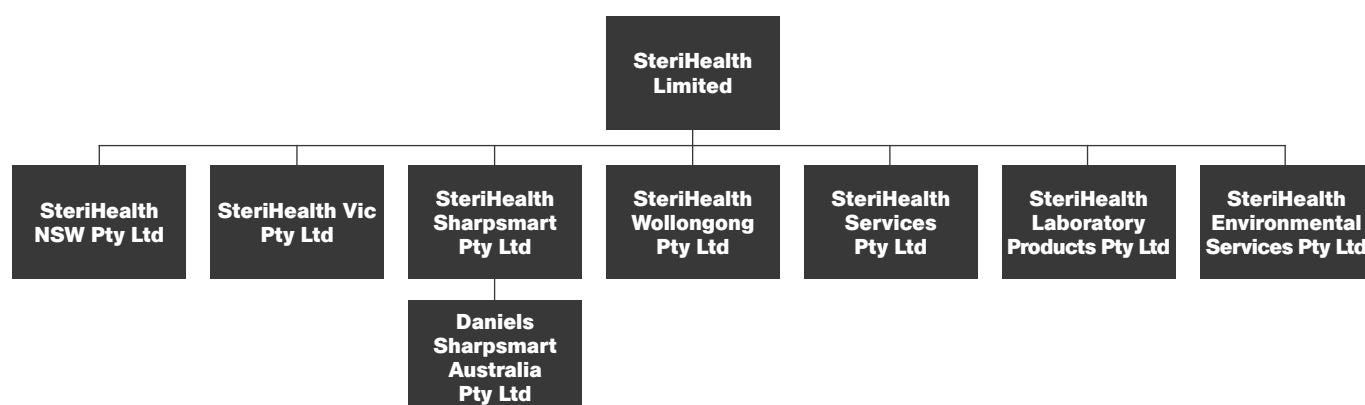
SteriHealth delivers solutions to hospitals and medical centres, doctor and specialist clinics, pathology and laboratory environments, research and development institutions, vets, dentists, pharmaceutical companies, corporate entities, councils, community care based nursing, nursing homes, chemists and needle exchange programs.

The company was formerly known as SteriCorp Limited and changed its name to SteriHealth Limited in October 2008. SteriHealth is headquartered in Melbourne, Australia.

5.2 Corporate structure

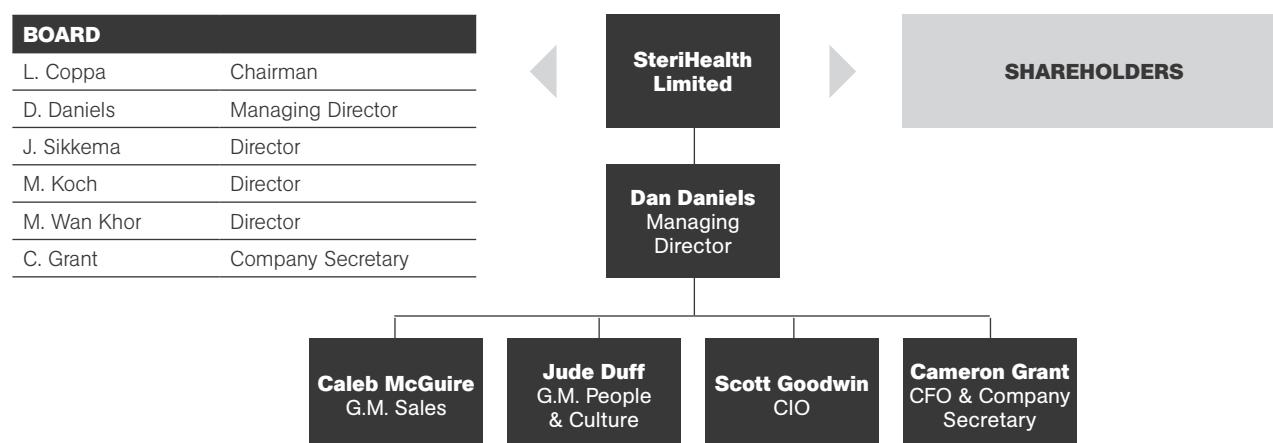
(1) Legal Structure

The diagram below sets out the corporate structure of the SteriHealth Group:



(2) Operational Structure

The diagram below sets out the operational structure of the SteriHealth Group:



5. Information about SteriHealth continued

5.3 SteriHealth's business

SteriHealth operates one business unit which comprises all operations. Its services include medical waste disposal and sharps waste disposal management, product recalls and retrievals, healthcare on-site waste stream management, pharmaceutical waste disposal and medical safety product sales.

SteriHealth is a specialist licensed medical waste company, providing collection and disposal services of Biohazardous Waste (Clinical Waste) with medical waste collection operations in Victoria, New South Wales, the Australian Capital Territory, Queensland, Western Australia and South Australia. SteriHealth offers broad waste consultation and total waste management solutions to help reduce overall waste streams coming from the health sector.

SteriHealth exclusively offers the family of Daniels Sharpsmart reusable sharps waste containers in Australia which deliver unparalleled sharps injury reduction opportunities, along with proven positive environmental outcomes. SteriHealth also offers a suite of clinical products, including the range of disposable BIO-CAN sharps waste containers and other safety products, which aid customers in meeting their compliance requirements and reduce occupational health and safety risk.

SteriHealth's product range greatly extends into the pathology and laboratory areas, with an exhaustive range of consumables and equipment for almost every research and diagnostic application. SteriHealth has built a dedicated clean packing site, and combined this with a sterilisation service, to deliver purpose-designed kits to meet any client requirements.

SteriHealth also offer highly secure waste disposal of sensitive documents and a range of items including seizures from police, quarantine and customs as well as destruction of commercial products.

SteriHealth's staff, products and services specialise in protecting people and reducing risk.

5.4 Board of Directors

Information on each of the SteriHealth Directors is set out below:

Mr Lorenzo Coppa

Non-executive Chairman

Lorenzo Coppa is the founder and CEO of the City Software Group, a leading IT solutions provider and SAP reseller. He has a proven track record of business automation and integration, acquisitions and innovation in a highly competitive industry.

Lorenzo also serves on a number of non-profit boards.

Lorenzo was appointed as an Independent Non-Executive Director of SteriHealth on 23 September 2008 and was elected Chairman on 23 December 2010.

Mr Dan Daniels

Managing Director & Chief Executive Officer

Dan Daniels is the Executive Chairman of the Daniels Corporation, a group of companies associated with Mr Daniels. The Daniels Corporation is a leader in the design and production of automated machinery and medical waste safety products. This included the development of the first reusable sharps collection system that introduces safe methods of collection and disposal of sharp instruments from the healthcare community.

Dan has a wide range of interests including directorships of large private companies and charitable organisations. Catilina, a company controlled by Dan, is SteriHealth's largest shareholder.

Dan was appointed as a Director of SteriHealth on 13 October 2004 and was appointed as Managing Director on 24 January 2007. Dan is a member of SteriHealth's Remuneration Committee and Compliance Committee.

Mr Markus-Andreas Koch

Non-executive Director

Markus Koch has extensive experience in the set up, accelerated growth and restructuring of businesses in Australia, Europe and North America. Markus is the Managing Director of Draeger Medical Australia which is an international leader in medical devices and safety technology.

Markus was appointed as a Director of SteriHealth on 27 May 2005 and was appointed as an Executive Director on 24 January 2007. Markus is a member of SteriHealth's Compliance Committee. Markus moved to a Non-executive Director role on 14 October 2013.

Mr John Sikkema

Non-executive Director

John is the former CEO of Garrisons Pty Ltd which he built and grew from a financial planning business in Tasmania into an Australia wide business which was ultimately sold to the Packer family backed listed entity Challenger Financial Services in 1999. John has extensive experience in strategic planning, vision leadership, as well as people management and building a distribution network.

John was appointed as a Director of SteriHealth on 21 March 2007.

Ms May Wan Khor

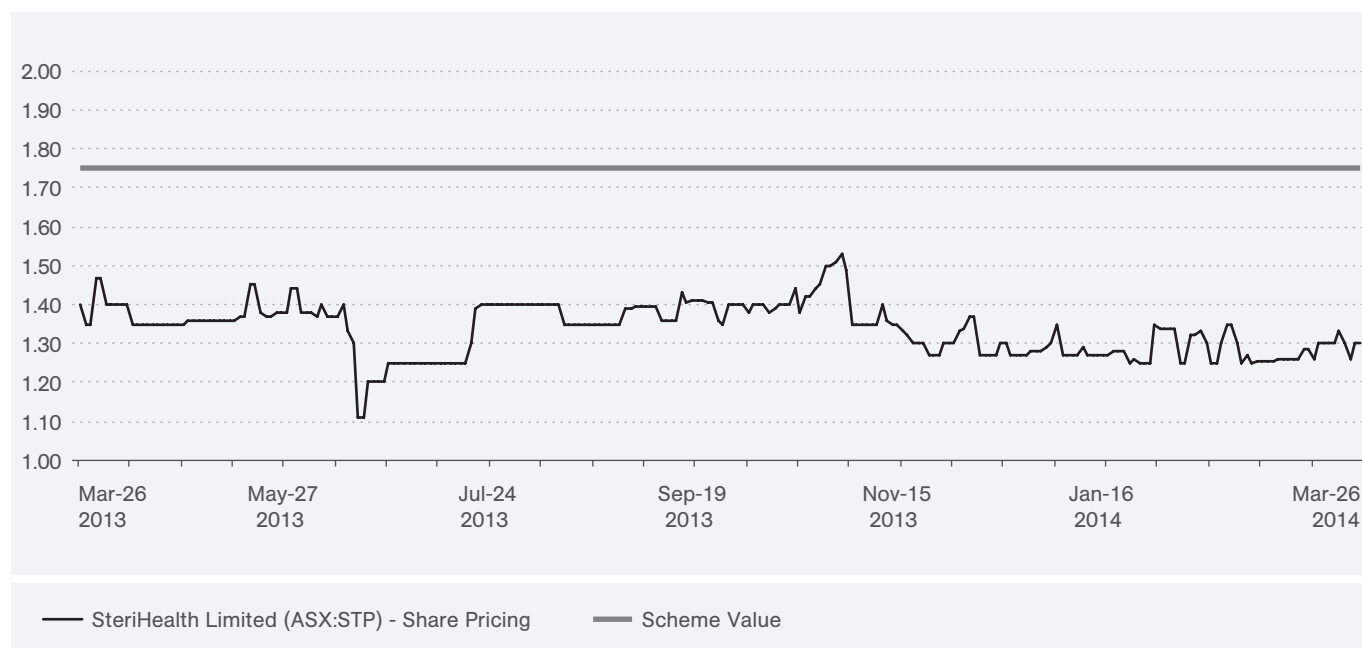
Non-executive Director

May Wan is a lawyer and principal of the Melbourne Legal Practice Khor & Burr. May holds Bachelor degrees in both Science (Hons) and Law, and a Diploma of Education. May has extensive investment experience, and her business interests have included manufacturing and distribution throughout Australia, investing in innovative technologies and property investment and development.

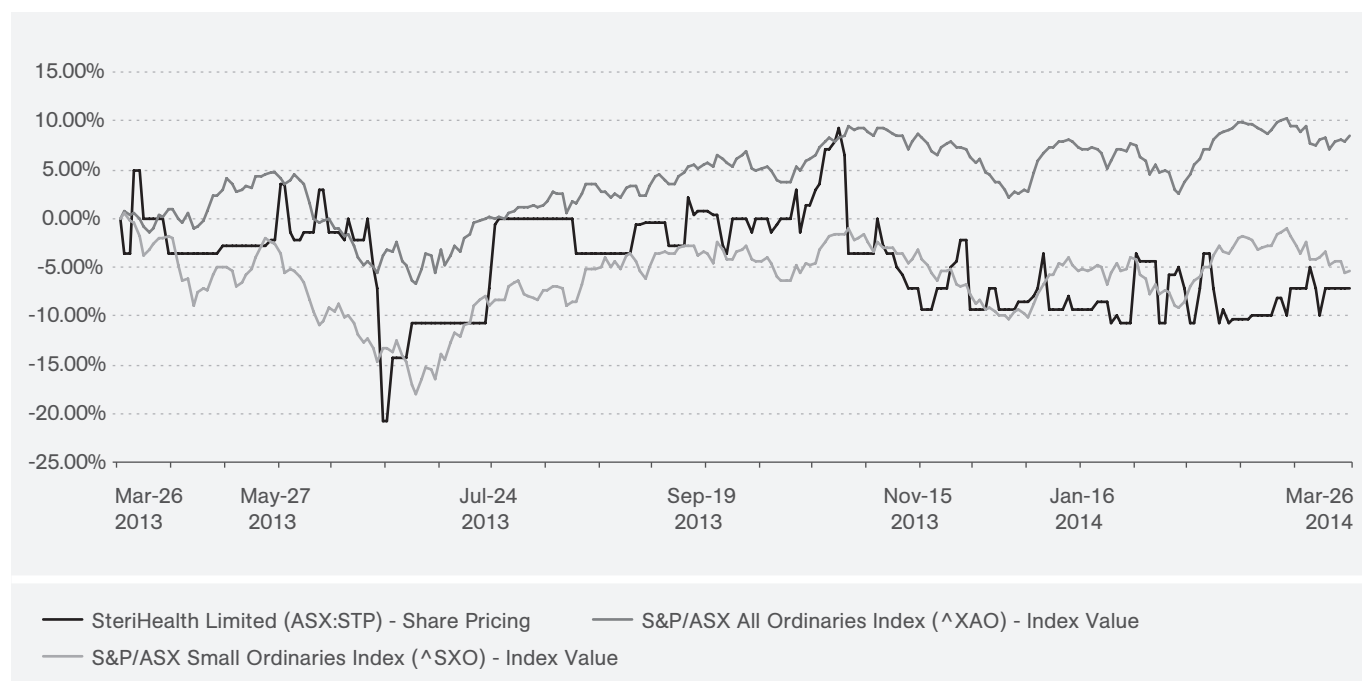
May was appointed as a Director of SteriHealth on 24 August 2011. May is a member of SteriHealth's Remuneration Committee, Compliance Committee and Audit Committee.

5.5 Recent SteriHealth Share price performance

SteriHealth's share price performance relative to the Scheme Consideration over the 12 months to 26 March 2014 is represented in the following diagram.



The price of SteriHealth Shares has underperformed relative to the ASX all ordinaries index for the 12 months to 26 March 2014. Its performance was more consistent with the small ordinaries index. This is depicted in the following diagram.



5. Information about SteriHealth continued

The following table shows the movement in revenue, profit, and shareholder wealth over time.

| Financial Year End | 30-Jun 2013 | 30-Jun 2012 | 30-Jun 2011 | 30-Jun 2010 | 30-Jun 2009 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| | 000's | 000's | 000's | 000's | 000's |
| Revenue | 55,170 | 52,557 | 49,454 | 46,781 | 43,968 |
| Net Profit before Tax | 5,274 | 5,242 | 5,051 | 7,142 | 5,613 |
| Net Profit after Tax | 3,872 | 4,030 | 3,779 | 5,350 | 3,752 |

| Financial Year End | 30-Jun 2013 | 30-Jun 2012 | 30-Jun 2011 | 30-Jun 2010 | 30-Jun 2009 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 000's | 000's | 000's | 000's | 000's |
| Share Price at Start of Year | \$1.24 | \$1.65 | \$1.45 | \$0.80 | \$1.78 |
| Share Price at End of Year | \$1.25 | \$1.24 | \$1.65 | \$1.45 | \$0.80 |
| Dividend | \$0.07 | \$0.07 | \$0.07 | \$0.07 | \$- |
| Basic EPS | \$0.20 | \$0.21 | \$0.19 | \$0.27 | \$0.19 |
| Diluted EPS | \$0.20 | \$0.21 | \$0.19 | \$0.27 | \$0.19 |

5.6 Historical financial information and underlying assumptions of financial information

The financial information set out below has been extracted from SteriHealth's audited financial statements for the full year ended 30 June 2013.

SteriHealth's full financial accounts including all notes to the accounts can be found in SteriHealth's:

- Annual Report for the year ended 30 June 2013 (released to the ASX on 23 October 2013); and
- Annual Report for the year ending 30 June 2012 (released to the ASX on 26 September 2012).

A summary of SteriHealth's half year results for the period ended 31 December 2013 can be found in the SteriHealth half yearly report released to the ASX on 17 February 2014.

(1) Consolidated balance sheet

Below is a summary of SteriHealth's consolidated balance sheets as at 30 June 2013 and 30 June 2012:

| <i>In thousands of AUD</i> | 2013 | 2012 |
|---------------------------------------|---------------|---------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 4,541 | 2,642 |
| Trade and other receivables | 9,325 | 9,289 |
| Inventories | 1,319 | 1,109 |
| TOTAL CURRENT ASSETS | 15,185 | 13,040 |
| NON-CURRENT ASSETS | | |
| Deferred tax assets | 866 | 791 |
| Plant and equipment | 26,863 | 23,042 |
| Intangibles | 46,370 | 46,489 |
| TOTAL NON-CURRENT ASSETS | 74,099 | 70,322 |
| TOTAL ASSETS | 89,284 | 83,362 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 6,756 | 3,866 |
| Current tax payable | 562 | 586 |
| Interest-bearing liabilities | 1,762 | 1,378 |
| Employee benefits | 2,732 | 2,513 |
| TOTAL CURRENT LIABILITIES | 11,812 | 8,343 |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing liabilities | 24,565 | 24,679 |
| Employee benefits | 302 | 322 |
| TOTAL NON-CURRENT LIABILITIES | 24,867 | 25,001 |
| TOTAL LIABILITIES | 36,679 | 33,344 |
| NET ASSETS | 52,605 | 50,018 |
| EQUITY | | |
| Contributed equity | 52,404 | 52,404 |
| Revaluation reserve | 140 | 140 |
| Accumulated losses/ retained earnings | 61 | (2,526) |
| TOTAL EQUITY | 52,605 | 50,018 |

5. Information about SteriHealth continued

(2) Consolidated statement of comprehensive income

Below is a summary of SteriHealth's consolidated income statements for the full years ended 30 June 2013 and 30 June 2012:

| <i>In thousands of AUD</i> | 2013 | 2012 |
|--------------------------------------------------------------------------------------------------------|--------------|--------------|
| Revenue | 55,170 | 52,557 |
| Treatment and transport expenses | (33,939) | (32,106) |
| Gross profit | 21,231 | 20,451 |
| Administrative expenses | (9,552) | (9,563) |
| Sales and marketing expenses | (4,763) | (3,709) |
| Other income | 56 | 38 |
| Results from operating activities | 6,972 | 7,217 |
| Financial income | 83 | 85 |
| Financial expenses | (1,781) | (2,060) |
| Net financing expense | (1,698) | (1,975) |
| Profit before tax | 5,274 | 5,242 |
| Income tax expense | (1,402) | (1,212) |
| Profit for the year attributable to equity holders of the parent | 3,872 | 4,030 |
| Other Comprehensive Income | | |
| Items that will not be reclassified to profit or loss: | | |
| Changes in the fair value of cash flow hedges | - | 197 |
| Total comprehensive income for the period attributable to equity holders of SteriHealth Limited | 3,872 | 4,227 |
| | Cents | Cents |
| Basic earnings per share | 19.8 | 20.6 |
| Diluted earnings per share | 19.8 | 20.6 |

(3) Consolidated statement of cash flows

Below is a summary of SteriHealth's consolidated cash flow statements for the full years ended 30 June 2013 and 30 June 2012:

| <i>In thousands of AUD</i> | 2013 | 2012 |
|----------------------------------------------|----------------|----------------|
| Cash flows from operating activities | | |
| Receipts from customers | 60,728 | 56,749 |
| Payments to suppliers and employees | (46,711) | (47,074) |
| Cash generated from operations | 14,017 | 9,675 |
| Interest received | 64 | 85 |
| Borrowing costs paid | (1,476) | (1,525) |
| Income tax paid | (1,501) | (1,415) |
| Net cash from operating activities | 11,104 | 6,820 |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (7,410) | (5,262) |
| Proceeds from sale of plant and equipment | 56 | 67 |
| Payments for business acquisitions | - | (392) |
| Net cash used in investing activities | (7,354) | (5,587) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 3,625 | 2,500 |
| Repayment of borrowings | (3,000) | (2,000) |
| Finance Lease repayments | (1,108) | (883) |
| Dividends paid | (1,368) | (1,368) |
| Net cash used in financing activities | (1,851) | (1,751) |
| Net increase in cash held | 1,899 | (518) |
| Cash and cash equivalents at 1 July | 2,642 | 3,160 |
| Cash and cash equivalents at 30 June | 4,541 | 2,642 |

5. Information about SteriHealth continued

5.7 Recent SteriHealth announcements

The table below sets out the material ASX announcements which SteriHealth has made since 30 June 2013:

| Date | Announcement |
|------------------|------------------------------------------------|
| 24 April 2014 | Conclusion of Independent Expert |
| 27 March 2014 | Announcement of Proposed Scheme of Arrangement |
| 17 February 2014 | Half Yearly Report and Accounts |
| 28 November 2013 | Chairman's Address to Shareholders |
| 28 November 2013 | 2013 AGM Presentation |
| 28 November 2013 | Results of Meeting |
| 28 November 2013 | 2013 Notice of Annual General Meeting |
| 23 October 2013 | Annual Report to shareholders |
| 14 October 2013 | Director Appointment/Resignation |
| 29 August 2013 | Appendix 4E/Full Year Statutory Accounts |

5.8 Risk factors

(1) Introduction

In considering the Scheme, SteriHealth Shareholders should be aware that there are a number of risk factors, general and specific, which may affect the future operating and financial performance of the SteriHealth Group and the price and/or value of SteriHealth Shares.

Many of these risk factors are currently relevant to SteriHealth Shareholders and may continue to be relevant to SteriHealth Shareholders who remain as SteriHealth Shareholders, if the Scheme does not become Effective. Many of these risk factors are outside the control of SteriHealth. For example, there can be no certainty that SteriHealth will achieve its business and commercial objectives or goals or that any forward looking statements in this Scheme Booklet will eventuate.

Additional risks and uncertainties not currently known to SteriHealth may have a material adverse effect on the business of the SteriHealth Group and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect the SteriHealth Group.

In deciding whether to vote in favour of the Scheme, SteriHealth Shareholders should carefully consider the following risk factors. These risk factors do not take into account the individual investment objectives, financial situation, tax position or particular needs of SteriHealth Shareholders.

(2) General risks

Investing in SteriHealth Shares involves a number of general investment risks. General investment risks includes factors relating to investments in shares generally and which are common to investments of this type and nature.

These risks include the risk of changes in economic activity and changing government policies on taxes and industry support. These changes could impact you, directly or indirectly, as a holder of SteriHealth Shares.

(3) Specific risks relating to SteriHealth

Specific risks which may affect the future operating and financial performance of the SteriHealth Group and the price and/or value of SteriHealth Shares include factors that relate specifically to the operations of the SteriHealth Group, the industry in which it operates and other factors specific to the SteriHealth Group.

The key specific risks for the SteriHealth Group include those outlined below:

(a) Key factors affecting total income of the SteriHealth Group

- Customer acceptance, pricing, and take up of products and services.
- Customer contracts are typically bid on a competitive tendering basis.

(b) Key factors affecting total expenses of the SteriHealth Group

- Landfill prices which are inclusive of landfill levies.
- SteriHealth has steadily increased its purchases of natural gas and electricity as these fuels are used for alternative treatment, and the operation of incinerators and washing technology.
- SteriHealth is a significant employer and therefore subject to the risk of increasing costs or changes in productivity levels.
- SteriHealth is a consumer of diesel which is a fuel for the vehicle fleet and its profits and cash flows are impacted by changes in the input cost of diesel.
- Available capacity exists in all plants. Licences for the collection, storage and treatment of waste are a cost to the SteriHealth business.
- The Federal Government 'carbon tax' impacts landfill, gas and electricity prices to varying degrees nationally.
- SteriHealth has debt and is therefore impacted by any changes in interest rates.
- The implementation of new facilities, such as wash lines for containers, involves forecasts of operational performance and costs. Actual costs may vary from forecasts due to efficiency differences or cost movements.

(c) Factors that could impact SteriHealth's competitiveness and revenues

SteriHealth's competitiveness in the market may be impacted by a range of factors including:

- Other market participants may decide to operate on lower margins and decrease prices.
- Replacement technologies may become available which would reduce the competitiveness of SteriHealth's various product offerings.
- Patents may be contested or expire such that barriers to entry reduce and pricing pressures increase over time.
- Competitors may improve efficiencies at a rate faster than SteriHealth and thereby reduce the margins available in the market.

6. Information about Catilina

6.1 Introduction

The information contained in this section 6 has been prepared by Catilina and is the responsibility of Catilina. None of SteriHealth or its advisers assumes any responsibility for the accuracy or completeness of the information contained in this section 6.

6.2 Overview of Catilina and its business

(1) General

Catilina Nominees Pty Ltd is a proprietary company incorporated in Australia and was registered in Victoria on 4 June 1976. It acts as the trustee for the Danny Boulas Daniels Family Trust, as well as the trustee for the Daniels Property Investment Trust.

Catilina holds the intellectual property over:

- the Daniels Sharpsmart suite of products which has been internationally commercialised with product sales to healthcare related companies; and
- various other healthcare related technologies, including scalpel holders and accessories used in the healthcare industry.

The purpose of this intellectual property is to provide for a safer and cleaner process for the treatment and handling of sharps and medical waste. "Making Healthcare Safer" is the philosophy that continually drives Catilina and the Daniels group in developing the safest, environmentally friendly products and services available for everyone involved in healthcare and to reduce risk for healthcare facilities.

Catilina is also a party to a number of supply agreements including an exclusive supply agreement with SteriHealth which gives SteriHealth exclusive access in Australia to the Daniels Sharpsmart suite of products.

As at the date of this Scheme Booklet, Catilina and its associates hold a 46.58% interest in SteriHealth, after first acquiring a shareholding in October 2004.

As at 30 June 2013, the Danny Boulas Daniels Family Trust had net assets in excess of \$55 million.

Mr Dan Daniels and his family members are the discretionary beneficiaries of the Danny Boulas Daniels Family Trust.

(2) Australian Operations

Catilina is the supplier of the Sharpsmart technology and product suite in Australia, which it currently sells exclusively to SteriHealth.

The Sharpsmart system, the key intellectual property held by Catilina, was launched in 1999 and is now used in thousands of healthcare facilities (including hospitals, private medical and veterinary clinics, pharmacies and nursing homes) in Australia, the United States of America, Canada, the United Kingdom, New Zealand and South Africa. It is the most widely researched sharps containment system internationally and the only system to have peer-reviewed confirmation of sharps injury reduction in international clinical journals.

(3) International Operations

Catilina holds significant investments in the Daniels group of companies which have medical waste businesses and assets in the United States of America, Canada, the United Kingdom, New Zealand and South Africa. Catilina also licenses its intellectual property to the Daniels group of companies to make it available for use in various countries, including United States of America, Canada, the United Kingdom, New Zealand and South Africa.

6.3 Directors of Catilina

As at the date of this Scheme Booklet, the directors of Catilina are:

- Dan Daniels – Director (executive). Dan is the sole shareholder of Catilina. He is also the Executive Chairman of Daniels Corporation and the Managing Director and Chief Executive Officer of SteriHealth since January 2007;
- Alison Daniels – Director (non-executive); and
- Rachel Daniels – Director (non-executive).

Dean McPhee is the Company Secretary and Chief Financial Officer of Catilina. He is also the Chief Financial Officer of the Daniels Group of companies.

6.4 Rationale for Catilina's proposed acquisition of SteriHealth

The proposed acquisition of 100% of SteriHealth is consistent with Catilina's long term growth strategy. Catilina has had an interest in SteriHealth since 2004 and the potential benefits of full ownership of SteriHealth have been recognised by Catilina for some time. Catilina considers the Transaction to have a number of key benefits, including:

- providing Catilina with the appropriate infrastructure and customer base to expand in Australia; and
- the opportunity to introduce new healthcare related technology in Australia.

Catilina also believes that there are a number of synergies which may be available to Catilina as a result of acquiring a full ownership interest in SteriHealth, particularly in light of the current supply arrangements in place.

6.5 Scheme Consideration

The Scheme Consideration of \$1.75 per SteriHealth Share will be satisfied wholly in cash. The maximum cash consideration payable to Scheme Participants, if the Scheme becomes Effective, will be approximately \$18.3 million.

6.6 Provision of Scheme Consideration

The Scheme Consideration is to be provided by Catilina depositing an amount equal to the aggregate Scheme Consideration payable to all Scheme Participants into the Scheme Trust Account by no later than 3:00pm on the Business Day immediately before the Implementation Date (or such other time as SteriHealth and Catilina may agree) in accordance with the terms of the Deed Poll.

6.7 Overview of funding and payment arrangements

To fund the payment of the Scheme Consideration, Catilina has arranged loan facilities with Bankwest, a division of Commonwealth Bank of Australia, pursuant to a funding confirmation letter.

The Scheme is conditional on:

- Catilina executing a facility agreement with Bankwest before 5:00pm on the day which is 7 days before the date of the Scheme Meeting on substantially the terms contemplated by the terms sheet attached to the confirmation letter (a redacted copy of which has been provided to the Independent Directors); and
- the conditions precedent to drawdown of the debt facilities being satisfied or waived in accordance with the terms of the facility agreement before 8:00am on the Second Court Hearing Date.

6. Information about Catilina continued

Catilina and SteriHealth have both banked with Bankwest for a number of years, and Bankwest has confirmed credit approval for the debt facility. As at the date of this Scheme Booklet, Catilina and Bankwest are in the process of negotiating the facility agreement. Catilina will disclose the conditions of the debt facility on ASX following the execution of the facility agreement. It is expected that the debt facility will be subject to the satisfaction of a number of conditions precedent such as:

- completion of satisfactory financial and legal due diligence, including confirmation that all material customer contracts, permits, licences, authorisations and intellectual property necessary to operate the SteriHealth business will remain in effect;
- provision of all documentation relating to the Scheme (including the Scheme of Arrangement and the Independent Expert's Report);
- confirmation that there is no event of default, review event or potential event of default subsisting;
- confirmation that the proposed ownership and corporate structure is satisfactory to Bankwest;
- evidence of Court and ASIC approval of the Scheme; and
- satisfaction of other conditions precedent to drawdown customary for debt facilities of this nature.

Catilina expects these conditions would be satisfied by the Second Court Hearing Date (other than those conditions which by their nature are typically only satisfied concurrently with, or prior to, the first drawdown under the debt facilities on the Implementation Date).

Mr Dan Daniels and Mrs Alison Daniels (as trustees for the Daniels Super Fund No 1 A/C) may also transfer their joint holding of 309,524 SteriHealth Shares as at the date of this Scheme Booklet to Catilina after the Second Court Hearing, but prior to the Implementation Date, to assist in the provision of the loan facilities contemplated in this section 6.7.

On the basis of the arrangements described in this section 6.7, Catilina is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds available to fund the payment of the Scheme Consideration and related transaction costs.

6.8 Catilina's intentions for the business, assets and employees of SteriHealth if the Scheme is implemented

The views set out in this section are statements of current intention only and may change as new information becomes available to Catilina or as circumstances change. The intentions of Catilina have been formed on the basis of facts and information concerning SteriHealth which are known to it, the general business environment and the circumstances affecting the business of SteriHealth as at the date of this Scheme Booklet.

(1) Corporate matters

If the Scheme is implemented, Catilina currently intends:

- to arrange for SteriHealth to be removed from the official list of ASX as soon as practicable after the Implementation Date; and
- not to make material changes to the composition of the SteriHealth Board and the boards of SteriHealth's subsidiaries in the short term. These changes have not yet been identified and final decisions as to board appointments will be made in light of the circumstances at the relevant time.

(2) Continuation of the SteriHealth business

If the Scheme is implemented, Catilina currently intends to continue to operate all material elements of the SteriHealth business in substantially the same manner as at the date of this Scheme Booklet.

While Catilina does not have any specific intention in relation to a broad based review of the SteriHealth business, its expectations are that it can identify and bring additional opportunities for revenue enhancement and operational synergies to the business.

(3) Employees

Catilina views SteriHealth's employees as an integral part of the SteriHealth business. Catilina also recognises the skills, experience and market knowledge of SteriHealth's employees and views the existing relationships between SteriHealth's employees and customers as an important part of the SteriHealth business. In that regard, following implementation of the Scheme, it is Catilina's current intention to retain SteriHealth employees with no material job losses expected.

Catilina also expects that the current management team will be directly involved in formulating the future integration and marketing strategies of the combined group. SteriHealth employees will also benefit from the opportunities which arise from being part of a larger and internationally focused group of entities.

(4) Intentions generally

Other than as set out in this section 6, based on the facts and information concerning SteriHealth that are known to Catilina at the date of this Scheme Booklet, it is Catilina's intention to:

- continue the business of SteriHealth in substantially the same manner as at the date of this Scheme Booklet;
- not make any major changes to the business of SteriHealth or redeploy any of SteriHealth's fixed assets; and
- continue the employment of SteriHealth's present employees as appropriate.

6.9 Catilina's interests in SteriHealth Shares

(1) Relevant Interest in SteriHealth Shares

At the date of this Scheme Booklet, Catilina has:

- a Relevant Interest in 9,103,759 SteriHealth Shares; and
- voting power in SteriHealth of approximately 46.58%.

(2) Dealings in SteriHealth Shares in the previous 4 months

Except in respect of the Scheme Consideration, during the 4 months before the date of this Scheme Booklet, neither Catilina nor any of its associates have provided or agreed to provide consideration for any SteriHealth Shares under a purchase or an agreement to purchase.

(3) Benefits during previous 4 months

Except as set out in this Scheme Booklet, during the 4 months before the date of this Scheme Booklet, neither Catilina nor any of its associates gave, or offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate of the other person to:

- vote in favour of the Scheme; or
- dispose of SteriHealth Shares,

where the benefit was not offered to all of the SteriHealth Shareholders.

(4) Benefits to SteriHealth Directors

Neither Catilina nor any of Catilina's associates intends to make any payment or give any benefit to any current or past member of the SteriHealth Board as compensation or consideration for, or otherwise in connection with, their resignation from the SteriHealth Board if the Scheme becomes Effective and the SteriHealth Board is reconstituted.

6.10 Other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being knowledge that is within the knowledge of any director of Catilina as at the date of this Scheme Booklet, which has not been previously disclosed to SteriHealth Shareholders.

SteriHealth Limited

Financial Services Guide and Independent Expert's Report

23 April 2014

**We have concluded that the Scheme IS IN THE BEST INTERESTS of the
Non-Associated Shareholders of SteriHealth Limited**

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Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

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Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution**Internal complaints resolution process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, GPO Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Toll Free: 1300 78 08 08

Facsimile: (03) 9613 6399

Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of the FSG.

AFS Licence No 255847

Independent Expert's Report

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Appendix 1 – Declarations and Disclaimers

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23 April 2014

The Shareholders
SteriHealth Limited
36 Cahill Street
DANDENONG SOUTH VIC 3175

Dear Shareholders

Independent Expert's Report ("Report")

1. Introduction

- 1.1. On 27 March 2014, SteriHealth Limited ("STP" or "the Company") announced that it had entered into a Scheme Implementation Agreement ("SIA") with Catilina Nominees Pty Ltd as trustee of the Danny Boulas Daniels Family Trust ("Catilina") in relation to a proposal by Catilina to acquire all of the fully paid ordinary shares on issue in STP which are not already held by Catilina or Mr Dan Daniels (as a trustee of the Daniels Superannuation Fund No. 1) via a scheme of arrangement under Section 411 of the Corporations Act 2001 (Cth) ("the Act") ("Scheme"). Under the terms of the Scheme, the shareholders of STP not associated with Catilina or Mr Dan Daniels ("Non-Associated Shareholders") will receive \$1.75 in cash for each STP issued ordinary share they hold. If the Scheme is implemented, STP will become wholly owned by Catilina and that Superannuation Fund and will be delisted from the ASX. STP and Catilina have executed the SIA to give effect to the Scheme if all conditions precedent are satisfied.
- 1.2. The Scheme is subject to the Court convening a meeting of Non-Associated Shareholders where they will consider a resolution seeking approval of the Scheme ("Scheme Meeting"). The Scheme Meeting is to be held in or about May 2014 and, under the Act, it will be approved by the Non-Associated Shareholders if the resolution is passed by a majority of the Non-Associated Shareholders present (in person or by proxy) and voting at the Scheme Meeting, and by at least 75% of the votes cast on the resolution. If this occurs, a second Court hearing will be held to approve the Scheme which, if approved, will become binding on all the Non-Associated Shareholders who hold STP shares as at the Scheme record date, irrespective of whether or not they voted for the Scheme, and Catilina will acquire 100% of STP's shares held by those Non-Associated Shareholders.
- 1.3. Part 3 of Schedule 8 to the Corporations Regulations 2001 ("Regulations") prescribes the information to be sent to shareholders in relation to Schemes of Arrangement with members pursuant to Section 411 of the Act. Schedule 8 of the Regulations requires a report prepared by an independent expert, which provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders, to be sent to shareholders, if:
- The corporation that is the other party to the scheme (Catilina) has a common director or directors with the company which is the subject of the scheme (STP); or
 - The corporation that is the other party (Catilina) is entitled to more than 30% of the voting shares in the subject company (STP).
- 1.4. Mr Dan Daniels, the Managing Director of STP, is also the sole shareholder and a director of the other party to the Scheme, Catilina. Mr Daniels, directly and through Catilina, and the Daniels Superannuation Fund No. 1 controls 9,103,759 STP shares, representing approximately 46.6% of the issued share capital of STP.
- 1.5. The independent directors of STP have therefore commissioned RSM Bird Cameron Corporate Pty Ltd ("RSMBCC") to provide an opinion as to whether or not the Scheme is in the best interests of the Non-Associated Shareholders.
- 1.6. Accordingly, we have prepared this Report for the purpose of stating, in our opinion whether or not the Scheme, and as such the offer under the Scheme, is in the best interests of the Non-Associated Shareholders and to set out the reasons for that opinion. Our Report is to be included in the Scheme Booklet and Notice of Meeting to be sent to the Non-Associated Shareholders in respect of the Scheme Meeting.
- 1.7. This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-Associated Shareholders. The ultimate decision whether to approve the Scheme should be based on each of the Non-Associated Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. The Non-Associated Shareholders should read and have regard to the contents of the Scheme Booklet and Notice of Meeting which has been prepared by the Independent Directors of STP ("Independent Directors") and management of STP. The Non-Associated Shareholders who are in doubt as to the action they should take with regard to the Scheme and the matters dealt with in this Report, should seek independent professional advice.

2. Summary and Conclusion

Opinion

2.1. In the absence of any other relevant information and/or a superior proposal, RSMBCC considers the Scheme to be fair and reasonable to the Non-Associated Shareholders and, as such, that the Scheme is in the best interests of the Non-Associated Shareholders. A summary of our reasons and the approach we have taken in assessing our opinion is set out in this Section of our Report.

Approach

2.2. In assessing whether the Scheme is "in the best interests" of the Non-Associated Shareholders, we have considered Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 – Content of Expert Reports ("RG 111"), which provides specific guidance as to how an expert is to appraise a Scheme of Arrangement.

2.3. Schemes of Arrangement can be used as an alternative to a takeover bid under Chapter 6 of the Act to achieve substantially the same outcome. In these circumstances, RG 111 suggests that the form of analysis to be undertaken by the expert should be substantially the same as for a takeover bid.

2.4. In effect, the Scheme represents a takeover offer for STP at \$1.75 per share, therefore consistent with the guidance set out in RG 111, in assessing whether or not we consider the Scheme to be "in the best interests" of the Non-Associated Shareholders, we have considered whether the Scheme is "fair" to the Non-Associated Shareholders by assessing and comparing:

- The Fair Value of a share in STP on a control basis; with
- The Fair Value of the proposed consideration being offered under the Scheme of \$1.75 in cash per STP share,

and, considered whether the Scheme is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Scheme which are likely to be relevant to the Non-Associated Shareholders, in their decision of whether or not, to approve the Scheme.

2.5. Further information of the approach we have employed in assessing whether the Scheme is in "the best interests" of the Non-Associated Shareholders is set out at Section 3 of this Report.

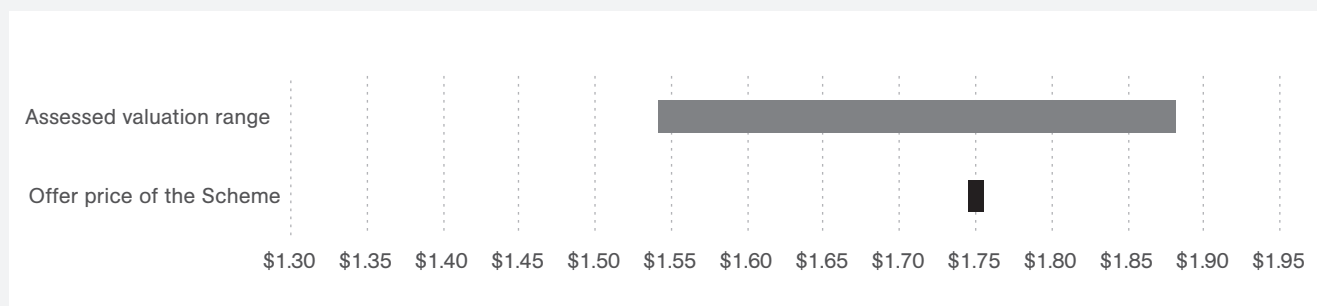
Is the Scheme Fair to the Non-Associated Shareholders?

2.6. Set out in the table and figure below is a comparison of our assessment of the Fair Value of an STP share on a control basis with the consideration being offered to the Non-Associated shareholders under the Scheme.

Table 1: Comparison of Fair Value of an STP share to consideration offered under the Scheme (Source: RSMBCC Analysis)

| | Fair Value | |
|------------------------------------------|------------|--------|
| | Low | High |
| Consideration offered by Catilina (cash) | \$1.75 | \$1.75 |
| Value of an STP share on a control basis | \$1.54 | \$1.88 |

Figure 1: Fair Value of an STP share compared to consideration offered under the Scheme (Source: RSMBCC Analysis)



2.7. The consideration offered by Catilina under the Scheme is within our assessed range of the Fair Value of an STP share on a control basis. Accordingly, in our opinion, the Scheme is fair to the Non-Associated Shareholders and, as such, in the best interests of the Non-Associated Shareholders.

Consideration of other factors relating to Scheme

2.8. Section 10 of this Report sets out our consideration of other factors relating to the implementation of the Scheme which are likely to be relevant to the decision of the Non-Associated Shareholders as to whether or not to approve the Scheme. We set out a summary of these factors below.

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Reasons for accepting the Scheme

2.9. STP's Independent Directors have unanimously recommended that the Non-Associated Shareholders vote in favour of the Scheme in the absence of a Superior Proposal (as defined in the Scheme Booklet) for the following reasons:

- This Independent Expert's Report has concluded that the Scheme is in the best interests of the Non-Associated Shareholders;
- The Scheme consideration represents a significant premium to STP's historical trading prices;
- The Non-Associated Shareholders will receive certain value for their investment;
- No alternative proposal has emerged as at the date of the Scheme Booklet; and
- No brokerage or stamp duty will be payable on the transfer of STP shares under the Scheme.

Future Prospects of STP if the Scheme is not approved

2.10. If the Scheme is not approved by the Non-Associated Shareholders, the Independent Directors have indicated that STP will continue to focus on driving growth of revenue from both existing and new customers. In our opinion, the Company has sufficient financial capacity to pursue its organic growth plans should the Non-Associated Shareholders not approve the Scheme. As at 31 December 2013, the Company had net assets of approximately \$53.2 million, cash of circa \$1.6 million and a net working capital balance of \$4.0 million (current assets less current liabilities).

The extent to which a control premium is being paid

2.11. The consideration offered under the Scheme of \$1.75 per share represents a:

- 35% premium to the closing price of STP shares on the ASX on 26 March 2014 (being the trading day immediately prior to the announcement of the Scheme);
- 35% premium to the 1 month VWAP of STP shares to 26 March 2014; and
- 36% premium to the 3 month VWAP of STP shares to 26 March 2014.

The price is also higher than the price that STP shares have traded on ASX over the preceding 12 months.

The price of STP's shares post the announcement of the Scheme

2.12. The Scheme was announced to the ASX on 27 March 2014 which resulted in STP's share price closing at \$1.68 on that date, its daily high price. The closing price on 22 April was \$1.70. STP's share price had closed at \$1.30 on 26 March 2014, just prior to the announcement of the Scheme.

2.13. It is common in takeover transactions for shares in the target company to rise post the announcement of offer, to a price at or around the offer price, in circumstances where the offer is in excess of recent trading prices of the target, as is the case with Catilina's offer for STP under the Scheme. Thus, in our opinion, we would expect STP's share price to remain at a level either at or just below the offer price of \$1.75 and continue to trade around this level until the Scheme Meeting, in the absence of any alternative offer emerging in this period.

2.14. In the period post the Scheme Meeting, in the event that the Scheme is not approved by the Non-Associated Shareholders, it is likely that in the short term that STP's share price will fall to around the level's achieved prior to the date of this Report and announcement of the Scheme.

Alternative proposals and likelihood of an alternative takeover offer

2.15. The Independent Directors have advised us that no formal alternative offers or approaches by potential acquirers have been received prior to the announcement of the Scheme on 27 March 2014.

2.16. The alternative to the Scheme is for the Non-Associated Shareholders to vote against the Scheme in the hope that they can realise greater value from their investment in STP either through maintaining STP as an independent company or through the emergence of a superior proposal to the Scheme. Whilst there is no evidence to suggest that the Non-Associated Shareholders would be better off under this alternative, it is possible that an alternative offer may emerge prior to the Scheme Meeting. However, since the announcement of the Scheme on 27 March 2014, we understand that no superior offers have been put forward as the date of this Report.

2.17. Mr Dan Daniels, who controls approximately 46.6% of STP's issued share capital, has confirmed that he and his associated entities do not have any interest in selling any of their equity interest in STP, reducing the likelihood of attracting another offer.

Liquidity

2.18. Historically, the liquidity of STP's shares has been low. The Scheme provides the Non-Associated Shareholders with an ability to liquidate their investment in STP, which may be of particular relevance for the larger Non-Associated Shareholders who are likely to find it difficult to exit their investment in STP on market. We consider it unlikely that the liquidity in STP's shares will improve materially if the Scheme is not successful.

Tax implications

2.19. Should the Scheme be approved by the Non-Associated Shareholders, the disposal of their shares in STP will constitute a capital gains tax event which may result in the crystallisation of capital gains tax. The quantum of any capital gains tax will be dependent on the individual tax circumstance of each shareholder, consequently each Non-Associated Shareholder is encouraged to seek professional tax advice to assist them in assessing the impact of the Scheme on their own individual tax position. RSMBC has not considered the tax implications of the Scheme for individual STP shareholders.

3. Scope of the Report

Purpose of this Report

- 3.1. The Scheme is to be implemented pursuant to section 411 of the Act. Part 3 of Schedule 8 of the Regulations prescribes the information to be sent to shareholders in relation to Schemes of Arrangement pursuant to section 411 of the Act. Schedule 8 of Regulations requires an independent expert report to be prepared if:
- The corporation that is the other party to the scheme (Catilina) has a common director or directors with the company which is the subject of the scheme (STP); or
 - The corporation that is the other party (Catilina) is entitled to more than 30% of the voting shares in the subject company (STP).
- 3.2. The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interests of the members of the company that is the subject of the scheme, and set out his or her reasons for that opinion.
- 3.3. The independent directors of STP have therefore commissioned RSMBC to provide an opinion as to whether or not the Scheme is in the best interests of the Non-Associated Shareholders.

Regulatory guidance

- 3.4. It is relevant to note that the expression "in the best interests" is not defined within either the Act or the Regulations. Therefore, in determining whether the Scheme is in the best interests of the Non-Associated Shareholders, we have had regard to the views expressed by the ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.
- 3.5. RG 111 prescribes that a key matter that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transactions is comparable to a takeover bid and is therefore representative of a change of control transaction. Where a Scheme would achieve substantially the same outcome as a takeover bid, RG 111 aligns "in the best interests" with the "fair and reasonable" test. While RG 111 does not define "fair and reasonable" it does provide some guidance as to how the terms should be interpreted in a range of circumstances. With respect to a takeover bid RG 111 applies the "fair and reasonable" test as two distinct criteria, stating:
- A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 3.6. RG 111 contends that if an expert was to conclude that a Scheme is "fair and reasonable" if it was in the form of a takeover bid, it will also be able to conclude that the scheme is "in the best interests" of the members of the company.

Adopted basis of evaluation

- 3.7. In effect, the Scheme essentially represents an all cash takeover offer by Catilina for 100% of the shares in STP held by the Non-Associated Shareholders priced at \$1.75 per share. Therefore, consistent with the guidance set out in RG 111 as summarised above, in assessing whether or not we consider the Scheme to be in "the best interests" of the Non-Associated Shareholders we have considered whether the Scheme is "fair" by assessing and comparing:
- The Fair Value of a share in STP on a control basis; with
 - The Fair Value of the proposed consideration being offered under the Scheme of \$1.75 in cash per STP share.
- 3.8. On this basis, if the Fair Value of the consideration is equal to or greater than the Fair Value of an STP share assessed on a control basis, then the Scheme, in our opinion, would be "fair" and, as such, in the best interests of the Non-Associated Shareholders.
- 3.9. Our assessment of the Fair Value of a share in STP has been prepared on a basis which is consistent with the following definition of Fair Value:
- "the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length"*
- 3.10. In assessing whether the Scheme is in the "best interests" of the Non-Associated Shareholders, in addition to considering whether or not the Scheme is "fair" to the Non-Associated Shareholders, we have also considered whether the Scheme is "reasonable" by undertaking an analysis of the following factors:
- The extent to which a control premium is being paid;
 - The likely price of STP's share post the announcement of the Scheme;
 - The likelihood of an alternative takeover offer emerging;
 - The future prospects of STP, if the Scheme is not implemented;
 - The liquidity the Scheme provides; and
 - The tax implications of approving the Scheme.
- 3.11. Our assessment of the proposed Scheme is based on economic, market and other conditions prevailing at the date of this Report.

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4. Summary of Scheme

Overview

- 4.1. On 27 March 2014, STP announced that it had executed the SIA with Catilina. Under the SIA, Catilina is proposing to acquire all of the issued shares of STP via a Scheme under Section 411 of the Act.
- 4.2. The consideration offered by Catilina under the Scheme is \$1.75 in cash per each STP issued, fully paid ordinary share.
- 4.3. Catilina is a company headquartered in Australia and controlled by Mr Dan Daniels.

Key conditions of the Scheme

- 4.4. The implementation of the Scheme is subject to a number of Conditions Precedent. The Conditions Precedent which must be satisfied or waived are:
- All required ASX, ASIC, Court, third party and regulatory approvals and consents are received;
 - No temporary restraining order, preliminary or permanent injunction or other order issued by any Court or other material legal restraint or prohibition preventing the Scheme is in effect at 8:00am on the Second Court Hearing Date;
 - No Target Prescribed Event occurs between the date of the SIA and 8:00am on the Second Court Hearing Date;
 - No Bidder Prescribed Event occurs between the date of the SIA and 8:00am on the Second Court Hearing Date;
 - RSMBCC not changing our conclusion that the Scheme is in the best interests of the Non-Associated Shareholders or, having reached that conclusion, not withdrawing the Report prior to the Second Court Hearing Date;
 - No material breach of this Agreement by either STP or Catilina occurs (which has not been remedied to the satisfaction of the other party) before 8:00am on the Second Court Hearing Date;
 - The Non-Associated Shareholders approve the Scheme by the requisite majorities in accordance with the Act;
 - The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act on the Second Court Hearing Date;
 - The Court orders the convening of the Scheme Meeting under section 411(1) of the Corporations Act;
 - No Target Material Adverse Change occurs between the date of the SIA and 8:00am on the Second Court Hearing Date;
 - From the date of the SIA until 8:00am on the Second Court Hearing Date, the All Ordinaries Index does not fall, for a period of more than 3 consecutive trading days, to a level that is 80% or less of the level as at the close of trading on the date of the SIA;
 - Catilina Finance Conditions:
 - (a) Before 5:00pm on the day which is 7 days before the date of the Scheme Meeting, Catilina and its financiers execute a facility agreement on substantially the terms contemplated by the terms sheet attached to the commitment letter executed by Catilina and its financiers (a redacted copy of which was provided by Catilina to the Independent Directors prior to the signing of the SIA).
 - (b) Before 8:00am on the Second Court Hearing Date, each of the conditions precedent to drawdown under the facility agreement contemplated in (a) above has been, and remains, satisfied or waived in accordance with the terms of the facility agreement.

5. Profile of STP

Overview

- 5.1. STP is headquartered in Dandenong, Victoria, and was formerly known as SteriCorp Limited, before changing its name to SteriHealth Limited in October 2008.
- 5.2. The principal activity of STP is the management and treatment of regulated clinical waste. The Company is recognised as a significant provider of clinical waste services in Australia, including the collection, treatment and disposal of clinical waste.
- 5.3. STP employs over 200 staff across all of the mainland states and markets proprietary technology to assist in the reduction of the risk of infection and injury in the disposal of clinical waste.
- 5.4. In providing its services, STP operates incinerators and alternative treatment technologies and owns a fleet of trucks, used to transport medical waste, while also providing equipment, including washed bins to customers. The Company also supplies the inventory needs of laboratories and recycling services to medical waste generators.

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Principal activities

5.5. STP's principal activities include:

- Medical waste and sharps waste disposal management;
- Solutions for home healthcare sharps and clinical waste;
- Reusable sharps waste containers;
- Healthcare on-site waste stream management and pharmaceutical waste disposal services;
- Disposable bio-can sharps waste containers and other safety products and consumables;
- Waste bins;
- Disposal products, including pails and bags;
- Equipment for research and diagnostic applications in the areas of pathology and laboratory; and
- Product recalls and retrievals.

5.6. STP also provides secure waste disposal of sensitive documents, as well as a range of products including seizures from police, quarantine and customs and destruction of commercial products.

5.7. The Company delivers solutions to hospitals and medical centres, doctor and specialist clinics, pathology and laboratory environments, research and development institutions, vets, dentists, pharmaceutical companies, commercial companies, councils, community care based nursing and nursing homes, chemists, clinics and needle exchange programs.

5.8. STP categorises its income into the following streams:

- **Clinical Waste** – encompasses the management and treatment of regulated clinical waste.
- **Sharpsmart** – the Sharpsmart System is a system for collecting, treating and disposing of sharps medical waste in leak-proof, puncture-proof and tamper-proof containers that are sanitised and reused with minimal risk to workers.
- **Clinismart (C64)** – an extension of the Sharpsmart range. Clinismart is a clinical waste management solution that is designed for hospitals and minimises infection risk within a sterile environment.
- **Laboratory Products** – STP is a supplier of single-use containers for sharps and bio hazardous waste as well as a supplier of a wide range of general laboratory equipment.
- **Total Waste Management (TWM)** – the management and treatment of general, recycling and specialty waste.
- **Other Services** – Health-care consulting, training services, audit services, blended learning services, transport pick up services, industrial waste services and waste tracking services.

Legal structure

5.9. STP is registered and domiciled in Australia. The Company operates eight 100% owned trading subsidiaries as set out below:

- SteriHealth Services Pty Ltd;
- SteriHealth Vic Pty Ltd;
- SteriHealth NSW Pty Ltd;
- SteriHealth Wollongong Pty Ltd;
- SteriHealth Sharpsmart Pty Ltd;
- Daniels Sharpsmart Australia Pty Ltd;
- Kolback Environmental Services Pty Ltd; and
- SteriHealth Laboratory Products Pty Ltd.

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Directors and management

5.10. The directors and key management of STP are summarised in the table below.

Table 2: STP directors and management (Source: FY13 annual report)

| Name | Title | Experience |
|---------------|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lorenzo Coppa | Chairman Independent Non-executive Director | The founder and CEO of the City Software Group, an IT solutions provider and SAP reseller. Mr Coppa also serves on a number of not for profit boards. Appointed Director of STP on 23 September 2008 and Chairman on 23 December 2010. |
| Dan Daniels | Managing Director and Chief Executive Officer | Mr Daniels is Executive Chairman of Daniels Corporation. Daniels Corporation is a group of companies that designs and produces automated machinery and medical waste safety products. He has a wide range of interests including directorships of large private companies and charitable organisations. Mr Daniels controls Catilina. Appointed Director of STP on 13 October 2004 and Managing Director on 24 January 2007. |
| Markus Koch | Non-executive Director | Mr Koch is the CEO of Draeger Medical Australia Pty Ltd. Appointed Director of STP on 27 May 2005 and Executive Director on 24 January 2007. Mr Koch moved to a Non-executive Director role on 26 September 2013. |
| May Khor | Independent Non-executive Director | Ms Khor is a lawyer and principal of the Melbourne Legal Practice Khor & Burr. She holds Bachelor degrees in both Science (Hons) and Law, and a Diploma of Education. Ms Khor's business interests also include manufacturing and distribution throughout Australia and investing in innovative technologies. Appointed Director of STP on 24 August 2011. |
| John Sikkema | Independent Non-executive Director | Mr Sikkema is a former CEO of Garrisons Pty Ltd, a financial planning business that was sold to Challenger Financial Services Group Limited in 1999. Appointed Director of STP on 21 March 2007. |

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Financial Performance

5.11. The following table sets out a summary of the financial performance of STP for the years ended 30 June 2011 ("FY11"), 30 June 2012 ("FY12"), 30 June 2013 ("FY13") and the six months ended 31 December 2013 ("HY14").

Table 3: STP financial performance (Source: FY13 and HY14 STP financial statements)

| Financial Performance | Ref | Period ended 31-Dec-13 | Year ended 30-Jun-13 | Year ended 30-Jun-12 | Year ended 30-Jun-11 |
|-------------------------------------------|------|---------------------------|-------------------------|-------------------------|-------------------------|
| | | Reviewed | Audited | Audited | Audited |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | | | | | |
| Revenue from services | | N/A | 49,994 | 47,362 | 45,281 |
| Revenue from goods | | N/A | 5,176 | 5,195 | 4,173 |
| Total revenue | 5.12 | 30,002 | 55,170 | 52,557 | 49,454 |
| Treatment and transport expenses | | 19,164 | 33,939 | 32,106 | 30,388 |
| Gross profit | 5.15 | 10,838 | 21,231 | 20,451 | 19,066 |
| Gross profit margin | | 36.1% | 38.5% | 38.9% | 38.6% |
| Operating expenses | 5.16 | 5,138 | 10,165 | 9,440 | 8,035 |
| EBITDA | 5.16 | 5,700 | 11,066 | 11,011 | 11,031 |
| EBITDA margin | | 19.0% | 20.1% | 21.0% | 22.3% |
| Depreciation & amortisation | | 2,353 | 4,150 | 3,832 | 3,871 |
| EBIT | | 3,347 | 6,916 | 7,179 | 7,160 |
| EBIT margin | | 11.2% | 12.5% | 13.7% | 14.5% |
| Interest received | | 9 | 83 | 85 | 68 |
| Interest paid | | (831) | (1,781) | (2,060) | (2,209) |
| Net gain on disposal of plant & equipment | | 11 | 56 | 38 | 32 |
| Profit before income tax | 5.17 | 2,536 | 5,274 | 5,242 | 5,051 |
| Tax expense | | 596 | 1,402 | 1,212 | 1,272 |
| Profit after income tax | | 1,940 | 3,872 | 4,030 | 3,779 |
| Profit after income tax margin | | 6.5% | 7.0% | 7.7% | 7.6% |

Note 1. A revenue breakdown between services and goods was not available to RSMBC for the period ended 31 December 2013.

5.12. We note the following in relation to STP's Revenue:

- Revenue has grown consistently over the three and a half years ended 31 December 2013. The increase in revenue is primarily a result of growth in C64 and Total Waste Management (TWM) services (see descriptions at Section 5.13).
- Revenue for HY14 is \$30.0 million representing a proportionate increase of 8.96% when compared to HY13.
- By comparison, medical waste revenue has decreased over the same period. This decrease is a result of the loss of two substantial contracts and continued pricing pressure.

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5.13. Following is a description of each of the main revenue lines of STP:

Table 4: STP revenue service lines (Source: STP AGM Presentation)

| Revenue Lines | Description |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Medical waste | The collection, treatment and disposal of medical waste including clinical waste, cytotoxic waste, anatomical waste and sharps waste. |
| Laboratory Products | Includes disposable sharps containers, pails & waste bins, bags, safety products and laboratory products. |
| C64 | A reusable waste system designed to reduce infection transfer, decrease environmental footprint, minimise logistic handling time, improve aesthetic appeal and is colour coded for waste segregation. |
| Total Waste Management (TWM) | The total waste management system offers the collection and destruction of general waste, sanitary waste, paper recycling, battery recycling, fluorescent tube recycling, commingle recycling and X-ray chemicals and film. |
| Daniels Sharpsmart | The sale of the Daniels Sharpsmart product range of reusable sharps containers. |

5.14. Medical waste and Daniels Sharpsmart represent established and significant revenue streams. Other revenue lines represent growing revenue streams.

5.15. We note the following in relation to STP's Gross Profit:

- Gross Profit has increased year on year. However, Gross Margin expressed as a percentage of sales (Gross Margin %) has remained relatively steady over the same period, with the exception of HY14 where Gross Margin % decreased from 38.5% to 36.1%. The decrease in Gross Margin % is primarily a result of pricing pressures in the industry and increased treatment, landfill and transport costs.
- Treatment and transport expenses increased year on year and have also generally increased as a percentage of medical waste revenue primarily as a result of the decreasing revenue per kilogram of waste and increasing land fill costs as stated above. As stated above, STP has also experienced increasing transport costs over the three and a half years ended 31 December 2013.

5.16. We note the following in relation to STP's operating expenses and earnings:

- Operating expenses as a percentage of revenue represented 16.2%, 18.0%, 18.4% and 17.1% for the years ended 30 June 2011, 2012, 2013 and the period ended 31 December 2013, respectively. The increase over the period 2011 to 2013 is largely a result of additional sales and marketing staff employed to market the C64 suite of products and retain market share across other products and services.
- Sales and marketing costs increased by over \$1.0 million from FY12 to FY13. HY14 sales and marketing costs are broadly in line with FY13.
- EBITDA has remained consistent in each year but has declined as a percentage of revenue. The EBITDA margin has decreased from 22.3% in 2011 to 19.0% in the period ended 31 December 2013. The decline is a result of increased costs and declining gross margins discussed above.

5.17. We note the following in relation to STP's profitability:

- The Company generated a net profit before tax of approximately \$5.3 million in FY13, representing a slight increase from the \$5.2 million earned in FY12.
- Margins at the gross profit%, EBITDA%, EBIT%, profit before tax% and net profit (after tax)% have decreased in each period during the three and a half years ended 31 December 2013.

Forecasts

5.18. We note the following in relation to STP's forecast:

- Revenue is forecast to increase by 8.3% in the year ending 30 June 2014. The sales growth is expected across most revenue streams.
- In addition to the above, we are instructed that at present Health Purchasing Victoria (HPV) and NSW Area Health Services (NSWAHS) are tendering the contract for the collection and disposal of medical waste for public hospitals. The revenue associated with both tenders represents a significant proportion of STP's income.
- A significant number of other contracts expire within the next 24 months.
- Gross Profit is forecast to increase by approximately \$460,000. However, Gross Margin expressed as a percentage of sales is forecast to decline by approximately 2.2% as a result of the increasing costs of landfill and pricing pressures.
- Operating expenses are forecast to remain relatively stable and to decline as a percentage of revenue from 18.4% in 2013 to 17.1% in 2014.
- EBITDA is forecast to increase by approximately \$400,000 but decrease as a percentage of sales as a result of the decrease in Gross Margin.
- We note that the actual EBITDA achieved in certain previous financial years was below the EBITDA forecast by management. Management has indicated that this is largely a result of margin pressure and a shortfall in actual versus forecast sales in STP's growing revenue streams.
- Furthermore, the forecasts have not been adjusted to reflect the risk associated with the renewal of customer contracts expiring over the next 15 months.

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Financial Position

5.19. The table below sets out a summary of the financial position of STP as at 30 June 2011, 30 June 2012, 30 June 2013 and 31 December 2013.

Table 5: Financial position of STP (Source: STP 31 December 2013 financial statements)

| Financial Position | Ref | As at 31-Dec-13 | As at 30-Jun-13 | As at 30-Jun-12 | As at 30-Jun-11 |
|--------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | Reviewed | Audited | Audited | Audited |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 5.20 | 1,596 | 4,541 | 2,642 | 3,160 |
| Trade debtors | 5.21 | 9,934 | 9,325 | 9,289 | 8,194 |
| Inventories | | 1,533 | 1,319 | 1,109 | 896 |
| Total current assets | | 13,063 | 15,185 | 13,040 | 12,250 |
| Non-current assets | | | | | |
| Deferred tax asset | | 900 | 866 | 791 | 643 |
| Plant and equipment | 5.22 | 30,495 | 26,863 | 23,042 | 20,468 |
| Intangible assets | 5.23 | 46,387 | 46,370 | 46,489 | 46,271 |
| Total non-current assets | | 77,782 | 74,099 | 70,322 | 67,382 |
| Total assets | | 90,845 | 89,284 | 83,362 | 79,632 |
| Current liabilities | | | | | |
| Trade and other payables | 5.24 | 6,245 | 6,756 | 3,866 | 4,521 |
| Current tax payable | | 260 | 562 | 586 | 640 |
| Interest bearing liabilities | 5.25 | 1,546 | 1,762 | 1,378 | 2,709 |
| Employee benefits | 5.26 | 2,863 | 2,732 | 2,513 | 2,081 |
| Total current liabilities | | 10,914 | 11,812 | 8,343 | 9,951 |
| Non-current liabilities | | | | | |
| Interest bearing liabilities | 5.25 | 26,527 | 24,565 | 24,679 | 22,381 |
| Employee benefits | 5.26 | 277 | 302 | 322 | 260 |
| Total non-current liabilities | | 26,804 | 24,867 | 25,001 | 22,641 |
| Total liabilities | | 37,718 | 36,679 | 33,344 | 32,592 |
| NET ASSETS | 5.20 | 53,127 | 52,605 | 50,018 | 47,040 |
| Equity | 5.27 | | | | |
| Contributed equity | | 52,404 | 52,404 | 52,404 | 52,404 |
| Revaluation reserve | | 140 | 140 | 140 | 140 |
| Cashflow hedge reserve | | | | | (197) |
| Accumulated losses/retained earnings | | 634 | 61 | (2,526) | (5,307) |
| TOTAL CAPITAL AND RESERVES | | 53,178 | 52,605 | 50,018 | 47,040 |

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- 5.20. As at 31 December 2013, STP disclosed net assets of \$53.2 million. The Company had cash and cash equivalents of approximately \$1.6 million, a net working capital balance (current assets less current liabilities) of approximately of \$2.1 million.
- 5.21. STP's receivables of approximately \$9.9 million at 31 December 2013 consist of trade and other receivables relating to operations and prepayments.
- 5.22. Property, plant and equipment of approximately \$30.5 million as at 31 December 2013 represents plant and equipment, both owned and leased, used in the operations of the business and leasehold improvements.
- 5.23. Intangibles, totalling approximately \$46.4 million as at 31 December 2013, consist almost entirely of goodwill, carried at \$45.7 million, with the balance comprising software and patents.
- 5.24. STP disclosed trade and other payables of approximately \$6.2 million at 31 December 2013.
- 5.25. STP carried \$28.1 million in total interest bearing debt at 31 December 2013, as compared to \$26.3 million at 30 June 2013. This debt consists of a finance lease facility and secured bank loans as summarised in the table below.

Table 6: STP interest bearing liabilities (Source: STP 31 December 2013 financial statements)

| Total Debt | As at 31-Dec-13 | As at 30-Jun-13 |
|-------------------------|-----------------|-----------------|
| | Reviewed | Audited |
| | \$'000 | \$'000 |
| Current | | |
| Finance lease liability | 1,022 | 1,041 |
| Secured bank loans | 524 | 721 |
| Total | 1,546 | 1,762 |
| | - | - |
| Non-current | | |
| Finance lease liability | 1,575 | 1,363 |
| Secured bank loans | 24,952 | 23,202 |
| Total | 26,527 | 24,565 |
| | | |
| Total debt | 28,073 | 26,327 |

- 5.26. Current and non-current employee benefits represent employee entitlement provisions, including annual leave and long service leave accruals and other benefits.

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Capital Structure

5.27. STP has 19,544,934 fully paid ordinary shares on issue. The top 20 shareholders of STP hold 79.66% of the issued share capital of the Company, as summarised in the table below.

Table 7: STP top 20 shareholders (Source: STP share register 28 February 2014)

| Shareholder | Number | Percentage |
|----------------------------------------------------------------------------------------|-------------------|----------------|
| Catilina Nominees Pty Ltd | 8,794,235 | 44.99% |
| Invia Custodian Pty Limited <Bangarie Property A/C> | 2,000,000 | 10.23% |
| Venn Milner Superannuation Pty Ltd | 849,035 | 4.34% |
| Mr John Sikkema + Mrs Suzanne Sikkema <J&S Sikkema Super Fund A/C> | 750,000 | 3.84% |
| Qualvest Pty Ltd <Lin Superannuation Fund A/C> | 376,364 | 1.93% |
| Mr Alan Richard Bignell + Mrs Glenda Ellen Bignell <Bignell Super Fund A/C> | 329,676 | 1.69% |
| Mr Dan Daniels + Mrs Alison Daniels <Daniels Super Fund No 1 A/C> | 309,524 | 1.58% |
| B & R James Investments Pty Limited <James Superannuation A/C> | 300,000 | 1.53% |
| Chord Capital Pty Ltd <Chord Capital Master No 1a/C> | 254,599 | 1.30% |
| Mr Peter Anthony Mc Carthy + Mrs Maureen Helena Mc Carthy <Mc Carthy Family Super A/C> | 231,999 | 1.19% |
| Mr Nicholas Rinaldi + Mrs Nicolette Rinaldi | 190,770 | 0.98% |
| Mr Peter Howells | 180,000 | 0.92% |
| Bros Nominees Pty Ltd <Bros Nominees S/F A/C> | 162,760 | 0.83% |
| V M Nominees Pty Ltd | 150,965 | 0.77% |
| Mr Dean Justin Mcphee + Mrs Janelle Lindy Mcphee | 129,855 | 0.66% |
| Mr Ian Harold Holland | 127,000 | 0.65% |
| Mr Ian Frank Scholes + Mrs Janie Scholes <The Avenue A/C> | 115,950 | 0.59% |
| Dwight Investments Pty Ltd <The Caleb Fund A/C> | 113,604 | 0.58% |
| Dr Dominic Ciampa + Mrs Rosa Ciampa <The Rosa Marando Family A/C> | 103,821 | 0.53% |
| Bythebay Pty Ltd <Bythebay Super Fund A/C> | 100,000 | 0.51% |
| Top 20 | 15,570,157 | 79.66% |
| Remaining shareholders | 3,974,777 | 20.34% |
| Total shares on issue | 19,544,934 | 100.00% |

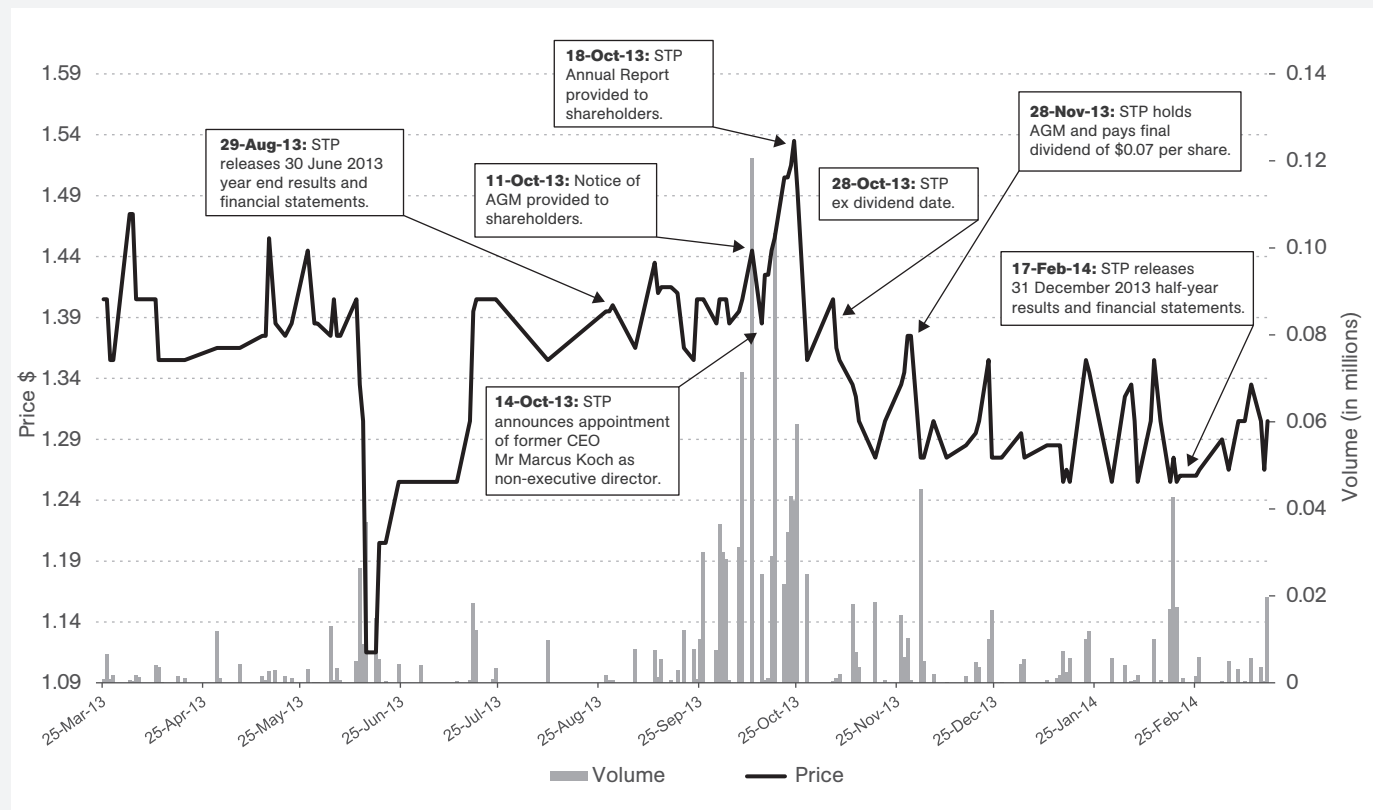
5.28. STP had no options or other securities on issue at the date of this Report.

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Share price performance

5.29. A summary of STP's recent share price movement is set out in the figure below.

Figure 2: STP 12 month share trading history (Source: S&P Capital IQ)



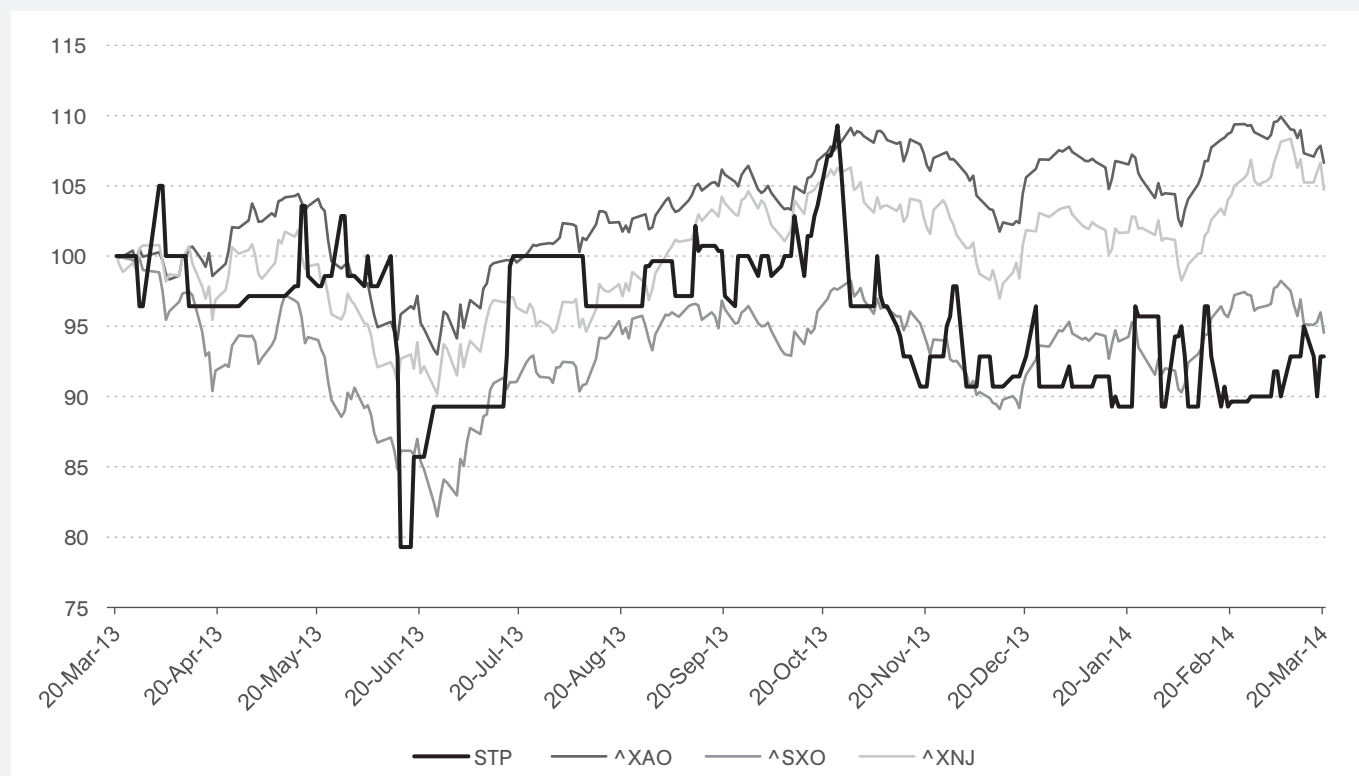
5.30. We make the following comments with regard to STP's recent share price performance:

- In the 12 months prior to the announcement of the Scheme, STP's shares have traded between a low of \$1.11 on 14 to 17 June 2013 to an intraday high of \$1.55 on 22 October 2013;
- In the period after the 52 week low on (14 June 2013) STP's share price increased steadily closing at \$1.55 on 24 October 2013 after the release of the Company's annual report and prior to its dividend record date;
- Subsequent to the payment of the FY13 dividend, STP's share price fell throughout October and November 2013; and
- Since 1 November 2013, the Company's share price has been relatively stable, trading in a range of between \$1.25 and \$1.40.

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5.31. The figure below sets STP's relative performance against the ASX All Ordinaries (^XAO), ASX Small Ordinaries (^SXO) and the ASX Industrials Index (^XNJ) for the twelve months to 20 March 2014.

Figure 3: STP relative performance (Source: S&P Capital IQ)



5.32. In the past 12 months, STP has underperformed the ASX All Ordinaries, ASX Small Ordinaries and the ASX Industrials indices.

6. Industry Overview¹

6.1. STP operates in the medical waste services industry ("the Industry"). The outlook of the Industry is a key demand determinant for STP's services. Accordingly, we set out in this section of the Report an overview of the medical waste services industry in Australia.

6.2. Medical waste services providers, collect, treat and dispose of medical waste. Medical waste service providers collect receptacle bins that store clinical and medical waste from hospitals, medical centres and other medical service organisations. The receptacle bins are transported to facilities so waste can be sorted and treated. Treatment processes include incineration, shredding and disinfection or autoclave sterilisation. Treated waste is then disposed of at licensed waste disposal facilities or landfill. The receptacle bins are cleaned and returned to the medical service organisation for further use.

6.3. The environmental protection authorities in each state and territory regulate the industry. Regulations require safe and timely treatment and disposal of medical waste.

6.4. Medical waste includes cytotoxic waste, which has been contaminated by drugs and other waste products, human tissue, anatomical waste, needles, syringes, used bandages, pharmaceutical waste and various other medical waste products.

Industry performance

6.5. Industry revenue is forecasted to be \$390 million in FY 2014, representing compound annual growth of 2.7% over the past 5 years.

Demand determinants

6.6. Demand is affected by the number of patients at medical service organisations and the types of medical procedures carried out on those patients. These demand factors are influenced by population growth, hospital funding and the number of medical facilities.

6.7. The most significant factors which give companies a competitive advantage in the industry are:

- compliance with government regulations
- an ability to clearly specify and encourage clients to comply with waste disposal requirements (e.g. medical waste disposed of in correct bins and separated from general waste).
- an ability to win business by tender
- the control over treatment and disposal services to control waste flows, increase efficiencies and maximise profit
- the use of specialist medical waste disposal units and receptacles and advanced waste treatment and disposal methods
- the ability to supply a wide range of waste collection, treatment and disposal services.

1. IBIS World "Industry Report OD5194 Medical Waste Services in Australia - October 2013"

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Services offered

6.8. The services provided by the industry are provided in the following table:

Table 8: Industry services by percentage (Source: IBIS World)

| Service | Percentage of industry revenue |
|--------------------------------------------|--------------------------------|
| Medical waste collection services | 53.9% |
| Medical waste treatment services | 21.3% |
| Medical waste disposal services | 15.7% |
| Medical waste audits | 3.7% |
| Medical documentation destruction services | 2.1% |
| Other miscellaneous services | 3.3% |

Clients

6.9. The Industry's clients are medical service organisations. A breakdown of clients by percentage of Industry revenue is set out in the following table:

Table 9: Industry clients by percentage (Source: IBIS World)

| Client | Percentage of industry revenue |
|------------------------------------------|--------------------------------|
| Public hospitals | 37.4% |
| Private hospitals | 11.2% |
| Medical centres | 10.3% |
| Dental service providers | 7.4% |
| Pathology service providers | 7.1% |
| Other medical service providers | 14.8% |
| Pharmaceutical companies | 6.0% |
| Government and other non-medical sectors | 5.8% |

Barriers to entry

6.10. Barriers to entry are high as participants need to satisfy licensing and regulatory requirements due to the dangerous and toxic nature of medical waste. The number of clients available to new participants is also limited because medical service organisations tend to have existing contracts with firms in the Industry.

Industry outlook

6.11. The Industry is in the mature stage of its economic lifecycle.

6.12. Profitability is forecasted to decline due to increased competition.

6.13. Revenue is forecasted to grow at an annualised rate of 2.9% to FY 2019 due to population growth and medical activity levels.

6.14. There is a potential for further Industry consolidation for larger service providers to expand into other geographic regions, gain clients or provide additional medical waste services.

7. Valuation Approach

Valuation methodologies

7.1. In assessing the Fair Value of an ordinary STP share on a control basis, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market Based Methods

7.3. Market based methods estimate Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities;
- capitalisation of maintainable earnings; and
- industry specific methods.

7.4. The recent quoted price for listed securities method provides evidence of the Fair Value of a company's securities where they are publicly traded in an informed and liquid market.

7.5. The capitalisation of maintainable earnings methodology estimates the Fair Value of a business as being the product of a company's Future Maintainable Earnings ("FME") multiplied by an appropriate earnings multiple. The methodology is commonly applied where earnings are stable and a FME stream can be established with a degree of confidence. Capitalisation multiples can be applied to either estimates of future maintainable operating cash flows, EBITDA, EBIT or net profit after tax. The earnings from any non-trading surplus assets are excluded from the estimate of FME and the value of such assets is separately added to the value of the business in order to derive the total value of the company. The appropriate multiple to be applied is usually derived from an analysis of stock market trading multiples of comparable companies (which do not include a control premium) and the implied multiples paid in comparable transactions (which include a control premium).

7.6. Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the Fair Value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Discounted cash flow

7.7. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

7.8. Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.9. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

7.10. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.

7.11. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

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Selection of Valuation Methodologies

7.12. In assessing the Fair Value of STP and an STP share we have selected the following valuation methodologies:

- Capitalisation of earnings – primary methodology; and
- Quoted price of listed securities – secondary methodology.

7.13. In our opinion, these are the most appropriate methodologies for the following reasons:

- STP has shown a reasonably consistent pattern of historical earnings;
- There is an adequate number of publicly listed companies with operations sufficiently similar to STP to provide meaningful analysis;
- There are no long term cash flow projections available which we regard as sufficiently robust to enable a DCF valuation to be undertaken; and
- STP's securities are listed on the ASX, which provides an indication of the market value where an observable market for the securities exists.

8. Valuation of 100% of STP and an STP share

8.1. We have assessed the Fair Value of STP and an STP share on a control basis using the capitalisation of FME methodology as our primary methodology. We have also considered the recent quoted price of STP's listed securities as our secondary basis of valuation. The remainder of this section of our Report sets out our valuation of STP.

Capitalisation of future maintainable earnings (primary methodology)

8.2. We have assessed the Fair Value of 100% of STP to be in the range of approximately \$30.2 million to \$36.7 million and the Fair Value of an STP share on a control basis to be in the range of \$1.54 to \$1.88, based on the capitalisation of FME methodology, as summarised in the table below.

Table 10: Assessed Fair Value of STP and an STP share

| STP Valuation | Low | High |
|--------------------------------------------------|---------------|---------------|
| Assessed EBITDA (\$'000) | 11,000 | 11,400 |
| Assessed EBITDA multiple | 4.60 | 4.80 |
| Enterprise Value (Minority Interest) | 50,600 | 54,720 |
| Add net cash (\$'000) | 1,596 | 1,596 |
| Less net debt (\$'000) | (28,073) | (28,073) |
| Equity Value (Minority Interest) (\$'000) | 24,123 | 28,243 |
| Control premium | 25.0% | 30.0% |
| Equity Value (100% interest) (\$'000) | 30,154 | 36,716 |
| Value per share | \$1.54 | \$1.88 |

Key assumptions

8.3. The capitalisation of earnings methodology estimates the Fair Value of the equity of a company by capitalising the FME of the underlying business at an appropriate multiple, which reflects the underlying risk profile and growth prospects of the business, adding the Fair Value of any surplus or non-operating assets, deducting net debt and applying a premium for control where necessary. Accordingly, valuing STP using the capitalisation of maintainable earnings methodology requires the determination of the following variables:

- future maintainable earnings;
- an appropriate capitalisation multiple;
- the current level of net debt;
- the value of surplus assets; and
- an appropriate premium for control.

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8.4. Our considerations with regard to each of these factors is presented below.

Future maintainable earnings

8.5. We have selected EBITDA as an appropriate measure of FME in our valuation of STP because multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on other earnings measures such as EBIT or NPAT. In our opinion, this approach allows a better comparison with earnings multiples of other companies and those implied in recent transactions.

8.6. In assessing the FME we have had regard to the audited financial results of STP for the three years ended 30 June 2013, the reviewed financial results for the period ended 31 December 2013 and the forecast for the year ending 30 June 2014.

8.7. In order to establish FME, we have considered adjustments to revenue and expenditure items to eliminate revenue or expense items that are abnormal, non-recurring, one-off or non-commercial in nature to assess the normalised EBITDA of STP in each of the aforementioned periods. We have reviewed the revenue and expenditure of STP and have not identified any non-recurring or abnormal items requiring adjustment.

8.8. We have considered cost savings and synergies that STP would potentially receive if STP was not a listed entity. Some of these costs include Non-Executive Director and Auditor remuneration, ASX listing, ASIC and Computershare costs as well as addressing compliance requirements. We have not adjusted for these costs as generally these synergy benefits are included as part of the control premium paid by the acquirer. There is insufficient publicly available information to distinguish the synergy benefits from the pure control premium. Therefore the benefits to the acquirer have been reflected in the control premium adjustment discussed later in this Report.

Assessment of STP FME

8.9. In assessing the FME of STP, we have had regard to the following:

- STP generated EBITDA of approximately \$11.0 million, \$11.0 million and \$11.1 million in the years ended 30 June 2011, 2012 and 2013 respectively;
- EBITDA achieved in the period ended 31 December 2013, on an annualised basis, indicates full year EBITDA for FY13 of approximately \$11.4 million, which is in line with historic EBITDA and management forecasts for the year ending 30 June 2014, being \$11.5 million; and
- Our assessment of STP FME assumes that the HPV and NSWHS contracts, discussed in paragraph 5.18 of our Report, are renewed. The risks associated with the contracts not being renewed are addressed in the determination of the earnings multiple in Paragraph 8.14 of this Report.

8.10. Having regard to the above, we have adopted a future maintainable EBITDA range of \$11.0 to \$11.4 million for the purposes of this valuation.

Capitalisation multiple

8.11. In selecting an appropriate capitalisation multiple to value STP we have considered the trading multiples of equities of companies which are listed on the ASX and overseas whose operations are the same or comparable to STP.

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Market trading multiples

8.12. The table below sets out a summary of the historic and forecast EBITDA multiples of entities listed on the ASX and other exchanges whose operations and activities are comparable to those of STP. Brief descriptions of each of the comparable companies are set out at Appendix 4.

Table 11: Summary of trading multiples of comparable companies (Source: S&P Capital IQ)

| Company | Country | EBITDA Trailing 12 months | Forecast EBITDA FY 14 | Market Cap. | Net debt | Enterprise Value | Ratios | |
|----------------------------------------------------|---------------|---------------------------------|-----------------------------|----------------|----------------|---------------------|----------------------------|--------------------------|
| | | \$M | \$M | | | | Historical EV EBITDA | Forecast EV EBITDA |
| Sharps Compliance Corporation | United States | 0.0 | 1.7 | 65.8 | (15.3) | 50.6 | N/M | 29.1 |
| Stericycle Incorporation | United States | 642.5 | 768.4 | 9,529.3 | 1,368.6 | 10,898.0 | 16.96 | 14.2 |
| Transpacific Industries Group Limited | Australia | 379.9 | 387.8 | 1,823.5 | 767.7 | 2,591.2 | 6.82 | 6.7 |
| ITL Limited | Australia | 3.2 | N/A | 20.9 | 3.9 | 24.8 | 7.75 | N/A |
| SDI Limited | Australia | 7.1 | N/A | 67.2 | 6.7 | 73.8 | 10.38 | N/A |
| Medical Action Industries Incorporated | United States | 20.4 | N/A | 114.2 | 54.9 | 169.1 | 8.30 | N/A |
| Azure Healthcare Limited | Australia | 2.9 | N/A | 62.5 | (1.5) | 60.9 | 21.15 | N/A |
| Tox Free Solutions Limited | Australia | 72.1 | 73.7 | 453.1 | 85.0 | 538.1 | 7.47 | 7.3 |
| Analabs Resources Berhad | Malaysia | 19.3 | N/A | 97.5 | (4.6) | 92.9 | 4.81 | N/A |
| SteriHealth Limited | Australia | 11.3 | N/A | 25.4 | 26.5 | 51.9 | 4.61 | N/A |
| Average | | 115.9 | 307.9 | 1,225.9 | 229.2 | 1,455.1 | 9.8 | 14.3 |
| Median | | 15.3 | 230.8 | 82.3 | 16.6 | 83.4 | 7.8 | 10.7 |
| Min | | 0.0 | 1.7 | 20.9 | (15.3) | 24.8 | 4.6 | 6.7 |
| Max | | 642.5 | 768.4 | 9,529.3 | 1,368.6 | 10,898.0 | 21.1 | 29.1 |
| Average (ex Sharps, Stericycle, SDI, Azure) | | 84.4 | 230.8 | 422.4 | 155.6 | 578.0 | 6.6 | 7.0 |
| Median (ex Sharps, Stericycle, SDI, Azure) | | 19.8 | 230.8 | 105.9 | 40.7 | 131.0 | 7.1 | 7.0 |
| Min (ex Sharps, Stericycle, SDI, Azure) | | 0.0 | 1.7 | 20.9 | (15.3) | 24.8 | 4.6 | 6.7 |
| Max (ex Sharps, Stericycle, SDI, Azure) | | 379.9 | 387.8 | 1,823.5 | 767.7 | 2,591.2 | 8.3 | 7.3 |

Notes

1. N/M = Not meaningful
2. NA = Not available
3. Enterprise values and earnings multiples calculated as at 26 March 2014
4. Trailing EBITDA represents the most recent full year EBITDA of each company
5. Forecast EBITDA based on current year consensus estimates collated and provided by S&P Capital IQ.

8.13. In relation to the above trading multiples, we note that the share price of a listed company represents the market value of a non-controlling interest in that company and as such any earnings multiples derived from those shares prices are consequently non-controlling multiples and they do not reflect a premium for control.

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Conclusion on capitalisation multiple

8.14. Based on our analysis of comparable company multiples, we consider an appropriate non-controlling EBITDA multiple for STP to be in the range of 4.6 to 4.8 times. In assessing this range, we have considered inter alia:

- The risk that approximately a significant amount of STP's revenue is at risk if the Company is unsuccessful in tendering for the HPV and NSWHS contracts;
- Management has advised that the capital expenditure for the business over the next five years will likely be at a level consistent with historical trends;
- STP appears to have a reliance on Mr Dan Daniels as the driver and innovator of the Company; and
- A number of the comparable entities are significantly larger than STP, operating in many geographical markets with significantly more diversified revenue streams.

Comparable transactions

8.15. We have researched the implied EBITDA multiples and control premiums in comparable transactions involving ASX listed entities whose operations and activities are comparable to STP. In this regard, we note the following:

- STP acquired 50% of the shares in Daniels Sharpsmart Australia Pty Limited from Daniels Sharpsmart Pty Limited for \$34.6 million, representing an EBIT multiple of 7.7 times the expected current year EBIT at the time of acquisition. An EBITDA multiple of 4.7 (mid-point) represents an implied EBIT multiple of 7.86.

8.16. As such, we consider that our selected multiple does not appear unreasonable to this comparable transaction. Further details on the comparable transaction are included at Appendix 5.

Surplus assets

8.17. Surplus assets are those assets owned by a company that are surplus to its main operating activities, such as property used for non-business purposes, loans or investments. Such assets should be valued separately from the main operating activities of the business, after adjusting operating results to remove the net income or expense generated by these surplus assets.

8.18. Based upon an analysis of the historic financial position of the Company which is set out at paragraphs 5.19 to 5.26 of this report and discussion with Management, we have concluded that STP has no surplus assets.

Net debt

8.19. We have assessed the net debt position of STP to be approximately \$26.5 million, as summarised in the table below.

Table 12: Assessment of net debt (*Management information*)

| Net Debt | As at 31-Dec-13 |
|---------------------------|------------------------|
| | Reviewed |
| | \$'000 |
| Cash and cash equivalents | 1,596 |
| Debt | (28,073) |
| Net debt | (26,477) |

8.20. As at 31 December 2013 STP had cash and cash equivalents of approximately \$1.6 million and debt of \$28.1 million.

Premium for control

8.21. Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:

- access to potential synergies;
- control over decision making and strategic direction;
- access to underlying cash flows; and
- control over dividend policies.

8.22. In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. Consequently, earnings multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).

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8.23. As the Scheme represents a control transaction, in assessing the value of 100% of STP and a share in STP we have applied a premium for control. In selecting this control premium we have considered the following factors:

- STP provides waste collection services to the health industry. It is possible that market participants may be willing to pay a premium to control the Company as it will provide them with the ability to distribute their own complimentary products and services through this market and leverage off STP's position in the market; and
- RSM Bird Cameron has undertaken a survey of control premiums paid over a 7-year period to 30 June 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX ("RSMBC Control Premium Study 2012"). In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, the closing share price of the acquiring company on the day prior to the date of the offer was used. Our study concluded that the median control premiums in takeovers and schemes of arrangements involving Australian companies were in the range of 25% to 30%.

8.24. On the basis of the above we believe that a premium for control in the range of 25% to 30% is appropriate in assessing the value of a controlling interest in STP.

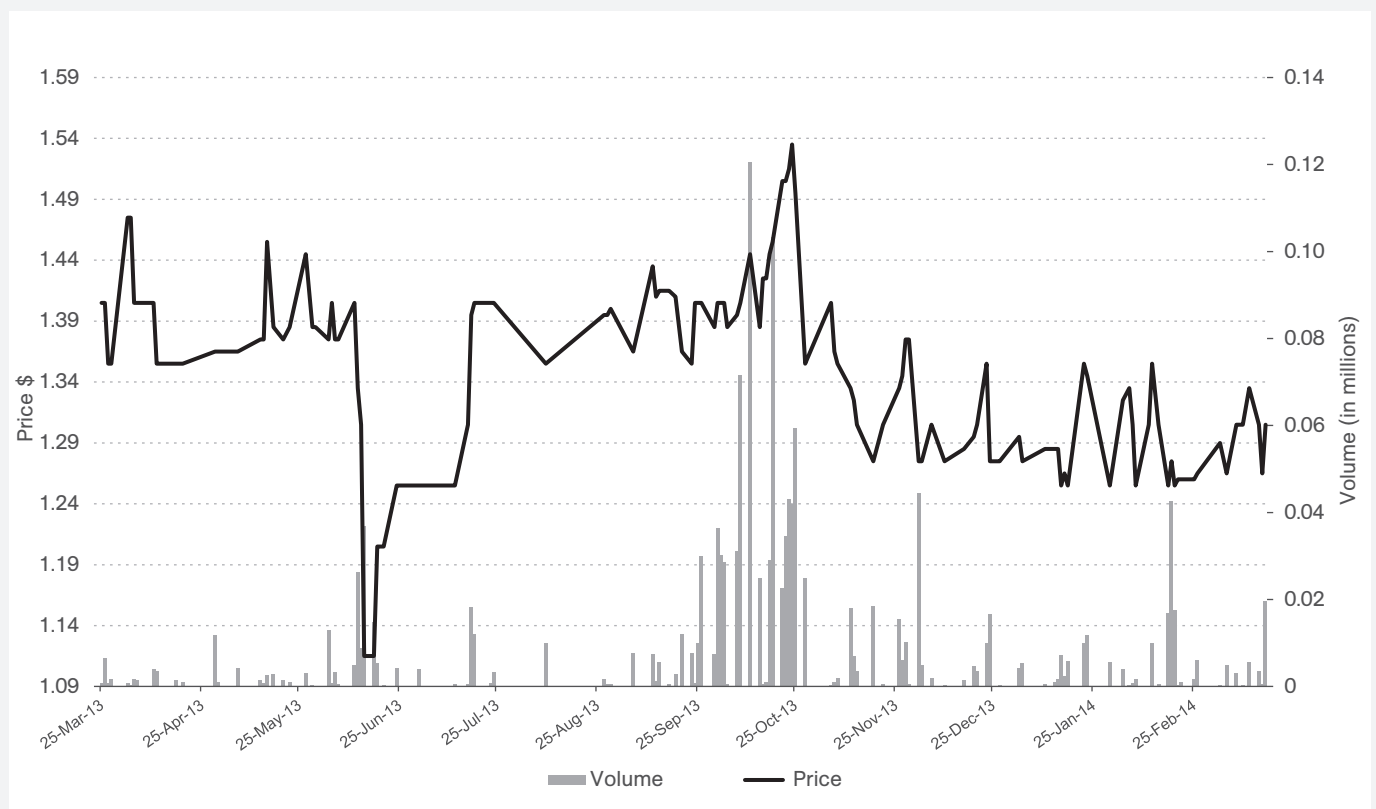
Quoted Price of Listed Securities (secondary method)

8.25. In order to provide a comparison and cross check to our valuation of an STP share derived using the capitalisation of FME methodology, we have considered the recent quoted market price for STP's shares on the ASX prior to the announcement of the Scheme.

Analysis of recent trading in STP shares

8.26. The figure below sets out a summary of STP's closing share prices and traded volumes in the year to 26 March 2014, being the last day STP shares traded prior to the announcement of the Scheme. The assessment reflects trading prior to the announcement in order to avoid the influence of any movement in price that may have occurred as a result of the announcement of the Scheme.

Figure 4: STP Share price volume (Source: S&P Capital IQ)



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8.27. Over the one year trading period prior to the announcement of the proposed Scheme, STP shares have traded in a range from a low of \$1.11 on 14 June 2013 to an intraday high of \$1.55 on 22 October 2013.

8.28. To provide further analysis of the quoted market prices for STP's shares, we have considered the Volume Weighted Average Price ("VWAP") for the 5-, 10-, 30-, 60-, 90- and 180- trading day periods to 26 March 2014, as summarised in the table below.

Table 13: VWAP of STP's shares (Source: S&P Capital IQ)

| | 26-Mar-14 | 5 Days | 10 Days | 30 Days | 60 Days | 90 Days | 120 Days | 180 Days |
|---------------|-----------|--------|---------|---------|---------|---------|----------|----------|
| Closing Price | 1.300 | | | | | | | |
| VWAP | | 1.300 | 1.307 | 1.268 | 1.280 | 1.293 | 1.393 | 1.394 |

8.29. An analysis of the volume in trading in STP's shares for the 180 trading day period to 26 March 2014 is set out in the following table.

Table 14: Traded volumes of STP shares to 26 March 2014 (Source: S&P Capital IQ)

| Trading days | Share price low | Share price high | # of days traded | VWAP | Volume traded 000's | As a % of issued capital |
|--------------|-----------------|------------------|------------------|-------|---------------------|--------------------------|
| 5 days | 1.300 | 1.300 | 1 | 1.300 | 2 | 0.01% |
| 10 days | 1.260 | 1.350 | 5 | 1.307 | 31 | 0.16% |
| 30 days | 1.250 | 1.350 | 17 | 1.268 | 127 | 0.65% |
| 60 days | 1.250 | 1.350 | 33 | 1.280 | 199 | 1.02% |
| 90 days | 1.250 | 1.370 | 49 | 1.293 | 339 | 1.74% |
| 120 days | 1.250 | 1.550 | 70 | 1.393 | 981 | 5.02% |
| 180 days | 1.250 | 1.550 | 95 | 1.394 | 1,217 | 6.23% |

8.30. We note that STP's shares have historically not traded on every trading day with its shares trading on only 17 of the 30 trading days and 95 of the 180 trading days prior to the announcement of the Scheme. Of STP's total shares on issue, approximately 6.23% were traded in the 180 day trading period prior to the announcement of the Scheme, which equates to an average of 0.17% on a weekly basis. Whilst our analysis indicates that there is an active market, it does not appear to be a deep market and there is relatively low level of liquidity in STP's shares.

8.31. Whilst STP shares are relatively thinly traded, the bidder in the Scheme currently controls 46.6% of the shares on issue. We analyse the free float trading volumes, being the total shares on issue excluding the bidder's shareholding, in the table below.

Table 15: Assessed value of an STP share – Quoted Price of Listed Securities (Source: RSMBCC analysis)

| | 5 Days | 10 Days | 30 Days | 60 Days | 90 Days | 120 Days | 180 Days |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Free float shares on issue | 10,441,175 | 10,441,175 | 10,441,175 | 10,441,175 | 10,441,175 | 10,441,175 | 10,441,175 |
| Shares traded | 1,890 | 31,180 | 126,520 | 199,430 | 339,290 | 980,690 | 1,217,040 |
| Free float trading percentage | 0.02% | 0.30% | 1.21% | 1.91% | 3.25% | 9.39% | 11.66% |
| Free float % per week | 0.02% | 0.15% | 0.20% | 0.16% | 0.18% | 0.39% | 0.32% |

8.32. As set out in the table above, the free float trading volumes also appear low. We consider weekly trading volumes of 1% or greater of the total shares on issue to be liquid. As the average weekly volumes of the free float shares do not exceed 0.4% over the past 180 trading days, and given STP shares only traded on 95 days in this same period, it does not appear that the STP shares are liquid. Nonetheless, STP has made appropriate announcements and disclosed key information as required under the continuous disclosure requirements of the ASX.

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Valuation of an STP share (Quoted price of listed securities methodology)

8.33. Our valuation of an STP share, on the basis of the recent quoted market price including a premium for control is between \$1.59 and \$1.69 as summarised in the table.

Table 16: Assessed value of an STP share – Quoted Price of Listed Securities (Source: RSMBCC analysis)

| | Ref | Low | High |
|-------------------------------------------------|------|-------------|-------------|
| Quoted market price (non-control basis) | 8.34 | 1.27 | 1.30 |
| Control premium | 8.35 | 25% | 30% |
| Value of an STP share on a control basis | | 1.59 | 1.69 |

Key assumptions

Value of an STP share on a non-control minority basis

8.34. Based on the analysis of the recent trading in STP's shares (paragraphs 8.26 – 8.32), we have assessed the value of an STP share on a non-control basis, to be in the range of \$1.27 and \$1.30, being the 30-day VWAP and the last traded price of an STP share prior to the announcement of the Scheme respectively. We further note that STP's VWAP over the past 90 trading days ranges from \$1.27 to \$1.31.

Control Premium

8.35. We have applied a control premium in the range of 25% to 30% which is consistent to that applied in our assessment of the Fair Value of an STP share, derived using the capitalisation of FME methodology. Paragraphs 8.21 - 8.24 set out our basis for the selected control premium.

Valuation summary and conclusion

8.36. A summary of our assessed values of an ordinary STP share on a control basis prior to implementation of the Scheme, derived under the two methodologies, is set out in the table below.

Table 17: Valuation of a share in STP (Source: RSMBCC analysis)

| | Ref | Low | High |
|--------------------------------------------|------|---------------|---------------|
| Capitalisation of FME | 8.2 | \$1.54 | \$1.88 |
| Quoted market value | 8.33 | \$1.59 | \$1.69 |
| Assessed Fair Value of an STP share | | \$1.54 | \$1.88 |

8.37. We consider that the Fair Value of an STP share on control basis is in the range of \$1.54 to \$1.88 which has been derived using the capitalisation of FME methodology. Whilst the recent quoted market prices of STP provide a useful cross check and support the value we have derived using the capitalisation of FME methodology, based on our analysis of the recent volume of trading in STP shares, we do not consider the market to be sufficiently liquid to provide a reliable assessment of their Fair Value on a standalone basis. We note, however, that the range derived is within the range assessed under the capitalisation of FME.

9. Is the Scheme Fair to the Non-Associated Shareholders

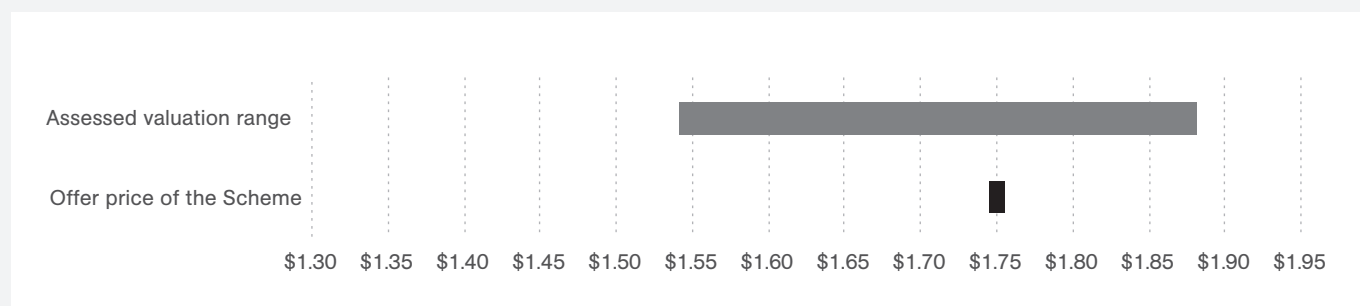
9.1. ASIC RG 111 defines a takeover offer as being fair if the value of the consideration offered under the takeover offer or in this case the Scheme is equal to or greater than the value of the securities being the subject of the offer. Set out in the table below is a comparison of our assessment of the Fair Value of an STP share on a control basis with the consideration being offered by Catilina under the Scheme.

Table 18: Comparison of Fair Value of an STP share to consideration offered under the Scheme (Source: RSMBCC Analysis)

| | Fair Value | |
|------------------------------------------|------------|--------|
| | Low | High |
| Consideration offered by Catilina (cash) | \$1.75 | \$1.75 |
| Value of an STP share on a control basis | \$1.54 | \$1.88 |

9.2. The above comparison is depicted graphically in the figure below.

Figure 5: Fair Value of an STP share compared to consideration offered under the Scheme (Source: RSMBCC Analysis)



9.3. The consideration offered by Catilina under the Scheme is within the range of our assessment of the Fair Value of an STP share assessed on a control basis. Therefore, we consider that the Scheme is fair and, as such, in the best interests of the Non-Associated Shareholders.

10. Consideration of other factors relating to the Scheme

10.1. As we have concluded that the Scheme is fair to the Non-Associated Shareholder's in accordance with guidelines set out in ASIC RG 111 in our opinion the Scheme is reasonable and in the best interests of the Non-Associated Shareholders. However, we consider and outline in this Section of the Report an analysis of other factors which are likely to be relevant to the Non-Associated Shareholders in their assessment of the Scheme:

Reasons for accepting the Scheme

10.2. STP's Independent Directors have unanimously recommended that the Non-Associated Shareholders vote in favour of the Scheme in the absence of a Superior Proposal (as defined in the Scheme Booklet) for the following reasons:

- This Independent Expert's Report has concluded that the Scheme is in the best interests of the Non-Associated Shareholders;
- The Scheme consideration represents a significant premium to STP's historical trading prices;
- The Non-Associated Shareholders will receive certain value for their investment;
- No alternative proposal has emerged as at the date of the Scheme Booklet; and
- No brokerage or stamp duty will be payable on the transfer of STP shares under the Scheme.

Future Prospects of STP if the Scheme is not approved and implemented

10.3. If the Scheme is not approved by the Non-Associated Shareholders, the Directors have indicated that STP will continue to focus on driving growth of revenue from both existing and new customers. In our opinion, the Company has sufficient financial capacity to pursue its organic growth plans should the Non-Associated Shareholders not approve the Scheme. As at 31 December 2013, the Company had net assets of approximately \$53.2 million, cash of circa \$1.6 million and a net working capital balance of \$4.0 million (current assets less current liabilities).

The extent to which a control premium is being paid

10.4. Our 2013 Control Premium Study indicated that the median control premium in transactions involving ASX listed companies was in the range of 25% to 30%.

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10.5. The consideration offered under the Scheme of \$1.75 per share represents a:

- 35% premium to the closing price of STP shares on ASX on 26 March 2014 (being the trading day immediately prior to the announcement of the Scheme);
- 35% premium to the 1 month VWAP of STP shares to 26 March 2014; and
- 36% premium to the 3 month VWAP of STP shares to 26 March 2014.

The price is also higher than the price that STP shares have traded on ASX over the preceding 12 months.

The likely price of STP's shares should the Scheme be rejected

10.6. The Scheme was announced to the ASX on 27 March 2014 which resulted in STP's share price closing at \$1.68 on that date, its daily high price. The closing price on 22 April was \$1.70. STP's share price had closed at \$1.30 on 26 March 2014, just prior to the announcement of the Scheme.

10.7. It is common in takeover transactions for shares in the target company to rise post the announcement of offer, to a price at or around the offer price, in circumstances where the offer is in excess of recent trading prices of the target, as is the case with Catilina's offer for STP under the Scheme. Thus, in our opinion we would expect STP's share price to remain at a level either at or just below the offer price of \$1.75 and continue to trade around this level until the Scheme Meeting, in the absence of any alternative offer emerging in this period.

10.8. In the period post the Scheme Meeting, in the event that the Scheme is not approved by the Non-Associated Shareholders, it is likely, in the short term, that STP's share price will fall to around the level's achieved prior to the date of this Report and announcement of the Scheme.

Alternative proposals and likelihood of an alternative takeover offer

10.9. STP has advised us that no formal alternative offers or approaches by potential acquirers have been received prior to the announcement of the Scheme on 27 March 2014.

10.10. The alternative to the Scheme is for the Non-Associated Shareholders to vote against the Scheme in the hope that they can realise greater value from their investment in STP either through maintaining STP as an independent company or through the emergence of a superior proposal to the Scheme. Whilst there is no evidence to suggest that the Non-Associated Shareholders would be better off under this alternative, it is possible that an alternative offer may emerge prior to the Scheme Meeting. However, given the announcement of the Scheme has occurred on the date of this Report we are unable to form a view of the likelihood of an alternative offer emerging prior to the Scheme Meeting.

10.11. Mr Daniels, who controls approximately 46.6% of STP's issued share capital, has confirmed that he and his associated entities do not have any interest in selling any of their equity interest in STP, reducing the likelihood of attracting another offer.

Liquidity

10.12. Historically, the liquidity of STP's shares has been low. The Scheme provides the Non-Associated Shareholders with an ability to liquidate their investment in STP, which may be of particular relevance for the larger the Non-Associated Shareholders who are likely to find it difficult to exit their investment in STP on market. We consider it unlikely that the liquidity in STP's shares will improve materially if the Scheme is not successful.

Tax implications

10.13. Should the Scheme be approved by the Non-Associated Shareholders, the disposal of their shares in STP will constitute a capital gains tax event which may result in the crystallisation of capital gains tax. The quantum of any capital gains tax will be dependent on the individual tax circumstance of each shareholder, consequently each Non-Associated Shareholder is encouraged to seek professional tax advice to assist them in assessing the impact of the Scheme on their own individual tax position. RSMBCC has not considered the tax implications of the Scheme for individual STP shareholders.

Conclusion

10.14. In the absence of any other relevant information and/or a superior proposal, RSMBCC considers the Scheme to be fair and reasonable to the Non-Associated Shareholders and as such that the Scheme to be in the best interests of the Non-Associated Shareholders.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD
J CROALL
Director
G YATES
Director

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APPENDIX 1

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our Report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This Report has been prepared solely for the purpose of assisting the Non-Associated Shareholders in considering the Scheme. We do not assume any responsibility or liability to any party as a result of reliance on this Report for any other purpose.

Reliance on Information

Statements and opinions contained in this Report are given in good faith. In the preparation of this Report, we have relied upon information provided by the Independent Directors and management of STP and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this Report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Scheme, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of \$33,000 plus GST based on time occupied at normal professional rates for the preparation of this Report. The fees are payable regardless of whether STP receives STP Shareholder approval for the Scheme, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this Report in the form and context in which it is included with the Notice of Scheme Meeting and Scheme Booklet to be issued to Non-Associated Shareholders. Other than this Report, none of RSM Bird Cameron Corporate Pty Ltd and RSM Bird Cameron Partners has been involved in the preparation of the Notice of Scheme Meeting or Scheme Booklet. Accordingly, we take no responsibility for the content of the Notice of Scheme Meeting or the Scheme Booklet.

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APPENDIX 2**Sources of Information**

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Scheme Booklet;
- Scheme Implementation Agreement;
- STP audited financial statements for the years ended 30 June 2013, 30 June 2012 and 30 June 2011;
- STP reviewed financial statements for the half year ended 31 December 2013;
- STP management accounts for the period ended 28 February 2014;
- Forecast information provided by STP management;
- Details of STP Shareholders;
- ASX announcements of STP;
- S&P Capital IQ database;
- Connect4 database;
- Information provided to us during meetings and correspondence with Directors and management of STP; and
- Discussions with Directors, management and staff of STP.

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APPENDIX 3

Glossary of Terms and Abbreviations

| Term or Abbreviation | Definition |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$ | Australian Dollar |
| Act | Corporations Act 2001 (Cth) |
| APES | Accounting Professional & Ethical Standards Board |
| ASIC | Australian Securities & Investments Commission |
| ASX | Australian Securities Exchange |
| Connect 4 | An entity of Thompson Reuters which is an aggregator of ASX listed company announcements and disclosures |
| Company | SteriHealth Limited |
| Control basis | As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held |
| Catilina | Catilina Nominees Pty Ltd |
| Court | The Federal Court of Australia (Victoria Registry) or any other court of competent jurisdiction under the Act agreed by the parties to the SIA in writing |
| Independent Directors | Independent directors of STP comprising Mr L Coppa, Mr J Sikkema and Ms M Khor |
| Discounted Cash Flow Method (DCF) | A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate |
| EBIT | Earnings, Before, Interest and Tax |
| EBITDA | Earnings, Before, Interest, Tax, Depreciation and Amortisation |
| Equity | The owner's interest in property after deduction of all liabilities |
| EV | Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities |
| Fair Value | The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length |
| FME | Future maintainable earnings |
| FOS | Financial Ombudsman Service |
| FSG | Financial Services Guide |
| FY11, FY12, FY13 | Financial year ended 30 June 2011, 30 June 2012 and 30 June 2013 |
| Gross Margin | Total sales minus cost of goods sold, divided by total sales revenue, expressed as a percentage |
| Gross Profit | Total sales minus cost of goods sold |
| HPV | Health Purchasing Victoria |
| HY13, HY14 | Financial period ended 31 December 2012 and 31 December 2013 |
| IBIS | IBIS World, producer of industry reports |
| IER | This Independent Expert Report |
| NSWAHS | New South Wales Area Health Services |
| Non-Associated Shareholders | The shareholders of STP not associated with Catilina or Mr Dan Daniels |

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| Term or Abbreviation | Definition |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non control basis | As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held |
| NPBT | Net Profit Before Tax |
| NPAT | Net Profit After Tax |
| Regulations | Corporations Regulations 2001 (Cth) |
| Report | This Independent Expert's Report prepared by RSMBCC |
| RG 111 | ASIC Regulatory Guide 111 Contents of Expert's Reports |
| RSMBCC | RSM Bird Cameron Corporate Pty Ltd |
| Second Court Hearing Date | The day on which the application is made to the Court for an order pursuant to section 411(4)(b) of the Act approving the Scheme |
| S&P Capital IQ | An entity of Standard and Poors which is a third party provider of company and other financial information |
| Scheme | Proposed takeover of STP by Catilina via a scheme of arrangement, pursuant to which the Non-Associated Shareholders will receive \$1.75 in cash for each STP share they hold |
| Scheme Booklet | Booklet prepared for the Scheme to which this Report is attached |
| Scheme Meeting | General meeting of the Company in relation to the Scheme to be held in May 2014 |
| SIA | Scheme Implementation Agreement executed by STP and Catilina on 27 March 2014 |
| STP | SteriHealth Limited |
| STP Shareholders | Shareholders of STP |
| VWAP | Volume weighted average share price |

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APPENDIX 4

Overview of comparable companies

We set out a summary of certain financial information for each of the comparable companies and a description of their main operations.

| Company | Country | Net Assets | Net Tangible Assets | Revenue Trailing 12 months | EBITDA Trailing 12 months | Forecast EBITDA FY 14 | Market Cap. | Net debt | Enterprise Value | Historical EV | Ratios Forecast EV |
|----------------------------------------------------|---------------|----------------|---------------------|----------------------------|---------------------------|-----------------------|----------------|----------------|------------------|---------------|-----------------------|
| | | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | EBITDA | EBITDA |
| Sharps Compliance Corporation | United States | 20.9 | 20.2 | 27.5 | 0.0 | 1.7 | 65.8 | (15.3) | 50.6 | N/M | 29.1 |
| Stericycle Incorporation | United States | 1,767.5 | (1,184.1) | 2,396.0 | 642.5 | 768.4 | 9,529.3 | 1,368.6 | 10,898.0 | 16.96 | 14.2 |
| Transpacific Industries Group Limited | Australia | 2,231.1 | 957.2 | 2,254.8 | 379.9 | 387.8 | 1,823.5 | 767.7 | 2,591.2 | 6.82 | 6.7 |
| ITL Limited | Australia | 10.2 | 9.6 | 24.7 | 3.2 | N/A | 20.9 | 3.9 | 24.8 | 7.75 | N/A |
| SDI Limited | Australia | 50.3 | 30.3 | 59.9 | 7.1 | N/A | 67.2 | 6.7 | 73.8 | 10.38 | N/A |
| Medical Action Industries Incorporated | United States | 99.0 | 34.4 | 484.5 | 20.4 | N/A | 114.2 | 54.9 | 169.1 | 8.30 | N/A |
| Azure Healthcare Limited | Australia | 12.6 | 9.1 | 27.2 | 2.9 | N/A | 62.5 | (1.5) | 60.9 | 21.15 | N/A |
| Tox Free Solutions Limited | Australia | 230.7 | 79.8 | 341.7 | 72.1 | 73.7 | 453.1 | 85.0 | 538.1 | 7.47 | 7.3 |
| Analabs Resources Berhad | Malaysia | - | - | 48.8 | 19.3 | N/A | 97.5 | (4.6) | 92.9 | 4.81 | N/A |
| SteriHealth Limited | Australia | 53.2 | 6.8 | 57.6 | 11.3 | N/A | 25.4 | 26.5 | 51.9 | 4.61 | N/A |
| Average | | 447.5 | (3.7) | 572.3 | 115.9 | 307.9 | 1,225.9 | 229.2 | 1,455.1 | 9.8 | 14.3 |
| Median | | 51.7 | 14.9 | 58.8 | 15.3 | 230.8 | 82.3 | 16.6 | 83.4 | 7.8 | 10.7 |
| Min | | - | (1,184.1) | 24.7 | 0.0 | 1.7 | 20.9 | (15.3) | 24.8 | 4.6 | 6.7 |
| Max | | 2,231.1 | 957.2 | 2,396.0 | 642.5 | 768.4 | 9,529.3 | 1,368.6 | 10,898.0 | 21.1 | 29.1 |
| Average (ex Sharps, Stericycle, SDI, Azure) | | 437.4 | 181.3 | 535.4 | 84.4 | 230.8 | 422.4 | 155.6 | 578.0 | 6.6 | 7.0 |
| Median (ex Sharps, Stericycle, SDI, Azure) | | 76.1 | 22.0 | 199.7 | 19.8 | 230.8 | 105.9 | 40.7 | 131.0 | 7.1 | 7.0 |
| Min (ex Sharps, Stericycle, SDI, Azure) | | - | (1,184.1) | 24.7 | 0.0 | 1.7 | 20.9 | (15.3) | 24.8 | 4.6 | 6.7 |
| Max (ex Sharps, Stericycle, SDI, Azure) | | 2,231.1 | 957.2 | 2,254.8 | 379.9 | 387.8 | 1,823.5 | 767.7 | 2,591.2 | 8.3 | 7.3 |

Notes

1. N/M = Not meaningful
2. NA = Not available
3. Enterprise values and earnings multiples calculated as at 26 March 2014
4. Trailing EBITDA represents the most recent full year EBITDA of each company
5. Forecast EBITDA based on current year consensus estimates collated and provided by S&P Capital IQ.

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Sharps Compliance Corporation

Sharps Compliance Corporation provides management solutions for medical waste, used healthcare materials, and unused dispensed medications in the United States. The company offers a sharps recovery system for the containment, transportation, treatment, and tracking of medical waste and used healthcare materials generated outside the hospital and healthcare facility settings; and SharpsTracer, a solution to provide customers with an electronic record of receipt and treatment of their waste to meet regulatory requirements. The company also provides a TakeAway Environmental Return System, a solution that facilitates the proper disposal or treatment of unused dispensed medications; MedsTracer for tracking unused dispensed medications; Complete Needle Collection and Disposal System, a solution designed for self-injecting consumers; and ComplianceTRAC, a Web-based compliance and employee training program. The company offers various other solutions, including Pitch-It IV Poles, Trip LesSystem, Sharps Pump and Asset Return System, Sharps Secure Needle Collection and Containment System, Sharps MWMS, and Spill Kit TakeAway Recovery System. The company serves customers in various markets, such as home healthcare, retail clinics and immunising pharmacies, pharmaceutical manufacturers, professional offices, assisted living and long-term care facilities, consumers, commercial, and agriculture markets, as well the government, and distributors. The company was founded in 1992 and is headquartered in Houston, Texas.

Stericycle Incorporated

Stericycle Incorporated provides regulated and compliance solutions to healthcare and commercial businesses. The company collects and processes specialised waste for disposal services. Its regulated solutions include the Steri-Safe medical waste and compliance program; Bio Systems reusable sharps containers, pharmaceutical and hazardous waste disposal, and medical safety products; and an integrated waste stream solutions program. The company's compliance solutions comprise training, consulting, inbound/outbound communications, data reporting, and other regulatory compliance services. The company also provides various products and services for infection control; regulated recall and returns management services for expired or recalled products and pharmaceuticals; and Steri-Safe OSHA and HIPAA compliance, and clinical services programs. The company services large-quantity generators of regulated waste, such as hospitals, blood banks, and pharmaceutical manufacturers; and small-quantity generators of regulated waste comprising outpatient clinics, medical and dental offices, long-term and sub-acute care facilities, veterinary offices, municipalities, and retail pharmacies. The company operates integrated regulated waste management networks in the United States, Argentina, Brazil, Canada, Chile, Ireland, Japan, Mexico, Portugal, Romania, Spain, and the United Kingdom. The company was founded in 1989 and is headquartered in Lake Forest, Illinois.

Transpacific Industries Group Limited

Transpacific Industries Group Limited provides recycling, waste management, and industrial services in Australia and New Zealand. The company is involved in the municipal, residential, commercial, and industrial collection services for various solid waste streams, including general waste, recyclables, construction and demolition waste, and medical and washroom services. The company also owns and manages waste transfer stations, resource recovery and recycling facilities, secure product destruction, quarantine treatment operations, and landfills; and sells recovered paper, cardboard, metals, and plastics. The company is engaged in the collection, treatment, processing, and recycling of liquid and hazardous waste comprising industrial waste, grease trap waste, oily waters, and used mineral and cooking oils in packaged and bulk forms; and refining and recycling of used mineral oils to produce fuel oils and base oils. The company provides industrial solutions comprising industrial cleaning, vacuum tanker loading, site remediation, sludge management, parts washing, concrete remediation, CCTV, corrosion protection, and emergency response services. The company manufactures and services vehicle bodies, parts washers, plastic and steel bins, and waste compaction units. The company is headquartered in Milton, Australia.

ITL Limited

ITL Limited engages in the development, manufacture, distribution and sale of medical devices and procedure packs for healthcare markets worldwide. It offers blood banking, hospital, and laboratory products comprising CrocClamp, a non-reopening tubing clamp for blood collection container systems; DonorCare Needle Guard, a needle guard for whole blood collection; Platypus Needle Guard for AV fistula, winged, or butterfly needles; Safety SubCulture unit to obtain samples from positive blood culture bottles; SampLok Adapter Cap, a test tube or bottle holder for blood culture collection; SampLok Sampling Kit, a platelet and cellular sample transfer kit for bacterial detection testing and other tests; SampLok tube holder to collect blood samples into vacuum test tubes and long neck blood culture bottles; and TiMO, a tube management organiser. The company also provides customised and standardised procedure packs, such as general, orthopaedic, basic set-up, caesarean section set-up, lap set-up, ophthalmic, and TURP packs; sterile components comprising plain and toothed Adsons Forceps, dressing scissors, Mayo needle holders, and Bladeguard suture removers; and sterile monitoring components consisting of arterial blood sampling systems, CVC insertion trays, syringe sets, vented spike valves, manifold transducer lines, 3-way stopcocks, and bladder kits. The company offers unsterile components, such as cable management systems; and neuro and neonatal monitoring kits, patient monitoring kits, and closed arterial blood sampling systems. The company markets and distributes medical equipment, surgical instruments, and consumables to approximately 160 hospitals and medical centres in Australia and Malaysia. ITL Limited was founded in 1994 and is headquartered in Chelsea Heights, Australia.

SDI Limited

SDI Limited is engaged in the research, development, manufacturing and distribution of amalgam and composite dental restorative materials, as well as other dental materials. The company's product portfolio includes alloys, adhesives, compomers, composites, tooth whitening products, accessories, etchants, glass ionomers, sealants, cements, and equipment, including amalgamators, cordless LED curing lights, LED light curing meters and cordless LED curing light attachments. The company exports its products to dental distributors, dental dealers, and dentists in approximately 80 countries worldwide. SDI Limited was founded in 1972 and is headquartered in Bayswater, Australia.

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Medical Action Industries Incorporated

Medical Action Industries Incorporated develops, manufactures, markets, and supplies disposable medical products primarily in the United States and Canada. It offers clinical care market products, which include custom procedure trays, minor procedure kits and trays, operating room disposables and sterilisation products, and dressings and surgical sponges; and patient care market products that comprise patient bedside products, containment systems for medical waste, and laboratory products. The company also offers original equipment manufacturer products under private label programs to supply chain partners and medical suppliers. The company's include acute care hospitals and integrated delivery networks, free standing surgery centres, government hospitals and medical treatment centres, organ and tissue procurement agencies, physician offices, dental offices, veterinary offices, outpatient surgery centres, long-term care facilities and laboratories. The company sells its products directly as well as through a network of health care distributors. Medical Action Industries Incorporated was founded in 1977 and is headquartered in Brentwood, New York.

Azure Healthcare Limited

Azure Healthcare Limited manufactures and supplies healthcare and electronic communications equipment. It develops nurse call and care management systems for hospitals, and aged care and detention care markets in Australia, New Zealand, Asia, Europe, and North America. Azure Healthcare Limited is based in South Melbourne, Australia.

The historical EBITDA multiple for Azure Healthcare is too high and has been excluded from the valuation analysis on the basis that the result is not meaningful.

Tox Free Solutions Limited

Tox Free Solutions Limited provides industrial and waste management services to energy and utilities, government, mining, and oil and gas markets in Australia. The company operates through three segments, Waste Services, Industrial Services, and Technical and Environmental Services. The Waste Services segment engages in the collection, resource recovery, recycling, and disposal of solid, industrial, municipal, and commercial wastes in the Kimberley, Pilbara, and South West regions of Western Australia, as well as in regional Queensland. This segment also provides bulk liquid and total waste management, and waste tracking and reporting services. The Industrial Services segment provides onsite industrial cleaning services, including tank and drain cleaning, high pressure water jetting, vacuum loading, and liquid and industrial waste collection services for the oil and gas, mining, heavy manufacturing, civil infrastructure, municipal, and utilities sectors. This segment also provides pipeline maintenance and CCTV, concrete cutting, industrial coatings, non-destructive digging, and waste management services. The Technical and Environmental Services segment operates a network of liquid and hazardous waste management facilities in Kwinana, Henderson, Karratha, Port Hedland, Kalgoorlie, Sydney, Brisbane, and Melbourne. This segment offers hazardous and chemical waste, hazardous waste management, bulk liquid waste, household hazardous waste, fluorescent tube and lamp recycling, and emergency response services, as well as contaminated site remediation, waste audit, environmental compliance, and waste tracking services. The company was founded in 2000 and is based in Osborne Park, Australia.

Analabs Resources Berhad

Analabs Resources Berhad offers industrial consultancy and analytical chemist services. Amongst other activities, the company collects, treats, recovers, and recycles industrial and organic waste, as well as sells recycled products. The company also offers industrial consultancy and analytical chemist services. The company has operations in Singapore and Malaysia. Analabs Resources Berhad is based in Kuala Lumpur, Malaysia.

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APPENDIX 5**Overview of comparable transactions**

Below are the details of the comparable market transactions, listed by target company.

Daniels Sharpsmart Australia Pty Ltd

In December 2007, SteriCorp Sharpsmart Pty Ltd entered into a transaction to acquire a 50% shareholding in Daniels Sharpsmart Australia Pty Ltd (DSA) and other certain rights from Catilina Nominees Pty Ltd for total consideration of \$34.6 million (excluding an earn out), approximately 7.7x EBIT. An important part of the transaction was that Catilina granted certain rights to DSA to access the Sharpsmart system exclusively within Australia. SteriCorp Sharpsmart was a wholly owned subsidiary of STP which was called SteriCorp Limited (SteriCorp) at the time. Around the same time SteriCorp also transferred the shares in DSA held by SteriCorp Clinical Waste Pty Ltd (SCW) to SteriCorp Sharpsmart, so that DSA became a wholly owned subsidiary of SteriCorp Sharpsmart. At transaction date DSA's principal activities comprised the sale of reusable waste systems and the Daniels Sharpsmart product range of reusable sharps containers.

8. Taxation implications

8.1 Taxation implications

A summary of the general Australian tax issues for SteriHealth Shareholders in relation to the Scheme is provided below. As the taxation consequences of the Scheme for each SteriHealth Shareholder will depend upon the Shareholder's particular circumstances, it is your obligation to make your own enquiries concerning the taxation consequences of accepting the Scheme.

If you are in doubt as to the course you should follow, you should consult your accountant, stockbroker, lawyer or other independent professional adviser.

The comments below provide a general outline of Australian tax issues for SteriHealth Shareholders that hold SteriHealth Shares on capital account. They do not apply to SteriHealth Shareholders that are banks, insurance companies, managed investment trusts, tax exempt organisations or taxpayers that carry on a business of trading in shares, or hold shares on revenue account. They also do not apply to SteriHealth Shareholders whose gains and losses from shares are calculated under the *Taxation of Financial Arrangements* (TOFA) rules.

These comments are based on the law in Australia in force as at the date of this Scheme Booklet. The taxation laws of Australia and/or their interpretation may change prior to your acceptance or finalisation of the Scheme.

The precise implications will depend upon each SteriHealth Shareholder's specific circumstances. The following discussion does not constitute taxation advice. You should seek professional advice on the taxation implications of accepting the Scheme, taking into account your specific circumstances.

8.2 The Scheme

As noted in section 4 *Key features of the Scheme*, SteriHealth Shareholders who hold Scheme Shares on the Implementation Date will receive \$1.75 cash per Scheme Share if the Scheme's conditions precedent are satisfied and the Scheme is approved.

From an Australian taxation perspective, your acceptance of the Scheme and, if the conditions of the Scheme are satisfied and approved, will result in the disposal of your SteriHealth Shares to Catilina. The comments below provide a general outline of the Australian taxation implications for SteriHealth Shareholders in relation to their disposal of SteriHealth Shares.

8.3 Australian Taxation Implications for Australian Tax Residents

The disposal of a SteriHealth Share by a SteriHealth Shareholder will be a capital gains tax (**CGT**) event. The CGT event will occur on the Implementation Date.

A capital gain will arise where the capital proceeds on disposal exceed the cost base of the SteriHealth Share (broadly the amount paid to acquire the SteriHealth Share and any other non-deductible capital costs relating to the acquisition, holding and disposal of the SteriHealth Share). The capital proceeds on your disposal of your SteriHealth Shares are \$1.75 for each SteriHealth Share.

A capital loss will be realised where the reduced cost base of the SteriHealth Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the SteriHealth Shareholder in the same income year or future income years (subject to satisfying the relevant loss utilisation rules).

CGT discount

The CGT discount may be applied against the net capital gain where the SteriHealth Shareholder is an individual, complying superannuation fund or trustee, the SteriHealth Shares have been held for at least 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by 50%. Companies are not eligible for the CGT discount.

The CGT discount applies after offsetting current year or prior year capital losses (subject to satisfying the relevant loss utilisation rules).

For a complying superannuation entity, any capital gain may be reduced by 33⅓%, after offsetting current year or prior year capital losses (subject to satisfying the relevant loss utilisation rules).

Indexation

Where SteriHealth Shares were acquired before 11.45am on 21 September 1999, the cost base of those SteriHealth Shares may be increased for indexation based on the CPI movement from the date of acquisition to 30 September 1999. Indexation is available to all shareholders (including companies).

SteriHealth Shareholders who are individuals, complying superannuation funds or trusts that acquired their SteriHealth Shares before 11.45am on 21 September 1999 can choose whether to apply cost base indexation or the CGT discount (but not both) in calculating their net capital gain from the disposal of the shares.

8.4 Australian Taxation Implications for Non-residents

SteriHealth Shareholders who are non-residents for Australian tax purposes (referred to below as **Non-resident SteriHealth Shareholders**) should seek their own independent taxation advice regarding the taxation implications in their local jurisdiction, as well as the taxation implications in Australia in relation to the Scheme.

Capital gains derived by a Non-resident SteriHealth Shareholder on the disposal of SteriHealth Shares are generally only subject to income tax in Australia if both of the following requirements are satisfied:

- the Non-resident SteriHealth Shareholder holds a "non-portfolio interest" in SteriHealth; and
- the SteriHealth Shares are an "indirect Australian real property interest" (i.e. if SteriHealth owns land or an interest in land that constitutes 50% or more of the total market value of all of SteriHealth's assets).

Broadly, a Non-resident SteriHealth Shareholder will hold a "non-portfolio interest" in SteriHealth if they (together with their associates) own, or owned, throughout a 12 month period during the 2 years preceding the sale of the SteriHealth Share, 10% or more of the shares in SteriHealth.

Non-resident SteriHealth Shareholders who hold a "non-portfolio interest" in SteriHealth Shares on issue over the relevant period should seek further independent advice in relation to these matters. Individuals either becoming or ceasing to be Australian tax residents prior to the finalisation of the Scheme should seek advice about their particular circumstances.

8.5 Australian Goods and Services Tax and Stamp Duty

No Australian stamp duty or GST will be payable by a SteriHealth Shareholder on the disposal of their SteriHealth Shares.

You may wish to consult your accountant, lawyer or other independent professional adviser in relation to stamp duty matters that are specific to your circumstances and the Australian GST implications in relation to any incidental costs incurred in relation to your SteriHealth Shares and acceptance of the Scheme (such as any costs incurred in seeking advice from your accountant, stockbroker, lawyer or other independent professional adviser).

9. Implementation of the Scheme

9.1 Scheme Meeting

SteriHealth Shareholders will be asked to agree to the Scheme at the Scheme Meeting to be held at 10:00am on Tuesday, 3 June 2014. The notice convening the Scheme Meeting is set out in Annexure D of this Scheme Booklet.

At the Scheme Meeting, SteriHealth Shareholders will be asked to consider and, if thought fit, to pass the Resolution agreeing to the Scheme. The Resolution will only be passed if:

- (1) a majority in number (more than 50%) of SteriHealth Shareholders (other than Excluded Shareholders) present and voting (whether in person, by proxy, by attorney or, in the case of corporate SteriHealth Shareholders, by corporate representative) vote in favour of the Scheme; and
- (2) at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by SteriHealth Shareholders (other than Excluded Shareholders) present and voting vote in favour of the Scheme.

9.2 Second Court Hearing

If:

- (1) the Scheme is approved by the requisite majorities of SteriHealth Shareholders (other than Excluded Shareholders) at the Scheme Meeting;
- (2) all the Conditions Precedent to the Scheme and any other conditions to be imposed by the Court under section 411(6) of the Corporations Act have been satisfied or waived; and
- (3) the Court approves the Scheme,

SteriHealth will apply to the Court for orders approving the Scheme following the Scheme Meeting.

Each SteriHealth Shareholder has the right to appear at the Second Court Hearing in respect of the Scheme. The Second Court Hearing is currently scheduled to be held on Wednesday, 11 June 2014.

9.3 Effective Date

If the Court approves the Scheme, SteriHealth will lodge an office copy of the Court order approving the Scheme with ASIC. It is currently intended that SteriHealth will lodge this with ASIC on Thursday, 12 June 2014.

The Scheme will become Effective on the date on which SteriHealth lodges the Court order approving the Scheme with ASIC. This date is referred to in this Scheme Booklet as the Effective Date.

9.4 Record Date

SteriHealth Shareholders will be Scheme Participants and entitled to receive the Scheme Consideration if they are registered as the holder of one or more SteriHealth Shares on the Record Date. The Record Date is 5:00pm (Melbourne time) on the day that is 5 Business Days after the Effective Date and is currently expected to be 5:00pm (Melbourne time) on Friday, 20 June 2014.

9.5 Determination of persons entitled to Scheme Consideration

(1) Dealings on or prior to the Record Date

For the purposes of establishing who Scheme Participants are, and therefore who is entitled to the Scheme Consideration, dealings in SteriHealth Shares will be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the SteriHealth Share Register as the holder of the relevant SteriHealth Shares on or before 5:00pm (Melbourne time) on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the SteriHealth Share Register is kept.

(2) Dealings in SteriHealth Shares after the Record Date

If the Scheme becomes Effective, a holder of a SteriHealth Share (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any SteriHealth Shares or any interest in them after the Record Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

SteriHealth will not accept for registration, nor recognise for any purpose, any transmission application or transfer in respect of SteriHealth Shares received after 5:00pm (Melbourne time) on the Record Date, other than a transfer of SteriHealth Shares to Catilina pursuant to the Scheme, or any subsequent transfer by Catilina to its successors in title.

9.6 Implementation Date

The Implementation Date is the date on which the Scheme will be implemented and is currently expected to be Thursday, 26 June 2014.

Under the Deed Poll, Catilina must, no later than 3:00pm on the Business Day immediately before the Implementation Date (or such other time as SteriHealth and Catilina agree), pay or procure the payment to SteriHealth of the total Scheme Consideration payable for all the SteriHealth Shares held by the Scheme Participants.

On the Implementation Date, subject to Catilina complying with its obligations to pay the Scheme Consideration to SteriHealth, SteriHealth will pay the Scheme Consideration from the Scheme Trust Account to each Scheme Participant for the SteriHealth Shares held by them by:

- if a Scheme Participant has, before 5:00pm on the Record Date, made a valid election in accordance with the requirements of SteriHealth's Share Registry to receive dividend payments from SteriHealth by electronic funds transfer to a nominated bank account, paying, or procuring the payment of, the relevant amount of the Scheme Consideration in Australian currency by electronic means in accordance with that election; or otherwise
- dispatching, or procuring the dispatch of, a cheque for the relevant amount of the Scheme Consideration in Australian currency by prepaid post to the Scheme Participant's registered address as set out in the SteriHealth Share Register as at 5:00pm on the Record Date.

In the case of SteriHealth Shares held in joint names, the Scheme Consideration will be paid by sending or procuring the despatch of a cheque payable to the joint holders to the address of the holder whose name appears first in the SteriHealth Share Register as at 5:00pm (Melbourne time) on the Record Date.

If you have previously nominated a bank account to SteriHealth's Share Registry for the purposes of receiving dividends from SteriHealth by way of electronic means and your nominated banking instructions remain unchanged, you do not need to do anything further and the Scheme Consideration will be paid to your nominated account. Should you wish to alter or update your nominated bank account details or, otherwise, provide your nominated bank account details to SteriHealth's Share Registry for the first time, please visit <https://www-au.computershare.com/investor>

SteriHealth Shareholders who wish to alter or update their nominated bank account details or, otherwise, provide their nominated bank account details to SteriHealth's Share Registry should do so by **no later than 5:00pm (Melbourne time) on Friday, 20 June 2014**.

9.7 Suspension of trading in SteriHealth shares

It is expected that suspension of trading in SteriHealth Shares on the ASX will occur from close of trading on the Effective Date. This is expected to occur on Thursday, 12 June 2014.

9.8 Scheme Implementation Agreement

SteriHealth and Catilina entered into the Scheme Implementation Agreement on 27 March 2014. The Scheme Implementation Agreement sets out the terms on which the Scheme will proceed and the obligations of both parties with respect to the implementation of the Scheme.

A copy of the Scheme Implementation Agreement (excluding the annexures to it) is attached to this Scheme Booklet as Annexure A.

10. Additional information

10.1 Intentions of Independent Directors concerning the business of SteriHealth

If the Scheme is implemented, the existing Independent Directors (other than those agreed by Catilina and SteriHealth to remain on the Board), will resign from the SteriHealth Board provided that a proper Board is constituted at all times.

Accordingly, the Independent Directors are not able to make any statements of intentions regarding:

- (1) the continuation of the SteriHealth business or how the business will be conducted after the implementation of the Scheme;
- (2) any major changes to the SteriHealth business, including any redeployment of the fixed assets of SteriHealth; or
- (3) the future employment of present SteriHealth employees.

Catilina has provided information in respect of their intentions for SteriHealth's operations in section 6.8 of this Scheme Booklet.

In the event that the Scheme does not proceed, it is expected that SteriHealth would continue to focus on its current business model and strategy.

10.2 Material changes in the financial position of SteriHealth

The latest published financial statements of SteriHealth are the reviewed half year financial statements for the 6 months ended 31 December 2013 which were released to the ASX on 17 February 2014. A copy of these financial statements can be obtained free of charge on the ASX Company's Announcement Platform (which can be accessed on the ASX website at www.asx.com.au (SteriHealth ASX Code: STP)) or by emailing shareholder.questions@sterihealth.com.au

To the knowledge of the SteriHealth Directors, the financial position of SteriHealth has not materially changed since 31 December 2013, being the date of its reviewed half year financial statements for the 6 months ended 31 December.

10.3 Capital structure of SteriHealth

There are currently 19,544,934 SteriHealth Shares on issue. SteriHealth's paid up capital is \$52,404,000.

10.4 Notifiable interests

As at the date of this Scheme Booklet, the following persons have notified SteriHealth, in accordance with section 671B of the Corporations Act, that they have a Relevant Interest in 5% or more of SteriHealth Shares:

| Name | SteriHealth Shareholding | % |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------|
| Danny Boulas Daniels (in his own right and as a trustee of the Daniels Superannuation Fund) and Catilina Nominees Pty Ltd (as trustee of the Danny Boulas Daniels Family Trust) ¹ | 9,103,759 | 46.58% |
| Bangarie Pty Ltd as trustee for Bangarie Discretionary Trust and Andrew Craig Winkler ² | 2,000,000 | 10.77% |

¹ The information in this section has been taken from the Notice of change of interests of substantial holder dated 17 December 2010 and signed by Mr Danny Boulas Daniels, a copy of which was lodged with ASX on 17 December 2010.

² The information in this section has been taken from the Notice of initial substantial holder dated 3 November 2005 and signed by Mr Craig Winkler, a copy of which was lodged with ASX on 3 November 2005. The registered holder of these SteriHealth Shares is Invia Custodian Pty Limited <Bangarie Property Account>.

10.5 Marketable securities held by SteriHealth Directors

No marketable securities of SteriHealth are held by, or on behalf of, SteriHealth Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet other than as listed below:

| Name | SteriHealth Shareholding |
|--------------------------------------------------------------|--------------------------|
| Mr Lorenzo Coppa (Non-executive Chairman) | 4,586 ¹ |
| Mr Dan Daniels (Managing Director & Chief Executive Officer) | 9,103,759 ² |
| Mr Markus Koch (Non-executive Director) | 63,600 ³ |
| Mr John Sikkema (Non-executive Director) | 750,000 ⁴ |
| Ms May Wan Khor (Non-executive Director) | Nil |

¹ Held by Dr Isobel Coppa (Coppa Family Account)

² 8,794,235 held by Catilina Nominees Pty Ltd; 309,524 held by Mr Dan Daniels & Mrs Alison Daniels (Daniels Super Fund No 1 A/C)

³ Held by Koch Pty Ltd (Country Home Super Fund Account)

⁴ Held by Mr John Sikkema and Mrs Suzanne Sikkema (J&S Sikkema Super Fund Account)

Mr Dan Daniels and Mrs Alison Daniels (as trustees for the Daniels Super Fund No 1 A/C) are Excluded Shareholders as they are associates (and directors) of Catilina.

Accordingly, the 9,103,759 SteriHealth Shares held, in aggregate, by Catilina and Mr Dan Daniels and Mrs Alison Daniels (as trustees for the Daniels Super Fund No 1 A/C) as at the date of this Scheme Booklet will not be subject to the Scheme and those SteriHealth Shareholders will be excluded from voting those shares at the Scheme Meeting.

As noted in section 6.7, Mr Dan Daniels and Mrs Alison Daniels (as trustees for the Daniels Super Fund No 1 A/C) may transfer their joint holding of 309,524 SteriHealth Shares to Catilina after the Second Court Hearing, but prior to the Implementation Date, to assist in the provision of the loan facilities contemplated in section 6.7.

10.6 Catilina securities held by SteriHealth Directors

No securities of Catilina are held by, or on behalf of, SteriHealth Directors other than Mr Dan Daniels and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet. As noted in section 6.3, Mr Dan Daniels is the sole shareholder in Catilina.

10.7 Agreements or arrangements with SteriHealth Directors

There are no agreements or arrangements made between any SteriHealth Director and another person in connection with, or conditional on, the outcome of the Scheme.

10.8 Interests of SteriHealth Directors in contracts entered into by Catilina

Except as set out in this section 10.8 or elsewhere in this Scheme Booklet, no Independent Director has interests in any contracts with Catilina or its associated entities.

Mr Markus Koch was the Chief Executive Officer of the Daniels group of companies, being entities associated with Catilina, until 30 September 2013. He also has an outstanding commercial arrangement which is described in section 4.5. As a result of Mr Markus Koch's previous involvement and outstanding commercial arrangements with entities associated with Catilina, Mr Koch does not consider it appropriate for him to make a recommendation to SteriHealth Shareholders in respect of the Scheme.

Mr Lorenzo Coppa is the Chief Executive Officer and controller of the on-line computer store company, City Software Group Pty Ltd (**eStore**). IT equipment and software products are supplied by eStore to SteriHealth and entities associated with Mr Daniels in the ordinary course of business on normal commercial terms and conditions. For the year ended 30 June 2013, total sales did not exceed approximately \$55,000 exclusive of GST. Total sales to 9 months ended 31 March 2014 is approximately \$35,000 exclusive of GST. eStore also has a loan of \$1 million from a company associated with Mr Daniels on normal commercial terms and conditions which loan is expected to be repaid prior to the Scheme Meeting.

As noted in section 6.3, Mr Dan Daniels is the sole shareholder and a director of Catilina. As a result of Mr Dan Daniels interests in Catilina, Mr Dan Daniels does not consider it appropriate for him to make a recommendation to SteriHealth Shareholders in respect of the Scheme.

10.9 Effect of Scheme on creditors

SteriHealth has paid and is paying all its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner.

10.10 No unacceptable circumstance

The Independent Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any member of SteriHealth that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

10.11 Publicly available information

SteriHealth is listed on the ASX. As such, SteriHealth is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations. As a company listed on the ASX, SteriHealth is subject to the ASX Listing Rules which require immediate disclosure to the market of any information of which SteriHealth is aware which a reasonable person might expect to have a material impact on the price or value of its securities.

ASIC also maintains a record of documents lodged with it by SteriHealth, and these may be obtained from or inspected at any office of ASIC.

10.12 ASIC relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of SteriHealth Directors, the financial position of SteriHealth has materially changed since the date of the last balance sheet laid before SteriHealth Shareholders in accordance with sections 314 or 317 of the Corporations Act.

ASIC has allowed SteriHealth to depart from complying with this requirement so that this Scheme Booklet only need set out whether, within the knowledge of the SteriHealth Directors, the financial position of SteriHealth has materially changed since 31 December 2013, being the date of its reviewed half year financial statements for the 6 months ended 31 December 2013.

10.13 Lodgement of the Scheme Booklet

This Scheme Booklet was provided to ASIC on Tuesday, 8 April 2014 to section 411(2)(b) of the Corporations Act.

10.14 Consents and disclaimers

(1) Consent to be named

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- (a) The Oaktower Partnership Pty Ltd as financial adviser to SteriHealth; and
- (b) Norton Rose Fulbright Australia as legal adviser to SteriHealth.

(2) Consent to be named and to the inclusion of information

RSM Bird Cameron has given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to be named as the Independent Expert in this Scheme Booklet and to the inclusion of the Independent Expert's Report set out in section 7 and other statements in this Scheme Booklet said to be based on statements made by RSM Bird Cameron, in each case in the form and context in which they appear in this Scheme Booklet.

(3) Catilina

Catilina has given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to the inclusion of the Catilina Information set out in this Scheme Booklet in the form and context in which that information appears and has given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named.

(4) Computershare Investor Services Pty Limited

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as the SteriHealth Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the SteriHealth Share Registry to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

(5) Disclaimers of responsibility

Each party named in sections 10.14(1), 10.14(2), 10.14(3) and 10.14(4):

- (a) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than, in the case of RSM Bird Cameron and Catilina, a statement included in this Scheme Booklet with the consent of that party; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name and, in the case of RSM Bird Cameron and Catilina, any statement or report which has been included in this Scheme Booklet with the consent of that party.

10. Additional information continued

10.15 Independent Expert

RSM Bird Cameron has prepared the Independent Expert's Report set out in section 7 of this Scheme Booklet advising as to whether, in its opinion, the Scheme is fair and reasonable and in the best interests of SteriHealth Shareholders (other than Excluded Shareholders).

The Independent Expert has concluded that the acquisition of Scheme Shares by Catilina under the Scheme is fair and reasonable to, and in the best interests of, the SteriHealth Shareholders (other than Excluded Shareholders), in the absence of a Superior Proposal.

RSM Bird Cameron will be paid a fee of approximately \$33,000 (plus GST) in relation to the preparation of the Independent Expert's Report.

10.16 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director, or any director of any Related Body Corporate of SteriHealth, which has not previously been disclosed to SteriHealth Shareholders.

10.17 Supplementary information

SteriHealth will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- (1) a material statement in this Scheme Booklet is false or misleading;
- (2) a material omission from this Scheme Booklet;
- (3) a significant change affecting a matter included in this Scheme Booklet; or
- (4) a significant new matter which has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

10.18 No investment advice

The information contained in this Scheme Booklet does not contain financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position and particular needs. It is important that you read the Scheme Booklet in its entirety before making any decision on how to vote. If you are in any doubt in relation to these matters, you should consult your legal, financial or other professional adviser.

11. Glossary and definitions

| Term | Meaning |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Announcement Date | 27 March 2014, being the day the Transaction was announced on the ASX Company's Announcement Platform. |
| ASIC | the Australian Securities and Investments Commission. |
| ASX | means ASX Limited ACN 008 624 691 or the financial market operated by it (as the context requires). |
| Bidder Prescribed Event | has the meaning given in clause 1.1 of the Scheme Implementation Agreement. |
| Business Day | a business day as defined in the Listing Rules. |
| Catilina | Catilina Nominees Pty Ltd ACN 005 197 455 as trustee of the Danny Boulas Daniels Family Trust. |
| Catilina Information | the information contained in section 6 of this Scheme Booklet. |
| Claim | a demand, claim, action or proceeding, however arising and whether present, unascertained, immediate, future or contingent, including any claim for specific performance. |
| Competing Transaction | <p>an expression of interest, offer or proposal by or with a Third Party under which a Third Party will, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed:</p> <p>(a) acquire or obtain an economic interest in all or a substantial part of the assets or business of SteriHealth or any of its Subsidiaries;</p> <p>(b) acquire a Relevant Interest in, become the holder of or obtain an economic interest in, 20% or more of the SteriHealth Shares or the shares of any of its Subsidiaries;</p> <p>(c) acquire Control of SteriHealth or any of its Subsidiaries; or</p> <p>(d) otherwise acquire or merge with SteriHealth or any of its Subsidiaries through a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination; or</p> <p>(e) enter into any agreement, arrangement or understanding requiring SteriHealth to abandon, or otherwise fail to proceed with, the Transaction.</p> |
| Conditions Precedent | the conditions precedent to the Scheme included in clause 3.1 of the Scheme Implementation Agreement and set out in section 4.7 of the Scheme Booklet. |
| Control | has the meaning given to that term in section 50AA of the Corporations Act. |
| Corporations Act | the <i>Corporations Act 2001</i> (Cwlth). |
| Court | the Federal Court of Australia (Victoria Registry) or any other court of competent jurisdiction under the Corporations Act agreed by SteriHealth and Catilina in writing. |
| Deed Poll | the deed poll set out in Annexure B to this Scheme Booklet. |
| Effective | when used in relation to the Scheme, the coming into effect pursuant to section 411(10) of the Corporations Act of the order of the Court made under Section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC. |
| Effective Date | the date the Scheme becomes Effective. |
| Encumbrance | means a mortgage, charge, lien, pledge or assignment by way of security, other security interest or encumbrance, title retention, preferential right or trust arrangement, Claim, covenant, profit a prendre, easement or any other security interest within the meaning of section 12(1) or 12(2) of the PPSA or any other arrangement having the same effect. |
| End Date | <p>(a) the date that is the 1st Business Day that is 5 months after the date on which the Scheme Implementation Agreement is executed; or</p> <p>(b) such other date as agreed in writing between Catilina and SteriHealth.</p> |
| EPS | earnings per SteriHealth Share |
| Excluded Shareholders | <p>(a) Catilina (as trustee Danny Boulas Daniels Family Trust); and</p> <p>(b) Mr Dan Daniels and Mrs Alison Daniels (as trustees for the Daniels Super Fund No 1 A/C).</p> |

11. Glossary and definitions continued

| Term | Meaning |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exclusivity Period | the period commencing on and from the date of the Scheme Implementation Agreement and expiring on the earlier of: (a) the Implementation Date; (b) the termination of the Scheme Implementation Agreement in accordance with its terms; and (c) the End Date. |
| GST | has the meaning given to that term in the GST Act. |
| GST Act | the <i>A New Tax System (Goods and Services Tax) Act 1999 (Cth)</i> . |
| IBC or Independent Board Committee | the independent committee of the SteriHealth Board from time to time and which, as at the date of this Scheme Booklet, consisted of Mr Lorenzo Coppa, Mr John Sikkema and Ms May Wan Khor. |
| Implementation Date | the 5th Business Day following the Record Date. |
| Independent Directors | the non-executive independent directors of SteriHealth who do not have a potential conflict of interest in the proposed Transaction, being Mr Lorenzo Coppa, Mr John Sikkema and Ms May Wan Khor. |
| Independent Expert | RSM Bird Cameron |
| Independent Expert's Report | the Independent Expert's report prepared in relation to the Scheme. |
| Insolvency Event | in relation to a person: (a) the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person; (b) the entry by the person into a compromise or arrangement with its creditors generally; (c) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or dissolution of the person other than where the application or order (as the case may be) is set aside within 14 days; (d) the person suspends or threatens to suspend payment of its debts generally; (e) the person ceases or threatens to cease to carry on business; or (f) the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act or under the legislation in the jurisdiction of incorporation of that person. |
| Listing Rules | the official listing rules of the ASX as from time to time amended or waived in their application to a party. |
| Notice of Scheme Meeting | the notice of meeting relating to the Scheme Meeting which is contained in Annexure D to this Scheme Booklet. |
| PPSA | <i>Personal Property Securities Act 2009 (Cth)</i> . |
| Proxy Form | a proxy form for the Scheme Meeting, a copy of which accompanies the Notice of Scheme Meeting in Annexure D. |
| Record Date | 5:00pm (Melbourne time) on the 5th Business Day following the Effective Date. |
| Related Body Corporate | has the meaning it has in the Corporations Act disregarding, in the case of Catilina, the application of section 48(2) of that Act. |
| Relevant Interest | has the same meaning as given by sections 608 and 609 of the Corporations Act. |
| Resolution | the resolution set out in the Notice of Scheme Meeting to agree to the terms of the Scheme; |
| RSM Bird Cameron | RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 (AFS Licence No 255847) |
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act between SteriHealth and Scheme Participants, as set out in Annexure C to this Scheme Booklet, subject to any amendment or condition required by the Court pursuant to section 411(6) of the Corporations Act. |
| Scheme Booklet | this scheme booklet, including the annexures to it. |
| Scheme Consideration | \$1.75 cash for each Scheme Share held by a Scheme Participant at the Record Date. |
| Scheme Implementation Agreement | the Scheme Implementation Agreement between Catilina and SteriHealth dated 27 March 2014, a copy of which excluding the annexures to it is set out in Annexure A to this Scheme Booklet. |

| Term | Meaning |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Scheme Meeting | the meeting of SteriHealth Shareholders (other than Excluded Shareholders) ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which SteriHealth Shareholders (other than Excluded Shareholders) will vote on the Scheme. |
| Scheme Participants | each person who is a holder of SteriHealth Shares (other than Excluded Shareholders) as at the Record Date. |
| Scheme Share | a SteriHealth Share held by a Scheme Participant at the Record Date. |
| Scheme Trust Account | a bank account operated by SteriHealth (as trustee or agent for each Scheme Participant) established to hold the Scheme Consideration. |
| Second Court Hearing Date | the 1st day on which the application made to the Court for orders pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard. |
| Second Court Hearing | the hearing of the application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme. |
| SteriHealth Board | the board of directors of SteriHealth. |
| SteriHealth Director | a person who is a director of SteriHealth. |
| SteriHealth Group | SteriHealth and its Subsidiaries and, in the appropriate context, any member of the SteriHealth Group. |
| SteriHealth Information | the information in this Scheme Booklet, except: (a) the Catilina Information; and (b) the Independent Expert's Report. |
| SteriHealth Share | an issued fully paid ordinary share in the capital of SteriHealth. |
| SteriHealth Share Register | the register of members of SteriHealth maintained in accordance with the Corporations Act. |
| SteriHealth Share Registry | Computershare Investor Services Pty Limited ACN 078 279 277. |
| SteriHealth Shareholder | each person registered in the SteriHealth Share Register as a holder of SteriHealth Shares. |
| Subsidiary | has the meaning given to it in the Corporations Act. |
| Superior Proposal | a Competing Transaction which the Independent Directors determine in good faith, after having consulted its external legal and financial advisers, is: (a) reasonably capable of being completed on a timely basis taking into account all aspects of the Competing Transaction and the person making it, including without limitation, having regard to all legal, regulatory and financial matters; and (b) more favourable, or reasonably likely to be more favourable, to SteriHealth Shareholders, having regard to all material aspects of the Competing Transaction and the Scheme. |
| Target Material Adverse Change | has the meaning given in clause 1.1 of the Scheme Implementation Agreement. |
| Target Prescribed Event | has the meaning given in clause 1.1 of the Scheme Implementation Agreement. |
| Tax | all forms of taxes, duties, imposts, charges, withholdings, rates, levies, clawbacks or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines and other additional statutory charges incidental or related to the imposition, assessment or charge of those amounts. |
| Third Party | means a person other than Catilina or its Related Bodies Corporate. |
| Transaction | the acquisition of by Catilina of all SteriHealth Shares which the Excluded Shareholders do not own on the Record Date through the implementation of the Scheme. |
| VWAP | volume weighted average trading price. |

Annexure A

Scheme Implementation Agreement

Parties

Catilina Nominees Pty Ltd as trustee for the Danny Boulas Daniels Family Trust

ACN 005 197 455

SteriHealth Limited

ACN 060 871 249

Robert Sultan

Norton Rose Fulbright Australia
Level 15, RACV Tower
485 Bourke Street
Melbourne VIC 3000

Tel: +61 (0)3 8686 6571

www.nortonrosefulbright.com

Our ref: 2808432

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Scheme Implementation Agreement Dated 27th March 2014

Parties

Catilina Nominees Pty Ltd

ACN 005 197 455

as trustee of the Danny Boulas Daniels Family Trust
of 34 Cahill Street, Dandenong South, Victoria 3175

(Bidder)

SteriHealth Limited

ACN 060 871 249

of 36 Cahill Street, Dandenong South, Victoria 3175

(Target)

Introduction

- A** Bidder proposes to acquire all the ordinary issued shares of Target, other than the Excluded Shares, by means of a scheme of arrangement under Part 5.1 of the Corporations Act.
- B** At the request of Bidder, Target has agreed to propose the Scheme and issue the Scheme Booklet upon and subject to the terms and conditions of this Agreement.
- C** Bidder and Target have agreed to act in good faith to implement the Scheme upon the terms and conditions of this Agreement.

It is agreed

1. Definitions and interpretation

1.1 Definitions

In this Agreement unless the context otherwise requires, the following words and expressions have meanings as follows:

- (1) **Adviser** means, in relation to an entity, its financier, legal adviser, financial adviser or technical, other expert advisers (not including the Independent Expert) or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity;
- (2) **AIFRS** means the International Financial Reporting Standards as adopted in Australia;
- (3) **ASIC** means the Australian Securities and Investments Commission;
- (4) **ASIC Regulatory Guide** means a regulatory guide issued by ASIC in respect of the Corporations Act;
- (5) **Associate** has the meaning given to that term in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Agreement and Target were the designated body;
- (6) **ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it (as the context requires);
- (7) **Bidder Board** means the board of directors of Bidder;
- (8) **Bidder Confidential Information** means any commercial, financial or technical information of Bidder or any Related Party of Bidder disclosed or supplied by or on behalf of any such entity to Target or any of its Representatives, whether orally or visually or in documentary or electronic form and including the notes, records or copies made by Target or any of its Representatives of such information but excluding information which is in the public domain (other than as a result of a breach of this Agreement by Target) or otherwise previously known to Target;
- (9) **Bidder Deed Poll** means a deed to be executed by Bidder substantially in the form of Annexure B (or in such other form agreed by the parties in writing or required by the Court) under which Bidder covenants in favour of the Scheme Participants to perform its obligations under the Scheme;
- (10) **Bidder Director** means a director of Bidder;
- (11) **Bidder Group** means Bidder and its Subsidiaries and, where the context applies, any member of the Bidder Group;
- (12) **Bidder Indemnified Parties** means Bidder, its Advisers and Related Bodies Corporate, and each of their respective Representatives;
- (13) **Bidder Information** means the information regarding Bidder required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guides. For the avoidance of doubt, the Bidder Information does not include information about the Target Group (except to the extent it relates to any statement of intention relating to the Target Group following the Effective Date);
- (14) **Bidder Prescribed Event** means Bidder or any of its operating Subsidiaries becoming subject to an Insolvency Event;
- (15) **Bidder Reimbursement Fee** means the sum of \$140,000;
- (16) **Boulas Trust** means the trusts known as the Danny Boulas Daniels Family Trust;
- (17) **Boulas Trust Deed** means the trust deed establishing the Boulas Trust;
- (18) **Business Day** means a business day as defined in the Listing Rules;
- (19) **Claim** means a demand, claim, action or proceeding, however arising and whether present, unascertained, immediate, future or contingent, including any claim for specific performance;
- (20) **Competing Transaction** means an expression of interest, offer or proposal by or with a Third Party under which a Third Party will, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed:
 - (a) acquire or obtain an economic interest in all or a substantial part of the assets or business of Target or any of its Subsidiaries;
 - (b) acquire a Relevant Interest in, become the holder of or obtain an economic interest in, 20% or more of the Target Shares or the shares of any of its Subsidiaries;
 - (c) acquire Control of Target or any of its Subsidiaries; or
 - (d) otherwise acquire or merge with Target or any of its Subsidiaries through a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination; or
 - (e) enter into any agreement, arrangement or understanding requiring Target to abandon, or otherwise fail to proceed with, the Transaction;
- (21) **Confidentiality Agreement** means the confidentiality agreement between Bidder and Target dated 14 March 2014;
- (22) **Control** has the meaning given to that term in section 50AA of the Corporations Act;
- (23) **Corporations Act** means the *Corporations Act 2001* (Cth);
- (24) **Corporations Regulations** means the *Corporations Regulations 2001* (Cth);

- (25) **Court** means the Federal Court of Australia (Victoria Registry) or any other court of competent jurisdiction under the Corporations Act agreed by the parties in writing;
- (26) **Due Diligence Material** means the information contained in the following documents provided by, or on behalf of, Target to Bidder or its Representatives:
- This section has been left blank intentionally.
- (27) **EBITDA** means earnings from ordinary, continuing activities of the Target Group before interest, tax, depreciation and amortisation calculated in accordance with the accounting policies and practices applied by the Target Group as at the date of this Agreement;
- (28) **Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the court is lodged with ASIC;
- (29) **Effective Date** in relation to the Scheme means the date on which the Scheme becomes Effective;
- (30) **Encumbrance** means a mortgage, charge, lien, pledge or assignment by way of security, other security interest or encumbrance, title retention, preferential right or trust arrangement, Claim, covenant, profit a prendre, easement or any other security interest within the meaning of section 12(1) or 12(2) of the PPSA or any other arrangement having the same effect;
- (31) **End Date** means:
- the date that is the 1st Business Day that is 5 months after the date on which this Agreement is executed; or
 - such other date as agreed in writing between Bidder and Target;
- (32) **Excluded Shares** means any Target Shares held by Bidder or Danny Boulas Daniels (in his own right and as trustee of the Daniels Superannuation Fund) as at the Record Date;
- (33) **Exclusivity Period** means the period commencing on and from the date of this Agreement and expiring on the earlier of:
- the Implementation Date;
 - the termination of this Agreement in accordance with its terms; and
 - the End Date;
- (34) **First Court Hearing Date** means the first day on which an application made to the Court, in accordance with clause 6.1(14), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard;
- (35) **Governmental Agency** means any Australian or foreign government or governmental, semi governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal agency or entity, including:
- ASX and ASIC;
 - a Tax Authority;
 - a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
 - any regulatory organisation established by statute;
- (36) **GST** has the meaning given to that term in the GST Act;
- (37) **GST Act** means the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*;
- (38) **Headcount Test** means the requirement under section 411(4) (a)(ii)(A) of the Corporations Act that the Scheme Resolution be passed by a majority in number of Participating Target Shareholders present and voting, either in person or by proxy;
- (39) **Implementation Date** means the 5th Business Day following the Record Date or such other date as agreed in writing between Bidder and Target;
- (40) **Independent Director** means each non-executive independent Target Director who does not have a potential conflict of interest in the proposed Transaction, being Mr Lorenzo Coppa, Mr John Sikkema and Ms May Wan Khor;
- (41) **Independent Expert** means the independent expert appointed by Target in accordance with clause 6.1(5) to opine on whether the Scheme is in the best interests of Participating Target Shareholders and to prepare a report for the Scheme Booklet in accordance with the Corporations Act and ASIC policy and practice;
- (42) **Insolvency Event** means in relation to a person:
- the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person;
 - the entry by the person into a compromise or arrangement with its creditors generally;
 - the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or dissolution of the person other than where the application or order (as the case may be) is set aside within 14 days;
 - the person suspends or threatens to suspend payment of its debts generally;
 - the person ceases or threatens to cease to carry on business; or
 - the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act or under the legislation in the jurisdiction of incorporation of that person;
- (43) **Liability Cap** means the sum of \$280,000;
- (44) **Listing Rules** means the official listing rules of ASX as from time to time amended or waived in their application to a party;
- (45) **Material Consent** means an approval or consent (other than a Scheme Regulatory Approval) under:
- a contract which is for a value of more than \$100,000 and to which a Target Group member is a party; or
 - a regulatory licence, permit, certificate or registration granted or issued by a Governmental Agency,
- which is necessary to implement the Scheme or is required under the terms of the relevant contract, regulatory licence, permit, certificate or registration to enable Target to carry on the businesses of the Target Group following the implementation of the Scheme as presently carried on;

- (46) **Officer** means, in relation to an entity, its directors, officers and employees or any of the entity's related bodies corporate;
- (47) **Participating Target Shareholders** means a Target Shareholder who is not a holder of Excluded Shares;
- (48) **PPSA** means the *Personal Property Securities Act 2009* (Cth);
- (49) **Record Date** means 5:00pm on the 5th Business Day following the Effective Date or such other date (after the Effective Date) as Target and Bidder agree in writing;
- (50) **Register** means the register of members of Target maintained in accordance with the Corporations Act and **Registry** has a corresponding meaning;
- (51) **Regulator's Draft** means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act;
- (52) **Regulatory Review Period** means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC provides a letter of intent under section 411(17) (b) of the Corporations Act that it does not intend to make any submissions at the Court hearing on the First Court Hearing Date or otherwise object to the Scheme;
- (53) **Related Body Corporate** has the meaning given to that term in the Corporations Act;
- (54) **Related Party** means in relation to a party, its directors and officers, its Related Bodies Corporate and each of the directors and officers of those Related Bodies Corporate;
- (55) **Relevant Governmental Agency** has the meaning given to it in clause 3.3(1);
- (56) **Relevant Interest** has the same meaning as given by sections 608 and 609 of the Corporations Act;
- (57) **Representative** means, in relation to an entity:
- (a) each of the entity's Related Parties; and
 - (b) each of the Officers and Advisers of the entity or of any of its Related Parties;
- (58) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Participants under which all of the Target Shares held by Scheme Participants will be transferred to Bidder substantially in the form of Annexure A (or as otherwise agreed by Bidder and Target in writing) subject to any amendment or condition made pursuant to section 411(6) of the Corporations Act;
- (59) **Scheme Booklet** means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Participating Target Shareholders;
- (60) **Scheme Consideration** means A\$1.75 cash for each Target Share held by a Scheme Participant at the Record Date;
- (61) **Scheme Meeting** means the meeting to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act;
- (62) **Scheme Participants** means each person who is a Participating Target Shareholder on the Record Date;
- (63) **Scheme Regulatory Approval** has the meaning given to it in clause 3.1(1);
- (64) **Scheme Resolution** means the resolution put to Scheme Participants to approve the Scheme;
- (65) **Second Court Hearing Date** means the day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme;
- (66) **Share Splitting** means a Target Shareholder splitting its holding of Target Shares into 2 or more parcels, or a number of affiliated persons acquiring a number of parcels in different names or other manipulative conduct resulting in an increased number of shareholders in Target;
- (67) **Subsidiary** has the meaning given to that term in the Corporations Act;
- (68) **Superior Proposal** means a bona fide Competing Transaction which the Independent Directors determine, acting reasonably and in good faith, after having consulted their external legal and financial advisers and having received written legal advice, is:
- (a) reasonably capable of being completed on a timely basis taking into account all aspects of the Competing Transaction and the person making it, including without limitation, having regard to all legal, regulatory and financial matters; and
 - (b) more favourable to Participating Target Shareholders than the Scheme having regard to all material aspects of the Competing Transaction and the Scheme;
- (69) **Target Board** means the board of directors of Target;
- (70) **Target Confidential Information** means any commercial, financial or technical information of Target or any Related Party of Target disclosed or supplied by or on behalf of any such entity to Bidder, any Related Body Corporate of Bidder or any of their respective Representatives, whether orally or visually or in documentary or electronic form and including the notes, records or copies made by Bidder, its Related Bodies Corporate or any of their respective Representatives of such information but excluding information which is in the public domain (other than as a result of a breach of this Agreement by Bidder) or otherwise previously known to Bidder or its Related Bodies Corporate;
- (71) **Target Director** means a person who is a director of Target;
- (72) **Target Group** means Target and its Subsidiaries and, in the appropriate context, any member of the Target Group;
- (73) **Target Indemnified Parties** means Target, its Advisers and Related Bodies Corporate, and each of their respective Representatives;
- (74) **Target Information** means all information included in the Scheme Booklet, other than the Bidder Information and the Independent Expert's report that is included in or accompanies the Scheme Booklet;
- (75) **Target Material Adverse Change** means any event, occurrence, circumstance or matter that:
- (a) occurs after the date of this Agreement; or
 - (b) is likely to occur after the date of this Agreement and which has not been publicly announced prior to the date of this Agreement,
- which could be reasonably be expected to result in a material adverse change which is reasonably likely to negatively impact on the value of the business or the financial condition or results of operations or prospects, of the Target Group and which results in:
- (c) the EBITDA from operations of the Target Group (taken as a whole) being negatively impacted by \$2,000,000 or more per annum compared to the statement of financial performance for the Target Group as at 31 December 2013;

- (d) consolidated revenue of the Target Group for the year ended 30 June 2014 being negatively impacted by \$6,000,000 or more compared to the statement of financial performance for the Target Group as at 31 December 2013; or
- (e) a reduction in the net assets of the Target Group (taken as a whole) by \$3,000,000 or more compared to the balance sheet for the Target Group as at 31 December 2013,
- other than any event, occurrence, circumstance or matter:
- (f) which is fairly disclosed (being, disclosed in sufficient detail so as to enable a reasonable person to assess the nature and import of the relevant event, occurrence, circumstance or matter) in the Due Diligence Material;
- (g) relating to any asset impairment or restructuring provision which is made with the consent of Bidder;
- (h) that arises from any change occurring, directly or indirectly, as a result of any event, occurrence, circumstance or matter required or permitted by this Agreement, the Scheme or the transactions contemplated by them (including any cost or expense associated therewith);
- (i) that is within the actual knowledge of Bidder at the date of this Agreement or, at the date of this Agreement, Bidder knows the relevant underlying facts and circumstances which gave rise to the event, occurrence, circumstance or matter;
- (j) notified to ASX or disclosed in a document lodged with ASIC by, or on behalf of, Target prior to the date of this Agreement;
- (k) that arises from any actual or proposed change in any Tax, law or accounting standards or mandatory policies or codes;
- (l) relating to or arising from general economic, regulatory or political conditions (including financial market fluctuations or changes in Taxation or interest rates) or to or from conditions in a sector in which the Target Group operates, or changes in those conditions (except where such an event, occurrence, circumstance or matter has a disproportionately larger impact on the assets, liabilities, business, financial position, profitability or prospects of the Target Group (taken as a whole) than on other entities operating within the industries in which the Target Group operates); or
- (m) relating to or arising from an act of terrorism, war (whether or not declared), natural disaster or the like;
- (76) **Target Prescribed Event** means the occurrence of any of the following:
- (a) Target converting all or any of its shares into a larger or smaller number of shares;
- (b) Target or any of its non-wholly-owned Subsidiaries resolving to reduce its share capital in any way;
- (c) Target or any of its non-wholly-owned Subsidiaries:
- (i) entering into a buy back agreement; or
- (ii) resolving to approve the terms of a buy back agreement under the Corporations Act;
- (d) Target or any of its non-wholly-owned Subsidiaries making, declaring, paying or distributing or announcing an intention to make, declare or distribute any dividend, bonus or other share of its shareholder profits or shareholder assets or returning or agreeing to return any capital to its members (whether in cash or in specie), except to give effect to the Transaction;
- (e) Target or any of its Subsidiaries issuing shares, or granting an option over its shares to a person outside the Target Group, or agreeing to make such an issue or grant such an option to a person outside the Target Group;
- (f) Target or any of its Subsidiaries issuing convertible securities or agreeing to issue securities or other instruments convertible into shares or debt securities to a person outside the Target Group;
- (g) Target 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, Target or any of its Subsidiaries creating, or agreeing to create, any 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, Target or any of its Subsidiaries, making or permitting any change to the terms and conditions of the current employment contracts of its senior management;
- (j) any Target Group member resolves to be wound up;
- (k) Target or any of its operating Subsidiaries becoming subject to an Insolvency Event;
- (l) Target or any of its Subsidiaries making any material change or amendment to its constitution;
- (m) Target or any of its Subsidiaries making any material change to their accounting practices or policies, other than to comply with generally accepted Australian accounting standards or AIFRS (or their equivalent in the relevant jurisdiction); or
- (n) any member of the Target Group authorising, committing or agreeing to do any of the matters set out above,
- provided that none of the above events will constitute a Target Prescribed Event where:
- (o) Target has first consulted in detail with Bidder in relation to the proposed event, and Bidder has approved the proposed event in writing within 5 Business Days of having been so consulted (such consent not to be unreasonably withheld or delayed); or
- (p) the event is required or permitted to be done or procured by Target or its Subsidiaries pursuant to this Agreement or the Scheme;
- (77) **Target Share** means an issued fully paid ordinary share in the capital of Target;
- (78) **Target Shareholder** means each person who is registered in the Register as a holder of Target Shares;
- (79) **Target Reimbursement Fee** means the sum of \$140,000;
- (80) **Tax** means all forms of taxes, duties, imposts, charges, withholdings, rates, levies, clawbacks or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines and other additional statutory charges incidental or related to the imposition, assessment or charge of those amounts;
- (81) **Tax Authority** means any Governmental Authority responsible for the imposition, collection or recovery of any Tax;
- (82) **Third Party** means a person other than Bidder or its Related Bodies Corporate;

- (83) **Timetable** means the indicative timetable set out in Annexure C, subject to any amendments as the parties agree to in writing;
- (84) **Transaction** means the acquisition by Bidder of all the Target Shares by means of the Scheme in accordance with the terms of this Agreement; and
- (85) **Transaction Implementation Committee** means a committee to be made up of:
- (a) Dan Daniels and Dean McPhee as representatives of Bidder;
 - (b) Lorenzo Coppa, John Sikkema and Terry Walsh as representatives of Target;
 - (c) a representative from each of the legal and financial advisers of each party; and
 - (d) such other persons as the parties may agree from time to time.

1.2 Interpretation

In this Agreement, headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Agreement, and unless the context otherwise requires:

- (1) words importing the singular include the plural and vice versa;
- (2) words importing a gender include any gender;
- (3) other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning;
- (4) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any Governmental Agency;
- (5) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Agreement and a reference to this Agreement includes any annexure, exhibit and schedule;
- (6) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another Governmental Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (7) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (8) a reference to a party to a document includes that party's successors and permitted assigns;
- (9) a reference to a matter being **to the knowledge** of a person means that the matter is to the best of the knowledge and belief of, in the case of Bidder, Mr D Daniels, Mr D McPhee or any relative (as defined in the Corporations Act) of Mr D Daniels and in the case of Target, the chief financial officer or the chairman of Target, after making reasonable enquiries in the circumstances;
- (10) no provision of this Agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this Agreement or that provision;
- (11) a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (12) the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

- (13) a reference to "\$" or "dollar" is to Australian currency;
- (14) a reference to any time is a reference to that time in Melbourne, Victoria, Australia; and
- (15) if an act, matter or thing must be done on a specified day which is not a Business Day, such act, matter or thing must be done on the next Business Day.

1.3 Inconsistent agreements

If a provision of this Agreement is inconsistent with a provision of the Confidentiality Agreement the provision of this Agreement prevails.

1.4 The Boulas Trust

- (1) Bidder is bound in its capacity as a trustee of the Boulas Trust.
- (2) In determining whether an entity is a Subsidiary or Related Body Corporate of Bidder, the application of section 48(2) of the Corporation Act will be disregarded.

2. Agreement to propose and implement Scheme

2.1 Target to propose Scheme

Target agrees to propose the Scheme on and subject to the terms and conditions of this Agreement.

2.2 Bidder to assist Target to implement Scheme

Bidder agrees to comply with its obligations under the Scheme, and provide reasonable assistance to Target in proposing and implementing the Scheme, on and subject to the terms and conditions of this Agreement.

3. Conditions Precedent

3.1 Conditions precedent to the implementation of the Scheme

The Scheme will not become Effective and the obligations of the parties under the Scheme (including the obligations of Bidder to pay the Scheme Consideration) will not be binding unless each of the following conditions precedent are satisfied or waived in accordance with clause 3.2:

- (1) **Scheme Regulatory Approvals:** before 8:00am on the Second Court Hearing Date, ASIC and ASX have issued or provided such consents, confirmations or approvals or have done such other acts which the parties agree are reasonably necessary or desirable to implement the Scheme (**Scheme Regulatory Approvals**);
- (2) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any Court or other material legal restraint or prohibition preventing the Scheme is in effect at 8:00am on the Second Court Hearing Date;
- (3) **No Target Prescribed Event:** no Target Prescribed Event occurs between the date of this Agreement and 8:00am on the Second Court Hearing Date;
- (4) **No Bidder Prescribed Event:** no Bidder Prescribed Event occurs between the date of this Agreement and 8:00am on the Second Court Hearing Date;
- (5) **Independent Expert's report:** the Independent Expert issues its Independent Expert's report which concludes that the Scheme is in the best interest of Participating Target Shareholders before the date on which the Scheme Booklet is provided to ASIC pursuant to section 411(2) of the Corporations Act and the Independent Expert does not change or withdraw its recommendation prior to 8:00am on the Second Court Hearing Date;

- (6) **No breach:** no material breach of this Agreement by either party has occurred (which has not been remedied to the satisfaction of the other party) before 8:00am on the Second Court Hearing Date;
- (7) **Participating Target Shareholder approval:** before 8:00am on the Second Court Hearing Date, the Scheme Resolution is duly approved by Participating Target Shareholders at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act;
- (8) **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act on the Second Court Hearing Date;
- (9) **Orders convening Scheme Meeting:** the Court orders the convening of the Scheme Meeting under section 411(1) of the Corporations Act;
- (10) **No Target Material Adverse Change:** no Target Material Adverse Change occurs between the date of this Agreement and 8:00am on the Second Court Hearing Date; and
- (11) **No index decline:** from the date of this Agreement until 8:00am on the Second Court Hearing Date, the All Ordinaries Index does not fall, for a period of more than 3 consecutive trading days, to a level that is 80% or less of the level as at the close of trading on the date of the Agreement; and
- (12) **Bidder finance conditions:**
 - (a) before 5:00pm on the day which is 7 days before the date of the Scheme Meeting, Bidder and its financiers execute a facility agreement on substantially the terms contemplated by the terms sheet attached to the commitment letter executed by Bidder and its financiers (a redacted copy of which was provided by Bidder to the Independent Directors prior to signing this Agreement); and
 - (b) before 8:00am on the Second Court Hearing Date, each of the conditions precedent to drawdown under the facility agreement contemplated in the condition precedent in clause 3.1(12)(a) has been and remains, satisfied or waived in accordance with the terms of the facility agreement.

3.2 Best Endeavours and Waiver of conditions precedent

- (1) Other than in respect of the conditions precedent in clause 3.1(7) (Participating Target Shareholder approval), clause 3.1(8) (Court approval) and clause 3.1(9) (Orders convening Scheme Meeting), which are for the benefit of both parties but cannot be waived:
 - (a) the condition precedent in clause 3.1(4) (No Bidder Prescribed Event) is for the sole benefit of Target and any breach or non fulfilment of this condition may only be waived by Target giving its written consent and Bidder must use its best endeavours to procure that this condition is satisfied;
 - (b) the condition precedents in clause 3.1(3) (No Target Prescribed Event), clause 3.1(10) (No Target Material Adverse Change), clause 3.1(11) (No index decline) and clause 3.1(12) (Bidder finance conditions) are for the sole benefit of Bidder and any breach or non fulfilment of those conditions may only be waived by Bidder giving its written consent and Target must use its best endeavours to procure that each of those conditions is satisfied;
 - (c) the condition in clause 3.1(6) (No breach) is:
 - (i) in respect of a material breach by Target of this Agreement, for the sole benefit of Bidder and any breach or non fulfilment of the condition in that respect may only be relied on or waived by Bidder giving its written consent; and
 - (ii) in respect of a material breach by Bidder of this Agreement, for the sole benefit of Target and any breach or non fulfilment of the condition in that respect may only be relied on or waived by Target giving its written consent; and
- (2) Target and Bidder must cooperate, to the extent reasonably practicable, to assist one another with satisfying their obligations under this clause 3.2.
- (3) Each of Target and Bidder must use their respective best endeavours, and will ensure that each of its Related Bodies Corporate uses its best endeavours, to procure that:
 - (a) each of the conditions precedent is satisfied as soon as practicable after the date of this Agreement and continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
 - (b) there is no occurrence within the control of Target or Bidder (as the context requires) or their Related Bodies Corporate that would prevent any condition precedent being satisfied, except to the extent required by law.
- (4) A party entitled to waive a condition precedent under this clause 3.2 may do so in its absolute discretion.
- (5) If a party waives the breach or non-fulfilment of a condition precedent, that waiver will preclude it from suing the other party for any breach of this Agreement that resulted from the breach or non-fulfilment of the condition precedent that was waived, or arising from the same event which gave rise to the breach or non-fulfilment of the condition.

3.3 Scheme Regulatory Approvals

To the extent permitted by law and each party's respective legal obligations and without limiting the generality of clause 3.1(1):

- (1) as soon as practicable after the date of this Agreement, the parties must cooperate in good faith to develop a plan for communications with Governmental Agencies that are required to be approached for the purpose of procuring the satisfaction of any Condition Precedent (each a **Relevant Governmental Agency**);
- (2) each party (as applicable) must then promptly apply for all relevant Scheme Regulatory Approvals for which it is responsible, providing a copy to the other party of all such applications, and take all steps it is responsible for as part of the approval process for the Scheme, including responding to requests for information at the earliest practicable time;
- (3) each party:
 - (a) subject to the requirements of the Relevant Governmental Agency, will have the right to be present and make submissions at or in relation to any proposed meeting by the other party or its advisers with a Relevant Governmental Agency in relation to the Scheme (except to the extent that such meeting involves the discussion of commercially sensitive information);
 - (b) must consult with the other party in advance in relation to all material communications with any Relevant Governmental Agency relating to any Scheme Regulatory Approval;

- (c) must promptly provide copies to the other party of any written communication sent to or received from a Relevant Governmental Agency in connection with the Scheme (except to the extent that such written communication contains commercially sensitive information of that party in correspondence with the Relevant Governmental Agency); and
- (d) must provide the other party with all information reasonably requested in connection with the application for any Scheme Regulatory Approval; and
- (4) notwithstanding any other provision of this Agreement, for the purpose of obtaining approval of a Relevant Governmental Agency, neither Bidder nor Target is required to agree to any conditions or to provide or agree to provide any written undertakings to a Relevant Governmental Agency which are not reasonably acceptable to Bidder or Target (as the case may be).

3.4 Status of conditions precedent

- (1) Each party must promptly give the other written notice of:
 - (a) satisfaction of a condition precedent in clause 3.1 and must keep the other informed of any material development of which it becomes aware that may lead to the breach or a failure to satisfy a condition precedent in clause 3.1;
 - (b) a breach or failure to satisfy a condition precedent in clause 3.1; or
 - (c) any event that will prevent a condition precedent in clause 3.1 being satisfied.
- (2) Other than in respect of the conditions precedent in clause 3.1(7) (Participating Target Shareholder Approval), clause 3.1(8) (Court approval) and clause 3.1(9) (Orders convening Scheme Meeting), which cannot be waived, the party entitled to waive the non-fulfilment of a condition precedent under clause 3.2 must, subject to clause 3.4(3) in respect of the condition precedent under clause 3.1(10) (No Target Material Adverse Change) and clause 3.4(4) in respect of the condition precedent under clause 3.1(11) (No index decline), give written notice to the other party as soon as reasonably practicable (and in any event before 5:00pm on the last Business Day before the Second Court Hearing Date) as to whether or not it waives the breach or non fulfilment of the condition precedent in respect of which notice has been provided under clause 3.4(1).
- (3) If Target provides Bidder with a notice (**Target MAC Event Notice**) under clause 3.4(1) stating that an event, occurrence, circumstance or matter has arisen or occurred which results in a breach or non-fulfilment of the condition precedent under clause 3.1(10) (No Target Material Adverse Change) (**Target MAC Event**), Bidder must, by no later than 5:00pm on the 5th Business Day after receipt of the Target MAC Event Notice, provide a written notice (**Bidder Response Notice**) to Target stating whether it:
 - (a) waives, in accordance with clause 3.2, the breach or non-fulfilment of the condition precedent under clause 3.1(10) which arises as a result of the relevant Target MAC Event the subject of the Target MAC Event Notice (such waiver being subject to Bidder reserving its rights in respect of any future Target MAC Event which arises or occurs before 8:00am on the Second Court Hearing Date); or
 - (b) seeks to rely on the relevant Target MAC Event the subject of the Target MAC Event Notice as a breach or non-fulfilment of the condition precedent under clause 3.1(10).

The parties agree that if Target provides Bidder with a Target MAC Event Notice and Bidder does not provide Target with a Bidder Response Notice within the period contemplated in this clause 3.4(3) then Bidder:

- (c) will be deemed to have waived any breach or non-fulfilment of the condition precedent under clause 3.1(10) which arises as a result of the Target MAC Event the subject of the relevant Target MAC Event Notice; and
- (d) will be precluded from making any Claim against Target for any breach of this Agreement that results from any breach or non-fulfilment of the condition precedent under clause 3.1(10) as a result of the Target MAC Event, the subject of the relevant Target MAC Event Notice.
- (4) If the All Ordinaries Index falls, for a period of more than 3 consecutive trading days to a level that is 80% or less of the level as at the close of trading on the date of this Agreement and, as a result, a breach or non-fulfilment of the condition precedent under clause 3.1(11) (No index decline) arises (**Index Decline Event**), Bidder must, by no later than 5:00pm on the 5th Business Day after the day on which the Index Decline Event arises, provide a written notice (**Bidder Index Decline Notice**) to Target stating whether it:
 - (a) waives, in accordance with clause 3.2, the breach or non-fulfilment of the condition precedent under clause 3.1(11) which arises as a result of the Index Decline Event (such waiver being subject to Bidder reserving its rights in respect of any future Index Decline Event which arises or occurs before 8:00am on the Second Court Hearing Date); or
 - (b) seeks to rely on the relevant Index Decline Event as a breach or non-fulfilment of the condition precedent under clause 3.1(11).

The parties agree that if an Index Decline Event occurs and Bidder does not provide Target with a Bidder Index Decline Notice within the period contemplated in this clause 3.4(4) then Bidder:

- (c) will be deemed to have waived any breach or non-fulfilment of the condition precedent under clause 3.1(11) which arises as a result of the relevant Index Decline Event; and
- (d) will be precluded from making any Claim against Target for any breach of this Agreement that results from any breach or non-fulfilment of the condition precedent under clause 3.1(11) as a result of the relevant Index Decline Event.
- (5) Each party must:
 - (a) give the Court on the Second Court Hearing Date a certificate confirming (in respect of matters within its knowledge) whether or not the conditions precedent in clause 3.1 (other than the condition precedent in clause 3.1(8) (Court approval)) have been satisfied or waived; and
 - (b) give the other party a draft of its certificate by 5:00pm on the Business Day before the Second Court Hearing Date.
- (6) The giving of a certificate by Bidder and Target under clause 3.4(3) will, in the absence of manifest error, be conclusive evidence of the satisfaction or waiver of the conditions precedent referred to in the certificate.
- (7) A Scheme Regulatory Approval will be regarded as having been obtained notwithstanding that a condition or conditions may have been attached to that Scheme Regulatory Approval if the condition is reasonably satisfactory to Target and Bidder.

3.5 Conditions precedent not met

- (1) Subject to clause 8.1, if any conditions precedent contained in clause 3.1 are not satisfied or waived by the date specified in this Agreement for its satisfaction or if the Scheme has not become Effective by the End Date, then the parties will consult in good faith with a view to determining whether:
 - (a) the Scheme or a transaction which results in the acquisition of Target by Bidder may proceed by way of an alternative approach and, if so, to agree on the terms of such an alternative approach;
 - (b) to agree to extend the date for satisfaction of the relevant condition precedent to another date agreed in writing by Target and Bidder;
 - (c) to extend the End Date; or
 - (d) to adjourn or change the date of an application to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme (as applicable).
- (2) If the condition precedent in clause 3.1(7) (Participating Target Shareholder approval) is not satisfied by reason only of the non-satisfaction of the Headcount Test and either Bidder or Target considers, acting reasonably, that Share Splitting or some abusive or improper conduct may have caused or materially contributed to the Headcount Test not having been satisfied then Target must:
 - (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
 - (b) make such submissions to the Court and file such evidence as counsel engaged by Target to represent it in Court proceedings related to the Scheme, in consultation with Bidder, considers is reasonably required to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

If the Court agrees to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test, the parties acknowledge that it will not be necessary to meet the Headcount Test in order to satisfy the condition precedent in clause 3.1(7) (Participating Target Shareholder approval).
- (3) If the parties are unable to reach agreement under clause 3.5(1) within 5 Business Days of:
 - (a) becoming aware that a condition precedent contained in clause 3.1 has not been satisfied by the date specified in this Agreement for its satisfaction; or
 - (b) the End Date,

(as applicable), then unless that the relevant condition is waived in accordance with clause 3.2, either party may (subject to clauses 3.5(4) and 15.4) terminate this Agreement without liability to the other party because of that termination.
- (4) A party may not terminate this Agreement under clause 3.5(3) if the relevant condition in clause 3.1 has not been satisfied, or is incapable of being satisfied, or there is an occurrence that will prevent the relevant condition being satisfied by the date specified in this Agreement for its satisfaction, as a result of an act or omission by that party or any of its Related Bodies Corporate which:
 - (a) results in a material breach of this Agreement; and
 - (b) either alone or together with other circumstances prevents that condition being satisfied or capable of being satisfied.

4. Outline of Scheme

4.1 Scheme

Subject to the terms and conditions of this Agreement, Target must propose and implement the Scheme under which on the Implementation Date all of the Target Shares held by Scheme Participants will be transferred to Bidder and the Scheme Participants will be entitled to receive the Scheme Consideration for each Target Share held by them at the Record Date.

4.2 Scheme Consideration

Bidder covenants in favour of Target (in Target's own right and separately on behalf of each Scheme Participant) that, in consideration of the transfer to Bidder of each Target Share held by a Scheme Participant under the terms of the Scheme, Bidder will on the Implementation Date pay to Target (as agent for each Scheme Participant) the Scheme Consideration for each Target Share held by a Scheme Participant at the Record Date.

4.3 Undertakings held as agent

Target acknowledges that the undertaking by Bidder in clause 4.2 is given to Bidder in its capacity as agent for each Scheme Participant.

4.4 Payment to Scheme Participants

Target must:

- (1) receive in a trust account in accordance with the Scheme and as agent for each Scheme Participant, the payment referred to in clause 4.2;
- (2) pay to each Scheme Participant such moneys as each Scheme Participant is entitled to receive in accordance with the Scheme; and
- (3) otherwise comply with its obligations under the Scheme.

5. Co-ordination and timing

5.1 Co-operation

Target and Bidder must each use all reasonable endeavours and utilise all necessary resources (including management, shareholder, marketing and corporate relations resources, as well as the resources of external advisers) to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable (unless otherwise agreed by the parties acting reasonably and in good faith) subject to compliance with their respective obligations, powers and duties under this Agreement and all applicable laws and the proper performance by the directors of each of Target and Bidder of their fiduciary duties.

5.2 Transaction Implementation Committee

- (1) The parties must establish a Transaction Implementation Committee as soon as possible after the date of this Agreement. The role of the Transaction Implementation Committee will be to act as a forum for consultation and planning by the parties to implement the Scheme.
- (2) Subject to this Agreement, nothing in this clause requires either party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date.
- (3) The parties agree that nothing in this Agreement constitutes the relationship of a partnership or a joint venture between the parties.

5.3 Access by Bidder to people and Target Information

- (1) Between the date of this Agreement and the earlier of the Implementation Date and the date this Agreement is terminated in accordance with its terms, Target will provide Bidder and its Representatives with reasonable access to Target, its Representatives and documents, records, and other information (subject to any applicable privacy laws) which Bidder reasonably requires for the purposes of implementing the Scheme and preparing for carrying on the business of Target Group following implementation of the Scheme.
- (2) Bidder acknowledges and agrees that any information received under by in accordance with clause 5.3(2) is subject to the obligations of confidence under the Confidentiality Agreement.

6. Implementation obligations

6.1 Target's obligations

In the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interest of Participating Target Shareholders, Target must take all reasonable necessary steps to implement the Scheme in accordance with the Timetable (unless otherwise agreed by the parties acting reasonably and in good faith), including taking each of the following steps:

- (1) **Public Announcement:** release the public announcement contemplated under clause 11.1;
- (2) **Scheme Booklet:** prepare a Scheme Booklet which:
 - (a) complies with all applicable Australian laws, the Listing Rules and applicable ASIC Regulatory Guides and which, in respect of the Target Information is not false, misleading or deceptive in any material respect (whether by omission or otherwise);
 - (b) includes the Scheme, notice of meeting and proxy form;
 - (c) contains a statement that all of the Independent Directors intend to vote any Target Shares in which they have a Relevant Interest in favour of the Scheme and any other resolution submitted to Participating Target Shareholders for their approval in connection with the Scheme in the absence of a Superior Proposal and subject to the Independent Expert opining that the Scheme is in the best interest of Participating Target Shareholders; and
 - (d) is updated by all such further or new information which Target becomes aware of after the Scheme Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that it is not false, misleading or deceptive in any material respect (whether by omission or otherwise);
- (3) **Independent Directors' recommendation:** state in the Scheme Booklet and the public announcement contemplated under clause 11.1 (on the basis of statements made to Target by each Independent Director) that all of the Independent Directors unanimously recommend to Participating Target Shareholders that the Scheme be approved in the absence of a Superior Proposal and subject to the Independent Expert opining that the Scheme is in the best interest of Participating Target Shareholders;
- (4) **Independent Directors' voting:** use its reasonable endeavours to procure that:
 - (a) each Independent Director votes any Target Shares in which they have a Relevant Interest in favour of the Scheme and any other resolution submitted to Participating Target Shareholders for their approval in connection with the Scheme in the absence of a Superior Proposal; and

- (b) each Independent Director does not change that voting intention,

unless:

- (c) the Independent Expert opines, to the effect, that the Scheme is not in the best interest of Participating Target Shareholders; or
 - (d) it would be unlawful for the Independent Director to vote the Target Shares in which they have a Relevant Interest on any other basis, including any likely breach of a director's fiduciary duty or statutory obligation;
- (5) **Independent Expert:** promptly appoint and brief the Independent Expert (and any other specialist expert required) and provide all assistance and information reasonably requested by the Independent Expert (and any such specialist expert) to enable the preparation of the necessary report(s) for inclusion in the Scheme Booklet stating whether in its opinion the Scheme is in the best interests of Participating Target Shareholders;
 - (6) **Promote merits of the Scheme:** during the period from the date of this Agreement to the Implementation Date, Target must (to the extent it can, without breaching any applicable law or causing or requiring a Target Director to breach a director's fiduciary duty or statutory obligation):
 - (a) cooperate in good faith with Bidder in efforts to promote the merits of the Scheme, including:
 - (i) through communications with Participating Target Shareholders; or
 - (ii) holding meetings between Representatives of Target and key Participating Target Shareholders; and
 - (b) use reasonable endeavours to procure Target Directors do not act in a manner adverse to the Scheme,
 unless the Independent Expert opines, to the effect, that the Scheme is not in the best interest of Participating Target Shareholders;
 - (7) **Consult Bidder:**
 - (a) provide to Bidder advanced drafts of the Scheme Booklet (so that Bidder has a reasonable opportunity to review and comment on those drafts);
 - (b) consult with Bidder in relation to the content of the drafts of the Scheme Booklet provided to Bidder and consider in good faith, for the purpose of amending those drafts (as to content and presentation), comments received from Bidder and its Representatives on those drafts; and
 - (c) implement such changes to those parts in the Scheme Booklet relating to Bidder which are provided to Target in accordance with clause 6.2(1) as reasonably requested by Bidder prior to finalising the Regulator's Draft;
 - (8) **Approval of Regulator's Draft:** as soon as practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, procure that a meeting of the Target Board (or a committee of the Target Board appointed for that purpose) is convened to consider approving the Target Information sections of the Regulator's Draft as being in a form appropriate for provision to ASIC for review;
 - (9) **Application for section 411(17)(b) statement:** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;

- (10) **Liaise with ASIC:** provide copies of the Regulator's Draft to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act and liaise with ASIC throughout the Regulatory Review Period;
- (11) **Regulatory Review Period:** during the Regulatory Review Period:
 - (a) promptly provide to Bidder and include in the revised drafts of the Scheme Booklet any new information in relation to the Target Group not included in the Regulator's Draft which is required by applicable Australian laws, the Listing Rules and applicable ASIC Regulatory Guides to be included in the Scheme Booklet; and
 - (b) keep Bidder promptly informed and consult with Bidder regarding any matters raised by ASIC in relation to the Scheme Booklet, including in relation to any presentation and/or the making of any submission in writing or at any proposed meeting with ASIC and use all reasonable endeavours, in co-operation with Bidder, to resolve any such matters;
- (12) **Provide a copy of the report:** on receipt, provide Bidder with a copy of the final report received from the Independent Expert (or any other specialist expert);
- (13) **Approval of Scheme Booklet:** as soon as practicable after the conclusion of the review by ASIC of the Regulator's Draft, procure that a meeting of the Target Board (or a committee of the Target Board appointed for that purpose) is convened to consider and if thought fit, approve all of the contents of the Scheme Booklet as being in a form appropriate for despatch to the Participating Target Shareholders, subject to approval of the Court;
- (14) **Court direction:** apply to the Court for an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting;
- (15) **Registration of explanatory statement:** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- (16) **Scheme meeting:** take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Scheme Booklet to Participating Target Shareholders and promptly convening the holding of the Scheme Meeting in accordance with any orders which are made by the Court pursuant to section 411(1) of the Corporations Act;
- (17) **Registry details:** subject to the terms of the Scheme:
 - (a) provide all necessary information about Participating Target Shareholders to Bidder which Bidder requires in order to assist Bidder to identify the Scheme Participants; and
 - (b) direct the Registry to promptly provide any information that Bidder reasonably requests in relation to the Register including any sub-register and, where requested by Bidder, Target must procure such information to be provided to Bidder in such electronic form as is reasonably requested by Bidder;
- (18) **Court order:** provided that the Scheme is approved by the requisite majorities of Participating Target Shareholders, apply to the Court (and to the extent necessary, re-apply) for an order approving the Scheme in accordance with sections 411(4)(b) of the Corporations;
- (19) **Lodge copy of Court orders:** if the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme, lodge with ASIC an office copy of the order of the Court approving the Scheme under section 411(10) of the Corporations Act on the day such office copy is received or such later date as agreed in writing by Bidder;
- (20) **Registration:** if the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme and provided that the Scheme Consideration is paid to Target (as agent for each Scheme Participant), register all transfers of Target Shares to Bidder on the Implementation Date;
- (21) **Listing:** provided that the Scheme Consideration is paid to Target (as agent for each Scheme Participant), take all reasonable and appropriate steps to maintain Target's listing on the ASX, notwithstanding any suspension of the quotation of Target Shares, up to the Business Day following the Implementation Date, including without limitation, making appropriate applications to ASX and ASIC;
- (22) **Consents, approvals and confirmations:** co-operate with Bidder and provide reasonable assistance in connection with obtaining consents, approvals and confirmations as may be required by Bidder in relation to, or under or in connection with this Agreement and the transaction contemplated by it, including applications for regulatory approval and other assistance reasonably requested by Bidder; and
- (23) **Other steps:** do everything reasonably within its powers to ensure that the Scheme is effected in accordance with all laws and regulations applicable in relation to the Scheme.

6.2 Bidder's obligations

Bidder must take all necessary steps within its power to implement the Scheme in accordance with the Timetable (unless otherwise agreed by the parties acting reasonably and in good faith), including taking each of the following steps:

- (1) **Bidder Information:** prepare and promptly provide to Target the Bidder Information for inclusion in the Scheme Booklet and ensure that the Bidder Information is not misleading or deceptive in any material respect (whether by omission or otherwise);
- (2) **Independent Expert:** provide all assistance and information reasonably requested by the Independent Expert (and any other specialist expert required) to enable the preparation of the necessary report(s) (including any updates to such reports) for the Scheme Booklet;
- (3) **Review of Scheme Booklet:** as soon as practicable after delivery, review the drafts of the Scheme Booklet prepared by Target and provide comments on those drafts to Target promptly and in good faith;
- (4) **New Bidder Information:** update the Bidder Information with any further or new information about Bidder relevant to the Scheme of which it becomes aware that arises after the Scheme Booklet has been despatched and prior to the Scheme Meeting where that is necessary to ensure that the Scheme Booklet continues to comply with applicable laws (including the Corporations Act, Corporations Regulations and ASIC Regulatory Guides);
- (5) **Approval of Regulator's Draft:** as soon as practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, approve the Bidder Information in the Regulator's Draft as being in a form appropriate for provision to ASIC for review;

- (6) **Approval of Scheme Booklet:** as soon as practicable after the conclusion of the review by ASIC of the Regulator's Draft, approve the Bidder Information in the Scheme Booklet as being in a form appropriate for despatch to Participating Target Shareholders, subject to approval of the Court;
- (7) **Bidder Deed Poll:** immediately after the Court provides its approval under section 411(1) of the Corporations Act, execute the Bidder Deed Poll and provide it to Target;
- (8) **Scheme Consideration:** if the Scheme becomes Effective, pay the Scheme Consideration in accordance with clause 4.2 and the Bidder Deed Poll on the Implementation Date;
- (9) **Share Transfer:** if the Scheme becomes Effective, accept a transfer of the Target Shares held by Scheme Participants as contemplated by clause 4.1; and
- (10) **Other steps:** use its reasonable endeavours to provide any assistance or information reasonably requested by Target to ensure that the Scheme is effected in accordance with all laws and regulations applicable in relation to the Scheme.

6.3 Scheme Booklet

- (1) The parties agree that the efficient preparation of the Scheme Booklet is in the interests of the parties and Participating Target Shareholders. Target will be generally responsible for preparation of the Scheme Booklet (other than the Bidder Information) but will provide drafts to, and consult with, Bidder in accordance with clause 6.1.
- (2) Bidder's obligations under clauses 6.2(3), 6.2(5) and 6.2(6) relate only to the factual accuracy of Bidder Information and Bidder takes no responsibility for information in the Scheme Booklet other than Bidder Information.
- (3) Each party must undertake appropriate due diligence and implement appropriate verification processes for the information in the Scheme Booklet for which they are responsible.
- (4) The parties must promptly inform the other if they have any reason to believe that any information in the Scheme Booklet for which they are responsible is false, misleading or deceptive in any material respect (whether by omission or otherwise).

6.4 Dispute as to content of Scheme Booklet

If Bidder and Target disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet and use their reasonable endeavours to resolve the dispute within 2 Business Days. If complete agreement is not reached after reasonable consultation, then:

- (1) if the disagreement relates to the form or content of the Bidder Information contained in the Scheme Booklet, Target will, acting in good faith, make such amendments to final form or content as Bidder reasonably requires; and
- (2) if the disagreement relates to the form or content of the Target Information contained in the Scheme Booklet, Bidder will, acting in good faith, agree to such amendments to final form or content as Target reasonably requires,

provided that Target will not in any case be required to include any information in the Scheme Booklet which is unverifiable or is, in Target's reasonable opinion, misleading or deceptive.

6.5 Scheme Booklet responsibility statements

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties, will contain words to the effect that:

- (1) Target has provided, and is responsible for, the Target Information in the Scheme Booklet, and that Bidder and its Representatives do not assume responsibility for the accuracy or completeness of the Target Information, except, were a Representative of Bidder is a director or other Officer of Target, in that capacity as a director or other Officer of Target;
- (2) Bidder has provided, and is responsible for, the Bidder Information in the Scheme Booklet, and that Target and its Representatives do not assume responsibility for the accuracy or completeness of the Bidder Information; and
- (3) the Independent Expert has provided and is responsible for the Independent Expert's report, and that:
 - (a) Target and its Representatives do not assume any responsibility for the accuracy or completeness of the Independent Expert's report; and
 - (b) Bidder and its Representatives do not assume any responsibility for the accuracy or completeness of the Independent Expert's report.

7. Conduct of business

7.1 Conduct of business

From the date of this Agreement until the earlier of the date on which this Agreement is terminated and the Implementation Date, Target must conduct the business of the Target Group in the ordinary and normal course consistent with its business plans and budgets as at the date of this Agreement and in substantially the same manner as previously conducted (subject to ongoing capital requirements being satisfied), unless otherwise agreed by Bidder.

7.2 Specific obligations

Without limiting clause 7.1 and other than with the prior approval of Bidder (which approval must not be unreasonably withheld or delayed) or as required by this Agreement, Target must use, and must procure that each of its Subsidiaries uses, during the period contemplated in clause 7.1, all reasonable endeavours to:

- (1) maintain its business and assets and conduct its business in the ordinary and proper course;
- (2) keep available the services of its Officers and must not, without the prior written approval of Bidder, terminate the services of any of its senior managers;
- (3) preserve its relationships with customers, suppliers, licensors, licensees, joint venturers, regulatory authorities and others with whom it has business dealings; and
- (4) promptly notify Bidder of any material Claim which may be threatened, brought, asserted or commenced against any member of the Target Group or their Officers, and consult with Bidder in relation to such matter to the extent Bidder reasonably requires.

7.3 Prohibited actions

Other than with the prior approval of Bidder (which approval must not be unreasonably withheld or delayed) or as required by this Agreement, Target must not, and must procure that each of its Subsidiaries does not, during the period contemplated in clause 7.1:

- (1) enter into, or agree to enter into, any joint venture, partnership or similar arrangement;

- (2) take any action which would be reasonably expected to give rise to a Target Prescribed Event;
- (3) enter into any contract or commitment which is outside the ordinary course of business;
- (4) incur any capital expenditure otherwise than in accordance with its business plans and budgets as at the date of this Agreement;
- (5) purchase, lease or otherwise acquire or agree to acquire any individual asset with a value exceeding \$100,000 otherwise than in accordance with its business plans and budgets as at the date of this Agreement;
- (6) make or permit any change to the terms and conditions of the current employment contracts of the senior management of Target and its Subsidiaries;
- (7) except as otherwise provided in this Agreement, enter into, vary or terminate any material contracts; or
- (8) do or fail to do anything as a result of which any of the warranties provided by Target in clause 9.2 are breached or are false, inaccurate or misleading.

7.4 Material Consents

- (1) Without limiting any obligations of either party under this Agreement in relation to obtaining the Scheme Regulatory Approvals, the parties agree to use their respective reasonable endeavours to obtain the Material Consents prior to the Implementation Date.
- (2) Target must, subject to any third party confidentiality restrictions, if requested use its reasonable endeavours to involve Bidder in meetings or discussions with third parties relating to the obtaining of any Material Consents and without limitation must use its reasonable endeavours to:
 - (a) keep Bidder informed of progress in obtaining any such third party approval or consent;
 - (b) provide Bidder with drafts of any material written communications to be sent to any person in relation to the third party approval or consent and make such amendments as Bidder reasonably requires; and
 - (c) provide Bidder with copies of any written communications sent to or received from a third party in relation to an third party consent approval or promptly upon despatch or receipt (as the case may be).

8. Court proceedings

8.1 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, Target must appeal the Court's decision to the fullest extent possible, except to the extent that:

- (1) the parties agree otherwise; or
- (2) the Queen's Counsel or Senior Counsel representing Target in relation to the Scheme indicates that, in his or her opinion, an appeal would have less than a 50% prospect of success;
- (3) there is, in the view of the Independent Directors, a Superior Proposal which should be recommended in preference to the Scheme,

in which case either party may terminate this Agreement in accordance with clause 12.

8.2 Defence of proceedings

Each of Bidder and Target must defend, or must cause to be defended, any lawsuits or other legal proceeding brought against it (or any of its Subsidiaries) challenging this Agreement or the implementation of the Scheme unless to do so would be likely to result in a breach of the relevant directors' fiduciary duties or statutory obligations. Neither Target nor Bidder will settle or compromise (or permit any of its Subsidiaries to settle or compromise) any claim brought by a third party in connection with this Agreement without the prior written consent of the other, such consent not to be unreasonably withheld.

8.3 Costs

All costs incurred as a result of the operation of this clause 7.4 will be borne equally by each party.

9. Representations and warranties

9.1 Bidder representations and warranties

Bidder represents and warrants to Target that each of the statements set out in Schedule 1 is true and correct in all material respects as at the date of this Agreement and will remain true and correct in all material respects until the Implementation Date and on the Implementation Date.

9.2 Target representations and warranties

Target represents and warrants to Bidder that each of the statements set out in Schedule 2 is true and correct in all material respects as at the date of this Agreement and will remain true and correct in all material respects until the Implementation Date and on the Implementation Date.

9.3 Target indemnity

Target indemnifies the Bidder Indemnified Parties from and against all Losses arising from or connected with a breach of clause 9.2.

9.4 Bidder indemnity

Bidder indemnifies Target Indemnified Parties from and against all Losses arising from or connected with a breach of clause 9.1.

9.5 Limitation of liability

- (1) A party (**First Party**) is not liable for any breach of a representation or warranty to the extent that the facts, matters and circumstances giving rise to the breach:
 - (a) is fairly disclosed by the First Party to the other party prior to the date of this Agreement;
 - (b) was within the actual knowledge of the other party;
 - (c) would have been disclosed to the other party had the other party conducted searches prior to the date of this Agreement of public filings with ASIC and the ASX; or
 - (d) is required or permitted to be done or procured by Target or its Subsidiaries pursuant to this Agreement or the Scheme.
- (2) For the purposes of clause 9.5(1)(a), "fairly disclosed" means disclosed in sufficient details so as to enable a reasonable person to assess the nature and import of the fact, matter or circumstance.

9.6 Survival of representations

- (1) The representations and warranties provided by each party under this clause 9:
 - (a) are severable;
 - (b) will survive the termination of this Agreement; and
 - (c) are given with the intent that liability under them will not be confined to breaches of them discovered prior to the date of termination of this Agreement.
- (2) The indemnities provided by each party under this clause 9 will:
 - (a) be severable;
 - (b) be a continuing obligation;
 - (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of such party under this Agreement; and
 - (d) survive termination of this Agreement.

10. Releases

10.1 Bidder directors and officers

- (1) Target releases its rights against, and agrees with Bidder that it will not make a Claim against, any Bidder Indemnified Party in connection with:
 - (a) any breach of any representations, covenants and warranties of Bidder or any member of the Bidder Group in this Agreement; or
 - (b) any disclosures containing any statement which is false or misleading whether in content or by omissions,

to the extent that the Bidder Indemnified Party has acted in good faith and has not engaged in wilful misconduct or fraud.
- (2) This clause 10.1 is subject to any restriction contained in the Corporations Act.
- (3) Bidder receives and holds the benefit of this clause 10.1 in its own right and as trustee for the Bidder Indemnified Parties (to the extent it relates to them).

10.2 Target Directors and officers

- (1) Bidder releases its rights against, and agree with Target that it will not make a Claim against, any Target Indemnified Party in connection with:
 - (a) any breach of any representations, covenants and warranties of Target or any member of the Target Group in this Agreement; or
 - (b) any disclosures containing any statement which is false or misleading whether in content or by omissions,

to the extent that the Target Indemnified Party has acted in good faith and has not engaged in wilful misconduct or fraud.
- (2) This clause 10.2 is subject to any restriction contained in the Corporations Act.
- (3) Target receives and holds the benefit of this clause 10.2 in its own right and as trustee for the Target Indemnified Parties (to the extent it relates to them).

11. Public announcements

11.1 Announcements of Scheme

Immediately after the execution of this Agreement, the parties must issue a joint public announcement in the form contained in Annexure D.

11.2 Public announcement and submissions

Subject to clause 11.3, each party must consult with the other prior to making any other public announcements in connection with the Scheme and must not make any public announcements in connection with the Scheme other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

11.3 Required disclosure

Where a party is required by law, the Listing Rules or any other applicable stock exchange regulation to make any announcement or make any disclosure relating to the Scheme, it may do so only after it has given the other party as much notice as possible and has consulted to the fullest extent possible in the circumstances with the other party as to the content of that announcement of disclosure.

11.4 Market and analyst briefings

Each party must use its reasonable endeavours (subject to its disclosure obligations under the Listing Rules (if any) and the Corporations Act) to ensure that any briefing to analysts, the media or shareholders in relation to the Scheme or the subject matter of this Agreement is a joint briefing (which must include persons nominated by the Independent Directors) provided that nothing in this clause 11.4 prohibits the Target or its Representatives from engaging in discussions with individual Target Shareholders or responding to specific media enquires without Bidder, or any of its Representatives, being present.

12. Exclusivity

12.1 No solicitation

During the Exclusivity Period, Target must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:

- (1) solicit, invite, encourage or initiate any enquiries, negotiations or discussions;
- (2) or communicate any intention to do any of these things,

with a view to obtaining any expression of interest, offer or proposal from any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Transaction.

12.2 No talk

Subject to clause 12.4, during the Exclusivity Period, Target must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly enters into, continues or participates in negotiations or discussions with, or enters into any agreement, arrangement or understanding with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Transaction, even if:

- (1) the Competing Transaction was not directly or indirectly solicited, initiated, or encouraged by Target or any of its Representatives; or
- (2) that person has publicly announced its Competing Transaction.

12.3 No due diligence

- (1) Subject to clause 12.4, without limiting the general nature of clause 12.2, during the Exclusivity Period, Target must not and must ensure that each of its Related Bodies Corporate or Representatives do not, without Bidder's prior written consent:
 - (a) solicit, invite, initiate, encourage, permit or facilitate any person other than Bidder and its Representatives to undertake due diligence investigations on any member of the Target Group or their businesses or operations in connection with the person considering, formulating, developing or finalising a Competing Transaction; or
 - (b) make available to any Third Party or permit any such person to receive any non-public information relating to Target or any of its Subsidiaries in connection with the person considering, formulating, developing or finalising a Competing Transaction.
- (2) Nothing in this clause 12 prevents Target providing information to its Representatives acting in that capacity in the ordinary course of business or to otherwise effect the Transaction.
- (3) If, as a result of the operation of clause 12.4, any information of the nature contemplated in clause 12.3(1)(b) is made available to any Third Party, the same information must immediately be made available to Bidder.

12.4 Limitations

Target and its Representatives may undertake any action that would otherwise be prohibited by clause 12.2 or 12.3 in relation to a bona fide Competing Transaction where the Independent Directors:

- (1) determine that the Competing Transaction is, or may reasonably be expected to lead to, a Superior Proposal; and
- (2) acting in good faith and after having consulted its external legal and financial advisers and having received written legal advice, determine that not undertaking the act would be likely to involve a breach of the fiduciary or statutory duties owed by any Independent Director.

12.5 Notification of approaches

- (1) During the Exclusivity Period, Target must notify Bidder promptly if it or any of its Related Bodies Corporate or Representatives are approached (directly or indirectly) by any person to engage in, or it proposes to take, any action of a kind referred to in clause 12.2 or 12.3.
- (2) Subject to clause 12.5(3), a notification given under clause 12.5(1) must be accompanied by all relevant details of the event, including the identity of the person who has made the approach and the terms and conditions of any Competing Transaction or proposed Competing Transaction (to the extent known) together with copies of all material non-public information concerning Target and its Subsidiaries provided to any person associated with the Competing Transaction not previously provided to Bidder.
- (3) Notwithstanding anything in clause 12.5(2), each obligation of Target under clause 12.5(2) does not apply to the extent that the Independent Directors, acting in good faith and after consulting its external legal and financial advisers and having received written legal advice, determine that complying with the obligation would be likely to involve a breach of the fiduciary or statutory duties owed by any Independent Director.

12.6 No existing discussions

Target represents and warrants to Bidder that as at the date of this Agreement, neither it nor its Representatives are involved in any discussions or negotiations with any person about, or which could reasonably be expected to lead to, a Competing Transaction and has ceased any such discussions or negotiations to the extent they were on foot prior to the date of this Agreement.

12.7 Legal advice

Target acknowledges that it has received legal advice on this Agreement and the operation of this clause 12.

13. Reimbursement of Costs

13.1 Background

This clause 13 has been agreed in circumstances where:

- (1) Bidder and Target believe that the Scheme will provide significant benefits to Bidder, Target and their respective shareholders, and Bidder and Target acknowledge that, if they enter into this Agreement and the Scheme is subsequently not implemented, Bidder and Target will incur significant costs;
- (2) Bidder requested that provision be made for the payments outlined in clause 13.2, without which Bidder would not have entered into this Agreement;
- (3) Target requested that provision be made for the payments outlined in clause 13.3, without which Target would not have entered into this Agreement;
- (4) both the Bidder Board and Target Board believe that it is appropriate for both parties to agree to the payments referred to in this clause 13 to secure each party's participation in the Scheme; and
- (5) both parties have received legal advice on this Agreement and the operation of this clause 13.

13.2 Payment by Target to Bidder of Bidder Reimbursement Fee

- (1) Target agrees to pay to Bidder the Bidder Reimbursement Fee if the Independent Directors:
 - (a) fail to recommend the Scheme as contemplated by clause 6.1(3); or
 - (b) withdraws or adversely modifies that recommendation,
 except as a result of any matter or thing giving Target the right to terminate this Agreement under clause 15.1 or as a result of the Independent Expert opining, to the effect, that the Scheme is not in the best interest of Participating Target Shareholders.
- (2) Notwithstanding the occurrence of the event under clause 13.2(1), the Bidder Reimbursement Fee is not payable by Target if the Scheme becomes Effective.
- (3) Target must pay Bidder the Bidder Reimbursement Fee within 10 Business Days of receipt by Target of a demand for payment from Bidder. The demand may only be made after the occurrence of the event referred to in clause 13.2(1).

13.3 Payment by Bidder to Target of Target Reimbursement Fee

- (1) Bidder agrees to pay to Target the Target Reimbursement Fee if:
 - (a) the condition precedent in clause 3.1(12)(a) (Bidder finance conditions) is not satisfied, or waived by Bidder, before 5:00pm on the day which is 7 days before the date of the Scheme Meeting; or
 - (b) the condition precedent in clause 3.1(12)(b) (Bidder finance conditions) is not satisfied, or waived by Bidder, before 8:00am on the Second Court Hearing Date.
- (2) The parties agree that the Target Reimbursement Fee is not payable by Bidder as a result of the occurrence of the event contemplated under clause 13.3(1)(b) if Bidder has actually paid Target the Target Reimbursement Fee in accordance with clause 13.3(4) as a result of the occurrence of the event contemplated under clause 13.3(1)(a).
- (3) Notwithstanding the occurrence of an event under clause 13.3(1), the Target Reimbursement Fee is not payable by Bidder if the Scheme becomes Effective.
- (4) Bidder must pay Target the Target Reimbursement Fee within 10 Business Days of receipt by Bidder of a demand for payment from Target. The demand may only be made after the occurrence of an event referred to in clause 13.3(1).

13.4 Nature of payments

The amount payable by Target to Bidder under clause 13.2 and the amount payable by Bidder to Target under clause 13.3 is an amount to compensate the recipient of each payment for:

- (1) advisory costs (including costs of advisers other than success fees); and
- (2) out-of-pocket expenses.

13.5 Compliance with law

- (1) Subject to clause 13.5(6), if a Court, arbitral tribunal or the Takeovers Panel determines that any part of the agreement by a party under this clause 13:
 - (a) constitutes, or would if performed constitute a breach of the fiduciary or statutory duties of that party's board to that party; or
 - (b) constitutes, or would, if performed constitute, unacceptable circumstances within the meaning of the Corporations Act; or
 - (c) is, or would if performed be, unlawful for any other reason,
 then, provided that that party has complied with its other obligations under this clause 13, that party will not be obliged to comply with that part of the agreement (but will be obliged to comply with all other parts of the agreement).
- (2) Subject to clause 13.5(6), if the Takeovers Panel or a Court makes a determination contemplated by clause 13.5(1), in respect of all or any part of a payment made under this clause 13, the party who received the payment must immediately refund all or such applicable part of it.
- (3) Subject to clause 13.5(6), if in such Takeovers Panel proceedings, the Takeovers Panel indicates to Bidder or Target that in the absence of a written undertaking pursuant to section 201A of the *Australian Securities and Investments Commission Act 2001* (Cth) it will make a declaration of unacceptable circumstances, each of Bidder and Target (as the case may be) may give that undertaking on their own behalf and must give reasonable consideration to giving that undertaking if requested by the other party. Where such undertakings are given, this clause 13 will operate in a manner consistent with the terms of such undertakings.

- (4) subject to clause 13.5(6), neither party may make, nor may it cause or permit to be made, any application to a Court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in clause 13.5(1);
- (5) If any third party makes any application to a Court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in clause 13.5(1), then each party must make submissions in the course of those proceedings supporting to the fullest extent reasonably practicable the position that no such determination should be made.
- (6) Nothing in this clause 13.5 precludes either party from bringing or requires either party to bring, appeal or review proceedings in relation to any determination referred to in clause 13.5(1). If either party brings such proceedings:
 - (a) the other may make submissions in the course of those proceedings supporting to the fullest extent reasonably practicable the review application made by the first party; and
 - (b) for the purposes of this clause 13, the determination the subject of the appeal or review proceeding will be deemed not to have been made and clause 13.5(1), (2) and (3) will have effect only in relation to any determination made in the appeal or review proceedings.

13.6 Survival

Any accrued obligations under this clause 13 survive termination of this Agreement.

14. Liability
14.1 Limitation

- (1) Notwithstanding any other provision of this Agreement but subject to clause 14.1(2), Target and Bidder agree that no party will have any liability in relation to the matters and transactions contemplated by or connected with this Agreement (whether under this Agreement, at law, in equity or otherwise) to another party (including, without limitation, liability under clause 9.3 or 9.4) beyond the Liability Cap (in aggregate for all Claims).
- (2) Clause 14.1(1) does not apply to a Claim under clause 4.2.

14.2 Exclusion

No party is liable for any indirect, consequential or economic loss or loss of profits, however arising, whether or not that loss was in the reasonable contemplation of the parties when this Agreement was entered into.

15. Termination
15.1 Termination for breach

- (1) This Agreement may be terminated at any time prior to 8:00am on the Second Court Hearing Date by any party if:
 - (a) the other party is in material breach of any material clause of this Agreement or there has been a material breach of a material representation or warranty given by that other party under clause 9.1 or 9.2 (as applicable) before the Second Court Hearing Date;
 - (b) the non-defaulting party has given notice to the other party specifying the material breach and stating an intention to terminate this Agreement; and
 - (c) if the material breach is capable of remedy, it has not been remedied within 5 Business Days (or any shorter period ending at 5:00pm on the last Business Day before the Second Court Hearing Date) from the date a notice under clause 15.1(1)(b) is given.

15.2 No-fault termination

Subject to clause 15.3, this Agreement may be terminated by either party (other than in the case of clauses (9) and (10)):

- (1) if the Scheme has not become Effective on or before the End Date;
- (2) if a Court or Governmental Agency has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme;
- (3) if the Court refuses to make orders convening the Scheme Meeting and either:
 - (a) Target is not required to conduct an appeal in accordance with clause 8.1; or
 - (b) if Target conducts an appeal in accordance with clause 8.1, the appeal is unsuccessful;
- (4) if Participating Target Shareholders do not approve the Scheme at the Scheme Meeting in accordance with the Corporations Act (other than if the Court agrees to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act);
- (5) if the Court does not approve the Scheme and either:
 - (a) Target is not required to conduct an appeal in accordance with clause 8.1; or
 - (b) if Target conducts an appeal in accordance with clause 8.1, the appeal is unsuccessful;
- (6) in accordance with and pursuant to clause 3.5(3);
- (7) if the Independent Expert opines that the Scheme is not in the best interest of Participating Target Shareholders;
- (8) if Target has entered into a definitive written agreement with regard to a Superior Proposal, provided Target has complied with its obligations under clause 12;
- (9) if an Insolvency Event has occurred in relation to Target or any of its Related Bodies Corporate, this Agreement may be terminated by Bidder before 8:00am on the Second Court Hearing Date; or
- (10) if an Insolvency Event has occurred in relation to Bidder or any of its Related Bodies Corporate, this Agreement may be terminated by Target before 8:00am on the Second Court Hearing Date.

15.3 Condition for no-fault termination

This Agreement may not be terminated by a party under clause 15.2 if the relevant event described in clause 15.2 is a result of (either alone or together with other events or circumstances) an act or omission by that party or any of its Related Bodies Corporate.

15.4 Effect of termination

- (1) Termination of this Agreement under clause 15.1 or 15.2 (including under clause 3.5(3)) does not affect any accrued rights arising from a breach of this Agreement prior to termination.
- (2) Clauses 9.5 to 9.6 (inclusive), 10, 11, 12, 13, 16 and 17 survive termination of this Agreement.

15.5 Notification of breach and compliance certificate

- (1) Target and Bidder will respectively promptly advise each other in writing of:
 - (a) a representation or warranty provided in this Agreement by either party becoming false in any material way; or
 - (b) a material breach of this Agreement by it.

- (2) By 5:00pm on the Business Day immediately before the Second Court Hearing Date, each of Bidder and Target must execute and deliver to the other party a certificate signed by a director and made in accordance with a resolution of the relevant Board (or a committee of the Board appointed for that purpose) confirming that (except as previously disclosed in writing):
 - (a) it has complied in all material respects with its obligations under this Agreement; and
 - (b) the representations and warranties given by it in clause 9 remain true and correct in all material respects, or if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate.

16. Confidentiality

16.1 Target's obligations

Target acknowledges and agrees that:

- (1) it will use the Bidder Confidential Information exclusively for the purpose of preparing the Scheme Booklet and implementing the Scheme only and, without limitation, will not make any use of the Bidder Confidential Information or any part of it to the competitive disadvantage of Bidder or any of its Related Parties;
- (2) it will keep the Bidder Confidential Information in confidence and will not disclose the Bidder Confidential Information except:
 - (a) to such Representatives of Target as require the Bidder Confidential Information for the purpose of preparing the Scheme Booklet and implementing the Scheme only, but only if any such person owes a duty of confidentiality to Target and is aware of, and agrees to comply with, the obligations of Target under this clause 16.1;
 - (b) to the extent required by law, subject to first complying with clause 11.3; or
 - (c) with the prior consent of Bidder;
- (3) it will immediately notify Bidder of any suspected or actual unauthorised use, copying or disclosure of the Bidder Confidential Information; and
- (4) it will, upon request by Bidder, return to Bidder all Bidder Confidential Information provided to Target or its Representatives, together with any notes, records or copies of, or other documents incorporating the Bidder Confidential Information generated by any such person.

16.2 Bidder's obligations

Bidder acknowledges and agrees that:

- (1) it will not make any use of the Target Confidential Information or any part of it except in connection with the Scheme, a Competing Transaction in relation to Target or any other transaction contemplated by this Agreement and, without limitation, will not make any use of the Target Confidential Information or any part of it to the competitive disadvantage of Target or any of its Related Parties;
- (2) it will keep the Target Confidential Information in confidence and will not disclose the Target Confidential Information except:
 - (a) to such Representatives of Bidder as require the Target Confidential Information in connection with the Scheme, a Competing Transaction in relation to Target or any other transaction contemplated by this Agreement, but only if any such person owes a duty of confidentiality to Bidder and is aware of, and agrees to comply with, the obligations under this clause 16.2;

- (b) to the extent required by law, subject to first complying with clause 11.3; or
- (c) with the prior consent of Target;
- (3) it will immediately notify Target of any suspected or actual unauthorised use, copying or disclosure of the Target Confidential Information;
- (4) it will, upon request by Target, return to Target or destroy all Target Confidential Information provided to Bidder and its Representatives, together with any notes, records, copies of or other documents incorporating the Target Confidential Information generated by any such person; and
- (5) it will continue to be bound by the Confidentiality Agreement in respect of all Target Confidential information received by it on, before or after the date of this Agreement.

17. Bidder as trustee – limitation of liability

- (1) Bidder enters into this Agreement only in its capacity as trustee of the Boulas Trust and in no other capacity.
- (2) Target acknowledge that Bidder incurs Trustee Liabilities solely in its capacity as trustee of the Boulas Trust.
- (3) A Trustee Liability may be enforced against Bidder only to the extent to which:
 - (a) Bidder is actually indemnified in respect of that Trust Liability; and
 - (b) there is sufficient property held by Bidder as trustee at the time, which is available to meet that indemnity (after all Boulas Trust assets have been allocated to meet the indemnity and any other valid claims).
- (4) Subject to clause 17(5), no person will be entitled to:
 - (a) claim from or commence proceedings against Bidder in respect of any Trustee Liability in any capacity other than as trustee of the Boulas Trust;
 - (b) enforce or seek to enforce any judgment in respect of any Trustee Liability against any property of Bidder other than property held by Bidder as trustee of the Boulas Trust;
 - (c) take any steps to procure or support the appointment of a liquidator, administrator or any other similar office holder to Bidder on the basis of a Trustee Liability, or prove in any liquidation, administration or arrangement of or affecting Bidder; or
 - (d) in respect of a Trustee Liability, appoint or take any steps to procure or support the appointment of a receiver or receiver and manager to any property of Bidder, other than property which is held by it in its capacity as trustee of the Boulas Trust.
- (5) The restrictions in clauses 17(3) and 17(4) do not apply to any Trustee Liability to the extent to which there is, whether under the Boulas Trust Deed or by operation of law, a reduction in the extent of Bidder's indemnification, or in respect of which Bidder is not entitled to be indemnified, out of the property of the Boulas Trust, as a result of Bidder's fraud, negligence or breach of trust.
- (6) Target agrees that no act or omission of Bidder (including any related failure to satisfy any Trustee Liabilities) will constitute fraud, negligence or breach of trust of Bidder for the purposes of clause 17(5) to the extent to which the act or omission was caused or contributed to by any failure of Target to fulfil its obligations relating to the Boulas Trust or by any other act or omission of Target.
- (7) No attorney, agent or other person appointed in accordance with this Agreement has authority to act on behalf of Bidder in a way which exposes Bidder to any personal liability, and no act or omission of such a person will be considered fraud, negligence or breach of trust of Bidder for the purposes of clause 17(5).

- (8) This limitation of the Trustee's Liability applies despite any other provisions of this Agreement and extends to all Trustee Liabilities of Bidder in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this Agreement or its performance.
- (9) Bidder is not obliged to do or refrain from doing anything under this Agreement (including incur any liability) unless Bidder's liability is limited in the same manner as set out in clauses 17(1) to 17(8).
- (10) In this clause 17, **"Trustee Liability"** means any liability or obligation (of any kind including for negligence, in tort, in equity, or under statute) of Bidder which arises in any way under or in connection with this Agreement or its performance, or any representation, warranty, conduct, omission, agreement or transaction made under or in connection with this Agreement or its performance.

18. General

18.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other part to give effect to this Agreement.

18.2 Notices

Any notice, demand, consent or other communication given or made under this Agreement is only effective if it is in writing, signed and either left at the addressee's address or sent to the addressee by mail or email. If it is sent by mail, it is taken to have been received 3 Business Days after it is posted. If it is sent by email, it is taken to have been received when the addressee actually receives it.

Bidder

Address: 34 Cahill Street, Dandenong, Victoria 3175
 Attention: Mr Dean McPhee
 Email: DMcPhee@danielsinternational.com

Target

Address: 36 Cahill Street, Dandenong, Victoria 3175
 Attention: Company Secretary
 Email: cameron.grant@sterihealth.com.au

18.3 GST

- (1) In this Agreement:
 - (a) words or expressions used in this clause which have a particular meaning in the **GST law** (as defined in the GST Act, and also including any applicable legislative determinations and Australian Taxation Office public rulings) have the same meaning, unless the context otherwise requires;
 - (b) any reference to GST payable by a party includes any corresponding GST payable by the representative member of any GST group of which that party is a member;
 - (c) any reference to an input tax credit entitlement by a party includes any corresponding input tax credit entitlement by the representative member of any GST group of which that party is a member; and
 - (d) if the GST law treats part of a supply as a separate supply for the purpose of determining whether GST is payable on that part of the supply or for the purpose of determining the tax period to which that part of the supply is attributable, such part of the supply is to be treated as a separate supply.
- (2) Unless expressly included, the consideration for any supply under or in connection with this Agreement does not include GST.
- (3) To the extent that any supply made by a party to another party (**Recipient**) under or in connection with this Agreement is a taxable supply and a tax invoice has been provided to the Recipient, the Recipient must pay, in addition to the consideration to be provided under this Agreement for that supply (unless it expressly includes GST) an amount equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply.

- (4) The amount of GST payable in accordance with this clause 18.3 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

18.4 Discretion in exercising rights

A party may exercise a right or remedy in any way it considers appropriate (including by imposing conditions), unless this Agreement expressly states otherwise.

18.5 Conflict of interest

The parties' rights and remedies under this Agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

18.6 Stamp duties

Bidder agrees to pay all stamp duties (if any) and any fines, penalties and interest payable and assessed by legislation or by any revenue office in respect of this Agreement or the Scheme or the steps to be taken under or contemplated by or related to this Agreement or the Scheme.

18.7 Disclosure

With the prior consent of the other party (such consent not to be unreasonably withheld or delayed) each party may disclose information relating to the Transaction contemplated by this Agreement or the Scheme to a Tax Authority for the purpose of obtaining any Tax relief, pre-determinations, exemptions, approvals or rulings from a Tax Authority.

18.8 Expenses

Except as otherwise provided in this Agreement, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this Agreement, the Scheme Booklet, other related documentation and the proposed, attempted or actual implementation of this Agreement and the Scheme.

18.9 Further steps

Each party agrees, at its own expense, to do anything the other party reasonably requests (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (1) to bind the party and any other person intended to be bound under this Agreement; or
- (2) to show whether the party is complying with this Agreement.

18.10 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this Agreement or any part of it.

18.11 Amendments

This Agreement, or a right created under it, may only be varied by a document signed by or on behalf of each of the parties.

18.12 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party.

18.13 Waiver

- (1) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Agreement.
- (2) Any waiver or consent given by any party under this Agreement will only be effective and binding on that party if it is given or confirmed in writing by that party.

- (3) No waiver of a breach of any term of this Agreement will operate as a waiver of another breach of that term or of a breach of any other term of this Agreement.

18.14 No representation or reliance

- (1) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Agreement, except for representations or inducements expressly set out or acknowledged in this Agreement.
- (2) Each party acknowledges and confirms that it does not enter into this Agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out or acknowledged in this Agreement.

18.15 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

18.16 Remedies cumulative

The rights and remedies provided in this Agreement are in addition to other rights and remedies given by law independently of this Agreement.

18.17 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this Agreement.

18.18 Consents

Any consent referred to in, or required under, this Agreement from any party may not be unreasonably withheld, unless this Agreement expressly provides for that consent to be given in that party's absolute discretion.

18.19 Counterparts

- (1) This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same Agreement.
- (2) This Agreement is binding on the parties on the exchange of counterparts. A copy of a counterpart sent by facsimile machine, email or other electronic means:
 - (a) must be treated as an original counterpart;
 - (b) is sufficient evidence of the execution of the original; and
 - (c) may be produced in evidence for all purposes in place of the original.

18.20 Entire agreement

To the extent permitted by law, in relation to the subject matter of this Agreement, this Agreement and the Confidentiality Agreement:

- (1) embodies the entire understanding of the parties and constitutes the entire terms agreed upon between the parties; and
- (2) supersedes any prior agreement (whether or not in writing) between the parties.

18.21 Governing law

- (1) This Agreement is governed by and will be construed according to the laws of Victoria.
- (2) Each party irrevocably submits to the non exclusive jurisdiction of the courts of Victoria and of the Commonwealth of Australia.

Schedule 1 – Bidder representations and warranties
Clause 9.1

1. Bidder is a validly existing corporation registered under the laws of its place of incorporation.
2. The execution and delivery of this Agreement by Bidder has been properly authorised by all necessary corporate action and Bidder has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement.
3. Subject to laws generally affecting creditors' rights and the principles of equity, this Agreement constitutes legal, valid and binding obligations on Bidder.
4. No Insolvency Event has been declared, commenced or threatened with respect to Bidder.
5. The Bidder Information contained in the Scheme Booklet will be included in good faith and on the understanding that Target and its directors will rely on that information for the purposes of considering and approving the Scheme Booklet before it is despatched, and implementing the Scheme and the Bidder Information will comply with the requirements of all applicable Australian laws, the Listing Rules and the applicable ASIC Regulatory Guides.
6. All information provided by Bidder to Target or the Independent Expert will be provided in good faith and on the understanding that the Target Board and the Independent Expert will rely on such information for the purposes of considering and approving the Scheme Booklet and for producing its report for the Scheme Booklet respectively.
7. Bidder and its Subsidiaries have complied in all material respects with all Governmental Agencies having jurisdiction over them and have all material licences and permits necessary for them to conduct their respective business as presently being conducted.
8. Any statement of opinion or belief contained in the Bidder Information is honestly held and there are reasonable grounds for that opinion or belief.
9. Bidder is, and on the Implementation Date will be, the sole trustee of the Boulas Trust and no action has been, or will be, taken to remove or replace it.
10. Bidder has power under the Boulas Trust Deed to execute and perform its obligations under this Agreement.
11. All necessary action has been taken to authorise the execution and performance of this Agreement under the Boulas Trust Deed and the constitution of Bidder.
12. This Agreement is executed and all transactions relating to this Agreement are or will be entered into as part of the due and proper administration of the Boulas Trust and are or will be for the benefit of the beneficiaries.
13. Bidder is not in default under the Boulas Trust Deed.
14. No vesting date for the Boulas Trust fund has been determined.
15. Bidder has complied with all fiduciary obligations directly or indirectly imposed on it under the Boulas Trust.
16. Bidder has a right to be indemnified out of the assets of the Boulas Trust in respect of all of its obligations and liabilities incurred by it under this Agreement.
17. Bidder will have available to it sufficient cash amounts to enable it to perform its obligations to pay the Scheme Consideration due under the Scheme.

Schedule 2 – Target representations and warranties
Clause 9.2

1. Each member of the Target Group is a validly existing corporation registered under the laws of its place of incorporation.
2. The execution and delivery of this Agreement by Target has been properly authorised by all necessary corporate action and Target has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement.
3. Subject to laws generally affecting creditors' rights and the principles of equity, this Agreement constitutes legal, valid and binding obligations on Target.
4. No Insolvency Event has been declared, commenced or threatened with respect to any member of the Target Group.
5. As at the date of this Agreement, Target has issued equity securities comprising 19,544,934 fully paid ordinary shares. Except for those ordinary shares, there are no other securities of any class on issue and neither Target nor any of its Subsidiaries is under any obligation to issue and have not granted any person the right to call for the issue of any shares or other securities in Target or any of its Subsidiaries.
6. Target's accounts are prepared on a consistent basis with past practices (except to the extent that adoption of AIFRS requires a change to past practices) and in accordance with all relevant accounting standards.
7. The Target Information contained in the Scheme Booklet will be included in good faith and on the understanding that Bidder and its directors will rely on that information for the purposes of considering and approving the Bidder Information in the Scheme Booklet before it is despatched, approving the entry into the Bidder Deed Poll under clause 6.2(7) and implementing the Scheme and the Target Information will comply with the requirements of all applicable Australian laws, the Listing Rules and the applicable ASIC Regulatory Guides.
8. All information provided by Target to Bidder or the Independent Expert has been and will be provided in good faith and on the understanding that the Bidder Board will rely on such information for the purposes of entering into this Agreement, considering and approving the Scheme Booklet and the Independent Expert will rely on such information for producing its report for the Scheme Booklet.
9. Any statement of opinion or belief contained in the Target Information is honestly held and there are reasonable grounds for holding that opinion or belief.
10. To the best of Target's knowledge, it and its Subsidiaries have all material licences, environmental approvals, permits and other consents necessary for operations and activities of its business as presently conducted.
11. Target is not in breach of its continuous or periodic financial disclosure obligations under the Listing Rules or the Corporations Act, subject to the announcement of the Scheme and the execution of this Agreement and registration of the Scheme Booklet pursuant to clause 6.1(15) and, as at the date of this Agreement, Target is not relying on Listing Rule 3.1A to withhold any information from disclosure under the Listing Rules.
12. Target and its Subsidiaries have complied in all material respects with all Governmental Agencies having jurisdiction over them and have all material licences and permits necessary for them to conduct their respective business as presently being conducted.

Executed as an agreement.

Executed by **Catilina Nominees Pty Ltd**
as trustee of the Danny Boulas Daniels
Family Trust ACN 005 197 455 in
accordance with section 127 of the *Corporations Act 2001*:



Company secretary

D MCPHEE

Name of company secretary
(BLOCK LETTERS)



Director

D DANIELS

Name of director
(BLOCK LETTERS)

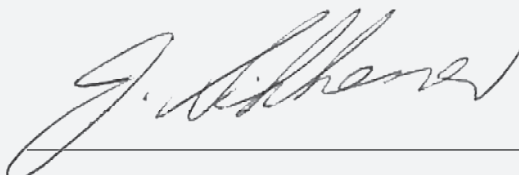
Executed by **SteriHealth Limited**
ACN 060 871 249 in accordance with
section 127 of the *Corporations Act 2001*:



Company secretary

C GRANT

Name of company secretary
(BLOCK LETTERS)



Director

J SIKKEMA

Name of director
(BLOCK LETTERS)

Annexure B Deed Poll

By

**Catilina Nominees Pty Ltd as trustee for
the Danny Boulas Daniels Family Trust**

ACN 005 197 455

in favour of each

Scheme Participant

Robert Sultan

Norton Rose Fulbright Australia
Level 15, RACV Tower
485 Bourke Street
Melbourne VIC 3000

Tel: +61 (0)3 8686 6571

www.nortonrosefulbright.com

Our ref: 2808432

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Deed Poll made on 29th April 2014

By

Catilina Nominees Pty Ltd

ACN 005 197 455

as trustee of the Danny Boulas Daniels Family Trust
of 34 Cahill Street, Dandenong South, Victoria 3175
(**Bidder**)

In favour of

Each of the holders of fully paid ordinary shares in the capital of Target
as at the Record Date, other than the holders of Excluded Shares (if any)
(**Scheme Participant**)

Introduction

- A** On 27 March 2014, the Bidder and Target entered into a Scheme Implementation Agreement to provide for the implementation of the Scheme (**Scheme Implementation Agreement**).
- B** Target agreed in the Scheme Implementation Agreement to propose the Scheme.
- C** Under the Scheme, subject to satisfaction of certain conditions, all Scheme Shares held by Scheme Participants will be transferred to Bidder in consideration for payment of the Scheme Consideration.
- D** In the Scheme Implementation Agreement, Bidder agreed (amongst other things) to provide the Scheme Consideration to Target on behalf of the Scheme Participants, subject to the satisfaction of certain conditions.
- E** Bidder is entering into this deed poll to covenant in favour of each of the Scheme Participants to perform its obligations under the Scheme Implementation Agreement and the Scheme.

It is declared as follows

1 Definitions and interpretation

1.1 Definitions

In this deed poll:

- (1) **Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Participants substantially in the form of Annexure A to the Scheme Implementation Agreement (or as otherwise agreed by Bidder and Target) subject to any amendment or condition made pursuant to section 411(6) of the Corporations Act as agreed in writing by Target and Bidder in accordance with clause 10.2 of the Scheme;
- (2) **Scheme Share** means a Target Share held by a Scheme Participant at the Record Date; and
- (3) **Target** means SteriHealth Limited ACN 060 871 249.

1.2 Terms defined in the Scheme Implementation Agreement

Terms that are not defined in this deed poll but which are defined in the Scheme Implementation Agreement have the same meaning in this deed poll as given to them in the Scheme Implementation Agreement, unless the context makes it clear that a definition is not intended to apply.

1.3 Interpretation

Clause 1.2 of the Scheme Implementation Agreement applies in interpreting this deed poll except that each reference to "this Agreement" in that clause are to be read as a reference to "this deed poll".

1.4 Nature of Deed Poll

Bidder acknowledges that:

- (1) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though each Scheme Participant is not party to it; and
- (2) under the Scheme each Scheme Participant appoints Target as its agent and attorney to enforce this deed poll against Bidder on behalf of that Scheme Participant.

2 Condition Precedent and Termination

2.1 Condition

Bidder's obligations under clause 3 are subject to and conditional upon the Scheme becoming Effective.

2.2 Termination

If:

- (1) the Scheme does not become Effective on or before the End Date; or
- (2) the Scheme Implementation Agreement is terminated in accordance with its terms,

Bidder's obligations under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect, unless Bidder and Target otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition, and without prejudice, to any other rights, powers or remedies available to any person:

- (1) Bidder is released from its obligations to further perform this deed poll except those obligations contained in clause 10.5 and any other obligations which by their nature survive termination; and
- (2) each Scheme Participant retains any rights it has against Bidder in respect of any breach of this deed poll which occurred before it is terminated.

3 Performance of obligations generally

Bidder must comply with its obligations under the Scheme Implementation Agreement and do all things necessary or desirable on its part to give full effect to the Scheme Implementation Agreement.

4 Payment of Scheme Consideration

4.1 Undertaking to pay Scheme Consideration

Subject to clause 2, in consideration of the transfer of each Scheme Share to Bidder, Bidder must:

- (1) acquire all Scheme Shares on issue as at the Record Date from Scheme Participants, in accordance with the provisions of the Scheme;
- (2) pay, or procure the payment of, the Scheme Consideration to each Scheme Participant for each Scheme Share held by that Scheme Participant; and
- (3) otherwise do all things necessary or desirable on its part to implement the Scheme.

4.2 Satisfaction of obligation to pay Scheme Consideration

The obligation of Bidder to pay, or procure the payment of, the Scheme Consideration pursuant to clause 4.1 will be satisfied if, by no later than 3:00pm on the Business Day immediately before the Implementation Date (or such other time as Bidder and Target may agree), the Bidder:

- (1) deposits (or procures the deposit of) an amount in cleared funds equal to the aggregate Scheme Consideration payable to all Scheme Participants into an Australian dollar denominated account operated by Target (or operated on behalf of Target) and held on trust for the Scheme Participants and for the purpose of paying the aggregate Scheme Consideration to the Scheme Participants in accordance with the Scheme, except that the amount of any interest (less bank fees and other charges) on the amount deposited will be credited to Bidder's account; and
- (2) provides Target with written confirmation of that payment.

5 Representations and Warranties

Bidder represents and warrants to each Scheme Participant that:

- (1) it is a corporation validly existing under the laws of its place of incorporation;
- (2) it has full legal capacity and power to enter into this deed poll and to carry out the transactions that this deed poll contemplates;
- (3) it has taken all corporate action that is necessary or desirable to authorise its entry into this deed poll and its carrying out the transactions this deed poll contemplates;
- (4) subject to laws generally affecting creditors' rights and the principles of equity, this deed poll constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- (5) the execution and performance by Bidder of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect any provision of:
 - (a) an Australian law or an Australian treaty or a judgment, ruling, order or decree of an Australian Governmental Agency binding on Bidder;
 - (b) Bidder's constitution or other constituent documents; or
 - (c) any other document which is binding on Bidder or its assets;
- (6) no Insolvency Event has been declared, commenced or threatened with respect to Bidder;
- (7) Bidder is, and on the Implementation Date will be, the sole trustee of the Boulas Trust and no action has been, or will be, taken to remove or replace it;
- (8) Bidder has power under the Boulas Trust Deed to execute and perform its obligations under this deed poll;
- (9) all necessary action has been taken to authorise the execution and performance of this deed poll under the Boulas Trust Deed and the constitution of Bidder;
- (10) this deed poll is executed and all transactions relating to this deed poll are or will be entered into as part of the due and proper administration of the Boulas Trust and are or will be for the benefit of the beneficiaries;
- (11) Bidder is not in default under the Boulas Trust Deed;
- (12) no vesting date for the Boulas Trust fund has been determined;
- (13) Bidder has complied with all fiduciary obligations, directly or indirectly, imposed on it under the Boulas Trust; and

- (14) Bidder has a right to be indemnified out of the assets of the Boulas Trust in respect of all of its obligations and liabilities incurred by it under this deed poll.

6 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (1) Bidder has fully performed its obligations under this deed poll; or
- (2) the earlier termination of this deed poll under clause 2.2.

7 Bidder as trustee - limitation of liability

- (1) Bidder enters into this deed poll only in its capacity as trustee of the Boulas Trust and in no other capacity.
- (2) Target acknowledge that Bidder incurs Trustee Liabilities solely in its capacity as trustee of the Boulas Trust.
- (3) A Trustee Liability may be enforced against Bidder only to the extent to which:
 - (a) Bidder is actually indemnified in respect of that Trust Liability; and
 - (b) there is sufficient property held by Bidder as trustee at the time, which is available to meet that indemnity (after all Boulas Trust assets have been allocated to meet the indemnity and any other valid claims).
- (4) Subject to clause 7(5) no person will be entitled to:
 - (a) claim from or commence proceedings against Bidder in respect of any Trustee Liability in any capacity other than as trustee of the Boulas Trust;
 - (b) enforce or seek to enforce any judgment in respect of any Trustee Liability against any property of Bidder other than property held by Bidder as trustee of the Boulas Trust;
 - (c) take any steps to procure or support the appointment of a liquidator, administrator or any other similar office holder to Bidder on the basis of a Trustee Liability, or prove in any liquidation, administration or arrangement of or affecting Bidder; or
 - (d) in respect of a Trustee Liability, appoint or take any steps to procure or support the appointment of a receiver or receiver and manager to any property of Bidder, other than property which is held by it in its capacity as trustee of the Boulas Trust.
- (5) The restrictions in clauses 7(3) and 7(4) do not apply to any Trustee Liability to the extent to which there is, whether under the Boulas Trust Deed or by operation of law, a reduction in the extent of Bidder's indemnification, or in respect of which Bidder is not entitled to be indemnified, out of the property of the Boulas Trust, as a result of Bidder's fraud, negligence or breach of trust.
- (6) Target agrees that no act or omission of Bidder (including any related failure to satisfy any Trustee Liabilities) will constitute fraud, negligence or breach of trust of Bidder for the purposes of clause 7(5) to the extent to which the act or omission was caused or contributed to by any failure of Target to fulfil its obligations relating to the Boulas Trust or by any other act or omission of Target.
- (7) No attorney, agent or other person appointed in accordance with this deed poll (if any) has authority to act on behalf of Bidder in a way which exposes Bidder to any personal liability, and no act or omission of such a person will be considered fraud, negligence or breach of trust of Bidder for the purposes of clause 7(5).

- (8) This limitation of the Trustee's Liability applies despite any other provisions of this deed poll and extends to all Trustee Liabilities of Bidder in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed poll or its performance.
- (9) Bidder is not obliged to do or refrain from doing anything under this deed poll (including incur any liability) unless Bidder's liability is limited in the same manner as set out in clauses 7(1) to 7(8).
- (10) In this clause, "**Trustee Liability**" means any liability or obligation (of any kind including for negligence, in tort, in equity, or under statute) of Bidder which arises in any way under or in connection with this deed poll or its performance, or any representation, warranty, conduct, omission, agreement or transaction made under or in connection with this deed poll or its performance.

8 Notices

8.1 How to give a notice

A notice, demand, consent or other communication given or made under this deed poll is only effective if it is:

- (1) in writing and signed by or on behalf of the person giving it;
- (2) addressed to the person to whom it is to be given; and
- (3) either:
 - (a) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
 - (b) sent by fax to that person's fax number, and the machine from which it is sent produces a report that states that it was sent in full; or
- (c) given in any other way permitted by law.

8.2 When effective

A notice, demand, consent or other communication that complies with this clause takes effect from the time they are received or taken to be received under clause 8.3 (whichever happens first) unless a later time is specified.

8.3 When taken to be received

A notice, demand, consent or other communication that complies with this clause 8 is taken to be received:

- (a) if sent by post, 3 days after posting (or 7 days after posting if sent from one country to another); or
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

8.4 Receipt outside business hours

Despite clauses 8.2 and 8.3, if a notice, demand, consent or other communication that complies with this clause is received or taken to be received under clause 8.3 after 5:00pm in the place of receipt or on a non-Business Day, it is taken to be received at 9:00am on the next Business Day and takes effect from that time unless a later time is specified.

8.5 Address for notices

Bidder's mail address and fax number are those set out below:

Address: 34 Cahill Street, Dandenong, Victoria 3175

Attention: Mr Dean McPhee

Fax number: +61 3 9797 5624

9 Amendment and Assignment

9.1 Amendment

A provision of this deed poll may not be varied unless:

- (1) the variation is agreed to in writing by Target; and
- (2) the Court indicates the variation would not itself preclude approval of the Scheme,

in which case Bidder will enter into a further deed poll in favour of Scheme Participants giving effect to the amendment.

9.2 Assignment

The rights and obligations of a person under this deed poll are personal. They cannot be assigned, Encumbered or otherwise dealt with, and no person may attempt or purport to do so.

10 General

10.1 Waiver of rights

A right may only be waived in writing, signed by the party giving the waiver, and:

- (1) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (2) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (3) the exercise of a right does not prevent any further exercise of that right or of any other right.

10.2 Operation of this deed poll

- (1) Any right or remedy that a person may have under this deed poll is in addition to, and does not replace or limit, any other right or remedy that the person may have.
- (2) Any provision of this deed poll which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this deed poll enforceable, unless this would materially change the intended effect of this deed poll.
- (3) Without limiting clause 10.2(1), this deed poll operates in addition to, and does not supercede, the Scheme Implementation Agreement, which remains in full force and effect according to its terms.

10.3 Consent

Bidder consents to Target producing this deed poll to the Court.

10.4 Further acts and documents

Bidder must, at its own expense, promptly do all further acts and execute and deliver all further documents (in such form and content reasonably satisfactory to Target) required by law or reasonably requested by Target to give effect to this deed poll.

10.5 Stamp duty

Bidder will:

- (1) pay or procure payment of all stamp duties and any related fines and penalties (if any) in respect of the Scheme, the Scheme Implementation Agreement and this deed poll, the performance of this deed poll, the Scheme Implementation Agreement and each transaction effected by or made under the Scheme, the Scheme Implementation Agreement and this deed poll; and
- (2) indemnify each Scheme Participant against any liability arising from failure to comply with clause 10.5(1).

10.6 Governing law

- (1) This deed poll is governed by the law in force in Victoria.
- (2) Bidder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Victoria, and any court that may hear appeals from any of those courts, for any proceedings in connection with this deed poll, and waives any right it might have to claim that those courts are an inconvenient forum.

Executed as a deed and delivered on the date shown on the first page.

Executed by **Catilina Nominees Pty Ltd**
as trustee for the Danny Boulas Daniels Family Trust
 ACN 005 197 455 in accordance with section
 127 of the *Corporations Act 2001*:



Company secretary



Director

D MCPHEE

D DANIELS

Name of company secretary
 (BLOCK LETTERS)

Name of director
 (BLOCK LETTERS)

Annexure C

Scheme of Arrangement

Parties

SteriHealth Limited

ACN 060 871 249

Scheme Participants

Robert Sultan

Norton Rose Fulbright Australia
Level 15, RACV Tower
485 Bourke Street
Melbourne VIC 3000

Tel: +61 (0)3 8686 6571

www.nortonrosefulbright.com

Our ref: 2808432

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Scheme of Arrangement

under section 411 of the *Corporations Act 2001 (Cth)*

Parties

SteriHealth Limited

ACN 060 871 249

of 36 Cahill Street, Dandenong South, Victoria 3175

(Target)

Each of the holders of fully paid ordinary shares in the capital of Target as at the Record Date, other than the holders of Excluded Shares (if any) (**Scheme Participant**)

It is agreed

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

- (1) **ASIC** means the Australian Securities and Investments Commission;
- (2) **Associate** has the meaning given to that term in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Agreement and Target were the designated body;
- (3) **ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it (as the context requires);
- (4) **Bidder** means Catilina Nominees Pty Ltd ACN 005 197 455, as trustee of the Danny Boulas Daniels Family Trust;
- (5) **Bidder Group** means Bidder and its Subsidiaries and, where the context applies, any member of the Bidder Group;
- (6) **Business Day** means a business day as defined in the Listing Rules;
- (7) **CHES** means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Ltd ABN 49 008 504 532;
- (8) **Corporations Act** means the *Corporations Act 2001 (Cth)*;
- (9) **Court** means the Federal Court of Australia (Victoria Registry) or any other court of competent jurisdiction under the Corporations Act agreed by the parties in writing;
- (10) **Deed Poll** means the deed poll dated 29 April 2014 executed by Bidder in the form or substantially in the form of Annexure B to the Scheme Implementation Agreement in favour of each Scheme Participant under which Bidder covenants in favour of the Scheme Participants to perform its obligations under this Scheme;
- (11) **Effective** means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme, but in any event at no time before a copy of the order of the Court is lodged with ASIC;
- (12) **Effective Date** means the date on which the Scheme becomes Effective;
- (13) **Encumbrance** means a mortgage, charge, lien, pledge or assignment by way of security, other security interest or encumbrance, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security interest within the meaning of section 12(1) or 12(2) of the PPSA or any other arrangement having the same effect;
- (14) **End Date** means:
 - (a) the date that is the 1st Business Day that is 5 months after the date on which the Scheme Implementation Agreement is executed; or
 - (b) such other date as agreed in writing between Bidder and Target;
- (15) **Excluded Shares** means any Target Shares held by the following persons as at the Record Date:
 - (a) Bidder; or
 - (b) Mr Dan Daniels and Mrs Alison Daniels (as trustees of the Daniels Superannuation Fund No 1);
- (16) **Implementation Date** means the 5th Business Day following the Record Date or such other date as Target and Bidder agree;
- (17) **Listing Rules** means the official listing rules of ASX as from time to time amended or waived in their application to a person;
- (18) **PPSA** means the *Personal Property Securities Act 2009 (Cth)*;
- (19) **Record Date** means 5.00pm on the 5th Business Day following the Effective Date or such other date (after the Effective Date) as Target and Bidder agree in writing;
- (20) **Register** means the register of members of Target maintained in accordance with the Corporations Act;
- (21) **Registered Address** means, in relation to a Target Shareholder, the address shown in the Register;
- (22) **Related Body Corporate** has the meaning given to that term in the Corporations Act;
- (23) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Participants under which all of the Scheme Shares will be transferred to Bidder in consideration for the Scheme Consideration, as described in this Scheme, subject to any amendment or condition made or required by the Court pursuant to section 411(6) of the Corporations Act as approved in writing by Target and Bidder in accordance with clause 9.2;
- (24) **Scheme Consideration** means A\$1.75 cash for each Scheme Share to be provided by Bidder to Scheme Participants under the terms of this Scheme for the transfer to Bidder of their Scheme Shares;
- (25) **Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 27 March 2014 between Target and the Bidder under which, amongst other things, Target has agreed to propose this Scheme to Scheme Participants, and each of Bidder and Target has agreed to take certain steps to give effect to this Scheme;
- (26) **Scheme Meeting** means the meeting of Target Shareholders convened by the Court under section 411(1) of the Corporations Act;
- (27) **Scheme Share** means a Target Share held by a Scheme Participant at the Record Date;
- (28) **Second Court Hearing Date** means the day on which an application is made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme;
- (29) **Share Scheme Transfer** means, for each Scheme Participant, a duly completed and executed instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares;

- (30) **Subsidiary** has the meaning given to that term in the Corporations Act;
- (31) **Target Registry** means Computershare Investor Services Pty Limited ACN 078 279 277;
- (32) **Target Share** means a fully paid ordinary share in the capital of Target;
- (33) **Target Shareholder** means each person who is registered in the Register as a holder of Target Shares; and
- (34) **Trust Account** means an Australian dollar denominated trust account operated by Target (or operated on behalf of Target), to be held on trust for the Scheme Participants, except that any interest on the amounts deposited (less bank fees and other charges) will be to the Bidder's account.

1.2 Interpretation

- (1) In this Scheme, unless the contrary intention appears, a reference to:
- one gender includes the others;
 - the singular includes the plural and the plural includes the singular;
 - a recital, clause, schedule or annexure is a reference to a clause of or recital, schedule or annexure to this document and references to this document include any recital, schedule or annexure;
 - any contract or other instrument includes any variation or replacement of it;
 - a statute, ordinance, code or other law includes subordinate legislation (including regulations) and other instruments under it and consolidations, amendments, re enactments or replacements of any of them;
 - a person includes an individual, a firm, a trust, a partnership, a body corporate, an unincorporated association or an authority;
 - a person includes their legal personal representatives (including executors), administrators, successors, substitutes (including by way of novation) and permitted assigns;
 - a body which has been reconstituted or merged must be taken to be to the body as reconstituted or merged, and a body which has ceased to exist and the functions of which have been substantially taken over by another body must be taken to be to that other body;
 - time is a reference to Melbourne time;
 - a reference to a day or a month means a calendar day or calendar month;
 - money (including "A\$", "AUD" or "dollars") is to Australian currency; and
 - any thing (including any amount or any provision of this Agreement) is a reference to the whole and each part of it and a reference to a group of persons is a reference to any 1 or more of them.
- (2) The meaning of any general language is not restricted by any accompanying example, and the words "includes", "including", "such as", "for example" or similar words are not words of limitation.
- (3) The word "costs" includes charges, expenses and adviser costs.

- (4) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (5) Headings and the table of contents are for convenience only and do not form part of this document or affect its interpretation.
- (6) If a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day.
- (7) The time between 2 days, acts or events includes the day of occurrence or performance of the 2nd but not the 1st act or event.
- (8) If an act must be done on a specified day which is not a Business Day, the act must be done instead on the next Business Day.
- (9) A provision of this document must not be construed to the disadvantage of a person merely because that person was responsible for the preparation of the document or the inclusion of the provision in the document.
- (10) In determining whether an entity is a Subsidiary or Related Body Corporate of Bidder, the application of section 48(2) of the Corporations Act will be disregarded.

2 Background to Scheme

2.1 Target

- Target is a public company limited by shares incorporated in Australia and registered in the State of Western Australia.
- Target is admitted to the official list of ASX and Target Shares are officially quoted on ASX.
- As at 29 April 2014, 19,544,934 Target Shares were on issue.

2.2 Bidder

Bidder is an unlisted company limited by shares incorporated in Australia and registered in the State of Victoria.

2.3 Scheme Implementation Agreement

Target and Bidder have agreed, by executing the Scheme Implementation Agreement, to implement the terms of this Scheme.

2.4 Deed Poll

Bidder has executed the Deed Poll under which it covenants in favour of each Scheme Participant to carry out (or to procure the carrying out of) its obligations under this Scheme including to deposit (or procure the deposit of) an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account in accordance with this Scheme.

2.5 What happens if Scheme becomes Effective

If the Scheme becomes Effective:

- in consideration of the transfer of each Scheme Share to Bidder, Bidder will in accordance with the terms of this Scheme and the Deed Poll deposit (or procure the deposit of) an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account to be held on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to each Scheme Participant;
- all Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder on the Implementation Date as contemplated by clause 5.2(1); and

- (3) Target will enter the name of the Bidder in the Register as the holder of the Scheme Shares transferred to Bidder in accordance with the terms of this Scheme as contemplated by clause 5.2(2) with the result that Bidder and its Associates will hold all the shares on issue in Target.

3 Conditions Precedent

3.1 Conditions precedent to the Scheme

The Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (1) as at 8.00am on the Second Court Hearing Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms;
- (2) all the conditions set out in clause 3.1 of the Scheme Implementation Agreement (other than the condition precedent in the Scheme Implementation Agreement relating to Court approval of this Scheme) having been satisfied or (with the exception of the conditions precedent which cannot be waived by either party to the Scheme Implementation Agreement) waived in accordance with the terms of the Scheme Implementation Agreement;
- (3) the Court making orders under section 411(4)(b) of the Corporations Act approving the Scheme, with or without any alteration or condition and, if applicable, Target and Bidder (each acting reasonably) having agreed in writing to any alteration or condition made or required by the Court under section 411(6) of the Corporations Act;
- (4) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and as agreed in writing by Target and Bidder; and
- (5) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme by the End Date or such later date as Target and Bidder agree.

3.2 Satisfaction of conditions

The satisfaction or waiver of each condition in clause 3.1 is a condition precedent to the operation of clause 4.

3.3 Parties to provide certificate to Court

Target and Bidder must provide to the Court at the Second Court Hearing a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not each of the conditions set out in clause 3.1 (other than the conditions in clauses 3.1(3), 3.1(4) and 3.1(5)) have been satisfied or waived as at 8.00 am on the Second Court Hearing Date.

3.4 Certificate

The giving of a certificate by each of Target and Bidder under clause 3.3 confirming that each condition precedent set out in clause 3.1 (other than the conditions in clauses 3.1(3), 3.1(4) and 3.1(5)) has been satisfied or waived as at 8:00am on the Second Court Hearing Date will be conclusive evidence for the purpose only of assessing whether the conditions precedent referred to in clause 3.1 (other than the conditions in clauses 3.1(3), 3.1(4) and 3.1(5)) have been satisfied or waived.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 (other than the condition in clause 3.1(5)) are satisfied or waived, Target must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as practicably possible and in any event by no later than 5.00pm on the 1st Business Day after the day on which the Court approves this Scheme or such later time as Target and Bidder agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.3 and Bidder having provided Target with written confirmation thereof:

- (1) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder without the need for any further act by any Scheme Participant (other than acts performed by Target as attorney and agent for Scheme Participants under clause 9.1) by:
 - (a) Target delivering to Bidder a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants by Target; and
 - (b) Bidder duly executing the Share Scheme Transfer and delivering it to Target or the Target Registry for registration; and
- (2) as soon as practicable after receipt of the Share Scheme Transfer in accordance with clause 5.2(1)(b), Target must enter (or procure the entry of) the name of Bidder in the Register as the holder of all the Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, each Scheme Participant will, in consideration for the transfer to Bidder of the Scheme Shares, be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6.

5.4 Title and rights in Scheme Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6, on and from the Implementation Date, Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme, pending registration by Target of Bidder in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of the Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant is taken to have warranted to Target and Bidder and is deemed to have authorised Target to warrant to Bidder as agent and attorney for each Scheme Participant by virtue of clause 9.1 that:

- (1) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Bidder under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and

- (2) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Bidder under the Scheme.

5.7 Transfer free of Encumbrances

To the extent permitted by law, all Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to Bidder under this Scheme will, at the date of the transfer of them to Bidder, vest in Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of Bidder as sole proxy

- (1) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6, on and from the Implementation Date until Target registers Bidder as the holder of all of the Scheme Shares in the Register, each Scheme Participant:
- (a) is deemed to have irrevocably appointed Target as attorney and agent (and directs Target in such capacity) to appoint Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(1)(a)); and
 - (b) must take all other actions in the capacity of the registered holder of Scheme Shares as Bidder directs.
- (2) Target undertakes in favour of each Scheme Participant that it will appoint Bidder and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.8(1)(a).

6 Scheme Consideration

6.1 Consideration under the Scheme

Target must procure Bidder to deposit, or procure the deposit of, an amount equal to the aggregate amount of the Scheme Consideration payable to the Scheme Participants into the Trust Account in accordance with clauses 6.2.

6.2 Satisfaction of obligations

The obligation of Target to procure the deposit of the Scheme Consideration pursuant to clause 6.1 will be satisfied if, by no later than 3:00pm on the Business Day immediately before the Implementation Date (or such other time as Bidder and Target may agree), Bidder:

- (1) deposits (or procures the deposit of) an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants in cleared funds in Australian currency into the Trust Account to be held on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to each Scheme Participant, except that the amount of any interest (less bank fees and other charges) on the amount deposited will be credited to Bidder's account; and
- (2) provides Target with written confirmation of that payment.

6.3 Payment of Scheme Consideration

- (1) On the Implementation Date, subject to Bidder complying with its obligations under clause 6.2, Target must pay, or procure the payment, from the Trust Account to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to Bidder on the Implementation Date by that Scheme Participant.
- (2) The obligations of Target under clause 6.3(1) will be satisfied by Target (in its absolute discretion):
 - (a) where a Scheme Participant has, before 5:00pm on the Record Date, made a valid election in accordance with the requirements of the Target Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Participant, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (b) otherwise, whether or not the Scheme Participant has made an election referred to in clause 6.3(2)(a) and after taking all reasonable efforts to comply with a Scheme Participant's election in accordance with clause 6.3(2)(a), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Participant by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Participant (or in the case of joint holders, in accordance with the procedures set out in clause 6.7).

6.4 Fractional entitlements

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

6.5 Unclaimed monies

- (1) Target may cancel a cheque issued under clause 6.3 if the cheque:
 - (a) is returned to Target; or
 - (b) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (2) During the period of 1 year commencing on the Implementation Date, on request in writing from a Scheme Participant to Target, Target must reissue a cheque that was previously cancelled under this clause 6.4.

6.6 Orders of a court

In the case of written notice having been given to Target (or the Target Registry) of an order made by a court of competent jurisdiction:

- (1) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3, then Target must procure that payment is made in accordance with that order; or
- (2) which would prevent Target from making a payment to any particular Scheme Participant in accordance with clause 6.3, Target will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 is permitted by law.

6.7 Joint holders

In the case of Scheme Shares held in joint names, any cheque required to be sent to Scheme Participants by Bidder will be made payable to the joint holders and sent to the holder whose name appears first in the Register as at 5:00pm on the Record Date.

7 Dealings in Target Shares

- 7.1 To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by Target if:
- (1) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5:00pm on the Record Date; and
 - (2) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5:00pm on the Record Date at the place where the Register is kept.
- 7.2 Target must register registrable transmission applications or transfers of Scheme Shares of the kind referred to in clause 7.1(2) on the Record Date.
- 7.3 If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.
- 7.4 Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Scheme Shares received after 5:00pm on the Record Date (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title).
- 7.5 For the purpose of determining entitlements to the Scheme Consideration, Target must maintain or procure the maintenance of the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been paid to the Scheme Participants and Bidder has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.
- 7.6 Subject to registration of the transfer to Bidder and the provision of the Scheme Consideration contemplated in clauses 5.2 and 6.2 respectively, all statements of holding for Scheme Shares will cease to have effect after 5:00pm on the Record Date as documents or evidence of title in respect of those shares. After 5:00pm on the Record Date, each entry current on the Register as at 5:00pm on the Record Date (other than entries in respect of any holder of Excluded Shares and its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.
- 7.7 Within 3 Business Days after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5:00pm on the Record Date, are available to Bidder in the form Bidder reasonably requires.

8 Quotation of Target Shares

8.1 Suspension of trading on ASX

Target will apply for suspension of trading in Target Shares on ASX with effect from close of trading on ASX on the Effective Date.

8.2 Termination from official quotation

On a date after the Implementation Date to be determined by the Bidder, Target will apply for termination of the official quotation of Target Shares on ASX and to have itself removed from the official list of the ASX.

9 General

9.1 Power of attorney

Each Scheme Participant, without the need for any further act, is deemed to have irrevocably appointed and authorised Target and each of its directors (other than Mr Dan Daniels) and officers for the time being, jointly and severally (and directs Target in that capacity) to do and execute all acts, matters, things and documents on the part of each Scheme Participant necessary, expedient or incidental to implement and give full effect to the Scheme and the transactions contemplated by it, including:

- (1) enforcing the Deed Poll against Bidder;
- (2) executing and providing, as agent and attorney of each Scheme Participant, a proper instrument of transfer (including the Share Scheme Transfer) of the Scheme Participant's Scheme Shares in favour of Bidder; and
- (3) in the case of Scheme Shares held by the Scheme Participant in a CHESS holding, causing a message to be transmitted to ASX Settlement Pty Ltd in accordance with the ASX Settlement Operating Rules to transfer those Scheme Shares from the CHESS subregister of Target to the issuer sponsored subregister operated by Target at any time after Bidder has paid or procured the payment of the aggregate Scheme Consideration to the Trust Account,

and Target accepts such appointment.

9.2 Modifications or additions

Target may, by its counsel or solicitors, and with the written consent of Bidder (which cannot be unreasonably withheld), consent, on behalf of all persons concerned, including each Scheme Participant, to any alteration to the Scheme or to any condition which the Court may think fit to approve or impose.

9.3 Further assurances

Target must execute all deeds and other documents and do all acts and things on its own behalf and on behalf of each Scheme Participant as may be necessary, incidental or expedient on its part to implement this Scheme.

9.4 Scheme Participant's agreement

Each Scheme Participant agrees to:

- (1) the transfer of their Scheme Shares free of all Encumbrances, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme; and
- (2) any variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme.

9.5 Limitation of liability

Neither Target nor Bidder, nor any of their respective directors or other officers, will be liable for anything done or for anything omitted to be done in performance of the Scheme in good faith.

9.6 Binding

Each of the Scheme Participants:

- (1) irrevocably consents to Target and Bidder doing all things necessary or expedient for or incidental to the implementation of the Scheme; and
- (2) acknowledges and agrees that this Scheme, to the extent permitted by law, overrides Target's constitution, to the extent of any inconsistency; and
- (3) acknowledges and agrees that this Scheme binds Target and each Scheme Participant, including those who do not attend, or vote at, the Scheme Meeting or vote against the Scheme.

9.7 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Participants.

9.8 Stamp duty

Bidder must pay all stamp duty payable on the transfer of the Scheme Shares to Bidder, including any fines and costs related to the payment of such stamp duty.

9.9 Notices

- (1) Where a notice, transfer, transmission, application, direction or other communication referred to in this Scheme is sent by post to Target, it will be deemed to be received on the date (if any) on which it is actually received at Target's registered office and on no other date.
- (2) The accidental omission to give notice of the Scheme Meeting to any Scheme Participant or the non-receipt of such a notice by any Scheme Participant will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings at the Scheme Meeting.

9.10 Governing law

- (1) This Scheme is governed by the laws of Victoria.
- (2) Each party irrevocably and unconditionally:
 - (a) submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Victoria; and
 - (b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

Annexure D – Notice of Scheme Meeting



SteriHealth Limited

ACN 060 871 249

Notice of Scheme Meeting

Notice of Court ordered Scheme Meeting of SteriHealth Limited

Notice is hereby given that, by an order of the Federal Court of Australia made on Tuesday, 29 April 2014, pursuant to section 411(1) of the Corporations Act, the Court has directed a meeting of SteriHealth Shareholders (other than Excluded Shareholders) will be held on Tuesday, 3 June 2014 at Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000 commencing at 10:00am (Melbourne time).

The Court has directed that Mr Lorenzo Coppa, or failing him, Mr John Sikkema act as chairperson of the Scheme Meeting and has directed the chairperson to report the result of the Scheme Meeting to the Court.

PURPOSE OF MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a members' scheme of arrangement (with or without any alterations or conditions required by the Court to which SteriHealth and Catilina agree) proposed to be made between SteriHealth and SteriHealth Shareholders (other than Excluded Shareholders) as at the Record Date pursuant to Part 5.1 of the Corporations Act (the **Scheme**).

To enable you to make an informed voting decision, further information on the Scheme is set out in the Scheme Booklet. A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet.

Capitalised terms used in this notice have the meaning given to them in section 11 of the Scheme Booklet.

BUSINESS

To consider and, if thought fit, with or without amendment, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between SteriHealth Limited and holders of its fully paid ordinary shares (other than Excluded Shareholders) (**Scheme**), as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting, is agreed to and the SteriHealth Board is authorised to agree to such alterations or conditions to the Scheme as are made by the Court with the agreement of SteriHealth Limited and Catilina Nominees Pty Ltd (acting reasonably) and, subject to the approval of the Scheme by the Court with such alterations or conditions, to implement the Scheme with any such alterations or conditions."*

Dated: 29th April 2014

By order of the Court

GENERAL

This notice should be read in conjunction with the Scheme Booklet of which it forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Resolution.

A copy of the Scheme is contained in Annexure B of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in section 10 of the Scheme Booklet, unless the context otherwise requires.

MAJORITY REQUIRED FOR THE SCHEME RESOLUTION

In accordance with section 411(4)(a) of the Corporations Act, for the Resolution to agree to the Scheme to be passed at the Scheme Meeting, it must be agreed to by:

- unless the Court orders otherwise, a majority in number of SteriHealth Shareholders (other than Excluded Shareholders) present and voting (whether in person or by proxy, attorney or, in the case of corporate SteriHealth Shareholders, corporate representative) at the Scheme Meeting; and
- at least 75% of the total number of votes cast on the Resolution (whether in person or by proxy, attorney or, in the case of corporate SteriHealth Shareholders, corporate representative) at the Scheme Meeting.

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) is subject to approval of the Court. If the Resolution is passed by the required majorities set out above and the conditions precedent referred to in section 4.7 of the Scheme Booklet (other than receipt of Court approval) are satisfied or (where applicable) waived in accordance with the Scheme Implementation Agreement, SteriHealth intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders must be lodged with ASIC.

DETERMINATION OF ENTITLEMENT TO ATTEND AND VOTE

Under section 411 of the Corporations Act, the Court has determined that a person's entitlement to vote at the Scheme Meeting will be determined in accordance with their holding of SteriHealth Shares (as recorded in the SteriHealth Register) at 7:00pm (Melbourne time) on Sunday, 1 June 2014. Accordingly, only those SteriHealth Shareholders (other than Excluded Shareholders) entered on the SteriHealth Share Register at that time will be entitled to attend and vote at the Scheme Meeting and share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

HOW TO VOTE

SteriHealth Shareholders entitled to vote at the Scheme Meeting can vote in one of the following ways:

- by attending the Scheme Meeting and voting in person;
- by appointing one or two proxies to attend and vote on their behalf, by using the Proxy Form enclosed with the Scheme Booklet;
- by appointing an attorney to attend the Scheme Meeting and to vote on their behalf; or
- in the case of corporate shareholders, appointing a corporate representative to attend the meeting and to vote on its behalf.

JOINTLY HELD SECURITIES

If you hold SteriHealth Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the SteriHealth Share Register will be counted.

VOTING BY PROXY

A SteriHealth Shareholder who is entitled to attend and vote at the Scheme Meeting can appoint a proxy to attend and vote for them at the Scheme Meeting in accordance with the directions set out on the Proxy Form.

A SteriHealth Shareholder who is entitled to cast two or more votes can appoint no more than two proxies. Each proxy has the right to vote on the poll and also to speak at the Scheme Meeting.

If a SteriHealth Shareholder appoints two proxies, each proxy must be appointed to represent a specified number or proportion of the shareholder's voting rights. If a number or proportion is not specified on the Proxy Form, then each proxy is entitled to exercise half of the voting rights regardless of any proportion stated on any other form.

If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as that person thinks fit.

If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the Shareholder's behalf on the poll and the shares the subject of the proxy appointment will not be counted in determining the required majority.

A proxy need not be a Shareholder of SteriHealth. A Proxy Form accompanies this notice.

SteriHealth Shareholders who return their Proxy Form(s) with a direction how to vote but without nominating the identity of their proxy will be taken to have appointed the chairperson of the Scheme Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Scheme Meeting, the chairperson of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Undirected proxy appointments in favour of the chairperson of the Scheme Meeting, the company secretary of SteriHealth or any other officer of SteriHealth will be used to support the Scheme Resolution.

A vote given in accordance with the terms of a proxy is valid despite the revocation of the proxy, unless notice in writing of the revocation has been received by SteriHealth before commencement of the Scheme Meeting.

For an appointment of a proxy to be effective, the proxy's appointment (and, if the appointment is signed by an attorney, the authority under which it was signed or a certified copy of the authority) must be received by the SteriHealth Share Registry by 10.00am (Melbourne time) on Monday, 2 June 2014 in any of the following ways:

- mailing the Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 or using the reply paid envelope provided;
- hand delivering the Proxy Form to Computershare Investor Services Pty Limited at 452 Johnston Street, Abbotsford, Victoria 3067; or
- faxing the Proxy Form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 0(3) 9473 2555 (outside Australia).

Proxy Forms received after this time will be invalid.

VOTING BY CORPORATE REPRESENTATIVE

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that SteriHealth will require a "Certificate of Appointment of Corporate Representative" to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from Computershare Investor Services Pty Limited by calling 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or by visiting www.investorcentre.com under the help tab, "Printable Forms".

The certificate of appointment may set out restrictions on the representative's powers. The certificate should be lodged at the registration desk on the day of the Scheme Meeting or be received by the SteriHealth Share Registry by 10.00am (Melbourne time) on Monday, 2 June 2014 in any of the following ways:

- mailing the Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 or using the reply paid envelope provided;
- hand delivering the Proxy Form to Computershare Investor Services Pty Limited at 452 Johnston Street, Abbotsford, Victoria 3067; or
- faxing the Proxy Form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 0(3) 9473 2555 (outside Australia).

If a certificate is completed by an individual or corporation under power of attorney, the power of attorney, or a certified copy of the power of attorney, must accompany the completed certificate unless the power of attorney has previously been noted by the SteriHealth Share Registry.

Body corporate representatives of eligible SteriHealth Shareholders will be admitted to the meeting on providing, at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointor.

VOTING BY ATTORNEY

SteriHealth Shareholders wishing to vote by attorney must have the power of attorney, or a certificated copy of the power of attorney, received by the SteriHealth Share Registry no later than 10.00am (Melbourne time) on Monday, 2 June 2014 in any of the following ways:

- mailing the power of attorney, or a certificated copy of the power of attorney, to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 or using the reply paid envelope provided;
- hand delivering the power of attorney, or a certificated copy of the power of attorney, to Computershare Investor Services Pty Limited at 452 Johnston Street, Abbotsford, Victoria 3067; or
- faxing the power of attorney, or a certificated copy of the power of attorney, to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 0(3) 9473 2555 (outside Australia).

ADVERTISEMENT

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from the ASX Company's Announcement Platform (which can be accessed on the ASX website at www.asx.com.au (SteriHealth ASX Code: STP)) or on SteriHealth's website at www.sterihealth.com.au.

Please address all enquiries to shareholder.questions@sterihealth.com.au

Notes

Corporate Directory

Registered Office

36 Cahill Street
Dandenong South VIC 3175

Directors

Mr Lorenzo Coppa
Mr Dan Daniels
Mr Markus Andreas Koch
Mr John Sikkema
Mr May Wan Khor

Company Secretary

Mr Cameron Grant

Financial Adviser

The Oaktower Partnership Pty Ltd
Level 2, 18 Oliver Lane
Melbourne VIC 3000

Legal Adviser

Norton Rose Fulbright Australia
Level 15, RACV Tower
485 Bourke Street
Melbourne VIC 3000

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067



ACN 060 871 249

sterihealth.com.au

36 Cahill Street
Dandenong South VIC 3175

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