



SIMS GROUP

Sims Group Limited ABN 37 008 634 526



EXPLANATORY BOOKLET

For the scheme of arrangement between

SIMS GROUP LIMITED

ABN 37 008 634 526

and its shareholders in relation to a recommended merger
with substantially all of the recycling operations of

HUGO NEU CORPORATION

to form **New Sims Group** to be listed on ASX and called

SIMS GROUP LIMITED

ACN 114 838 630

This document should be read in its entirety. If you are in doubt as to how you should deal with it, you should contact your financial, taxation, legal or other professional adviser. If, after reading this Explanatory Booklet you have any questions about the Merger, please call the Sims Group Information Line on 1300 132 977 (within Australia) or +61 3 9415 4249 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time).

**THIS DOCUMENT IS IMPORTANT AND
REQUIRES YOUR IMMEDIATE ATTENTION**

Financial Adviser

Legal Adviser



UBS Investment
Bank

BAICHR & MCKENZIE

Important notices

This Explanatory Booklet is dated 2 August 2005.

Purpose of this Explanatory Booklet

This document is important. It contains information for Sims Group Shareholders relating to the Scheme and the Extraordinary General Meeting and contains the notices of meeting for the Scheme Meeting and the Extraordinary General Meeting. The information set out in this Explanatory Booklet will assist Sims Group Shareholders in deciding how to vote on the resolutions to be considered at the Scheme Meeting and the Extraordinary General Meeting.

You should read this Explanatory Booklet in its entirety.

If you are in doubt as to what you should do, you should consult your financial, taxation, legal or other professional adviser. This Explanatory Booklet contains general information only and does not take into account the objectives, financial situation or needs of any Sims Group Shareholder. This Explanatory Booklet should not be construed as financial, taxation, legal or other advice. This Explanatory Booklet should not be relied upon as the sole basis for any decision in relation to the Scheme or the Extraordinary General Meeting.

Capitalised terms used in this Explanatory Booklet are defined in the Glossary of Terms.

Any discrepancies between totals and sums of components in tables contained in this Explanatory Booklet are due to rounding.

Responsibility for contents

The Sims Group Information, being all of the information contained in this Explanatory Booklet other than the Hugo Neu Information, has been prepared by Sims Group and is the responsibility of Sims Group, Hugo Neu Corporation, its Associates and their respective officers and advisers, and the advisers of Sims Group, do not assume any responsibility for the accuracy or completeness of the Sims Group Information.

The Hugo Neu Information, being Section 4 (but in relation to the Financial Charts in Section 4, only to the extent of the Carved-out Financial Statements) and the risk factors to the extent they pertain to Hugo Neu in Sections 7.2, 7.4 and 7.5 have been prepared by Hugo Neu Corporation and is the responsibility of Hugo Neu Corporation. The Sims Group, and its Directors, officers and advisers, and Associates of Hugo Neu Corporation and the officers and advisers of Hugo Neu Corporation and its Associates do not assume any responsibility for the accuracy or completeness of the Hugo Neu Information.

Sims Group, New Sims Group, Hugo Neu Corporation and their respective Associates, officers and advisers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report. Sims Group does, however, assume responsibility for the accuracy of the information it has provided to the Independent Expert.

Other than in respect of the information identified above as Hugo Neu Information, the information contained in the remainder of this Explanatory Booklet (including any information relating to Hugo Neu (including its operations, operating performance, its financial condition, performance and results and its prospects) has been prepared by Sims Group and is the responsibility of Sims Group, Hugo Neu Corporation and its Associates and their respective officers and advisers do not assume responsibility for the accuracy or completeness of any part of this Explanatory Booklet, except that Hugo Neu Corporation assumes responsibility for the accuracy or completeness of the Hugo Neu Information.

ASIC

A copy of this Explanatory Booklet has been lodged with ASIC under section 412(6) of the Corporations Act.

ASIC has been requested to provide a statement, in accordance with section 411(1)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides this statement, then it will be produced to the Court at the Second Court Order Date. The Scheme has not been proposed by Sims Group for the purpose of enabling any person to avoid the operation of any of the provisions of Chapter 6 of the Corporations Act.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.

ASX

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

Approval by the Court

A copy of this Explanatory Booklet has been lodged with the Court in order to gain its approval for convening the Scheme Meeting under section 411(1) of the Corporations Act.

If the Scheme Resolution is approved at the Scheme Meeting, and all the Scheme Conditions are satisfied or waived, Sims Group will apply to the Court for the approval of the Scheme. Once approved by the Court, the Scheme will be binding on all Sims Group Shareholders.

The Corporations Act and the New South Wales Supreme Court Rules provide a procedure for Sims Group Shareholders to oppose the approval by the Court of the Scheme or to make representations to the Court in relation to the Scheme. If you wish to oppose the approval by the Court of the Scheme at a Court hearing or make representations to the Court in relation to the Scheme you may do so by filing with the Court and serving on Sims Group a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Sims Group at least one day before the Second Court Order Date. The Second Court Order Date is currently scheduled to occur on 19 September 2005. Any change to this date will be announced through ASX and on the Sims Group website, www.sims-group.com.

Notice to persons outside Australia

This Explanatory Booklet has been prepared in accordance with Australian disclosure requirements and Australian accounting standards. These disclosure requirements, style and accounting standards may be different to those in other countries.

Sims Group Shareholders who are not residents of Australia should seek appropriate independent professional tax advice on the tax consequences for them in Australia and other jurisdictions of the Merger.

The New Sims Group Shares to be issued under the Scheme have not been, and will not be, registered under the US Securities Act of 1933 (as amended) (US Securities Act) or the securities laws of any US state or other jurisdiction, and may not be sold in the US or to US persons in the absence of an effective registration statement under the US Securities Act as to the New Sims Group Shares or unless an exemption from the registration requirements of the US Securities Act is available.

Any shares issued under the Scheme will be issued in reliance on the exemption from the registration requirements of the US Securities Act provided in section 3(a)(10) of the US Securities Act based on the approval of the Scheme by the Court.

If the Court approves the Scheme, its approval will constitute the basis for the New Sims Group Shares to be issued without registration under the US Securities Act, in reliance on the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10).

Neither the US Securities and Exchange Commission nor any state securities regulators have approved or disapproved of the New Sims Group Shares or determined if this Explanatory Booklet is truthful or complete. Any representation to the contrary is a criminal offence.

If at the time the Scheme is submitted to a vote of Sims Group Shareholders, you are an 'affiliate' of Sims Group, New Sims Group or Hugo Neu Corporation, then, pursuant to Rule 145 under the US Securities Act, you may not offer or sell or otherwise dispose of the New Sims Group Shares issued to you under the Scheme in the US or to US persons unless that offer or sale or other disposition is made in conformity with Rule 145 promulgated under the US Securities Act or another applicable exemption from the registration requirements of the US Securities Act. For these purposes, an 'affiliate' includes the directors, executive officers and controlling shareholders of Sims Group, New Sims Group or Hugo Neu Corporation.

US investors should note that the Scheme is being proposed and will be conducted in accordance with the laws in force in Australia and with the Listing Rules. The disclosure requirements in relation to the Scheme applicable in Australia differ from those that apply in the US. The financial statements included in this Explanatory Booklet have been prepared in accordance with generally accepted accounting principles in Australia that differ from those in the US. Because substantially all of the directors and a material portion of the assets of Sims Group and New Sims Group are located outside the US, US investors may have difficulty in enforcing their rights and any claims they may have arising under the US federal securities laws against Sims Group, New Sims Group and their respective officers and Directors. It may be difficult to compel Sims Group and New Sims Group and their respective affiliates to subject themselves to a US court's judgment.

Sims Group Shareholders should rely only on the information contained in this Explanatory Booklet in relation to Sims Group, New Sims Group and Hugo Neu Corporation. None of New Sims Group, Sims Group or Hugo Neu Corporation has authorised anyone to provide Sims Group Shareholders with information different from that contained in this Explanatory Booklet. New Sims Group is offering to sell the New Sims Group Shares and is seeking offers to buy New Sims Group Shares only in jurisdictions where offers and sales are permitted.

Ineligible Overseas Shareholders may not be able to receive New Sims Group Shares under the Scheme. Further information is set out in Section 1.6.

For recipients in Hong Kong

This document does not constitute an offer or invitation to the public in Hong Kong to subscribe for securities. No steps have been taken to register or seek authorisation for the issue of this document in Hong Kong. Accordingly, except as mentioned herein, no copy of this document may be issued, circulated or distributed in Hong Kong. However, numbered copies of this document may be issued to a limited number of investors in Hong Kong in a manner which does not constitute an issue, circulation or distribution of this document, or any offer or invitation in respect of the securities, to the public in Hong Kong. An application for securities is not invited from any person in Hong Kong other than to a person to whom a numbered copy of this document has been issued, and if made, will not be accepted. No person to whom a numbered copy of this document is issued may issue, circulate or distribute this document in Hong Kong or give a copy of this document to any other person.

Forward looking statements

Certain statements in this Explanatory Booklet, including in Sections 2, 4, 5 and 6 and elsewhere, are about the future and constitute forward looking statements. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors, many of which are beyond the control of Sims Group, New Sims Group and Hugo Neu Corporation and their directors that could cause the actual conduct, results, performance or achievements of Sims Group, Hugo Neu or New Sims Group to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from the historical conduct. Deviations as to future conduct, results, performance and achievements are both normal and to be expected. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in Section 7.

In some cases, Sims Group Shareholders can identify forward looking statements by terminology such as 'may', 'will', 'should', 'could', 'expects', 'plans', 'anticipates', 'believes', 'intends', 'estimates', 'predicts', 'potential' or 'continue' or the negative of such terms or other comparable terminology.

The forward looking statements in this Explanatory Booklet reflect the views and intentions of Sims Group and, where attributable to Hugo Neu Corporation, Hugo Neu Corporation held only as at the date of this Explanatory Booklet. None of Sims Group or its Associates, Hugo Neu Corporation or its Associates or their respective officers and advisers, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Explanatory Booklet will actually occur. You are cautioned not to place undue reliance on these forward looking statements.

Subject to any obligations under the Corporations Act, the Listing Rules or any other applicable laws and regulations, each of Sims Group, New Sims Group and Hugo Neu Corporation has no obligation to, and will not, disseminate after the date of this Explanatory Booklet any updates or revisions to any such statements or any change in events, conditions or circumstances on which any of those statements is based.

Privacy

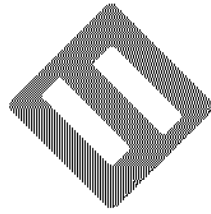
Sims Group and New Sims Group may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and security holding of Sims Group Shareholders and the name of persons appointed by Sims Group Shareholders to act as a proxy, attorney or corporate representative at the Scheme Meeting or Extraordinary General Meeting. The primary purpose of the collection of this personal information is to assist Sims Group to conduct the Scheme Meeting and the Extraordinary General Meeting and implement the Scheme. Without this information, Sims Group may be hindered in its ability to achieve these purposes to full effect.

Personal information of the type described above may be disclosed to the Registry, print and mail service providers, authorised securities brokers and Related Bodies Corporate of Sims Group and New Sims Group. Sims Group Shareholders have certain rights to access personal information that has been collected. Sims Group Shareholders should contact the Registry if they wish to access their personal information.

Sims Group Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

If you have any questions in relation to the Merger, the Scheme Meeting or the Extraordinary General Meeting, please contact your financial, taxation, legal or other professional adviser or please call the Sims Group Information Line on 1300 132 977 (within Australia) or +61 3 9415 4249 (outside Australia). Monday to Friday between 9:00am and 5:00pm (Sydney time). Telephone calls to this number will be recorded.

Letter from the Chairman and the Group Chief Executive of Sims Group



SIMS GROUP

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Sims Group Limited ABN 37 008 634 526

2 August 2005

Dear Shareholder

We are writing to invite you to support the Merger announced on 24 June 2005 between Sims Group and 'Hugo Neu' (substantially all of the recycling operations of Hugo Neu Corporation, a privately owned US company).

Sims Group's corporate goal is to grow its core Metal Recycling division internationally while also developing an innovative recycling solutions business. Over a number of years, with experience gained from numerous international acquisitions, we have established strict acquisition criteria. Those criteria require that any acquisition target holds the number one or number two market position, delivers access to domestic and international customers, offers a sound platform for future growth and, above all else, enhances shareholder value.

These criteria have underpinned our strong track record of international expansion, with overseas operations delivering strong returns on capital employed.

Hugo Neu satisfies all of our strict acquisition criteria. In particular, it enhances Sims Group's North American market positions on the west and east coasts of the United States of America and provides a significant platform from which to grow in North America in the future.

The Merger will create a new ASX listed company, Sims Co Limited ('New Sims Group') (to be renamed Sims Group Limited if the Merger is approved), in which existing Sims Group Shareholders will own 74.0% of the New Sims Group Shares and Hugo Neu Corporation will own the remaining 26.0% of the New Sims Group Shares (on a fully diluted basis). The Chairman of Hugo Neu Corporation, Mr John Neu, and Mr Paul Varello (a US resident nominated by Hugo Neu Corporation) will join the New Sims Group Board. The current Board attaches great weight to the confidence Mr Neu is showing in Sims Group by his decision to accept New Sims Group Shares as consideration for Hugo Neu's recycling business interests. This reflects the common culture and vision for the future shared by both companies and their management teams.

New Sims Group will not only continue expanding its core Metal Recycling division, but also continue to develop a broader approach to environmentally sound recycling. This philosophy is already reflected in the development of Sims Group's Recycling Solutions division and Hugo Neu's commitment to manage New York City's post-consumer metal, plastics and glass.

Your Directors recommend the Merger to you. The Independent Expert commissioned to prepare a report on the Merger has concluded that the Scheme is in the best interests of Sims Group Shareholders and the issue of 26% of New Sims Group Shares to Hugo Neu Corporation as part of the acquisition of Hugo Neu is fair and reasonable having regard to the interests of Sims Group and New Sims Group Shareholders. The Independent Expert's Report forms Appendix A of this Explanatory Booklet. Full details of the Merger are contained in this Explanatory Booklet and will assist you in making an informed decision about how to vote at the Sims Group Shareholders' meetings to be held on 8 September 2005. We encourage you to read it carefully. Your vote is important and we encourage you to follow the steps outlined in Section 3 of this Explanatory Booklet. The Notice of the Scheme Meeting and Notice of Extraordinary General Meeting are set out in Appendices F and G. To streamline admission to the meeting, it is preferable if you bring one of the enclosed proxy forms with you.

We recommend the Merger and look forward to the exciting opportunities for further successful growth for New Sims Group.

Yours sincerely

Paul Mazoudier
Chairman
Sims Group Limited



Jeremy Sutcliffe
Group Chief Executive
Sims Group Limited





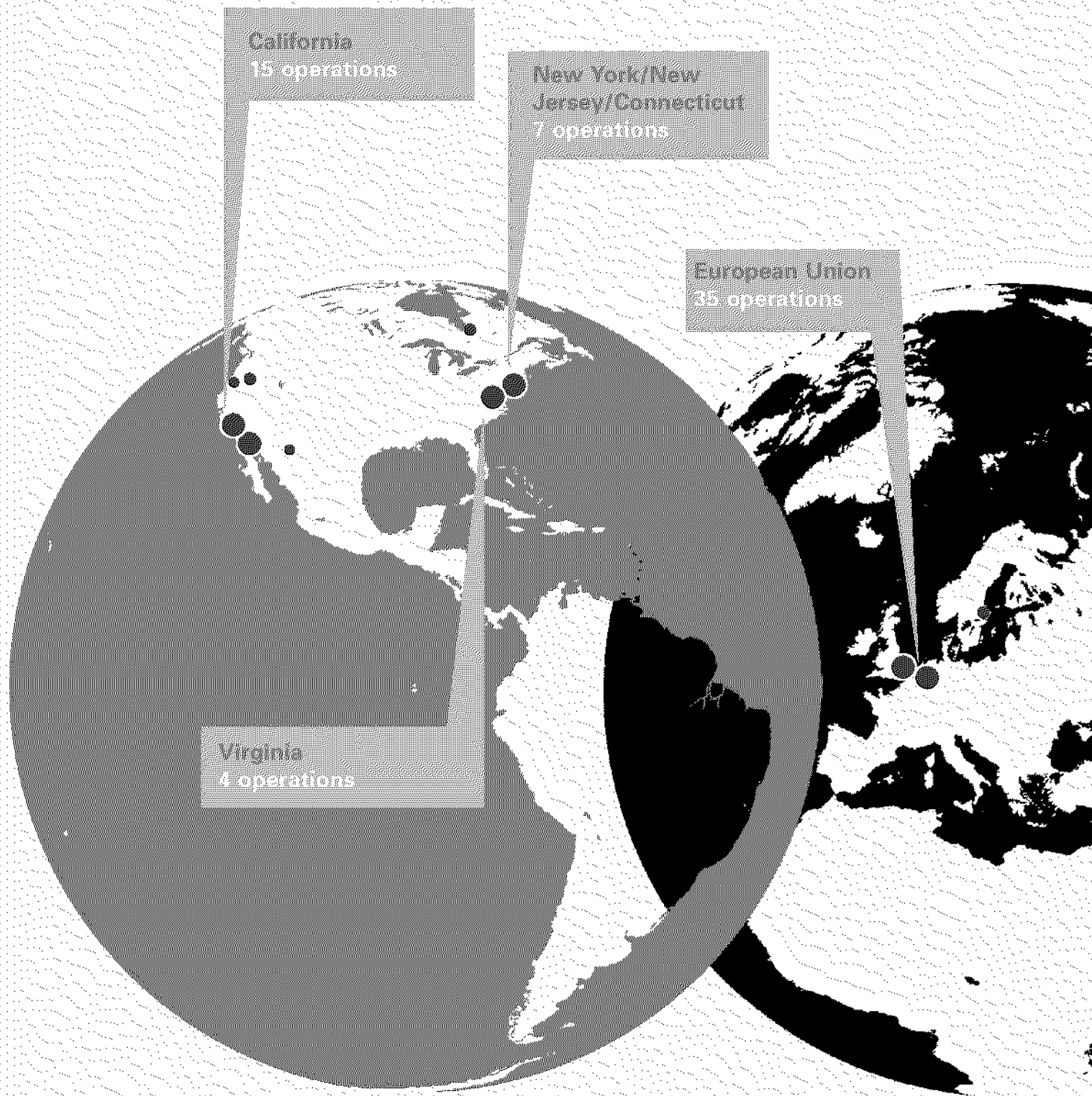
Important dates and times

Announcement of the Merger	24 June 2005
Date of this Explanatory Booklet and Notices of Meetings	2 August 2005
Latest time and date for lodgement of completed proxy forms for the Scheme Meeting and the Extraordinary General Meeting	10.00am, 6 September 2005
Time and date for determining eligibility to vote at the Scheme Meeting and the Extraordinary General Meeting	7.00pm, 6 September 2005
Scheme Meeting to vote on the Scheme Resolution	10.00am, 8 September 2005
Extraordinary General Meeting to vote on the Share Issue Resolutions and the EGM Resolutions	11.00am, 8 September 2005, or as soon as the Scheme Meeting has concluded or adjourned, whichever is the later
Dividend Record Date for determining entitlement to Dividends	12 September 2005
Court hearing for approval of the Scheme	19 September 2005 ¹
Scheme Effective Date – date on which the Scheme becomes effective	19 September 2005
Last day of trading in Sims Group Shares	19 September 2005
Commencement of trading of New Sims Group Shares on ASX on a deferred settlement basis	20 September 2005
Payment date for the Dividends for the six months ended 30 June 2005	23 September 2005
Scheme Record Date for determining entitlements to New Sims Group Shares under the Scheme	26 September 2005
Implementation Date and Completion of the Merger	29 September 2005
Despatch of holding statements for New Sims Group Shares	4 October 2005
Commencement of trading of New Sims Group Shares on ASX on a normal basis	5 October 2005

All dates and times are indicative only. The actual timetable will depend on many factors outside the control of Sims Group, including the review and approval procedures of the Court, ASX and other regulatory authorities as well as the satisfaction of the Scheme Conditions and Acquisition Conditions. Sims Group has the right to vary any or all of these dates and times. Any changes to the above timetable will be notified on Sims Group's website, www.sims-group.com, and announced to ASX. All times are referenced to the time in Sydney, New South Wales.

Note:

1. The intended date for the Court hearing to approve the Scheme is 19 September 2005, however, this hearing may be deferred if those Acquisition Conditions which will not be satisfied by or as a consequence of the approval of the Scheme by the Court have not been satisfied by that date. Further information about the Acquisition Conditions is set out in Section 10.3.1. If the date for the Court hearing is delayed, all other events identified above occurring on or after that date will also be delayed.



**Sims Group has a successful
record of international growth**

The Merger creates the largest global metal recycler by market capitalisation



Note:

1. Larger dots represent more than one physical operation.

Hugo Neu meets all of Sims Group's strict acquisition criteria

- ✓ Holds the number one or two market position in its relevant markets
- ✓ Possesses export or domestic marketing flexibility
- ✓ Provides a sound platform for future growth
- ✓ Strong management
- ✓ The Merger enhances shareholder value





*Proposed new Brooklyn,
New York facility to service
the long term New York
City Recycling Contract
(artist's impression)*

The Merger is consistent with Sims Group's strategy to grow its core Metal Recycling division internationally while also developing an innovative recycling solutions business

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Q&A Where to find information on the Merger

This Explanatory Booklet contains detailed information on the Merger and its effect on Sims Group Shareholders. This guide will assist you in locating information on the Merger and its potential impact on you.

THE MERGER

What is the Merger?

The Merger will combine Sims Group with Hugo Neu – substantially all of the recycling operations of Hugo Neu Corporation. The new company will be listed on ASX and be named 'Sims Group Limited' (New Sims Group).

A summary of the Merger is set out in Sections 1 and 2.

Who is Hugo Neu Corporation?

Hugo Neu Corporation is a private company headquartered in New York, which was founded in 1945. The founder's son, Mr John Neu, is the current Chairman and Chief Executive Officer of Hugo Neu Corporation. Mr John Neu's family beneficially owns Hugo Neu Corporation.

A description of Hugo Neu – substantially all of the recycling operations of Hugo Neu Corporation, is set out in Section 4.

What will New Sims Group look like after the Merger?

Following the Merger, New Sims Group will be the largest metal recycler by market capitalisation. It will be the leading global metal recycler on the basis of the size and scope of its global operations, having over 120 physical operations, with number one or two market positions in the US (west and east coasts), Australia, the UK and New Zealand metal recycling markets and a strategic network of offices in Asia. New Sims Group will also have a significant recycling solutions business in Europe and a developing recycling solutions business in the US and Australia. On a pro-forma basis, New Sims Group's sales volumes would have been over nine million tonnes of recycled metal in calendar 2004.

New Sims Group is described in detail in Section 5.

What does the Merger involve?

The Merger has two aspects:

- existing Sims Group Shareholders will receive one New Sims Group Share in exchange for every one Sims Group Share held and this exchange is being effected by way of a scheme of arrangement ('Scheme'); and
- New Sims Group will acquire Hugo Neu from Hugo Neu Corporation and issue 26.0% of its issued capital (on a fully diluted basis) to Hugo Neu Corporation ('Acquisition').

New Sims Group will be listed on ASX, instead of Sims Group.

Existing Sims Group Shareholders will own 74.0% of the New Sims Group Shares. Hugo Neu Corporation will own 26.0% of the New Sims Group Shares (on a fully diluted basis).

The steps to implement the Merger are set out in detail in Section 10.1.

Why is the Merger being proposed?

The Merger is consistent with Sims Group's corporate goal to grow its core Metal Recycling division internationally while also developing an innovative recycling solutions business.

The Merger satisfies all of Sims Group's acquisition criteria. In particular, it establishes Sims Group as the number one operator on the US west and east coasts as well as providing a significant platform from which to grow in North America.

The benefits of the Merger are set out in Section 2.1.

What are the considerations against the Merger?

The considerations against the Merger are set out in Section 2.2.

What are the risks associated with the Merger?

There are general and specific risks associated with the Merger and an investment in New Sims Group. These risks are outlined in Section 7.

FINANCIAL CONSIDERATIONS

How much is being paid for Hugo Neu?

Hugo Neu Corporation will receive a 26.0% fully diluted shareholding in New Sims Group at Completion. By acquiring all the equity interests in Hugo Neu, New Sims Group will acquire all assets and liabilities of Hugo Neu at Completion.

The Merger values Hugo Neu at A\$662.0 million (excluding transaction costs), based on 32.1 million New Sims Group Shares being issued to Hugo Neu Corporation, an assumed Sims Group share price of A\$14.37, and Hugo Neu pro-forma net debt of A\$201.2 million as at 31 December 2004. The Sims Group share price and Hugo Neu net debt at Completion are likely to vary from these assumptions. The basis for the calculation of the Sims Group share price and consideration for Hugo Neu is set out in Sections 6.3.1 and 6.3.2. The Merger terms, including the Merger consideration, are governed by the Contribution Agreement. Key terms of the Contribution Agreement are set out in Section 11.

What dividends will I receive?

The Sims Group Board intends to declare a final ordinary dividend of A\$0.70 per Sims Group Share for the six months ending 30 June 2005. In addition, the Sims Group Board intends to declare a special dividend, which together with the ordinary dividend will equal 100% of the net profit after tax of Sims Group for the six months ended 30 June 2005. The special dividend is expected to be approximately A\$0.20 per Sims Group Share.

Both the ordinary dividend and special dividend will be franked to the maximum extent possible. The level of franking of future dividends is expected to be at a lower percentage than Sims Group's historical franking percentage as a greater proportion of earnings are expected to be generated outside Australia following Completion. Neither the ordinary dividend nor the special dividend is conditional on Completion.

Further details on the intended Dividends will be announced when Sims Group announces its results for the year ended 30 June 2005, expected to be on or around 26 August 2005.

What are the financial effects of the Merger?

Historical Financial Information for Sims Group, Hugo Neu and New Sims Group, as well as the financial effects of the Merger are set out in Section 6 and Appendix B. Section 6 also sets out the basis of preparation of the Historical Financial Information.

PricewaterhouseCoopers Securities Ltd has reviewed the Historical Financial Information. An Investigating Accountant's Report by PricewaterhouseCoopers Securities Ltd on the Historical Financial Information is set out in Section 8.

For the year ended 31 December 2004, on a pro-forma basis, the Merger increases Sims Group's earnings per share by 10.3%, before synergies and goodwill amortisation.

As a result of the volatility in recycled ferrous metal prices and market conditions, Sims Group cannot provide further earnings guidance for Sims Group, Hugo Neu or New Sims Group beyond the guidance for the year ended 30 June 2005 and the three months ending 30 September 2005 that was provided in relation to Sims Group as set out in Section 6.8.

Based on the historical comparative earnings of Sims Group and Hugo Neu, and taking into consideration market conditions, the Merger is expected to be earnings per share neutral to positive, before synergies and goodwill amortisation, compared to earnings per share if the Merger did not occur.

MERGER APPROVALS AND VOTING

What am I being asked to vote on?

Sims Group Shareholders will be asked to consider the Scheme Resolution at the Scheme Meeting.

Sims Group Shareholders will also be asked to consider the Share Issue Resolutions, which relate to the issue of 26.0% of New Sims Group Shares (on a fully diluted basis) to Hugo Neu Corporation and EGM Resolutions which concern:

- Sims Group changing its name to Sims Group Australia Holdings Limited to enable New Sims Group to adopt the name Sims Group Limited;

- increasing the cap on total non-executive Directors' fees for Sims Group to A\$1,000,000 and, if approved, this cap will be adopted by New Sims Group; and
- the grant of equity performance rights by Sims Group and New Sims Group to Sims Group Chief Executive, Mr Jeremy Sutcliffe, as part of a new employment contract that will take effect if the Merger is completed.

The details of the resolutions to be considered by Sims Group Shareholders at the Scheme Meeting and the Extraordinary General Meeting can be found in the Notice of Scheme Meeting and the Notice of Extraordinary General Meeting set out in Appendix F and Appendix G respectively and the explanatory notes for the EGM set out in Section 12.

What do the Sims Group Directors recommend I do?

The Sims Group Directors recommend that you vote in favour of the Scheme and the Share Issue Resolutions. The Sims Group Directors all intend to vote in favour of the Scheme and the Share Issue Resolutions in respect of the shares in Sims Group that they own.

In respect of the EGM Resolutions:

- the Sims Group Directors recommend that you vote in favour of the change of name and they intend to vote their own Sims Group Shares in favour of that resolution;
- the Sims Group Directors (other than Mr Jeremy Sutcliffe) recommend that you vote in favour of the resolution authorising the grant of equity performance rights to Mr Jeremy Sutcliffe and they intend to vote their own Sims Group Shares in favour of that resolution;
- Mr Jeremy Sutcliffe and Mr Ross Cunningham recommend that you vote in favour of the resolution to increase the cap on total non-executive Directors' fees and they intend to vote their own Sims Group Shares in favour of that resolution.

The interests of the Sims Group Directors is set out in Section 10.7 and a statement of their recommendations is outlined in Section 1.4.

What has the Independent Expert concluded?

The Independent Expert has concluded that the Scheme is in the best interests of Sims Group Shareholders and the Share Issue Resolutions are fair and reasonable having regard to the interests of Sims Group Shareholders and New Sims Group Shareholders. The Independent Expert's Report is set out in Appendix A.

What are the details about voting?

Your vote is very important. The Merger will not proceed unless:

- the Scheme Resolution is approved by a simple majority in number of Sims Group Shareholders present and voting (either in person or by proxy, attorney or corporate representative) AND by at least 75% of the total number of votes cast (either in person or by proxy, attorney or corporate representative) on the Scheme Resolution; and
- the first of the two Share Issue Resolutions concerning the issue of New Sims Group Shares to Hugo Neu Corporation (resolution 1 on the Notice of EGM) is approved by a simple majority of votes cast (either in person or by proxy, attorney or corporate representative) on resolution 1 at the EGM; and
- the EGM Resolution concerning the change of the Sims Group name (resolution 3 on the Notice of EGM) is approved by at least 75% of the total number of votes cast (either in person or by proxy, attorney or corporate representative) on resolution 3 at the EGM.

The Scheme Resolution, the first of the Share Issue Resolutions and the change of name resolution are inter-related and conditional on each other and must each be passed by the majorities outlined above if the Merger is to proceed.

In addition, the approval of the second of the Share Issue Resolutions (resolution 2 on the Notice of EGM) is an Acquisition Condition, which means that the Acquisition will not occur unless that resolution is passed or the parties to the Contribution Agreement agree to waive this condition.

Q&A Where to find information on the Merger

In respect of the EGM Resolution concerning the granting of equity performance rights to Mr Jeremy Sutcliffe (resolution 4 on the Notice of EGM), neither the Scheme nor the Acquisition is conditional on this resolution being passed, however, it is an Acquisition Condition that Mr Jeremy Sutcliffe enters into a new employment contract. See Section 3.5 for further information.

The Merger may proceed if the resolution concerning the increase in the cap for total non-executive Directors' fees (resolution 5 on the Notice of EGM) is not approved.

Further information about the approval process, including how to vote, is set out in Section 3.

OTHER INFORMATION AND ISSUES FOR CONSIDERATION

Why is a scheme of arrangement necessary?

The Merger has been structured as a scheme of arrangement to enable the combination of Sims Group and Hugo Neu to be accomplished in an efficient manner from Hugo Neu Corporation's US tax perspective.

Will Hugo Neu Corporation have any special rights or obligations?

Hugo Neu Corporation will have the right to nominate two Directors to the New Sims Group Board. The number of New Sims Group Directors will not exceed nine while Hugo Neu Corporation holds nomination rights. Further information in respect of this right is set out in Section 10.16.2. Hugo Neu Corporation has agreed to standstill and lock-up arrangements under which it may not sell any of its 26.0% shareholding in New Sims Group or increase its New Sims Group shareholding percentage for 18 months, except in certain limited circumstances.

Hugo Neu Corporation also has the right to subscribe for further New Sims Group Shares if New Sims Group issues shares and dilutes Hugo Neu Corporation in certain circumstances. Further information is set out in Section 10.5.

What are the tax implications of the Merger for me?

It is expected that most Sims Group Shareholders who hold their Sims Group Shares on capital account should be eligible for CGT rollover relief in respect of any capital gain they would otherwise make on the exchange of those shares for New Sims Group Shares.

Ernst & Young has provided a taxation report set out in Section 9 on the general Australian taxation consequences of the Merger for Sims Group Shareholders. The tax implications of the Merger for you will depend on your specific circumstances and accordingly you should seek appropriate independent professional advice on the tax implications for you.

What if I am a foreign Shareholder?

Certain foreign shareholders will not be able to receive New Sims Group Shares due to their local securities laws ('Ineligible Overseas Shareholder'). In these cases, the New Sims Group Shares they would otherwise be entitled to receive will be issued to a nominee who will sell them on ASX and the proceeds (less taxes and sales costs) will be sent to each Ineligible Overseas Shareholder. Further information is set out in Section 1.6.

What other information is available?

Additional information in relation to the Merger, including details of the interests of the Sims Group Directors, differences between the Sims Group constitution and the New Sims Group constitution and other considerations are set out in Section 10 and the Appendices to this Explanatory Booklet.

If you have any further questions, you should consult your financial, legal, taxation or other professional adviser. You may also call the Sims Group Information Line on 1300 132 977 (within Australia) or +61 3 9415 4249 (outside Australia).

1.1. Background to the Merger

On 24 June 2005, Sims Group and Hugo Neu Corporation announced a proposal to merge Sims Group with Hugo Neu – substantially all of the recycling operations of Hugo Neu Corporation, to form New Sims Group, to be listed on ASX and called 'Sims Group Limited'.

Hugo Neu is a US metal recycler with strategic deep-water port facilities located in New York, New Jersey and California, supported by a strong feeder yard network. In addition, it operates a division trading in recycled metal and alternative steel making raw materials and also recycles New York City's post-consumer metal, plastic and glass recyclable materials under an interim contract.

Hugo Neu Corporation recently announced a separation and dissolution of its recycling joint ventures with Schnitzer Steel Industries, a publicly listed US based metal recycler and steel maker ('Schnitzer Transaction'). Under the terms of the Schnitzer Transaction, Hugo Neu Corporation will, subject to certain conditions being satisfied or waived, assume total ownership of the Hugo Neu recycling operations being merged with Sims Group, while Schnitzer Steel Industries will assume total ownership of the joint ventures' other operations and certain other metal recycling assets currently owned by Hugo Neu Corporation and will receive a cash payment. The Schnitzer Transaction is expected to be completed in September 2005 but delays in the satisfaction or waiver of the conditions to the Schnitzer Transaction may delay completion until the fourth quarter of 2005.

Following completion of the Schnitzer Transaction and subsequent completion of the Merger, New Sims Group will own all of the operations of Sims Group, and all of the recycling operations owned by Hugo Neu Corporation following completion of the Schnitzer Transaction (except that Hugo Neu Corporation will continue to own a relatively small metal recycling business located in Stockton, California and members of the Neu family will continue to own a majority economic interest in 'Pick Your Part Auto Wrecking', a significant supplier to Hugo Neu West and also a supplier to Sims Group's California operations). Sims Group Shareholders will own 74.0% of the New Sims Group Shares and Hugo Neu Corporation will own the remaining 26.0% of the New Sims Group Shares (on a fully diluted basis).

This Explanatory Booklet contains important information that the Sims Group Board believes Sims Group Shareholders should consider in deciding whether or not to vote in favour of the Merger. Sims Group Directors have recommended Sims Group Shareholders vote in favour of the Merger and intend to vote in favour with respect to their own Sims Group Shares. Further information about the approvals that the Merger requires is set out in Section 1.2 and the Sims Group Directors' recommendations are set out in Section 1.4.

The Merger has been considered by the Independent Expert. The Independent Expert has concluded that the Scheme is in the best interests of Sims Group Shareholders and that the Share Issue Resolutions are fair and reasonable having regard to the interests of Sims Group Shareholders and New Sims Group Shareholders.

The key benefits of the Merger and relevant considerations against the Merger are outlined in Section 2.

1.2. Key elements of the Merger

Structure

The Merger has two aspects:

- existing Sims Group Shareholders will receive one New Sims Group Share in exchange for every one Sims Group Share held at the Scheme Record Date and this exchange is being effected by way of a scheme of arrangement ('Scheme'); and
- New Sims Group will acquire Hugo Neu from Hugo Neu Corporation and issue 26.0% of New Sims Group Shares (on a fully diluted basis) to Hugo Neu Corporation ('Acquisition').

Section 1 Summary of the Merger

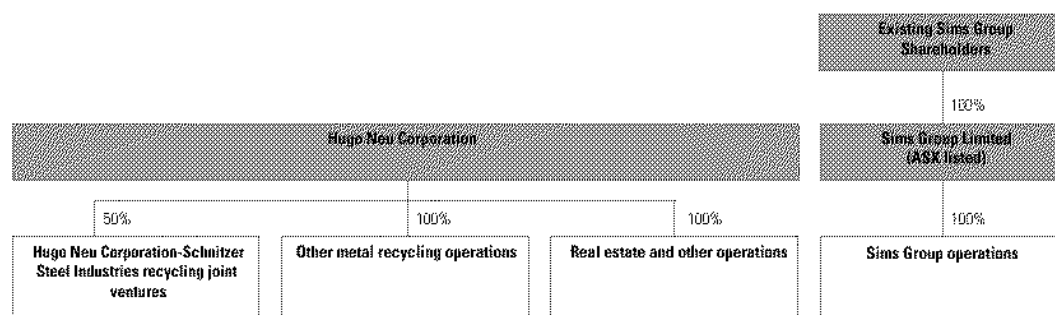
The Scheme will result in all Sims Group Shares being acquired by New Sims Group. New Sims Group will be listed on ASX and called 'Sims Group Limited' if the EGM Resolution concerning the change of Sims Group's name is approved by the required majority.

As a result of the Merger, New Sims Group will assume all of the assets and liabilities of Sims Group and Hugo Neu on the Implementation Date, including the net debt on the Statement of Financial Position of both Sims Group and Hugo Neu. Hugo Neu's pro-forma net debt as at 31 December 2004 was A\$201.2 million. However, Hugo Neu's pro-forma net debt at Completion may materially differ as a result of movements in working capital, A\$/US\$ exchange rates and capital expenditure between 1 January 2005 and Completion. Further details are set out in Section 6.3.2.

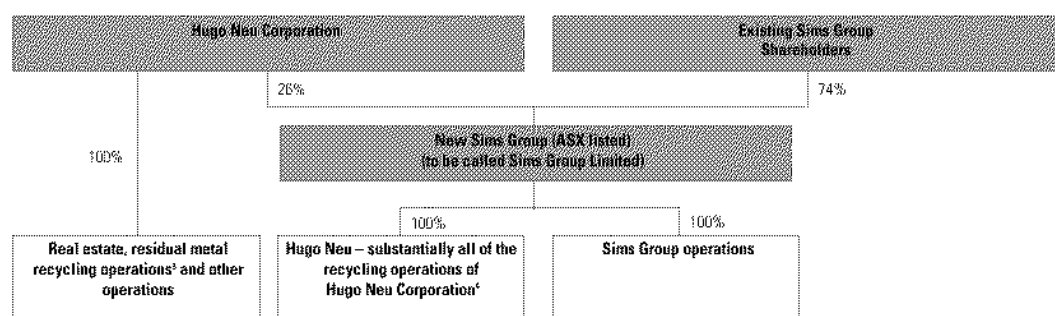
Following Completion, Sims Group and Hugo Neu will each become subsidiaries of New Sims Group, with New Sims Group listed on ASX. Sims Group will be removed from the Official List.

The simplified ownership structure of Sims Group and Hugo Neu Corporation before and after the Merger is set out below:

Before the Merger¹



After the Merger²



Notes:

1. Before the Schnitzer Transaction and Merger
2. After the Schnitzer Transaction and Merger
3. Hugo Neu Corporation will retain ownership of a relatively small metal recycling business located in Stockton, California and members of the Neu family will continue to own a majority economic interest in 'Pick Your Part Auto Wrecking', an auto salvage parts business located in California which is a significant supplier to Hugo Neu West and a supplier to Sims Group's California operations
4. A description of the recycling operations of Hugo Neu Corporation being merged with Sims Group to form New Sims Group is set out in Section 4

Dividends

The Sims Group Directors intend to declare dividends equalling 100% of Sims Group's net profit after tax for the six months ended 30 June 2005. The Sims Group Directors expect to declare a final ordinary dividend of A\$0.70 per Sims Group Share and a special dividend expected to be approximately A\$0.20 per Sims Group Share (although the final amount of the special dividend will depend on Sims Group's actual net profit after tax for the six months to 30 June 2005) ('Dividends'). The Dividends will be franked to the maximum extent possible. The franking level of the Dividends is expected to be at a lower percentage than Sims Group's historical franking percentage.

The Dividends will not be paid to Hugo Neu Corporation as Hugo Neu Corporation will not be recorded on the Register as being a Sims Group Shareholder at the Dividend Record Date.

Following Completion, Hugo Neu Corporation will be entitled to a percentage of the interim dividend for the six months to 31 December 2005 based on the percentage of the six months to 31 December 2005 that Hugo Neu Corporation is a New Sims Group Shareholder. For example, if Hugo Neu Corporation becomes a New Sims Group Shareholder on 29 September 2005, the Implementation Date as proposed under the current timetable, Hugo Neu Corporation will be entitled to approximately 51% of the interim dividend per New Sims Group Share declared and paid for the six months ending 31 December 2005. Refer to Sections 6.12 and 7.3 for further information about ways the Merger may impact on New Sims Group's ability to pay dividends.

The level of franking of future dividends is expected to be at a lower percentage than Sims Group's historical franking percentage, as a greater proportion of earnings are expected to be generated outside Australia following Completion.

Directors

All current Sims Group Directors will be New Sims Group Directors. Mr John Neu, the current Chairman and CEO of Hugo Neu Corporation, will join the New Sims Group Board and Mr Paul Varello, a US resident nominated by Hugo Neu Corporation, will also be appointed a Director of New Sims Group. Details governing Hugo Neu Corporation's right to nominate Directors of New Sims Group is set out in Section 10.16.2.

Mr John Neu and Mr Paul Varello will retire (and Hugo Neu Corporation will be entitled to nominate them for re-election) at New Sims Group's next annual general meeting.

Conditions to the Merger

Implementation of the Merger (being the Scheme and the Acquisition) is subject to a number of conditions precedent including:

- approval of the Scheme and approval of the Share Issue Resolutions by Sims Group Shareholders;
- approval of the Scheme by the Court;
- approval of the change of name resolution (resolution 3 on the Notice of EGM);
- completion of the Schnitzer Transaction;
- third-party consents including approval of the Port of Los Angeles as lessor of Hugo Neu's Los Angeles port terminal; and
- regulatory approvals, including approval of the Australian Foreign Investment Review Board and expiration or early termination of the waiting period under the US Hart-Scott Rodino Antitrust Improvements Act.

Further information regarding the conditions precedent to completion of the Scheme ('Scheme Conditions') is set out in Section 10.2.2 and the conditions precedent to completion of the Acquisition ('Acquisition Conditions') is set out in Sections 10.3.1 and 11.2.

Meetings and approvals

The Scheme must be approved by the Court. In addition:

- at the Scheme Meeting, Sims Group Shareholders will be asked to consider the Scheme Resolution; and
- at the Extraordinary General Meeting, Sims Group Shareholders will be asked to consider the Share Issue Resolutions and the EGM Resolutions.

The Scheme Meeting and the Extraordinary General Meeting are scheduled for 8 September 2005. Notices of Meetings are set out in Appendices F and G. Explanatory notes for the EGM can be found in Section 12.

Further information about how to vote and the resolutions to be considered by Sims Group Shareholders is set out in Section 3.

1.3. Independent Expert conclusion

The Independent Expert has concluded that the Scheme is in the best interests of Sims Group Shareholders and the Share Issue Resolutions are fair and reasonable having regard to the interests of Sims Group Shareholders and New Sims Group Shareholders.

1.4. Directors' recommendations

The Sims Group Directors at the date of this Explanatory Booklet are Paul Mazoudier, Jeremy Sutcliffe, Geoffrey Brunson, Charles Copeman, Ross Cunningham and Michael Feeney.

Each of the Directors considers themselves justified in making a recommendation concerning the Merger. The Directors recommend the Merger and believe that the Merger is fair and reasonable and in the best interests of Sims Group Shareholders due to the strategic value and additional growth potential that the Merger provides. In making this recommendation, the Directors have in particular considered the following:

- the benefits and rationale for the Merger, set out in Section 2.1;
- the considerations against the Merger, set out in Section 2.2; and
- the risks associated with the Merger, as summarised in Section 7.

All members of the Sims Group Board intend to vote in favour of:

- the Scheme Resolution;
- the Share Issue Resolutions; and
- the EGM Resolution concerning the change of name of Sims Group,

in respect of their shareholdings in Sims Group. Details of these shareholdings are set out in Section 10.7.1.

In relation to the other EGM Resolutions:

- the Sims Group Directors (other than Mr Jeremy Sutcliffe) recommend that you vote in favour of the resolution authorising the grant of equity performance rights to Mr Jeremy Sutcliffe and they intend to vote in favour of the resolution in respect of their own Sims Group Shares; and
- Mr Jeremy Sutcliffe and Mr Ross Cunningham recommend that you vote in favour of the resolution to increase the Sims Group's cap on total non-executive Directors' fees and they intend to vote in favour of the resolution in respect of their own Sims Group Shares.

1.5. If the Merger does not proceed

If the Scheme is not implemented, Sims Group will not acquire Hugo Neu and Sims Group Shareholders will not have their shares exchanged for New Sims Group Shares. Sims Group will continue to be listed on ASX and the rights of Sims Group Shareholders will remain unchanged.

If the Scheme is approved but the Acquisition does not proceed (for example, because the Acquisition Conditions are not satisfied), Sims Group may consider applying to the Court to revoke the Scheme Order. If such an application were successful, Sims Group would continue to be listed on ASX and the rights of Sims Group Shareholders would remain unchanged. If the Scheme Order is not revoked, New Sims Group would be listed on ASX, Sims Group Shareholders would become New Sims Group Shareholders and the rights attaching to their New Sims Group Shares would be as set out in Section 10.16.2. However, there would be no change to the operations of Sims Group and Hugo Neu would not be a part of New Sims Group.

If the Merger does not proceed for any reason, costs in connection with the Merger, estimated to be approximately A\$9 million, will be incurred by Sims Group and will be expensed in the year ending 30 June 2006. This amount reflects legal, accounting, taxation, specialist due diligence advisers, financial adviser and the Independent Expert costs. Moreover, in some circumstances, Sims Group will be required to reimburse costs to Hugo Neu of up to US\$3 million if the Merger does not proceed in circumstances where a majority of the Sims Group Board ceases to recommend the Merger or recommends an alternative proposal (see Section 10.6 for further information).

If the Merger does not proceed, Sims Group intends to continue to review acquisition opportunities consistent with Sims Group's corporate goal to grow its core Metal Recycling division internationally while also developing an innovative recycling solutions business. Any potential acquisitions will also be rigorously evaluated against Sims Group's strict acquisition criteria set out in Section 2.1.1.

1.6. Foreign shareholders and sale facility

Sims Group Shareholders whose address on the Register at the Scheme Record Date is in a jurisdiction other than Australia, New Zealand, the UK, Hong Kong, Singapore, the US, Japan or Switzerland are Ineligible Overseas Shareholders under the Scheme.

New Sims Group Shares will not be issued to Ineligible Overseas Shareholders. New Sims Group Shares, which would otherwise have been issued to Ineligible Overseas Shareholders under the Scheme, will instead be issued to a nominee appointed by New Sims Group. The nominee will sell the New Sims Group Shares on such terms as it determines in good faith. The net cash proceeds received by the nominee under such a sale will be remitted on a proportionate basis to Ineligible Overseas Shareholders as soon as practicable after the last sale of New Sims Group Shares by the nominee. The nominee will be instructed that sales of New Sims Group Shares must take place within 15 Business Days after the Implementation Date. The net proceeds received by the Ineligible Overseas Shareholders will be reduced by any applicable brokerage and other taxes and charges.

The nominee will have complete discretion to determine the price at which the New Sims Group Shares issued will be sold and as to the manner of the sale. None of Sims Group, New Sims Group or the nominee will be liable for the failure to sell any New Sims Group Shares at a particular price.

Ineligible Overseas Shareholders will be paid the Dividends at the same time as all other Sims Group Shareholders if they are Sims Group Shareholders at the Dividend Record Date.

1.7. Tax considerations for Sims Group Shareholders

A general summary of the principal Australian tax consequences of the Merger for Sims Group Shareholders is contained in Section 9. The tax implications of the Merger for any given Sims Group Shareholder will depend on their specific circumstances. Each such shareholder should seek appropriate independent professional tax advice if they are uncertain of the tax implications of the Merger for them.

As an example only, and in summary, key Australian tax consequences that are expected to arise from the Merger for many Australian tax resident Sims Group Shareholders are as follows:

- they should be eligible to elect CGT rollover relief in respect of any capital gain otherwise arising on the exchange of Sims Group Shares for New Sims Group Shares;
- where CGT rollover applies, the relevant capital gain will be disregarded and the shareholder's CGT cost base in the New Sims Group Shares acquired will be determined by reference to the CGT cost base that shareholder held in the Sims Group Shares that have been exchanged; and
- where CGT rollover does not apply, then a capital gain or loss may arise in respect of the disposal of Sims Group Shares depending on the circumstances of that shareholder. Refer to Section 9 for further details.

1.8. Holders of Sims Group American Depositary Receipts

The Sims Group American Depositary Shares ('Sims Group ADSs') were issued under a deposit agreement between Sims Group, The Bank of New York, as depositary, and the owners and holders of the American depositary receipts evidencing Sims Group ADSs issued under the agreement. Once the Scheme is implemented, holders of Sims Group ADSs do not need to take any action in connection with the exchange of the Sims Group Shares underlying their ADSs for New Sims Group Shares. The Sims Group ADSs will remain outstanding and will represent New Sims Group Shares once the exchange of Sims Group Shares for New Sims Group Shares has taken place.

Only holders of Sims Group ADSs who are registered holders as of 5.00pm (New York time) on 5 August 2005 will be entitled to vote. Those holders of Sims Group ADSs must comply with the requirements imposed by The Bank of New York with respect to the voting of those securities. With respect to Sims Group ADSs, only holders of Sims Group ADSs who give instructions to The Bank of New York no later than 5.00pm (New York time) 1 September 2005 will be entitled to vote at the Scheme and/or Extraordinary General Meetings. Upon your written request received on or before 5.00pm (New York time) 1 September 2005, The Bank of New York will endeavour to vote the deposited shares represented by your Sims Group ADSs in accordance with the instructions set out in your request. The Bank of New York will not vote deposited shares other than in accordance with these instructions, but it may grant an undirected proxy to any other person designated by Sims Group in respect of all Sims Group Shares represented by Sims Group ADSs for which the holder has not provided voting instructions in accordance with the requirements outlined above.

1.9. How to obtain further information

For further information, please contact the Sims Group Information Line on 1300 132 977 (within Australia) or +61 3 9415 4249 (outside Australia), visit Sims Group's website at www.sims-group.com or contact your financial, legal, taxation or other professional adviser.

2

Benefits of the Merger and considerations against the Merger

2.1. Benefits of the Merger

2.1.1. Consistent with corporate strategy

Sims Group's corporate goal is to grow its core Metal Recycling division internationally while also developing an innovative recycling solutions business. The merger with Hugo Neu provides a unique opportunity to further both elements of this goal through strengthening Sims Group's core metal recycling operations and providing a platform for further industry consolidation, as well as expanding Sims Group's Recycling Solutions division in North America through the interim New York City Recycling Contract.

All potential acquisitions are rigorously evaluated by Sims Group against strict acquisition criteria. Hugo Neu meets all of Sims Group's criteria. Consistent with these criteria, Hugo Neu:

- holds the number one or two market position (by revenue or tonnage) in its relevant markets;
- possesses export or domestic marketing flexibility;
- provides a sound platform for future growth;
- has strong management; and
- enhances shareholder value.

2.1.2. Provides an opportunity to build on a track record of successful international growth

Sims Group's strong growth in profitability in recent years has been driven in part by prudent international acquisitions. Since its first international acquisition in 1988, Sims Group has expanded its international operations, with 65% of EBIT generated outside Australia in the year ended 31 December 2004.

Sims Group has completed numerous acquisitions in the US and Europe since 1988. Sims Group entered the US metal recycling industry through the acquisition of the North California based Levin Metal Corporation in 1988. The acquisition of Peck Recycling in Virginia in 1997 extended Sims Group's presence to the east coast of the USA. The east coast operations have been recently consolidated with the acquisition of a majority of the assets and business of Bay Bridge Enterprises and the leasing and recommissioning of a decommissioned shredder and operating site from Chaparral Steel.

In Europe, acquiring Philip Services in 2000 significantly enhanced Sims Group's UK metal recycling operations, which had developed through a series of small acquisitions in the 1990s and resulted in Sims Group attaining the number two position in the UK market. The acquisition of Mirec in October 2004 gave the Recycling Solutions division scale and provides a platform to progressively expand the division throughout Europe.

North American acquisitions



Timeline of Sims Group's international expansion

1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 ▶

December 1992
Sims Pacific Metals, NZ 50%

April 1994
GF Denton & Sons, UK

May 1995
Bird Group of Companies (Sims Bird), UK 51%

October 1996
McIntyre/Thomas Hill, UK
December 1996
Lincoln Metals Group, UK

May 1997
Albert & Draper, D&G Corbin & Sons, UK

June 1998
Sims Bird (minorities), UK

April 2000
Philip Services (Europe), UK

October 2004
Mirec, UK & Europe

UK/European/other acquisitions

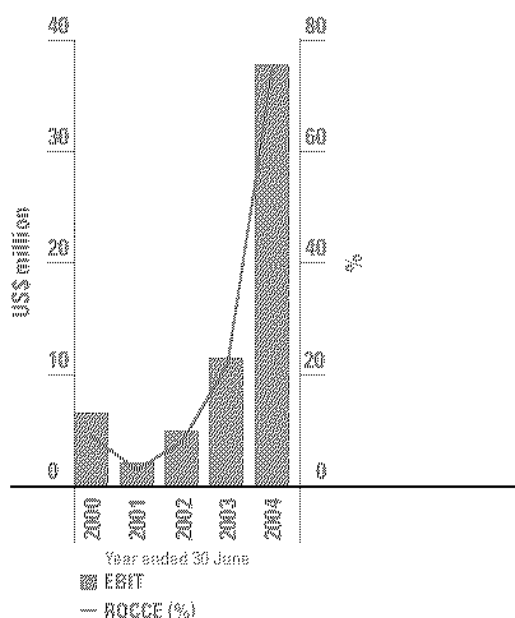
Note:

1. Subsequently divested

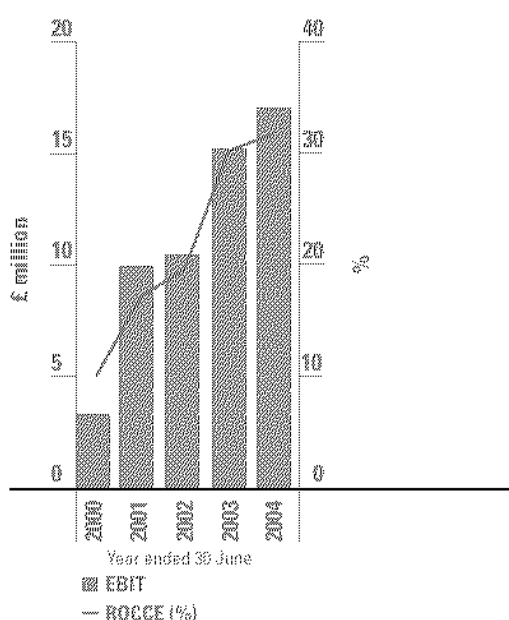
Section 2 Benefits of the Merger and considerations against the Merger

Sims Group's international acquisitions have delivered strong returns, averaging in excess of 20% per annum on average controlled capital employed ('ROCCE'), since 2000.

US EBIT and ROCCE



UK EBIT and ROCCE



Note:

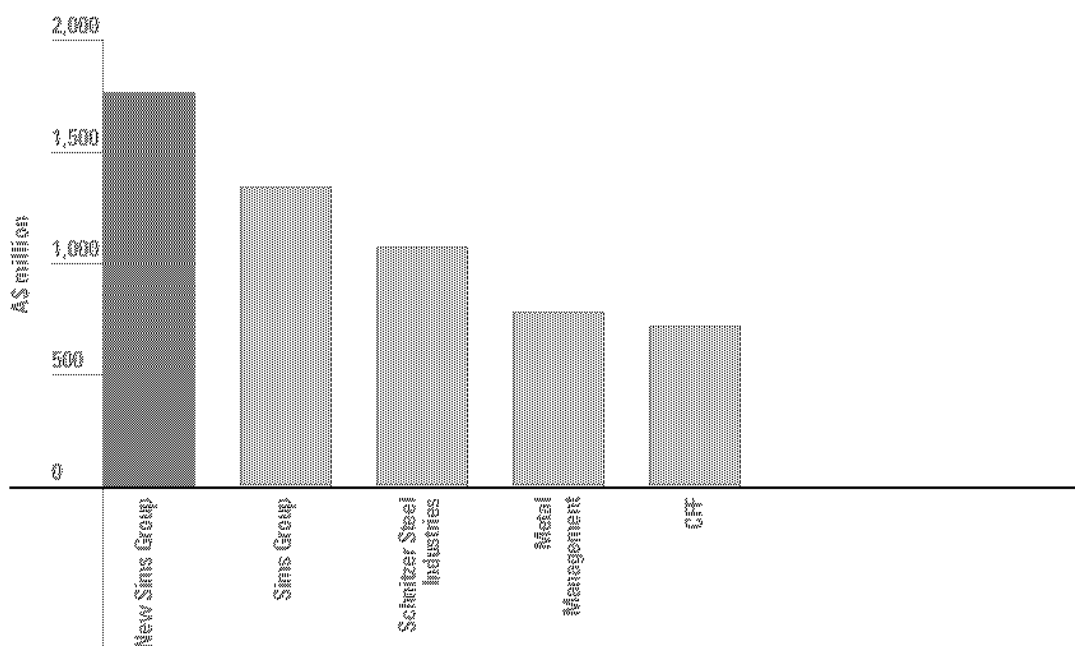
1. EBIT and ROCCE in local currency

The Merger is the most significant transaction in Sims Group's corporate development and provides a substantial opportunity to continue Sims Group's track record of successful international growth.

2.1.3. Creates the global leader in the metal recycling industry

Following the Merger, New Sims Group will be the largest metal recycler by market capitalisation. It will be the leading global metal recycler on the basis of the size and scope of its global operations, having over 120 physical operations, with number one or two market positions in the US (west and east coasts), Australia, the UK and New Zealand metal recycling markets and a strategic network of offices in Asia.

Market capitalisation



Notes:

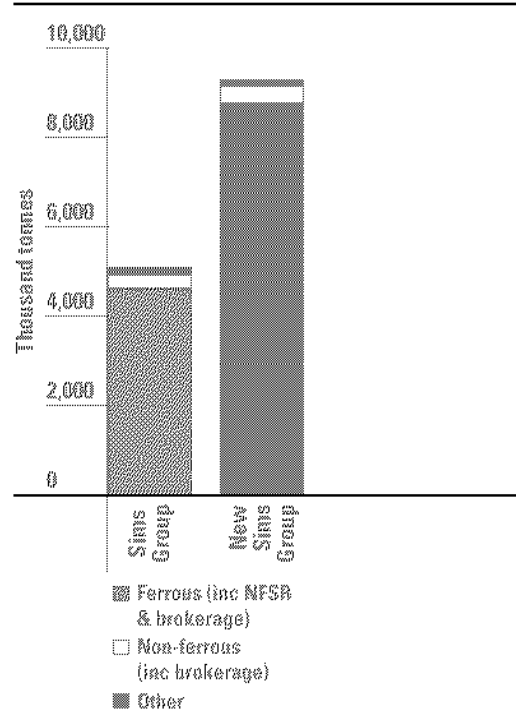
1. As at 13 July 2005

2. Sims Group and New Sims Group based on an assumed A\$14.37 share price

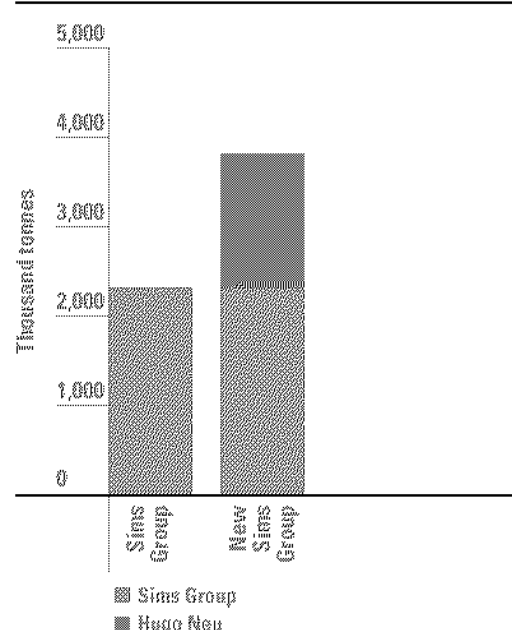
Section 2 Benefits of the Merger and considerations against the Merger

The Merger significantly enhances Sims Group's existing recycled metal processing capacity. On a pro-forma basis, New Sims Group would have sales volumes of 9.3 million tonnes of recycled and other metal per annum, an 85% increase on Sims Group's sales volumes for the year ended 31 December 2004. Shredder volumes would also increase 64% to 3.8 million tonnes per annum on a pro-forma basis for the year ended 31 December 2004.

Pro-forma sales volumes CY04



Pro-forma shredded volumes CY04



2.1.4. Favourable industry dynamics

Over the last 40 years, the steel industry's reliance on virgin ore to make new steel has diminished, in part due to the increasing use of the electric arc furnace ('EAF') as a means of producing steel. EAF plants or 'mini mills' use a higher proportion of recycled metal (approximately 85 to 100%) than traditional 'open hearth' or 'basic oxygen furnace' steel production methods (approximately 10 to 30%).

A significant amount of steel production in many developing countries is from the EAF process, although not in China and the former Soviet Union, which principally use the traditional basic oxygen furnace steel production method.

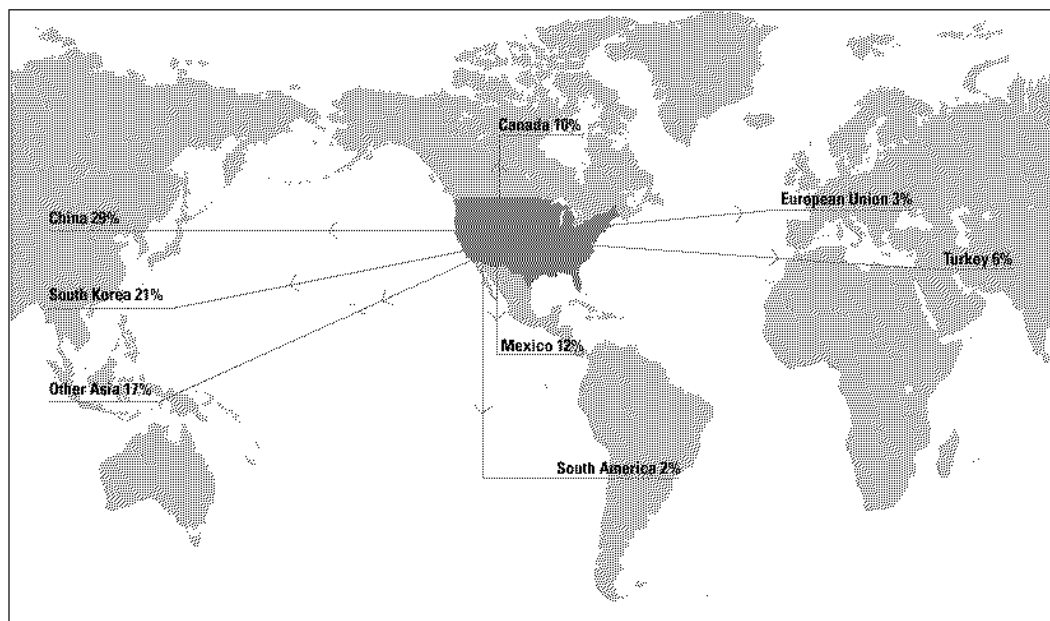
The metal recycling industry has experienced strong growth in recent years, driven by a surge in demand for recycled metal from steel producers and subsequent increases in the prices for recycled metal. Sims Group believes that global demand for recycled ferrous metal will continue to increase over the long term.

The volatility of recycled metal prices has recently been significant, with prices recently reducing from historically high levels. A variety of factors impact the price for recycled metals including the demand for steel and production levels of key steel making countries, including China. China has increased production significantly and become a net exporter of steel leading to a current surplus of certain steel products in some markets.

Section 2 Benefits of the Merger and considerations against the Merger

The US is the largest exporter of recycled metal globally with a significant amount of recycled metal exported to the Asian markets.

US recycled metal exports



Source: Iron and Steel Statistics Bureau, 2003

The US recycled metal industry has experienced strong growth in profitability in recent years and the US has been Sims Group's fastest growing region. Sims Group's earnings from US operations and Hugo Neu's earnings have increased significantly in recent years. This growth has been driven by a variety of factors including strong domestic and international demand leading to higher recycled metal prices and volumes as well as improvements in performance and non-ferrous metal recoveries.

While recycled ferrous metal prices have recently decreased, reducing the profitability of Sims Group's US operations and the profitability of Hugo Neu compared to the profitability achieved in the year ended 31 December 2004, the US recycled metal industry is still considered by Sims Group management to be the most important growth market for New Sims Group.

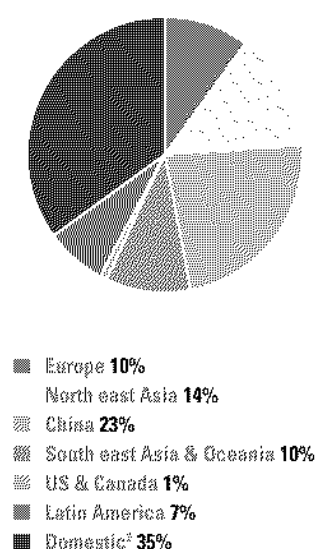
2.1.5. Export and domestic marketing flexibility

Sims Group's focus has been to expand its metal recycling operations where it can gain access to deep-water ports, allowing sales to be directed to either export or domestic markets depending on where the most advantageous prices can be obtained. Hugo Neu's principal operations have the strategic advantage of having access to deep-water ports in New York, New Jersey and California. This access has enabled Hugo Neu to develop a strong export market position, with approximately 80% of gross sales in the year ended 31 December 2004 exported to a wide range of international markets.

Section 2 Benefits of the Merger and considerations against the Merger

On a pro-forma basis for the year ended 31 December 2004, 35% of New Sims Group's gross sales by value were to regional domestic markets with the remainder exported, primarily to Asia (47%).

New Sims Group – Pro-forma sales by destination CY04¹



Notes:

1. Based on sales value
2. Domestic sales are internal sales in the country of origin

2.1.6. Long term growth platform

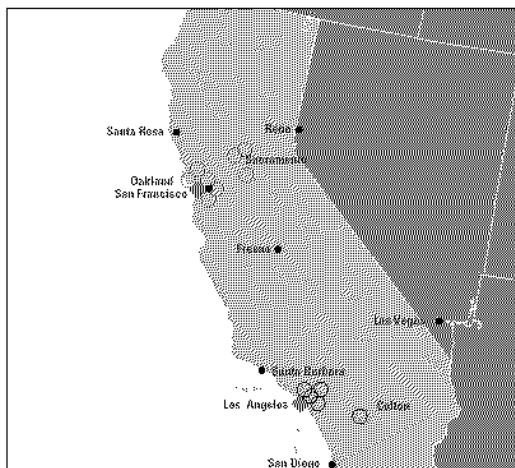
Following extensive global analysis, and recognising its existing leading market positions in Australia, New Zealand and the UK, Sims Group identified the US market as its primary opportunity to grow its core Metal Recycling division. This is due to a similarity of operating parameters, culture and risk profile as well as the significant growth potential in the fragmented North American market.

Sims Group identified Hugo Neu as the most favourable US merger partner as its business met all of Sims Group's strict acquisition criteria and it has a similar culture to Sims Group, with a shared vision for the future development of New Sims Group and the industry.

The Merger will create the largest exporter from both the west and east coasts of the US with strategically located facilities with deep-water port access. New Sims Group will have similar operations on both the west and east coasts of the US in terms of the size of operations and market position.

Section 2 Benefits of the Merger and considerations against the Merger

West coast operations¹



East coast operations¹



◆ Sims Group shredder ○ Sims Group physical operation ◆ Hugo Neu shredder ○ Hugo Neu physical operation

Note:

1. Does not include Hugo Neu operations in Phoenix, Arizona or Little Rock, Arkansas

The Merger significantly expands Sims Group's existing west coast operations, combining leading market positions in both North and South California. On the east coast, the combination of the strong operational presence of Sims Group in Virginia and Hugo Neu in New Jersey and New York presents a strategic foundation for regional consolidation. Further, the complementary operations offer the possibility of 'two-port loading' from New York or New Jersey and Virginia.

Other key growth opportunities provided by the Merger include the:

- development of a non-ferrous separation plant and associated disposal facility in North Carolina, increasing recovery of valuable recyclables (including plastics), reducing waste and enabling the processing of New Sims Group's east coast shredder residue for approximately 30 years;
- expansion of the New York City Recycling Contract model to other markets where New Sims Group has the necessary infrastructure and management capabilities;
- development of further e-recycling operations leveraging the expanded network of facilities, utilising the experience gained from Sims Group's existing Haywood, California and Richmond, Virginia operations; and
- combination of Sims Group and Hugo Neu's trading operations to provide New Sims Group with enhanced scope to fulfil a greater proportion of customer raw material requirements, as well as improving New Sims Group's market information which is expected to assist New Sims Group manage its metal recycling operations globally.

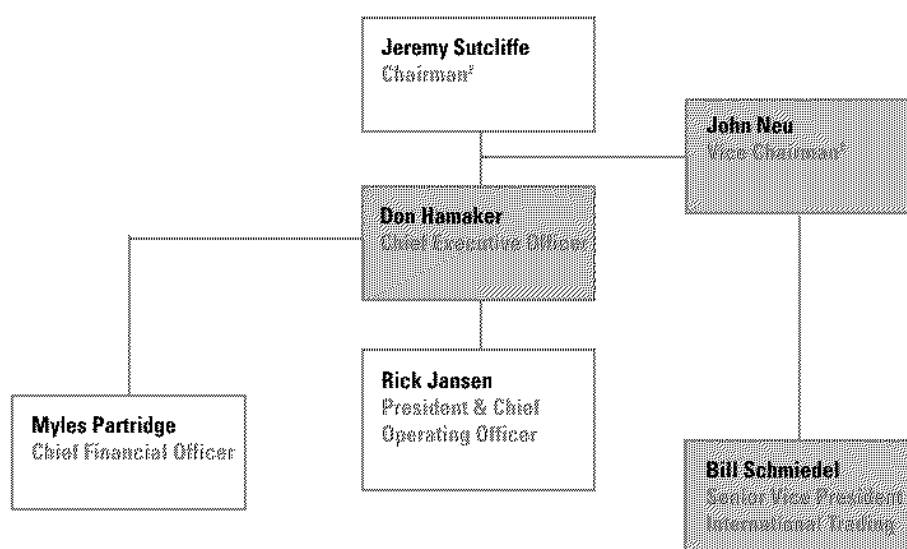
Those growth opportunities and the position of New Sims Group are discussed in further detail in Sections 4.4 and 5.2.

Section 2 Benefits of the Merger and considerations against the Merger

2.1.7. Strengthens management team

Hugo Neu, in combination with Sims Group's US operations, Sims Group USA, will operate as a distinct business, Sims Hugo Neu, within the Metal Recycling division of New Sims Group. The senior management of Sims Hugo Neu will comprise of a combination of key executives of Hugo Neu and Sims Group USA.

Proposed senior management of Sims Hugo Neu, the US operations of New Sims Group¹



Notes:

1. Light shading indicates Sims Group employees, darker shading indicates Hugo Neu employees
2. Mr Jeremy Sutcliffe is also Group Chief Executive of New Sims Group
3. Mr John Neu is also Vice Chairman of New Sims Group
4. Employment of Hugo Neu persons identified in the table is subject to their accepting offers of continuing employment with Sims Hugo Neu.

Hugo Neu's senior management has extensive experience in the recycling industry, developing strategic relationships and a well-established track record of delivering profitable growth. Sims Group and Hugo Neu have a similar culture and a common vision for the future that positions New Sims Group to successfully integrate the two businesses. The due diligence process has involved extensive management interaction between the two companies and Sims Group expects that having both long term Sims Group and Hugo Neu employees forming part of the senior management team will facilitate integration of the two teams and governance structures.

Mr Jeremy Sutcliffe will lead the team responsible for the integration of Hugo Neu and Sims Group. Subject to completion of the Merger, Mr Jeremy Sutcliffe has entered into a five year employment contract with a minimum three year commitment. A summary of this contract is set out in Section 10.7.4. Subject to completion of the Merger, Mr John Neu will maintain an executive role in international trade and post-consumer recycling for a minimum of three years. A summary of Mr John Neu's contract is set out in Section 12.1.6.

2.1.8. Hugo Neu Corporation to have a significant ongoing interest in New Sims Group

Hugo Neu Corporation will receive a 26.0% shareholding in New Sims Group as consideration for the recycling operations being merged with Sims Group. The Sims Group Board considers this demonstrates a strong belief by Hugo Neu Corporation in New Sims Group's future prospects. The current Chairman and CEO of Hugo Neu Corporation, Mr John Neu, has over 40 years of

Section 2 Benefits of the Merger and considerations against the Merger

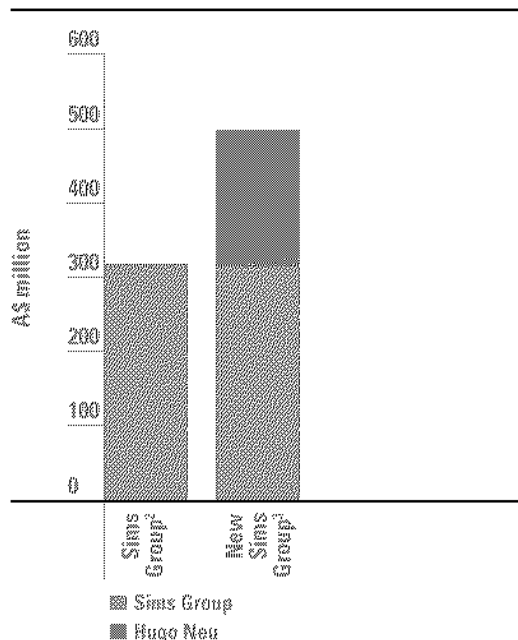
experience in the recycling industry and will become Vice Chairman of New Sims Group and have a senior executive role, illustrating an ongoing commitment to New Sims Group.

2.1.9. Positive financial impact

On a pro-forma basis, based on the assumptions set out in Section 6 and Appendix B, the Merger increases Sims Group's earnings per share by 10.3% for the year ended 31 December 2004. Based on the historical comparative earnings of Sims Group and Hugo Neu and taking into consideration market conditions, the Merger is expected to be earnings per share neutral to positive, before synergies and goodwill amortisation, compared to earnings per share if the Merger did not occur. Refer to Sections 6.6 and 6.8 for further information on the effect of the Merger on Sims Group's financial performance.

Due to the significant amount of equity being issued, New Sims Group will remain conservatively geared following Completion with a pro-forma net debt/(net debt plus equity) ratio of 25.5% as at 31 December 2004. Further, New Sims Group will have a significant earnings base with revenue and EBITDA (including NPAT from associates) on a pro-forma basis for the year ended 31 December 2004 of A\$4,075.3 million and A\$500.2 million respectively.

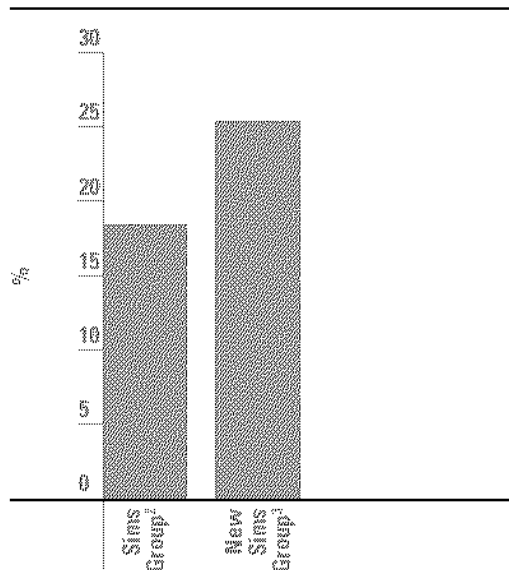
Pro-forma EBITDA CY04¹



Notes:

1. Pro-forma EBITDA includes NPAT from associates
2. Based on AGAAP
3. Based on AIFRS

Pro-forma net debt/(net debt plus equity) as at 31 December 2004¹



Notes:

1. Based on an assumed Sims Group share price of A\$14.37
2. Based on AGAAP
3. Based on AIFRS

Section 2 Benefits of the Merger and considerations against the Merger

A summary of the pro-forma financial effects of the Merger for the year ended 31 December 2004 is set out in the table below. Detailed Historical Financial Information is set out in Section 6.

Year ended 31 December 2004 (A\$ million except as otherwise indicated)	Sims Group^{1,3}	Hugo Neu^{1,4}	New Sims Group²
Sales	2,332.8	1,742.5	4,075.3
EBITDA ⁵	318.6	182.1	500.2
EBITA ⁶	290.1	170.0	459.6
NPAT (pre goodwill amortisation)	194.9		290.4
Earnings per share (pre goodwill amortisation) ⁶ (cents per share)	213.5		235.4
Net debt/net debt plus equity ⁷ (%)	18.3%		25.5%
EBITDA/net interest ⁸ (x)	77.7x		35.5x

Notes:

1. Based on AGAAP
2. Based on AIFRS, including pro-forma adjustments set out in Section 6.6.2
3. Pre Consolidated Extrusions joint venture write down of A\$6.7 million. Further details set out in Section 6.4.2
4. Pro-forma historical financial performance as set out in Section 6.5.2. Hugo Neu US dollar financial information has been converted at the average exchange rate of 0.7365 for the year ended 31 December 2004
5. Includes NPAT from associates
6. Assumed Sims Group weighted average number of shares (diluted) of 91.3 million shares based on the number of shares Sims Group had on issue at 13 July 2005, and Hugo Neu Corporation issued 32.1 million New Sims Group Shares
7. As at 31 December 2004
8. EBITDA includes NPAT from associates as shown in table above. Pro-forma interest charge for Hugo Neu set out in Section 6.6.2

Sims Group expects to achieve synergies in a number of operational and commercial areas in the medium term, including:

- marketing benefits, through economies of scale;
- improved technology and know-how in the Metal Recycling division focusing on operational efficiencies and metallic recoveries;
- the opportunity to expand Sims Group's existing e-recycling business capitalising on Hugo Neu's existing infrastructure;
- leveraging of Sims Group's non-ferrous expertise to Hugo Neu's developing non-ferrous recycling business; and
- some administrative savings including the consolidation of the Hugo Neu and Sims Group USA head office functions and from other areas such as insurance premiums.

The financial information for New Sims Group set out in Section 6.6 is presented before any synergies.

2.2. Relevant considerations against the Merger

2.2.1. Conditions precedent

Completion is subject to satisfaction or waiver of the Scheme Conditions and the Acquisition Conditions, including completion of the Schnitzer Transaction, as set out in Section 4.2. Delays in satisfaction of these conditions precedent could cause time delays, Sims Group management distraction and business disruption. Some of these conditions precedent are not in the control of Sims Group or Hugo Neu Corporation. If these conditions precedent are not satisfied, the Merger cannot be completed.

Section 2 Benefits of the Merger and considerations against the Merger

2.2.2. Hugo Neu Corporation will own 26.0% of the New Sims Group Shares

Following Completion, Hugo Neu Corporation will own 26.0% of the New Sims Group Shares (on a fully diluted basis). This is sufficient to prevent any third party making a takeover offer for New Sims Group, being able to compulsorily acquire all of the New Sims Group Shares or being able to acquire 100% of the New Sims Group Shares through a scheme of arrangement if Hugo Neu Corporation did not accept the takeover or vote in favour of the scheme of arrangement. Hugo Neu Corporation also has rights to subscribe for further New Sims Group Shares if New Sims Group issues shares in certain circumstances that result in Hugo Neu Corporation's interest in New Sims Group being diluted. These rights are set out in more detail in Section 10.5.

Hugo Neu Corporation will also be entitled, subject to shareholding requirements set out in Section 10.16.2, to nominate two Directors to the New Sims Group Board.

Hugo Neu Corporation's shareholding and Board representation may reduce the likelihood of a takeover or merger offer for New Sims Group from a third party. However, the Sims Group Directors consider it important that Hugo Neu Corporation has a significant shareholding in New Sims Group and that it demonstrates Hugo Neu Corporation and John Neu's commitment to New Sims Group.

Hugo Neu Corporation and New Sims Group have agreed to stand-still and lock-up arrangements (set out in Section 10.5) under which Hugo Neu Corporation may not sell any of its 26.0% shareholding or acquire further shares for an 18 month period from the Implementation Date, except in certain limited circumstances.

2.2.3. May increase volatility of reported earnings

New Sims Group will have a significant proportion of its sales denominated in US dollars. Many of New Sims Group's costs are also in US dollars and it is intended New Sims Group will have US dollar borrowings, providing a partial hedge to movements in the US dollar exchange rate. As New Sims Group will report in Australian dollars, New Sims Group's reported earnings may be influenced by the movements in the A\$/US\$ exchange rate to a greater extent than Sims Group's historical earnings.

2.2.4. Ability of New Sims Group to pay dividends

The consideration for Hugo Neu is in excess of its net assets, creating goodwill on acquisition as set out in Section 6.6.4. Details of the accounting for the acquisition of Hugo Neu and Sims Group by New Sims Group, including treatment of the goodwill arising and other relevant considerations are set out in Section 6.9.

Under AIFRS, goodwill will not be amortised, but will be subject to an annual test for impairment.

The investments recorded in the Statement of Financial Position of New Sims Group for the acquisitions of Hugo Neu and Sims Group are required to be recorded at fair value at the Implementation Date. Under AIFRS, these investments will be subject to impairment testing. To the extent goodwill and the investment in Hugo Neu or the investment in Sims Group is recorded at a value higher than its recoverable amount, the investment will need to be written down in the parent entity accounts of New Sims Group.

New Sims Group will have a retained earnings balance of nil at the Implementation Date. New Sims Group will be reliant on profits generated after the Implementation Date to pay future dividends.

If there is a sustained downturn in operating conditions for the metal recycling industry, the investments in Hugo Neu and/or Sims Group may need to be written down. This may limit the ability of New Sims Group to pay dividends in the year in which the write down occurs to the extent there is not sufficient retained earnings.

In the event that a write down is required in New Sims Group or there are insufficient profits to pay dividends, the New Sims Group Board may consider other methods to supplement shareholder returns, including buying back shares or returning capital to New Sims Group Shareholders.

Section 2 Benefits of the Merger and considerations against the Merger

2.2.5. Increased exposure to cyclical metal recycling industry

The Merger substantially increases Sims Group's exposure to the metal recycling industry. Recycled ferrous metal prices have increased significantly over the last two years with the US No. 1 HMS price to South Korea, an industry benchmark for recycled ferrous metal prices, reaching a reported high of US\$340/MT CIF (cost, insurance and freight paid to a point of destination included in the price) in February 2004 before recently reducing to US\$191/MT CIF in July 2005. Recycled ferrous metal prices have traded in a reported range of US\$295 to US\$191/MT CIF during the 2005 calendar year. Non-ferrous metal prices have also recently traded at high prices relative to historical trading ranges. High ferrous and non-ferrous metal prices have contributed to record profitability for both Sims Group and Hugo Neu in the year ended 31 December 2004. However, there is the prospect that the high levels of demand and pricing for metals may not continue, as evidenced by the recent decrease in recycled metal prices. This may impact the profitability of New Sims Group, as reflected in the recent trading performance of Sims Group and Hugo Neu, set out in Section 6.7.

Further, Hugo Neu Global Trade's earnings have benefited from volatile metal prices, and are unlikely to be sustainable if market conditions decline or become more stable. Hugo Neu Global Trade's earnings may also be adversely impacted by risk management measures that are likely to be undertaken by New Sims Group to ensure compliance with Sims Group's current risk profile, as set out in Section 7.3.

The Sims Group Board and management have considered the risk of metal recycling industry cyclicalities on Acquisition consideration and believe the Merger consideration terms, which include New Sims Group Shares as consideration for Hugo Neu, assist to mitigate this risk to Sims Group Shareholders as industry cyclicalities are likely to be reflected in the value of New Sims Group Shares and hence the Acquisition consideration and maintain a sufficiently conservative financial position.

2.2.6. Environmental and other liability exposure

Sims Group has conducted due diligence on Hugo Neu, including engaging environmental experts GaiaTech Incorporated and Baker & McKenzie LLP to assist with due diligence enquiries. GaiaTech Incorporated undertook Phase I Environmental Site Assessments of Hugo Neu's operating locations. Phase II Environmental Site Assessments have not been undertaken. Sims Group Shareholders should refer to Section 7.3 for more details on Phase I Environmental Site Assessments and Phase II Environmental Site Assessments. Sims Group determined, based on advice following the Phase I Environmental Site Assessments, that this level of assessment constituted a reasonable level of due diligence in the circumstances of the Merger. However, with any level of environmental diligence, there remains a possibility that a material environmental liability may arise that was not discovered by due diligence, or a potential liability was not sufficiently recognised, including any liability associated with inappropriate disposal of ASR.

Under the Contribution Agreement, the agreement under which the Acquisition occurs, New Sims Group has limited contractual rights against Hugo Neu Corporation if there is a breach of a representation or warranty given by Hugo Neu Corporation. Further information, including in respect of the limitations to Hugo Neu Corporation's liability, is set out in Sections 7.3 and 11. Whilst due diligence has been undertaken, there is also the possibility that the Hugo Neu Corporation entities that provided the warranties and indemnities may have insufficient financial capacity to be able to meet their obligations if they are found to be liable to New Sims Group at a later date.

2.2.7. Execution of growth initiatives

Certain growth initiatives currently being implemented or planned by Hugo Neu are key anticipated benefits of the Merger. These initiatives, if approved and implemented, involve significant capital expenditure, as well as the development of undeveloped sites such as the non-ferrous separation plant and associated disposal facility at Navassa, North Carolina. There are risks that these projects will not be implemented in accordance with expectations, or that remaining conditions to their successful development such as outstanding regulatory approvals, will not be received. Further, there is the risk that, despite being successfully implemented, these initiatives do not produce the operating results that are anticipated.

Section 2 Benefits of the Merger and considerations against the Merger

The long term New York City Recycling Contract is currently being negotiated with the City of New York. The current interim contract is terminable at short notice. If the interim contract is terminated, or the long term contract is not signed, or is signed on less advantageous terms than anticipated, the profitability of Hugo Neu would be adversely impacted and the anticipated benefits of the Merger would be reduced.

2.2.8. Integration

While Sims Group has undertaken significant due diligence on Hugo Neu's operations and has extensive experience in managing similar operations, there are risks involved in merging two large operations, including possible disruption to operations and loss of customers and key employees.

2.2.9. Taxation

The exchange of Sims Group Shares under the Merger will generally constitute a disposal of those shares for Australian tax purposes by each Sims Group Shareholder. For many of these shareholders that hold their Sims Group Shares on capital account, it is not anticipated that this disposal will trigger a CGT liability. It is possible that for some Sims Group Shareholders, the Merger may have adverse tax implications depending on their specific circumstances and these implications will constitute a consideration against the Merger for those shareholders. Section 9 sets out further information on potential tax implications of the Merger for Sims Group Shareholders. You should seek appropriate independent professional tax advice if you are uncertain of the tax implications of the Merger in your specific circumstances.

Section 2 Benefits of the Merger and considerations against the Merger

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3.1. Your vote is important

Your vote is important. The Merger (being the Scheme and the Acquisition) will not proceed if the Scheme Resolution, the Share Issue Resolutions and the EGM Resolution concerning the change of the Sims Group name are not passed by the required majorities (which are set out in Section 3.4).

If the Merger proceeds, it will bind all Sims Group Shareholders regardless of whether or not you attended the Scheme Meeting and/or the Extraordinary General Meeting, or if you voted at either or both of those meetings or if you voted in favour of or against the Scheme Resolution and/or the Share Issue Resolutions.

3.2. What should you do?

The Directors believe the Scheme to be important and recommend that you:

- read all of this Explanatory Booklet carefully;
- read carefully the Notice of Scheme Meeting and the Notice of Extraordinary General Meeting, set out in Appendices F and G; and
- exercise your right to vote at the Scheme Meeting and the Extraordinary General Meeting.

3.3. Location

The Court has ordered that the Scheme Meeting be held at 10.00am on 8 September 2005 at James Cook Ballroom, Hotel InterContinental, 117 Macquarie Street, NSW. The Extraordinary General Meeting will be held at the same venue, immediately after the Scheme Meeting but not before 11.00am.

3.4. Approvals

The following resolutions will be considered by Sims Group Shareholders at the Scheme Meeting and Extraordinary General Meeting:

- the Scheme Resolution will be considered at the Scheme Meeting. To be approved it requires a simple majority in number of Sims Group Shareholders present and voting (either in person or by proxy, attorney or corporate representative) at the Scheme Meeting AND at least 75% of the total number of votes that are cast at the Scheme Meeting (in person or by proxy, attorney or corporate representative);
- the Share Issue Resolutions will be considered at the Extraordinary General Meeting. To be approved each requires a simple majority of the votes cast at the Extraordinary General Meeting (in person or by proxy, attorney or corporate representative); and
- the EGM Resolutions will be considered at the Extraordinary General Meeting. These resolutions involve:
 - changing the name of Sims Group to Sims Group Australia Holdings Limited to enable New Sims Group to adopt the name 'Sims Group Limited'. To be approved, this resolution requires a 75% majority vote in favour from the Sims Group Shareholders present and voting (either in person or by proxy, attorney or corporate representative);
 - the grant of equity performance rights to Sims Group Chief Executive, Mr Jeremy Sutcliffe, as part of a new service contract (which is summarised in Sections 10.7.4 and 12). To be approved, this resolution requires a simple majority in number of Sims Group Shareholders present and voting (either in person or by proxy, attorney or corporate representative); and
 - an increase in the cap on total non-executive Directors' fees for Sims Group to A\$1,000,000 per annum. To be approved, this resolution requires a simple majority in number of Sims Group Shareholders present and voting (either in person or by proxy, attorney or corporate representative).

3.5. Conditionality of resolutions at the Scheme Meeting and the Extraordinary General Meeting

The interrelationship between the resolutions to be considered by Sims Group Shareholders at the Scheme Meeting and the Extraordinary General Meeting and the Merger is summarised in the following table:

Resolution	Merger	
	Is Scheme dependent on resolution?	Is Acquisition dependent on resolution?
1. Scheme Resolution	Yes	Yes
2. Share Issue Resolutions:		
• Resolution 1 on the Notice of EGM	Yes	Yes
• Resolution 2 on the Notice of EGM	No	Yes*
3. EGM Resolutions:		
• change of name	Yes	Yes
• Mr Jeremy Sutcliffe's equity performance rights	No	No**
• increase total non-executive Directors' fee cap	No	No

* The passing of the second Share Issue Resolution is a condition precedent to the closing of the Acquisition (see Section 10.3.1 for more details) and as noted in the Independent Expert's Report in Appendix A, the parties to the Contribution Agreement could waive that condition and proceed to close the Acquisition if that resolution is not passed

** It is a condition to closing of the Acquisition that Mr Jeremy Sutcliffe has entered into a new employment arrangement (see Section 10.3.1). Sims Group has agreed a new arrangement with him, which is summarised in Sections 10.7.4 and 12. The equity performance rights that are the subject of the EGM Resolution (resolution 4 on the Notice of EGM) is a component of that arrangement. If that resolution was not approved, Sims Group and Mr Jeremy Sutcliffe may be able to enter into an amended arrangement which would satisfy that Acquisition Condition

3.6. Entitlement to vote

You will be entitled to vote at the Scheme Meeting and the Extraordinary General Meeting if you are the registered holder of Sims Group Shares at 7.00pm on 6 September 2005. No votes may be cast in favour of the Share Issue Resolutions by Hugo Neu Corporation, Hugo Neu Steel Products Inc., Flynn-Learner or New Sims Group or their associates (as that term is defined in section 12 of the Corporations Act).

3.7. Voting at the Scheme Meeting and the Extraordinary General Meeting

You can vote at the Scheme Meeting and the Extraordinary General Meeting:

- in person;
- by proxy;
- by attorney; or
- by corporate representative (if you are a corporate shareholder).

You will be counted as being present at the Scheme Meeting and the Extraordinary General Meeting if you vote in any of the ways outlined above.

Voting on the Scheme Resolution, the Share Issue Resolutions and the EGM Resolutions will be by poll.

3.7.1. How to vote

If you wish to vote in person, you should attend the Scheme Meeting and the Extraordinary General Meeting and bring with you one of the proxy forms enclosed with this Explanatory Booklet.

If you wish to vote by proxy, you must complete and sign the green Scheme Meeting Proxy Form and the blue Extraordinary General Meeting Proxy Form accompanying this Explanatory Booklet. Completed Proxy Forms can be:

----- posted to the Registry, in the envelope provided (prepaid for mailing in Australia) or otherwise delivered to Computershare Investor Services Pty Limited at Level 3, 60 Carrington Street, Sydney NSW 2000; or

----- faxed to the Registry at facsimile number (02) 8235 8220 if you are within Australia or +61 2 8235 8220 if you are outside Australia,

and must be received by Sims Group by 10.00am on 6 September 2005.

If a Proxy Form is completed by an individual or a corporation under a power of attorney, the original or a certified copy of that power of attorney under which the form is signed must also be received by Sims Group by 10.00am on 6 September 2005. Powers of attorney and certified copies of powers of attorney can be provided to Sims Group in the same manner as Proxy Forms.

If you are an attorney and you wish to attend and vote at the Scheme Meeting and/or the Extraordinary General Meeting, you must provide to Sims Group the original or a certified copy of the power of attorney under which you have been authorised to attend and vote at the Scheme Meeting and/or the Extraordinary General Meeting. Original or certified copies of powers of attorney can be provided to Sims Group in the same manner as Proxy Forms and must be received by Sims Group by 10.00am on 6 September 2005.

If you are a corporate shareholder and you wish to appoint a representative to attend the Scheme Meeting and/or the Extraordinary General Meeting, you should ensure that your representative can provide appropriate evidence of its appointment.

3.8. Approval of the Scheme

If the Scheme is approved at the Scheme Meeting, the Court will be asked to approve it once all the Scheme Conditions and those Acquisition Conditions that will not be satisfied by or as a consequence of the Court approving the Scheme, have been satisfied. Further information about the Scheme Conditions and Acquisition Conditions is set out in Sections 10.2.1 and 10.3.1 respectively. The Court hearing for this purpose is expected to be held on 19 September 2005, however, as noted in the Important dates and times Section on page three, this hearing may be delayed if satisfaction of the relevant Acquisition Condition is delayed.

Section 3 Voting

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This Section 4 is to be read subject to the important notice regarding forward looking statements on the inside front cover and the risk factors in Section 7, which include general risk factors and risk factors specific to Hugo Neu.

4.1. History of Hugo Neu Corporation

Hugo Neu Corporation is a private company headquartered in New York. It was founded in 1945 by Mr Hugo Neu. The founder's son, Mr John Neu, is the current Chairman and CEO of Hugo Neu Corporation, which is beneficially owned by Mr Neu's family through trusts.

Hugo Neu Corporation, together with its affiliates and joint ventures, is:

- among the largest recyclers and exporters of recycled ferrous metal in the US;
- a major trader of recycled ferrous metal and alternative steel making raw materials outside of the US;
- a producer and seller of recycled non-ferrous metal;
- involved in recycling of post-consumer metal, plastics and glass for the City of New York; and
- active in real estate and other businesses.

Hugo Neu Corporation began its first metal recycling joint venture with Proler International Corp. in 1962 and went on to establish, acquire and operate various joint ventures in the years thereafter. In 1996, Schnitzer Steel Industries purchased the stock of Proler International Corp. and became the new joint venturer in these Hugo Neu Corporation joint ventures.

In addition, Hugo Neu Corporation, directly or through subsidiaries, currently wholly owns the following operating recycling businesses that are not part of the Merger:

- Hawaii Metal Recycling (which is to be transferred to Schnitzer Steel Industries as part of the Schnitzer Transaction); and
- The Learner Company, a relatively small metal recycling business located in Stockton, California.

Members of the Neu family own a majority economic interest in Pick Your Part Auto Wrecking, an auto salvage parts business, also located in California. Pick Your Part Auto Wrecking is a significant supplier to Hugo Neu West (currently called Hugo Neu-Proler Company) and also supplies Sims Group's California operations.

Hugo Neu Corporation, directly or through subsidiaries, also engages in real estate investment and development as an owner, builder and manager and other businesses that are separate from its recycling operations.

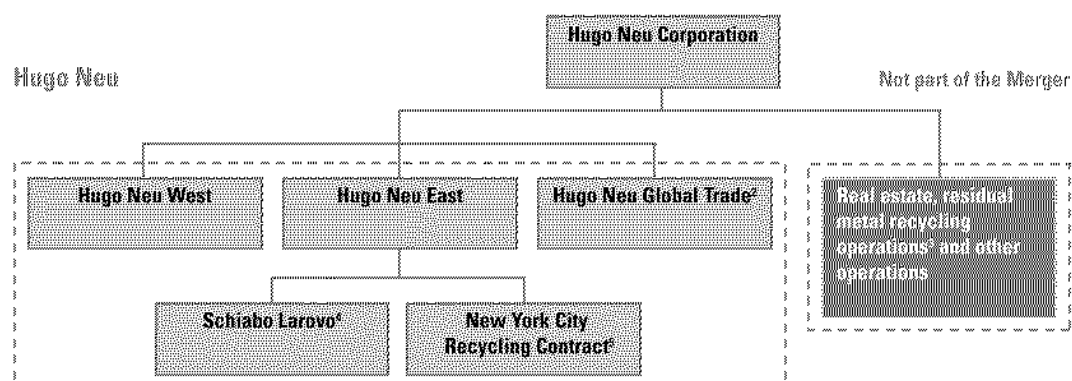
4.2. Hugo Neu Corporation – Schnitzer Steel Industries separation

On 8 June 2005, Hugo Neu Corporation, Schnitzer Steel Industries and certain of their affiliates entered into an agreement to separate their joint ventures. Upon the completion of the Schnitzer Transaction, Hugo Neu Corporation, through its subsidiaries, will own 100% of the entities to become known as Hugo Neu West (currently Hugo Neu-Proler Company), Hugo Neu East (currently Hugo Neu Schnitzer East), and Hugo Neu Global Trade (currently Hugo Neu Schnitzer Global Trade LLC, excluding the Russian and Baltic trading activities which are to be transferred to Schnitzer Steel Industries). These entities, including affiliates, are referred to as 'Hugo Neu' in this Explanatory Booklet.

The closing of the Schnitzer Transaction is subject to satisfaction of a number of conditions, including the obtaining of third party consents, permit amendments or transfers, the repayment of certain existing indebtedness and other customary closing conditions. Hugo Neu Corporation expects that the Schnitzer Transaction will close by September 2005, but delays in the satisfaction or waiver of the conditions to the completion of the Schnitzer Transaction may delay completion until the fourth quarter of 2005. The timing and obtaining of these consents or permit amendments or transfers are uncertain.

A description of the recycling operations of Hugo Neu is set out below. The following description uses the expected future names 'Hugo Neu West', 'Hugo Neu East' and 'Hugo Neu Global Trade'.

Structure of Hugo Neu Corporation following the Schnitzer Transaction¹



Notes:

1. This diagram assumes the closing of the Schnitzer Transaction and selected entity name changes and does not include middle-tier subsidiaries or non-trading entities
2. Excluding the Russian and Baltic trading activities
3. Hugo Neu Corporation will retain The Learner Company, which operates a small metal recycling business that is not part of the Merger and members of the Neu family will continue to own a majority economic interest in Pick Your Part Auto Wrecking, an auto salvage parts business located in California, which is a significant supplier to Hugo Neu West and a supplier to Sims Group's California operations
4. Separate legal entity
5. Separate division within Hugo Neu East

4.3. Hugo Neu metal recycling operations overview

Hugo Neu Corporation has been operating within the metal recycling industry for over 60 years. Hugo Neu sells recycled metal to both US and non-US customers. Hugo Neu is one of the largest processors and exporters of recycled ferrous metal in the US and has built a strong and recognised business within each of the major geographic areas in which it operates: Southern California (Hugo Neu West) and New York and New Jersey (Hugo Neu East). Employing approximately 700 people, Hugo Neu operates 15 metal collection and processing facilities, and operates export terminals with deep-water access in New York (Albany), New Jersey (Port of New York-New Jersey) and California (Port of Los Angeles). Hugo Neu's strategy has been to build and/or acquire processing facilities with deep-water port access. This infrastructure allows sales to be directed to either export or domestic markets where applicable, depending on where the most advantageous prices can be obtained.

Hugo Neu processes and recycles hundreds of thousands of automobiles annually, producing steel, recyclable stainless steel, as well as aluminium, zinc, copper, and other types of recyclable non-ferrous metal, including a mixture of recyclable non-ferrous metal typically referred to as *zorb*. In addition to automobiles, Hugo Neu also processes steel beams, household appliances, and many other kinds of obsolete and new recyclable ferrous metal.

Hugo Neu operates a significant trading division, Hugo Neu Global Trade. Hugo Neu Global Trade trades recycled ferrous metal and alternative steel making raw materials, primarily from North and South America, selling these products to customers around the world. Hugo Neu Global Trade has built a successful new sector of its business sourcing other alternative steel making raw materials and supplying them to Hugo Neu's steel mill customers.

Hugo Neu has also developed a significant new business recycling New York City's post-consumer material, including metal, plastics and glass.

In the year ended 31 December 2004, Hugo Neu sold approximately 4.3 million tonnes of recycled ferrous and non-ferrous metal and alternative steel making raw materials.

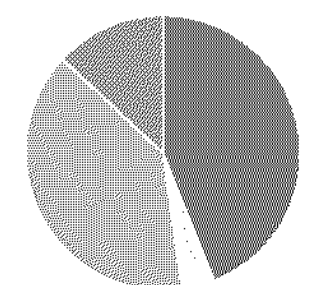
A summary of Hugo Neu's operations is set out in the table below:

	Hugo Neu West	Hugo Neu East	Hugo Neu Global Trade	Total
Shredders	1	2 ¹	n/a	3
Metal recycling operations	7	8	n/a	15
Total sales tonnes (millions) ²	1.6	1.4 ³	1.3 ⁴	4.3

Notes:

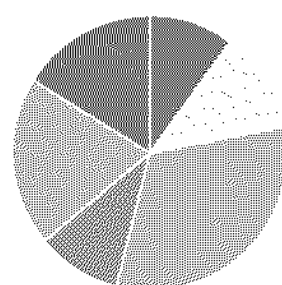
1. A new mega shredder (replacing the two existing shredders) is expected to become operational in late calendar 2005 (Section 4.4 outlines the operational initiatives of Hugo Neu in further detail)
2. Year ended 31 December 2004
3. Includes stainless steel tonnes from Schiabo Larovo and tonnes from New York City Recycling Contract
4. Includes all recycled ferrous metal and alternative steel making raw materials such as pig iron and hot briquetted iron

Business EBITDA contribution CY04



- Hugo Neu East (inc NYCRC) **44%**
- Schiabo Larovo **4%**
- Hugo Neu West **39%**
- Hugo Neu Global Trade **13%**

Sales by destination CY04¹



- Europe **10%**
- North east Asia **12%**
- China **32%**
- South east Asia & Oceania **10%**
- Domestic² **20%**
- Latin America **16%**

Notes:

1. Based on sales value
2. Domestic sales are internal sales in the country of origin

Hugo Neu estimates that it handles approximately 20% of US recycled ferrous metal 'deep sea' exports with sales primarily to steel mills. Steel mill demand in turn is largely driven by heavy industrial demand for steel products. The US is a primary source of recyclable metal. The largest percentage of Hugo Neu exports are to Asia. However, significant sales are made to customers in Europe and Latin America.

4.3.1. Purchasing, processing and selling

Hugo Neu West and Hugo Neu East buy recyclable metal from a range of suppliers, including large and medium sized recycled metal dealers, licensed automobile dismantlers, demolition companies and smaller 'peddlers'. These suppliers provide both prepared recyclable ferrous metal and unprepared recyclable ferrous metal. One major type of material purchased is car bodies, which some suppliers specialise in providing to processors. Much of Hugo Neu's input material is purchased in individual transactions. Unprepared recyclable ferrous metal may contain non-ferrous metal and non-metallic material such as plastics, rubber, carpeting and glass in addition to ferrous metal.

Unprepared recyclable ferrous metal is generally processed in one of four ways:

- shredding: car bodies and 'light iron' (discarded refrigerators and other household appliances, filing cabinets and other metal bearing material) are loaded onto a conveyor belt and fed into a large chamber, where they are shredded by heavy, rotating metal hammers until they fit through a grate onto another conveyor belt. Large pieces of metal are thus transformed into approximately fist sized pieces. Ferrous metal, non-ferrous metal and ASR (containing plastics, rubber, carpeting, glass and other materials) are then separated;
- shearing: metal objects generally too thick or otherwise unsuited for shredding are cut into smaller pieces, using either mobile shears or stationary 'guillotine' style shears. Unprepared material bound for shearing can include train tracks, 'rebar' (steel reinforcing bars used to strengthen concrete) and many other items;
- torching: when material is too thick for shearing, it has to be manually torched in order to be cut up into appropriately sized pieces for selling. Some material is torched and then sheared; and
- baling: some unprepared metal is pressed using powerful baling machines into block-shaped bales. For example, by-products of industrial processes such as metal stamping are baled. This new metal is in contrast to most of Hugo Neu's input material, which falls into the category often called 'obsolete' recyclable metal, such as discarded car bodies and household appliances.

Shredding, shearing and torching transform unprepared input material into prepared output material that is in smaller pieces and is therefore more economically transported, handled and melted by some of Hugo Neu's steel making customers. Shredding also separates the recyclable ferrous metal from other materials in the input stream, creating a product desired by some of Hugo Neu's steel making customers. Baling produces compressed blocks of principally recycled ferrous metal that are valued for their density and other properties by some of Hugo Neu's steel making customers. Products are typically sold with specified composition parameters and other characteristics. One example is shredded recycled ferrous metal, which is normally sold with the maximum copper percentage specified.

Hugo Neu East and Hugo Neu West each has one or more larger locations with facilities such as a deep-water dock, large loading cranes, a shredder, a stationary shear and large material-handling machinery. Each of Hugo Neu East and Hugo Neu West has a number of satellite facilities, or feeder yards, which may do some less capital-intensive processing but are principally geared toward purchasing material for transfer to a larger main facility.

Hugo Neu Global Trade does not own physical metal processing or collecting facilities. Instead, it purchases prepared recycled ferrous metal and alternative steel making raw materials from third-party processors or producers.

Hugo Neu's customers are mainly steel makers. Many of these customers operate electric arc furnaces (known as 'EAF' mills or 'mini-mills'), but Hugo Neu also has many customers mostly producing steel in integrated steel mills (also known as 'BOF' or basic oxygen furnaces). Mini-mills produce steel mostly by melting recycled ferrous metal and alternative steel making raw materials. Integrated mills produce steel from iron ore, coke and other materials, which typically include recycled ferrous metal, but in a lower percentage of total inputs than that normally used by mini-mills.

Hugo Neu also sells recycled non-ferrous metals, principally produced as a by-product of shredding. Hugo Neu's New York City recycling business also processes other post-consumer products, such as metal, plastics and glass, as described in Section 4.3.4.

Hugo Neu's customers for both recycled ferrous and non-ferrous metal are located in the US and outside the US. Hugo Neu's revenues are generated mostly through sales via letters of credit, but Hugo Neu is also paid without letters of credit on some sales. Hugo Neu grants credit to some customers.

4.3.2. Hugo Neu West (currently Hugo Neu-Proler Company)

Hugo Neu West is a major metal recycler on the west coast of the US with a significant position in the Los Angeles market. It buys, processes and sells many grades of recycled metal, including shredded steel, heavy melting steel, plate and structural steel, and busheling and separates the output into ferrous and non-ferrous metals. In addition to processing recyclable metal, Hugo Neu West also buys some material that has already been processed. Hugo Neu West ships its products to steel mills internationally and in the US. Hugo Neu West estimates that it handles approximately 10% of the recycled ferrous metal 'deep sea' exports from the US, including a significant percentage of the total volume available in the Los Angeles area.

Hugo Neu West has its primary facilities located on approximately 25 deep-water frontage acres at Terminal Island, Port of Los Angeles. This facility is supported by a network of five satellite feeder yard facilities in Southern California and one satellite feeder yard facility in Phoenix, Arizona.

Hugo Neu West is one of the principal recyclers in the Southern California basin, which is one of the largest metropolitan areas in the world.

Hugo Neu West's facilities are located at:

- Terminal Island (California);
- Sun Valley (California);
- Colton (California);
- Los Angeles (California);
- Irwindale (California);
- Lynwood (California); and
- Phoenix (Arizona).

Hugo Neu West is currently operating a 6,000 horsepower shredder at its Terminal Island facility; however, the installation of a 9,000 horsepower mega shredder at the Terminal Island facility is expected to be completed by early 2006. It is expected that the 9,000 horsepower mega shredder, which will replace the 6,000 horsepower shredder, will be able to produce approximately 250 tonnes of shredded metal per hour, approximately double the previous capacity, and operate with lower per tonne costs. At the Terminal Island facility, Hugo Neu West also operates a 2,000 ton hydraulic shear, one of the largest in the world.

In the year ended 31 December 2004, Hugo Neu West sold approximately 1.6 million tonnes of recycled metal.

4.3.3. Hugo Neu East (currently Hugo Neu Schnitzer East)

Hugo Neu East is a major processor and exporter of recycled metal on the east coast of the US, with operations principally located in New Jersey and New York (Port of New York – New Jersey and Albany). Hugo Neu East has a strong export market position with access to the US domestic markets.

Hugo Neu East purchases many types of recyclable ferrous metal in New York, New Jersey, Connecticut and Pennsylvania. In addition to processing recyclable metal, Hugo Neu East also purchases some material that has already been processed. Hugo Neu East processes the recyclable metal and separates the output into ferrous and non-ferrous metals. The majority of processing is shredding, although Hugo Neu East also operates several large hydraulic shears and balers.

Hugo Neu East also operates a large fleet of river/harbour barges that allows Hugo Neu East to move a significant percentage of its recycled steel by water, reducing the need for additional truck movements particularly between the operations in New York, New Jersey and Connecticut. Given Hugo Neu East's proximity to densely populated parts of New York and New Jersey, the partial use of barges instead of trucks results in significant operational cost savings and a lessened impact on the surrounding communities in which Hugo Neu operates.

Hugo Neu East has its primary facilities located on approximately 80 deep-water frontage acres at Claremont Terminal at the Port of New York-New Jersey in Jersey City (New Jersey). Hugo Neu East has six satellite feeder yard facilities, with the network covering high-density population areas in New York, New Jersey and Connecticut. The Albany facility also has deep-water port access.

Hugo Neu East's facilities are located at:

- Claremont Terminal, Jersey City (New Jersey);
- Jersey Avenue, Jersey City (New Jersey);
- Queens (New York);
- Albany (New York);
- Bronx (New York);
- Newark (New Jersey); and
- Stamford (Connecticut).

Hugo Neu East currently operates a 6,000 horsepower shredder at its primary processing facility at Claremont Terminal at the Port of New York-New Jersey and another shredder at its facility in Queens, New York. Hugo Neu East expects to complete the installation of a 9,000 horsepower mega shredder by the end of 2005 at Claremont Terminal. The new mega shredder is being built to the same specifications as the mega shredder at Hugo Neu West and is expected to have greater capacity and lower operating costs than the combined capacity of the existing shredders at the Claremont Terminal and Queens locations, which it will replace.

In the year ended 31 December 2004, Hugo Neu East sold approximately 1.4 million tonnes of recycled metal.

4.3.4. New York City Recycling Contract

A key growth initiative of Hugo Neu East is the New York City Recycling Contract. Hugo Neu East has an interim contract with the Department of Sanitation of New York City to accept, process and market the City's collected post-consumer metal, plastics and glass recyclable materials.

Packer trucks owned and operated by New York City deliver the recyclables to Hugo Neu as a commingled (mixed) product. Three Hugo Neu East facilities located at Bronx, Queens and Jersey City receive and process the post-consumer metal, plastics and glass recyclables.

Hugo Neu East pre-processes the recyclables at each of its receiving facilities. The initial step of the pre-processing consists of spreading the recyclables onto a paved surface and using a mobile crane to remove any bulky metal objects such as refrigerators from the recyclables. At Queens

and Jersey City, using a series of mechanical screens, magnets, eddy currents, and conveyors designed and constructed by Hugo Neu East, the recyclables are separated and sorted into ferrous and non-ferrous metals, commingled plastics, commingled broken glass, and residue.

The Queens and Bronx locations receive recyclable materials and sort the material by type. Recyclable materials are then shipped via barge to either the Jersey Avenue or Claremont Terminal operations in the Port of New York-New Jersey in Jersey City. The recyclable metal is transferred to Hugo Neu East's shredders, where it is processed prior to shipment to export and domestic markets.

Hugo Neu East is currently operating under an interim contract with the City of New York that expires on 31 March 2009 (unless this expiry date is modified by the terms of the long term contract discussed below, or the agreement is otherwise extended or terminated earlier in accordance with its terms). Under the interim contract, Hugo Neu East must keep its facilities open 24 hours a day, excluding Sundays and recognised holidays. Hugo Neu East must be able to process material at a rate of six truckloads an hour, or 144 truckloads in a 24 hour period. Hugo Neu is currently processing approximately 550 tonnes of metal, plastics and other post-consumer products, as well as 350 tonnes of glass per day.

A proposed long term, 20 year contract between New York City and a Hugo Neu entity has been announced by the Mayor of New York City, on terms that are being negotiated. Subject to the proposed long term contract being entered into, much of the recycling activity would take place at a customised recycling centre planned to be constructed in Brooklyn, New York. Construction of the Brooklyn facility is expected to commence after the long term contract is signed. Hugo Neu East would operate the planned facility from 10 deep-water frontage acres, leased from the City of New York.

4.3.5. Schiabo Larovo

Operating under the Hugo Neu East umbrella, Schiabo Larovo Company, L.L.C. and its subsidiary Schiabo Larovo-AR, L.L.C. (together 'Schiabo Larovo') purchase, process and sell recycled stainless steel and nickel based alloys. Schiabo Larovo also purchases prepared materials from recycled metal peddlers, third party consolidators and Hugo Neu East. Schiabo Larovo shears, bales, sorts, regrades and remixes the recycled metal to produce a blended product with the optimal amount of nickel content, based on customer requirements.

Schiabo Larovo operates in two locations: Jersey City, New Jersey in the Port of New York-New Jersey and Little Rock, Arkansas. Schiabo Larovo can supply the domestic market as well as the export market from its Arkansas facility, while the emphasis at the Port of New York-New Jersey facility is the export market. Schiabo Larovo's principal markets in recent years have been Korea, Spain and Finland.

4.3.6. Hugo Neu Global Trade (currently Hugo Neu Schnitzer Global Trade LLC)

The Schnitzer Transaction includes dividing the activities of Hugo Neu Schnitzer Global Trade LLC between the Russian and Baltic trading activities (to be acquired by Schnitzer Steel Industries) and the remainder to be owned by Hugo Neu Corporation and combined with Sims Group (referred to as 'Hugo Neu Global Trade').

Hugo Neu Global Trade trades recycled ferrous metal and alternative steel making raw materials, primarily from the US, Canada and South America, selling these products to customers around the world. Products handled by Hugo Neu Global Trade include shredded recycled ferrous metal, pig iron and hot briquetted iron.

Hugo Neu Global Trade's trading activities provide an important means of gaining market information. By trading recycled metal between many countries and many buyers and sellers, Hugo Neu Global Trade gains an insight into the dynamics and trends of the recycled metal marketplace.

Hugo Neu Global Trade enhances customer relationships by enabling Hugo Neu to provide a higher percentage of customers' raw material requirements. The ability to source additional products enables Hugo Neu to continue to service its established customer base, with other products and/or when its processing operations do not have the available inventory, as well as to serve other customers in other markets.

In the year ended 31 December 2004, Hugo Neu Global Trade traded approximately 1.3 million tonnes of recycled metal and alternative steel making raw materials.

4.4. Hugo Neu growth initiatives

Hugo Neu has plans to construct a non-ferrous metal recycling plant at Navassa, North Carolina. Hugo Neu intends the non-ferrous metal recycling plant to be a best-practice centralised processing facility for non-ferrous materials sourced from New Sims Group and potentially from other companies' shredding operations located along the east coast of the US, including Schnitzer Steel Industries. If constructed, Hugo Neu intends this facility to increase the recovery of valuable non-ferrous metals from its shredding operations and, as a result, remove the requirement for each individual shredding operation to have its own non-ferrous recovery facility, providing operating cost benefits. It is also currently intended that the facility be designed to enable the recovery of plastic and other recyclables from the raw material stream received from its shredding operations, if technology is available to do so.

Subject to permitting requirements, a long term disposal facility is expected to be co-located and developed in conjunction with the non-ferrous metal recycling plant. This facility is intended to provide an appropriate long term means of disposal of the reduced waste stream from the non-ferrous metal recycling plant in an environmentally state-of-the-art manner. This disposal facility is expected to enable the non-ferrous metal recycling plant to operate for over 30 years and have the capacity to manage all of New Sims Group's disposal requirements on the east coast for approximately 30 years.

Hugo Neu has entered into a contract to purchase 750 acres in the Town of Navassa, North Carolina, which would be the site for the construction of these two facilities. The purchase is subject to a number of conditions, but would need to be completed by September 2005, unless the date for completion is extended by the seller. Hugo Neu is currently negotiating with the relevant authorities the terms under which permits may be issued to build and operate these facilities. These facilities are expected to help stabilise certain significant operating costs, including disposal costs, in the long term.

4.5. Labour relations

The Hugo Neu businesses to be merged with Sims Group have approximately 700 employees, of whom approximately 50% belong to unions. The labour relations strategy of Hugo Neu has been to maintain good but firm relationships with its unions. Hugo Neu weathered several strikes during the 1970s, 1980s and 1990s to secure important efficiency gains and work rule improvements. Hugo Neu believes that the labour relations environment is satisfactory. Hugo Neu is scheduled to begin contract renewal negotiations at Terminal Island, Los Angeles in August 2005.

4.6. Safety and health

Compliance with safety and health laws and regulations, and the safety and health of its employees are primary objectives of Hugo Neu. Hugo Neu maintains active safety and health management processes at its facilities, utilises a corporate Safety Steering Committee to standardise safety procedures and share 'best practices', and has professional safety and health managers at its major facilities.

4.7. Environmental matters

Compliance with environmental laws and regulations is a significant factor in Hugo Neu's business. In order to raise the standard of environmental compliance, Hugo Neu has invited the expertise and assistance of both local and national environmental organisations, such as The Natural Resources Defense Council, The Riverkeeper, The New York/New Jersey Baykeeper, The Santa Monica Baykeeper, as well as local community organisations. Hugo Neu has familiarised these organisations with its operations and business and has found their assistance and ultimately their advocacy to be invaluable. Furthermore, Hugo Neu is proactive in partnering with these organisations legislatively to promote and advance environmental legislation that is in both Hugo Neu's and their interests.

Hugo Neu is subject to international, federal, state and local environmental laws and regulations concerning, among other things, solid waste disposal, air emissions, wastewater disposal, stormwater discharges, dredging, and employee safety and health. Hugo Neu has taken actions, including the following, to reduce its exposure to environmental issues:

- most of Hugo Neu's facilities operate on concrete surfaces;
- stormwater collection systems have been installed at many of Hugo Neu's facilities;
- it is Hugo Neu's current policy to dispose of all ASR only in permitted landfills;
- radiation detection gates and other inspection processes to prevent the intake of hazardous materials have been implemented or adopted; and
- Hugo Neu has a number of fully dedicated environmental professionals at major facilities.

Hugo Neu is committed to adopting environmental best practices and raising its environmental standards. Approximately US\$20 million has been spent over the last 10 years implementing such practices, including stormwater pollution prevention plans.

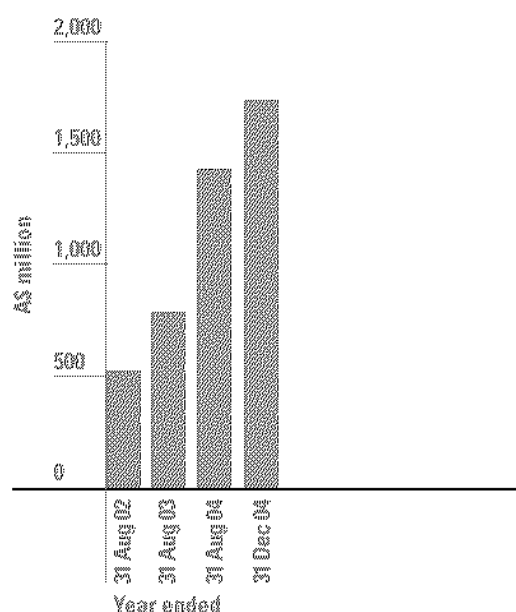
4.8. Hugo Neu financial performance

Hugo Neu has grown strongly in recent years. This growth may be attributed to:

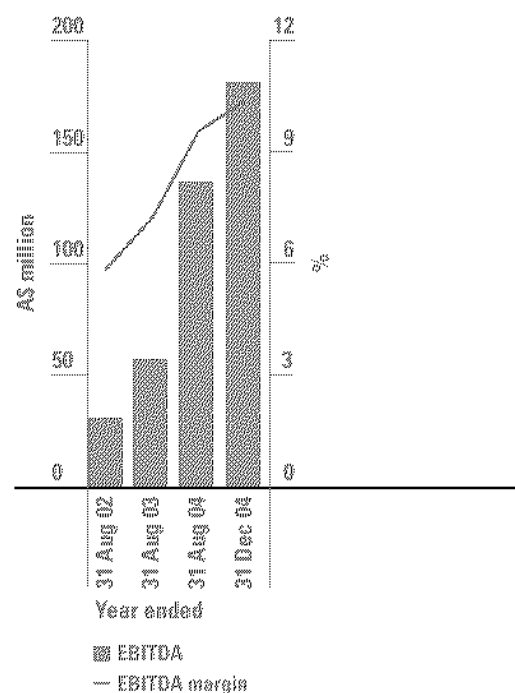
- high global demand for recycled metal, resulting in record high recycled metal prices;
- growth of Hugo Neu Global Trade;
- creation of Hugo Neu's New York City post-consumer recycling business;
- operating improvements in Hugo Neu's processing facilities;
- strengthening of Hugo Neu's management team; and
- implementation of a new financial management and incentive compensation system.

The historical gross sales, EBITDA and EBITDA margins of Hugo Neu are illustrated in the following graphs. The financial performance of Hugo Neu, including recent performance, which has been affected by higher input costs, lower selling prices and adverse weather conditions in some markets, is set out in further detail in Sections 6.5.2 and 6.7 and Appendix B.

Gross sales^{1,2}



EBITDA and EBITDA margin^{1,2}



Notes:

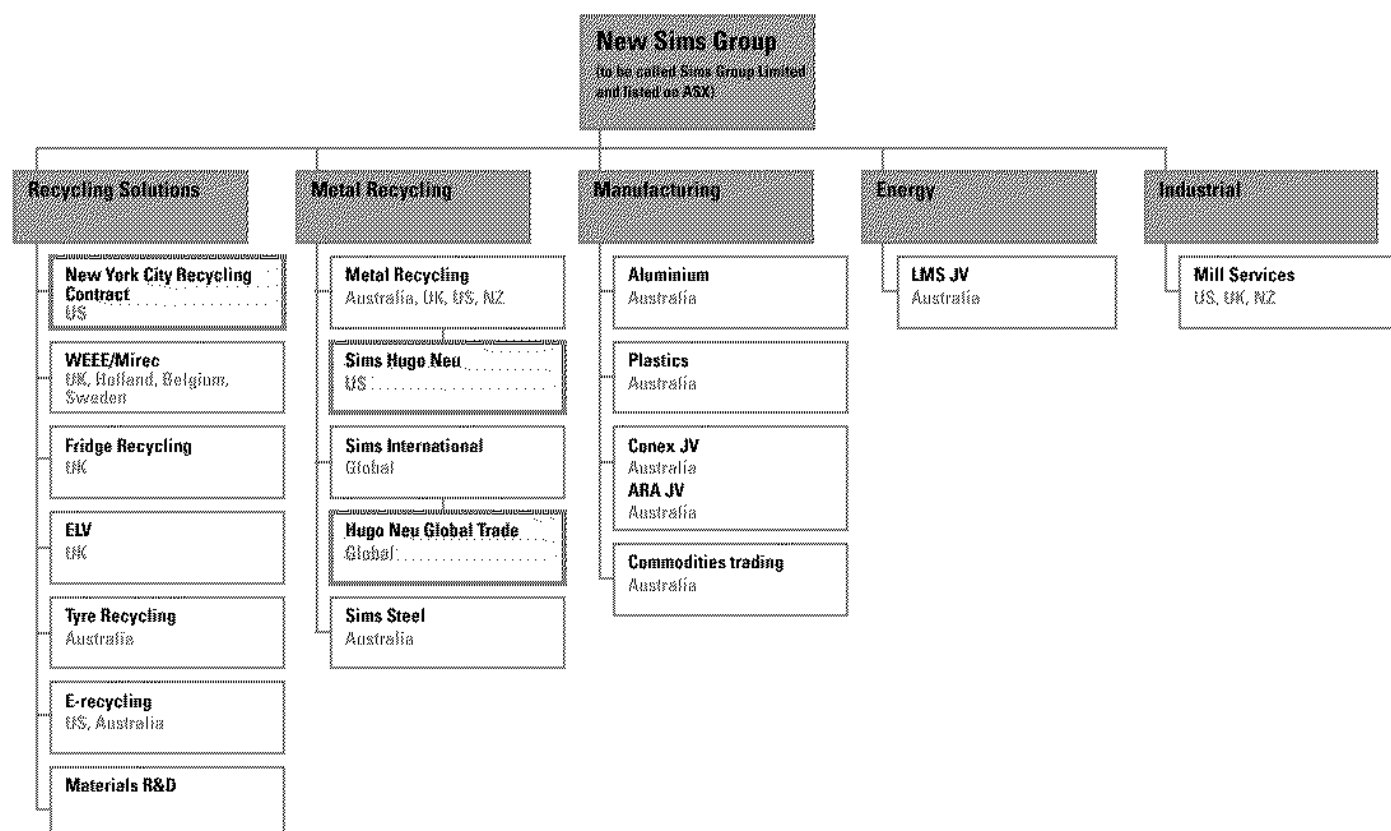
1. Based on AGAAP
2. Pro-forma historical financial information as set out in Section 6.5.2. Hugo Neu US dollar financial information has been converted to Australian dollars at a constant exchange rate of 0.7365 (being the average exchange rate for the year ended 31 December 2004) for the years ended 31 August 2002, 2003 and 2004 and the year ended 31 December 2004.

5.1. Overview of New Sims Group

Following the Merger, New Sims Group will be the largest metal recycler by market capitalisation. It will be the leading global metal recycler on the basis of the size and scope of its global operations, having over 120 physical operations, with number one or two market positions in the US (west and east coasts), Australia, the UK and New Zealand metal recycling markets and a strategic network of offices in Asia. New Sims Group will also have a significant recycling solutions business in Europe and a developing business in the US and Australia. Further information about New Sims Group's recycling solutions businesses is set out in Section 5.2.2.

Hugo Neu West and Hugo Neu East will be combined with Sims Group's existing US metal recycling operations, Sims Group USA. The combined US operations will be renamed Sims Hugo Neu and will operate under the New Sims Group Metal Recycling division.

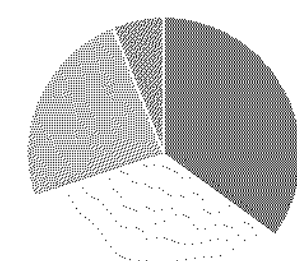
The New York City Recycling Contract operations of Hugo Neu will become a key component of New Sims Group's Recycling Solutions division.



Hugo Neu Global Trade and Sims Group's International division will be integrated.

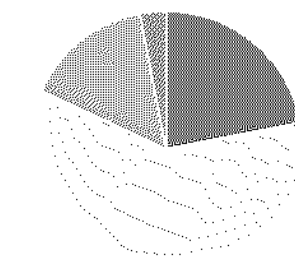
The Merger strengthens the existing operations of Sims Group, with approximately 78% of New Sims Group pro-forma EBIT for the year ended 31 December 2004 generated from markets outside Australia. Approximately 60% of pro-forma EBIT for the year ended 31 December 2004 was generated in the North American market, the region targeted as a key growth region for New Sims Group.

**Sims Group –
EBIT by region CY04**



■ Australia **35%**
■ USA & Canada **35%**
■ UK **24%**
■ New Zealand **6%**

**New Sims Group –
Pro-forma EBIT by region CY04**



■ Australia **22%**
■ USA & Canada **60%**
■ UK **15%**
■ New Zealand **3%**

Ferrous metal recycling will continue to be the principal source of sales for New Sims Group. New Sims Group management considers non-ferrous metal recycling as well as the development of a comprehensive Recycling Solutions division to be key areas of growth.

5.2. Description of operations

5.2.1. Metal Recycling division

New Sims Group will be a geographically diverse metal recycler with a network of processing facilities, many with deep-water port access, supported by an extensive network of feeder yards from which to source recyclable ferrous and non-ferrous metal. In total, New Sims Group will have over 100 metal recycling physical locations as detailed in the table below:

	Metal Recycling		Other divisions	
	Physical operations ¹	Shredders ²	Physical operations	Total operations ¹
Australia	28	5	12	40
New Zealand	10	2	0	10
Papua New Guinea	3	0	0	3
Europe	27	5	8	35
North America	14	5	1	15
Asia (representative offices)	4	0	0	4
Sims Group	86	17	21	107
Hugo Neu	15	3	0	15
New Sims Group	101	20	21	122

Notes:

1. Includes international representative offices

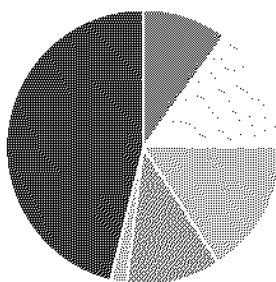
2. Included in metal recycling physical operations

Sims Group and Hugo Neu have approximately 150 years of combined experience in the ferrous and non-ferrous metal recycling industry and have established reputations as suppliers of high-grade processed recycled ferrous and non-ferrous metal to domestic and export customers.

New Sims Group's marketing activity, conducted through Sims International and Hugo Neu Global Trade, will consist of a global network of traders brokering recycled ferrous metal and alternative steel making raw materials as well as delivering real time market information to New Sims Group's global recycling operations.

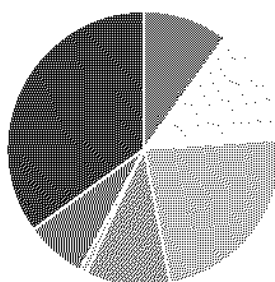
Approximately 35% of New Sims Group's pro-forma sales by value were to regional domestic markets (internal sales in the country of origin) with the remaining 65% exported (based on the year ended 31 December 2004).

**Sims Group –
Sales by destination CY04¹**



■ Europe **10%**
 ■ North east Asia **15%**
 ■ China **16%**
 ■ South east Asia & Oceania **11%**
 ■ USA & Canada **2%**
 ■ Domestic² **46%**

**New Sims Group –
Pro-forma sales by destination CY04¹**



■ Europe **10%**
 ■ North east Asia **14%**
 ■ China **23%**
 ■ South east Asia & Oceania **10%**
 ■ USA & Canada **1%**
 ■ Latin America **7%**
 ■ Domestic² **35%**

Notes:

1. Based on sales value
2. Domestic sales are internal sales in the country of origin

In the year ended 31 December 2004, New Sims Group had pro-forma sales of approximately 8.8 million tonnes of recycled ferrous metal (including non-ferrous shred recoveries) and pro-forma sales of over 350,000 tonnes of recycled non-ferrous metal, representing increases of 91% and 21% respectively compared to Sims Group for the same period on a stand alone basis. Other pro-forma sales (steel distribution and manufacturing) were approximately 150,000 tonnes for the year ended 31 December 2004.

Total shredded volumes for the year ended 31 December 2004, on a pro-forma basis, were 3.8 million tonnes, a 64% increase on those volumes for Sims Group for the same period on a stand alone basis.

North America

New Sims Group's Metal Recycling division will consist of Sims Group's existing 14 North American physical operations located in California, Virginia and British Columbia (Canada), combined with Hugo Neu's 15 physical operations in New Jersey, New York, Connecticut, Arkansas, California and Arizona. New Sims Group will have shredders located in Virginia (Richmond, Chesapeake and Petersburg), New Jersey (Jersey City), California (Los Angeles and Redwood City), Richmond (British Columbia), as well as Queens (New York) prior to the decommissioning of this shredder when the New Jersey mega shredder is operational.

New Sims Group will be the largest recycled metal exporter on both the west and east coasts of the US with operations of similar scale and market position on both coasts. This geographic diversity and deep-water port access will enable New Sims Group to divert sales between export and domestic markets to maximise profitability. Other operational benefits include reduced exposure to regional issues and flexibility of ports of origin to minimise freight movements and reducing risks of berthing delays often experienced by users of unaffiliated terminal facilities.

New Sims Group will have a significant presence on the west coast of the US, with operations in North California, centred on San Francisco and South California, centred on Los Angeles. The scale of operations, particularly following the expected completion of the 9,000 horsepower mega shredder at Terminal Island, Los Angeles, together with the recyclable non-ferrous metal recovery plant recently installed at the Port of Los Angeles, offers the potential for lower operating costs and enhanced non-ferrous recoveries, thereby increasing the operating and marketing position of the combined operations.

On the east coast of the US, New Sims Group will have significant operations in New York, New Jersey and Virginia, presenting a strategic foundation upon which New Sims Group can build geographically both organically and through acquisitions. New Sims Group will also have the ability to conduct 'two-port loading', with ships being loaded with processed recycled metal at both New York or New Jersey and Virginia providing operational flexibility and competitive advantage.

The acquisition of the majority of the assets and business of Bay Bridge Enterprises in May 2004 and the leasing and recommissioning of Chaparral Steel's site and decommissioned shredder in June 2004, consolidated Sims Group's position in Virginia. These new facilities, combined with additional feeder yards currently being developed, provide a sound platform for future growth in that region. The development of the new mega shredder at Hugo Neu East's operations in New Jersey consolidates the existing strong presence in that region. New Sims Group intends to capitalise on its expanded east coast position and pursue further acquisition opportunities, subject to all strict acquisition criteria being satisfied.

The planned North Carolina non-ferrous metal recycling plant and associated disposal facility, detailed in Section 4.4, is expected to source materials from New Sims Group and potentially other companies' shredding operations located along the east coast of the US. New Sims Group expects to benefit from the increased non-ferrous and other non-metallic recoveries across its east coast operations. As this facility will replace the less efficient non-ferrous recovery operations at New Sims Group's existing shredder sites, cost savings are expected.

In the year ended 31 December 2004, New Sims Group's US metal recycling operations had pro-forma sales of approximately 5.3 million tonnes of recycled ferrous metal and approximately 133,000 tonnes of recycled non-ferrous metal.

Australasia

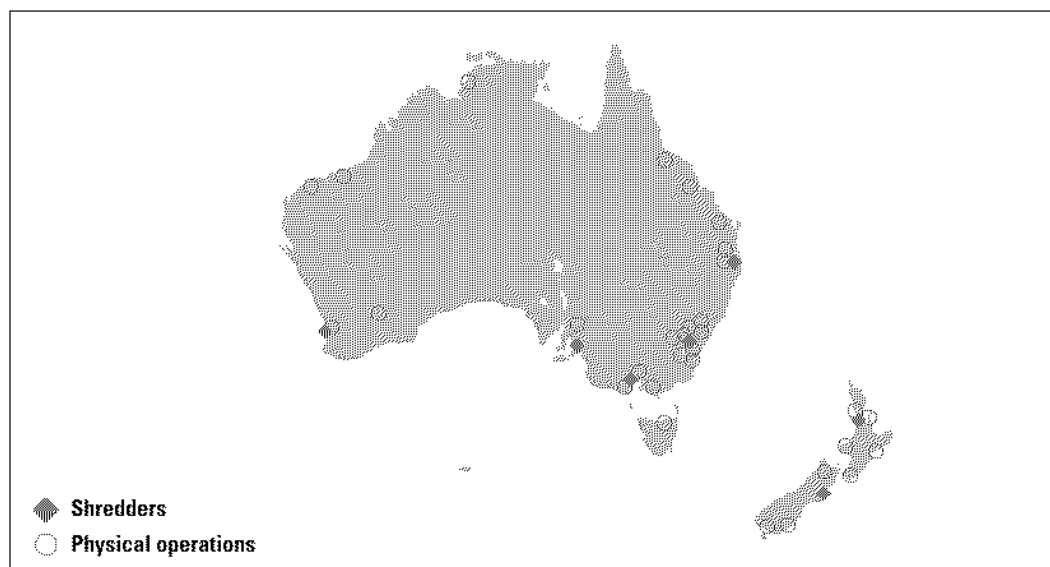
New Sims Group will be the largest metal recycler in the southern hemisphere, with 28 metal recycling physical operations in Australia, ten metal recycling physical operations in New Zealand and three metal recycling physical operations in Papua New Guinea. New Sims Group will operate five shredders in Australia and two shredders in New Zealand.

With shredders located in major population centres, New Sims Group has the number one market position in both Australia and New Zealand, both of which are stable, mature markets. Recent increases in shredder utilisation has led to improvements in shredder production and, at the same time, improvements in non-ferrous metal yields. Ongoing investment and modification will ensure that plant and equipment operate efficiently from a unit cost and metallic recovery perspective.

New Sims Group will also operate steel distribution in Australia. New Sims Group will sell a wide range of steel products to a broad range of customers through an expanding number of warehouse facilities mainly located on New Sims Group owned properties.

In the year ended 31 December 2004, New Sims Group's Australia and New Zealand metal recycling operations had pro-forma sales of approximately 1.8 million tonnes of recycled ferrous metal and approximately 182,000 tonnes of recycled non-ferrous metal.

Australia and New Zealand metal recycling operations



Europe

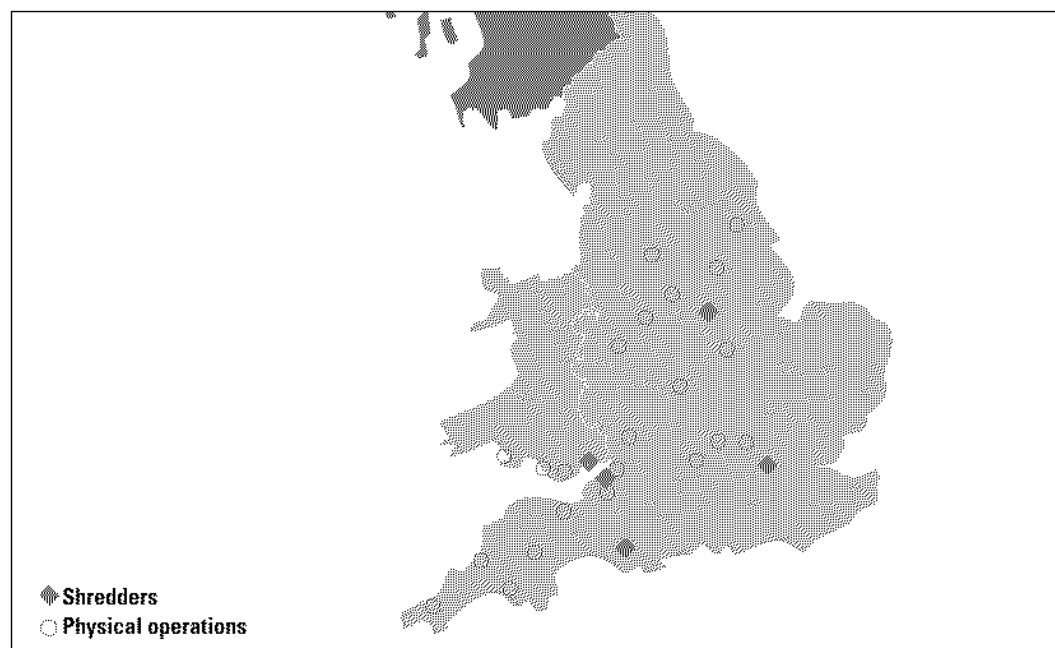
New Sims Group will have metal recycling operations in the UK, where it will be one of the leading operators recovering and processing recycled ferrous metal with 27 physical operations.

The acquisition of Philip Services in 2000 established Sims Group as one of the top two metal recyclers in the UK market. New Sims Group will operate five ferrous metal shredder sites, strategically located to serve domestic customers and export markets. The new mega shredder at Newport, with rapid loading dock crane and new rail link delivering material direct to the facility, deliver significant efficiencies.

Satellite operations, extending throughout England and Wales, facilitate the supply of metal through to larger processing facilities. Most of the facilities are accredited under the ISO 9001 Quality Assurance system. The non-ferrous operations are integrated with many of the ferrous metal sites throughout the UK, offering a comprehensive service to suppliers.

In the year ended 31 December 2004, New Sims Group's UK metal recycling operations had pro-forma sales of approximately 1.7 million tonnes of recycled ferrous metal and approximately 38,000 tonnes of recycled non-ferrous metal.

UK metal recycling operations



5.2.2. Recycling Solutions division

The Recycling Solutions division was created in response to the increasing social and political pressures to prevent undesirable and often hazardous materials being disposed of in an environmentally unsound manner. Key legislative initiatives include:

- European Union producer responsibility legislation including the Ozone Depleting Substances Regulations, the Waste from Electrical and Electronic Equipment ('WEEE') Directive and the End-of-Life Vehicle ('ELV') Directive, which require producers to dispose of post-consumer products in a compliant manner, with great emphasis placed on the mandatory requirement to achieve recycling targets; and
- arrangements, similar to the contract between the Department of Sanitation of New York City and Hugo Neu, whereby a company or companies have a commercial arrangement to collect, receive and recycle post-consumer products from a particular area.

Post-consumer products such as TVs, radios, computers and other electronic and electrical consumer goods have very little residual value, and the safe processing of their content generally costs more than the material value that can be recovered. This has led to a wide range of fee-for-service business opportunities for the Recycling Solutions division.

North America

Hugo Neu's proposed non-ferrous separation plant in North Carolina provides the opportunity to increase yields and extract additional non-metallic recyclables, including plastics, from materials that would otherwise have been disposed of in a landfill.

The addition of the interim New York City Recycling Contract gives the Recycling Solutions division scale in the US and expands the scope of the Recycling Solutions division from operations principally focused on legislative based solutions for post-consumer goods to the more generalised recycling of kerb-side post-consumer metal, plastics, glass and, in the future, potentially paper. The contract is expected to enhance the contribution of earnings that are less leveraged to the recycled metal price cycle. The intellectual property developed through operating

the New York City Recycling Contract is expected to provide a base to expand this model into new locations where existing infrastructure facilitates the processing of kerb-side recyclables. New Sims Group expects to continue to develop new technologies and processes to increase efficiency of recovering recyclable materials and minimise residual waste.

Sims Group currently operates electronic product de-manufacturing operations ('e-recycling'), in Hayward, California and Richmond, Virginia. These operations recently expanded the customer base from waste management companies to local authorities and corporate customers. The addition of the Hugo Neu sites provides infrastructure to support an expansion of Sims Group's electronic product recycling capabilities to those geographic locations.

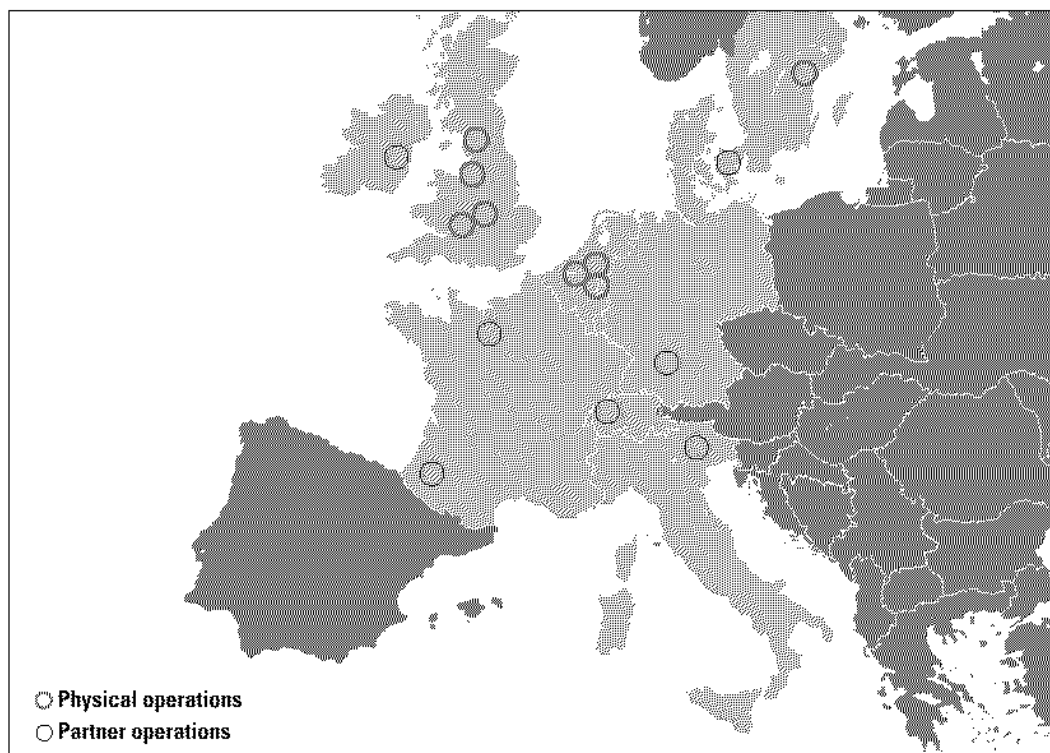
In particular, e-recycling legislation such as the banning of cathode ray tube disposal in landfills, and Hugo Neu's existing infrastructure in Los Angeles, offer the potential for e-recycling facilities in South California, expanding upon Sims Group's existing presence in North California. Potential e-recycling legislation in New York and New Jersey is also expected to provide a suitable environment for the Recycling Solutions division to operate.

UK and Europe

New Sims Group will have a broad range of Recycling Solutions division operations in Europe consisting of:

- the largest fridge recycling operation in the UK;
- WEEE goods recycling and recovery and asset management operations in Europe;
- ELV de-pollution and recycling operations in the UK; and
- non-ferrous dense media separation facilities in the UK.

European recycling solutions operations



Fridge recycling

New Sims Group will operate the UK's largest and most sophisticated fridge recycling operation using leading technology to fragment domestic and commercial fridges within an enclosed environment. This ensures that ozone depleting substances can be safely removed for destruction. The remaining materials are separated mechanically into product streams including steel, non-ferrous metals, plastics and foam. These products are then marketed in the recycled materials market.

The fridge recycling facilities, located at Newport, currently handle approximately 750,000 domestic fridges and 20,000 commercial refrigeration units per annum. New Sims Group will have collection sites spread strategically throughout England and Wales. This is a major advantage in the increasingly competitive fridge recycling market.

WEEE

Under the European Union Directive, producers of WEEE will be obliged to meet the costs of recovery and recycling of WEEE. Servicing the needs of the WEEE manufacturing industry and local authorities in processing WEEE in an effective, environmentally sound and legislative compliant manner is expected to be a growth opportunity for New Sims Group.

The WEEE Directive has been voluntarily adopted in the Netherlands, Belgium, Sweden, Denmark, Austria and Norway. All member states of the European Union (including the UK) are required to adopt the WEEE Directive by August 2005, as are all future member states of the European Union.

Sims Group acquired Mirec in 2004. The expanded Recycling Solutions division now has operations in the UK, the Netherlands, Belgium and Sweden, with partners in Denmark, Ireland, Germany, France and Italy. Mirec provides a platform to enhance the UK recycling solutions business as European Union legislation continues to take effect in the UK.

ELV recycling

There are approximately two million ELVs per year that must undergo legislated detailed de-pollution. The European Union Directive on ELVs prescribes standards of recycling and recovery that are significantly more stringent than industry standards. Currently, it is estimated that 75% to 80% of an ELV is recycled or recovered, mainly in the form of spare parts and metals. However, the ELV Directive prescribes that from:

- 2006, an average of 85% of an ELV is to be recycled or recovered (recovery can include energy recovery) with at least 80% recycled;
- 2015, 95% must be recycled or recovered, with 85% being recycled.

Anticipating the expected growth in ELV recycling, the Recycling Solutions division has developed de-pollution facilities across its network of UK recycling facilities. These facilities offer a complete solution for the de-pollution, recovery and recycling of ELVs in accordance with UK legislation. Research undertaken at Avonmouth has facilitated Sims Group installing de-pollution equipment at all 22 of its ELV receiving facilities.

Non-ferrous dense media separation

New Sims Group's dense media separation facilities are adapted specifically for the recovery of non-ferrous metals – chiefly from the non-ferrous by-product resulting from the shredding of ELVs and other end-of-life goods.

Other recycling initiatives

The UK business recently commissioned a plastics recycling plant to upgrade and separate different types of post-consumer plastics, particularly from fridges and electronic and electrical goods. This technology has relevance for both the WEEE and ELV Directives. The UK business is also conducting trials of plant to separate the constituent glass types of TVs and monitors. This is expected to add value to glass recycle.

Australia

The Australian operations of the Recycling Solutions division expanded during 2004 through the acquisition of Australia's largest tyre recycler, Devote Pty Ltd. Following this acquisition, New Sims Group has a significant market presence in both the collection of tyres and the production of and marketing of recycled 'rubber crumb'.

Sims Group is establishing an IT and electronic product recycling programme and operations in Australia to address the growing social and environmental problem that end-of-life computers and other IT equipment represents. As part of this programme, Sims Group announced, in February 2005, it was establishing Australia's first national comprehensive e-recycling network in joint venture with a leading Australian solid waste company.

5.2.3. International division

New Sims Group's expanded International division will conduct trading and brokerage of recycled ferrous and non-ferrous metal and other steel making raw materials through operations with headquarters in Australia and the US. The expanded International division will comprise Sims Group's existing International division and Hugo Neu Global Trade.

Supported by a significant international trading network and trading offices in China, Malaysia, Vietnam and India, this expanded division will handle international transactions and brokerage of recycled ferrous and non-ferrous metals on behalf of New Sims Group. The International division will be enhanced by the materials Hugo Neu Global Trade currently sources from the Americas and other international locations. The division will also provide all shipping, transport, customs clearance and contract and banking facilitation services associated with delivery.

New Sims Group will be able to service its established customer base with the expanded range of New Sims Group products, or external products when its processing operations do not have the available inventory, as well as serving other customers in other markets. This is expected to enhance customer relationships by providing scope for the provision of a greater percentage of their raw material requirements. The expansion of the division is also expected to increase the International division's market information, providing valuable information flows to New Sims Group.

5.2.4. Manufacturing division

New Sims Group will operate a Manufacturing division, located in Australia and consisting of:

- aluminium recycling;
- plastics recycling;
- lead and copper based alloy recycling via two joint ventures – Australian Refined Alloys Pty Limited (50% interest) and Consolidated Extrusions Pty Limited ('Conex') (33.3% interest). Following discussions with Sims Group and a resolution of the Conex board, Crane Group Limited, the owner of the remaining 66.7% interest in Conex, announced on 21 July 2005 that Conex would be closed, with closure expected to be completed by December 2005; and
- commodities trading.

Aluminium

The Aluminium division is Australia's largest producer of specification grade aluminium alloy, primarily for the Australasian automotive industry. It provides a number of innovative recycling solutions, including the recovery of aluminium and salt from salt slag, a by-product of aluminium production and the supply of molten aluminium alloy to the domestic die-casting industry.

The majority of the raw materials utilised are sourced from the Metal Recycling division's extensive collection network throughout Australia. The material is sorted and packaged for despatch to New Sims Group's Melbourne smelter, where it is melted, alloyed and cast into ingot for delivery to both domestic and overseas customers.

Plastics

The Plastics division recycles high value plastic polymers including post-consumer plastics, plastics from the automotive industry and environmentally sensitive plastics such as agricultural sheeting. Products are granulated, washed, blended and then extruded into specification plastic bead like pellets. The pellets are then sold as raw material to be used in the production of new agricultural plastic film, car battery cases, agricultural drainage pipe and a range of other products.

Lead alloy recycling

Australian Refined Alloys Pty Limited ('ARA') is a joint venture (50% interest) with Zinifex Limited (50% interest). ARA is the largest and only significant producer of secondary lead in Australia, supplying ingot to the Australian domestic battery industry and export markets.

Commodities trading

The commodities trading business distributes a wide array of semi-fabricated raw material products through the metal recycling division network to a range of manufacturing companies throughout Australia.

5.2.5. Energy division

New Sims Group will operate an Energy division, comprising a 25% equity interest (with the right to convert A\$8 million in convertible notes to move to a total of 50% equity interest) in Landfill Management Services Pty Limited ('LMS'). LMS is a specialist landfill gas and renewable energy company. LMS' principals pioneered the use of landfill gas to energy in Australia over two decades ago. LMS continues to research, install and develop gas systems, renewable energy and power generation technologies. LMS continues its evolution from a landfill gas management business to a power generation business.

5.2.6. Industrial division

New Sims Group, through its Industrial division, will provide mill services in the US, the UK and New Zealand, including charge blending, furnace loading and stockpile management services to EAF steel plants and other customers.

5.3. Directors and officers and corporate governance issues for New Sims Group

5.3.1. Directors of New Sims Group

Paul Mazoudier – BA, LLB (Hons) (age 63) – Chairman

Chairman of Sims Group since 1999 and independent non-executive Director since 1991.

Chairman Environmental, Occupational Health and Safety Committee, Remuneration Committee and Nomination Committee. Ex officio member Audit and Compliance Committee. Formerly an executive director of Sims Consolidated (1974 to 1979) and former partner and NSW Chairman of Minter Ellison, lawyers. Director and Chairman of Bishop Technology Group Limited and Atlas Copco Australia Pty Limited and a director of HPAL Limited.

John Neu – BA, LLB (age 67) – Vice Chairman

Chairman and CEO of Hugo Neu Corporation since 1985. Graduate of Cornell University, Harvard Law School, and Harvard Business School's Advanced Management Program. Received his LLB in 1962, after which he practised for two years as an attorney. In 1964, joined Hugo Neu Corporation and held various management and officer positions before being appointed CEO in 1985. On the board of the Liberty Humane Society and is actively involved in a number of community and environmental organisations, including the New York/New Jersey Baykeeper and Edison Wetlands Association.

Mr John Neu will become a New Sims Group Director and a member of the Finance and Investment Committee, Nomination Committee and Environmental, Occupational Health and Safety Committee at Completion.

Jeremy Sutcliffe – LLB (Hons) (age 47) – Group Chief Executive

Director since 1 March 2002. Member Environmental, Occupational Health and Safety Committee, Finance and Investment Committee, Nomination Committee, Disclosure Committee and Remuneration Committee. Board member of the Ferrous Division of the Bureau of International Recycling, member of the Business Council of Australia and the Australian Institute of Company Directors. Joined Sims Group in 1990 and has held various senior executive positions including Chief Executive UK before assuming the position of Sims Group Chief Executive on 1 March 2002. Director of other Sims Group subsidiaries and associated companies.

Geoffrey Brunsdon – BCom (age 47)

Independent non-executive Director since 1999. Chairman Finance and Investment Committee. Chairman of ING Private Equity Access Ltd. Head of Investment Banking, Merrill Lynch Australia. Chartered Accountant and an Associate of the Securities Institute of Australia.

Charles Copeman – AM, BEng (Mining) (age 75)

Independent non-executive Director since 1991. Member Environmental, Occupational Health and Safety Committee and Audit and Compliance Committee. From 1982 to 1988, he was Chief Executive and a director of the Peko Wallsend Group, which included the Sims Group companies. Director of Mosaic Oil NL.

Ross Cunningham – BSc (Metallurgy), MBA (age 60)

Director since 1984. Member Finance and Investment Committee and Disclosure Committee. Fellow of the Australian Institute of Company Directors and member of the Financial Executives Institute of Australia. Joined Sims Group in 1967 and has held various senior positions in Australia and south east Asia including General Manager NSW and General Manager Finance and Administration. Currently Executive Director Group Finance and Strategy. Director of other Sims Group subsidiaries and associated companies.

Michael Feeney – BCom (Marketing) (age 59)

Independent non-executive Director since 1991. Chairman Audit and Compliance Committee. Member Remuneration Committee and Nomination Committee. Formerly Finance and Strategy Director for Philip Morris, Executive Director Strategy and Corporate Affairs for Elders IXL and Executive Director Corporate Strategy of Elders Resources NZFP. Principal Collins Partners Corporate Advisory. Director of Feltex Carpets Limited and Carpet Call Pty Limited.

Paul Varello – BCE (Civil Engineering) (age 61)

President and CEO of Commonwealth Engineering and Construction of Houston, Texas. Prior to founding Commonwealth in 2003, spent 25 years in the engineering and construction industry, including 18 years with Fluor Corporation in various capacities, including President of the Process Sector. Left Fluor Corporation in 1990 to become Chairman and CEO of American Ref-Fuel Company, a major waste-to-energy firm that he led for 11 years. Bachelor's degree in Civil Engineering from Villanova University and a graduate of Harvard Business School's Advanced Management Program. A registered professional engineer in California, Texas and Louisiana and a member of the American Society of Civil Engineers and the American Institute of Chemical Engineers. Also serves on the board of directors of the publicly held Ryland Group, one of the largest homebuilders in the US.

Mr Varello will become a New Sims Group Director and a member of the Audit and Compliance Committee and Remuneration Committee at Completion.

5.3.2. Management of New Sims Group

Sims Group management

Jeremy Sutcliffe – Group Chief Executive

Ross Cunningham – Executive Director Group Finance and Strategy

Frank Moratti – Company Secretary

Darron McGree – Group Executive General Manager, Australia

Tom Bird – Managing Director, Metal Recycling, Sims Group, UK

Graham Davy – Managing Director, Sims Recycling Solutions, Europe and North America

Kumar Radhakrishnan – General Manager, Sims International

Sims Hugo Neu management

John Neu – Vice Chairman

Don Hamaker – Chief Executive Officer, Sims Hugo Neu, North America

Rick Jansen – President and Chief Operating Officer, Sims Hugo Neu, North America

Myles Partridge – Chief Financial Officer, Sims Hugo Neu, North America

Bill Schmiedel – Senior Vice President International Trading, Sims Hugo Neu, North America

5.3.3. Corporate governance

It is proposed that New Sims Group adopt a board charter and committee structure similar to that currently adopted by the Sims Group Board. It is intended that the Sims Group committees, charters and policies relating to corporate governance (as set out below) will be adopted in substantially their present form by New Sims Group.

The Sims Group Board considers itself to be in compliance in all material respects with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (March 2003) ('ASX Governance Recommendations'). There are 10 key principles of corporate governance set out in these recommendations. These principles, and the Sims Group response to them, which it is intended will also be adopted by New Sims Group, are as follows:

Principle 1: Lay solid foundations for management and oversight

Sims Group has a Board Charter, which formalises the functions reserved to the Board, and those delegated to management. Under this Charter, the functions of the Board include overall corporate governance of the Sims Group including overseeing of its control and accountability systems; appointing, removing and appraising the performance of the chief executive; on the recommendation of the chief executive, appointing and where appropriate, removing, the chief financial officer, company secretary and group general manager internal audit and compliance; providing input to, and final approval of, management's development of corporate strategy and performance objectives; monitoring senior management's performance; reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance; and approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments, and financial and other reporting.

Principle 2: Structure the board to add value

Independent Directors currently comprise a majority of the Board and the Chairman is an independent Director. If Completion of the Merger occurs, Hugo Neu Corporation will nominate Mr John Neu and Mr Paul Varello to be New Sims Group Directors. As Mr John Neu is closely associated with, and may be removed at any time by Hugo Neu Corporation, which is a

substantial shareholder of New Sims Group, he is not considered independent for the purposes of the ASX Governance Recommendations.

While Mr Varello has been nominated by Hugo Neu Corporation, he has no financial interest in Hugo Neu Corporation or its subsidiaries and is not an office holder with Hugo Neu Corporation or its subsidiaries or otherwise associated with Hugo Neu Corporation. He cannot be removed by Hugo Neu Corporation at any time (Hugo Neu Corporation's right to remove him is restricted to preventing him from offering himself for re-election when Mr Paul Varello retires by rotation – see Section 10.16.2 for more information). For these reasons, the current Board considers Mr Paul Varello to be an independent director for the purposes of the ASX Governance Recommendations.

This means that after completion of the Merger, a majority of the New Sims Group Board will be independent.

The roles of Chairperson and Group Chief Executive are not exercised by the same person. This will continue to be the case after the Merger. The Board has adopted specific principles in relation to Directors' independence. These state that to be deemed independent, a Director must be a non-executive Director and certain other specified conditions must have been met, including that the Director must not be a substantial shareholder of Sims Group or directly associated with a substantial shareholder of Sims Group.

Directors have the right, in connection with their duties and responsibilities, to seek independent advice at Sims Group's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

The Board has a Nomination Committee responsible for advising the Board on the composition of the Board and reviewing the performance of the Board and individual Directors. The Nomination Committee has adopted a charter available at www.sims-group.com. A description of the Board's procedures for the selection and appointment of new Directors is available at www.sims-group.com. The initial members of the New Sims Group Nomination Committee will be Paul Mazoudier, Jeremy Sutcliffe, Michael Feeney and John Neu.

Principle 3 and Principle 10: Promote ethical and responsible decision-making; and recognise the legitimate interests of stakeholders

Sims Group has a Code of Conduct and a policy on dealing in Sims Group securities. A copy of these documents is available at www.sims-group.com. The Board has established a Finance and Investment Committee that operates in accordance with its charter. The initial members of the New Sims Group Finance and Investment Committee will be Geoffrey Brunson, Jeremy Sutcliffe, Ross Cunningham and John Neu.

Principle 4: Safeguard integrity in financial reporting

The Board has an Audit and Compliance Committee to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to Sims Group's financial reporting, internal control structure, risk management systems, and the internal and external audit functions. At least three members of the Audit and Compliance Committee are required to be independent Directors. The Audit and Compliance Committee has a charter and Sims Group has a policy and procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. A copy of these documents is available at www.sims-group.com. The initial members of the New Sims Group Audit and Compliance Committee will be Paul Mazoudier, Jeremy Sutcliffe, Michael Feeney, Charles Copeman and Paul Varello.

Principle 5: Make timely and balanced disclosure

Sims Group has a Market Disclosure Policy and procedures for compliance, available at www.sims-group.com.

The Board has a Disclosure Committee, which operates in accordance with its charter. The initial members of the New Sims Group Disclosure Committee will be Jeremy Sutcliffe and Ross Cunningham.

Principle 6: Respect the rights of shareholders

Sims Group has a statement on communications with shareholders. A copy of this document is available at www.sims-group.com.

Principle 7: Recognise and manage risk

Sims Group has adopted a Risk Management Policy and a statement on internal compliance and control systems. A copy of these documents is available at www.sims-group.com.

The Board has an Environmental, Occupational Health and Safety ('EOHS') Committee, which operates in accordance with its charter. The initial members of the New Sims Group EOHS Committee will be Paul Mazoudier, Jeremy Sutcliffe, John Neu and Charles Copeman.

Principle 8: Encourage enhanced performance

Sims Group has a statement describing the performance evaluation process of the Board, its committees, individual Directors and key executives. A copy of this document is available at www.sims-group.com.

Principle 9: Remunerate fairly and responsibly

The Board has a Remuneration Committee to support and advise the Board in fulfilling its responsibility to shareholders of ensuring that Sims Group has coherent, fair and responsible remuneration policies that are observed and which enable it to attract and retain executives and Directors who will create value for shareholders. The Remuneration Committee has adopted a charter that is available at www.sims-group.com. The initial members of the New Sims Group Remuneration Committee will be Paul Mazoudier, Jeremy Sutcliffe, Paul Varello and Michael Feeney.



6.1. Introduction

This Section sets out the Historical Financial Information for Sims Group as set out in Sections 6.2.2 and 6.4, Hugo Neu as set out in Sections 6.2.3 and 6.5 and New Sims Group as set out in Sections 6.2.4 and 6.6.

This Section also sets out information regarding:

- general assumptions underlying the preparation of the Historical Financial Information (Section 6.3);
- the trading performance of Sims Group, Hugo Neu and New Sims Group for the three months ended 31 March 2005 (Section 6.7);
- Sims Group's expected financial results for the year ended 30 June 2005 and the outlook for Sims Group and the impact of the Merger (Section 6.8);
- relevant accounting considerations (Section 6.9);
- significant differences between reporting under AGAAP and AIFRS for Sims Group, Hugo Neu and New Sims Group (Section 6.10);
- consistency of accounting policies between New Sims Group and Hugo Neu (Section 6.11); and
- New Sims Group's dividend policy (Section 6.12), finance facilities (Section 6.13) and foreign exchange rate movements (Section 6.14).

The Investigating Accountant's Report, prepared by PricewaterhouseCoopers Securities Ltd in relation to the review of the Historical Financial Information, is set out in Section 8.

6.2. Financial information

6.2.1. Overview

Set out below is a summary of the Historical Financial Information that is outlined in this Section for Sims Group, Hugo Neu and New Sims Group. This Historical Financial Information has been prepared in abbreviated form. It does not contain all the disclosures usually provided in an annual report in accordance with the Corporations Act.

6.2.2. Sims Group

Reference to Sims Group financial information, refers to Sims Group and its controlled entities on a consolidated basis. The following Sims Group financial information has been presented on an AGAAP basis in Australian dollars:

- Statements of Financial Performance for the years ended 30 June 2002, 2003, 2004, the year ended 31 December 2004 and the three months ended 31 March 2005;
- Statements of Cash Flows for the years ended 30 June 2002, 2003, 2004 and the year ended 31 December 2004; and
- Statements of Financial Position as at 30 June 2004 and 31 December 2004.

Adjustments underlying the preparation of the Sims Group financial information are outlined in Section 6.4.

6.2.3. Hugo Neu

Reference to the Hugo Neu financial information refers to the pro-forma consolidated financial information for Hugo Neu. The following Hugo Neu financial information has been presented on an AGAAP basis in Australian dollars:

- pro-forma consolidated Statements of Financial Performance for the years ended 31 August 2002, 2003, 2004, the year ended 31 December 2004 and the three months ended 31 March 2005;

- pro-forma consolidated Statements of Cash Flows for the years ended 31 August 2003 and 2004 and the year ended 31 December 2004; and
- pro-forma consolidated Statements of Financial Position as at 31 August 2004 and 31 December 2004.

Adjustments underlying the preparation of the Hugo Neu financial information are set out in Section 6.5 and Appendix B.

6.2.4. New Sims Group

Reference to the New Sims Group financial information refers to the pro-forma consolidated financial information for the merged Sims Group and Hugo Neu, including pro-forma adjustments. The following New Sims Group financial information has been prepared on an AIFRS basis in Australian dollars:

- pro-forma consolidated Statements of Financial Performance for the year ended 31 December 2004 and the three months ended 31 March 2005;
- pro-forma consolidated Statement of Cash Flows for the year ended 31 December 2004; and
- pro-forma consolidated Statement of Financial Position as at 31 December 2004.

The assumptions underlying the preparation of the New Sims Group pro-forma consolidated financial information are set out in Sections 6.3, 6.4 and 6.5 and Appendix B and adjustments made to convert the information from AGAAP to AIFRS are set out in Sections 6.6 and 6.10.

The New Sims Group financial information has been prepared assuming the following:

- the effective date for the purposes of preparing the New Sims Group consolidated pro-forma Statement of Financial Performance and pro-forma consolidated Statement of Cash Flows for the year ended 31 December 2004 is 1 January 2004; and
- the effective date for the purposes of preparing the New Sims Group consolidated pro-forma Statement of Financial Position is 31 December 2004.

Sims Group Shareholders should note that Completion is not expected to occur until the Implementation Date and as a result New Sims Group will only be entitled to the results of Sims Group and Hugo Neu from this date.

6.3. General assumptions

6.3.1. Assumed Sims Group share price

Where relevant, all Historical Financial Information presented in this Section that makes assumptions regarding the Sims Group share price, assumes a share price of A\$14.37, which is the volume weighted average share price for trading of Sims Group Shares following the announcement of the Merger on 24 June 2005 to the close of trading on ASX on 8 July 2005.

Under AIFRS, to the extent that the actual Sims Group share price as at the close of trading on ASX on the Implementation Date is different from A\$14.37, an adjustment to the pro-forma consolidated Statement of Financial Position for New Sims Group will be required to reflect the amended Merger consideration and corresponding goodwill in connection with New Sims Group's acquisition of Hugo Neu. Further information is set out in Section 6.9.

Under AIFRS, the accounting treatment for the acquisition by New Sims Group of Sims Group equity will not result in the creation of any goodwill upon consolidation, but will be treated as a reverse acquisition by Sims Group with the existing Sims Group identified as the acquirer as set out in Section 6.9. Accordingly, an adjustment to reflect the actual Sims Group share price at the close of trading on ASX on the Implementation Date will not be required in the pro-forma consolidated Statement of Financial Position in relation to the acquisition of Sims Group by New Sims Group.

6.3.2. Consideration for Hugo Neu

Hugo Neu Corporation will be issued New Sims Group Shares as consideration for Hugo Neu, equating to a 26.0% shareholding in New Sims Group (on a fully diluted basis) as at the Implementation Date. As at 13 July 2005, there were 91,279,884 Sims Group Shares on issue and no options on issue to acquire Sims Group Shares. As set out in Section 1.2, under the Merger, existing Sims Group Shareholders will be issued with one New Sims Group Share in exchange for every Sims Group Share held as at the Scheme Record Date. Based on these assumptions, it has been assumed for the purpose of the Historical Financial Information that 32,071,311 New Sims Group Shares would be issued to Hugo Neu Corporation as consideration for Hugo Neu.

Subsequent to 13 July 2005, Sims Group has issued 196,784 Sims Group Shares under its current long term incentive plan ('LTI Plan') that have not been included for the purpose of the Historical Financial Information. Any Sims Group Shares issued prior to the Scheme Record Date will be included in the calculation of the number of Sims Group Shares to be issued to Hugo Neu Corporation equating to a 26.0% shareholding in New Sims Group as at the Implementation Date.

By acquiring all of the equity interests in Hugo Neu, New Sims Group will acquire all assets and liabilities of Hugo Neu at Completion, including net debt of Hugo Neu. As at 31 December 2004, the pro-forma net debt of Hugo Neu was A\$201.2 million. Net debt of Hugo Neu at Completion may materially differ from pro-forma net debt as at 31 December 2004 as a result of movements in working capital, A\$/US\$ exchange rate and capital expenditure of Hugo Neu to Completion.

The value of the equity component of the Merger consideration will depend on the Sims Group share price as at the close of trading on ASX on the Implementation Date. The number of New Sims Group Shares issued to Hugo Neu is fixed at a 26.0% shareholding in New Sims Group (on a fully diluted basis) as at the Implementation Date and is independent of any movement in the Sims Group share price. Based on an assumed Sims Group share price of A\$14.37 and the number of Sims Group Shares on issue as at 13 July 2005, the dollar value of the equity consideration issued to Hugo Neu Corporation is A\$460.9 million. To the extent that the Sims Group share price is greater (less) than this assumed share price of A\$14.37, the dollar value of the equity issued will increase (decrease) and there will be a corresponding impact on the amount of implied goodwill that arises as a result of the acquisition of Hugo Neu. Further information is set out in Section 6.9.

The table below outlines a range of market prices for Sims Group Shares and the implied value of the equity consideration and enterprise value for Hugo Neu corresponding to each share price. The following table is for illustrative purposes only and the Sims Group share prices stated should not be taken as an indication of the likely New Sims Group Share prices following Completion. No assurance can be, or is, given as to the price at which New Sims Group Shares will trade following Completion.

Sims Group share price (A\$)	Implied value of equity (A\$ million)	Debt assumed (A\$ million)¹	Implied enterprise value (A\$ million)
16.00	513.1	201.2	714.3
14.00	449.0	201.2	650.2
12.00	384.9	201.2	586.1

Note:

1. Assumes net debt of Hugo Neu as at 31 December 2004 of US\$156.6 million converted to Australian dollars at an A\$/US\$ exchange rate of 0.7787, being the spot rate as at 31 December 2004

6.3.3. Weighted average number of shares outstanding for preparation of financial information

The weighted average number of Sims Group Shares outstanding for the purposes of the financial information set out in this Section 6 is assumed to be the number of Sims Group Shares on issue as at 13 July 2005 of 91,279,884. There were no options to acquire Sims Group Shares on issue at this date. This does not include the 196,784 Sims Group Shares that have been issued subsequent to 13 July 2005 as part of the LTI Plan.

6.3.4. Assumed exchange rates for the conversion of Historical Financial Information from US dollars to Australian dollars

The following A\$/US\$ exchange rates have been assumed in preparing the Historical Financial Information:

	Average exchange rate for the period	Spot exchange rate at period end
Year ended 31 August 2002	0.5296	
Year ended 31 August 2003	0.6048	
Year ended 31 August 2004	0.7230	0.7011
Year ended 31 December 2004	0.7365	0.7787
Three months ended 31 March 2005	0.7786	

For illustrative purposes, certain financial information has been prepared on a constant currency basis using the average A\$/US\$ exchange rate for the year ended 31 December 2004 of 0.7365.

6.3.5. AIFRS financial information

For reporting periods beginning after 1 January 2005, Sims Group and New Sims Group will be required to comply with AIFRS. New Sims Group will present actual results for the year ending 30 June 2006 under AIFRS. Sims Group management has completed a review of the impact of AIFRS upon the results of Sims Group.

The information set out in Section 6.10 provides a summary of the significant differences between AGAAP and AIFRS identified by Sims Group management as applicable to the Historical Financial Information presented for Sims Group, Hugo Neu and New Sims Group.

Sims Group Shareholders should be aware that future financial performance presented under AIFRS may be affected by future changes to those standards and their application to the preparation of the financial information. In particular, goodwill is no longer amortised; however, the carrying value will be assessed annually for impairment. Other intangible assets with finite lives will continue to be amortised over their useful lives and assessed for impairment where there is an indicator. This may introduce considerable volatility into the future reported results of New Sims Group, thereby adversely affecting distributable earnings. This issue is not specific to New Sims Group and similar issues are likely to apply to other companies reporting under AIFRS. New Sims Group's dividend policy is outlined in Section 6.12.

6.3.6. Merger synergies and restructure costs

Hugo Neu Corporation currently provides head office support services to the Hugo Neu Corporation – Schnitzer Steel Industries joint ventures. Following Completion, New Sims Group will instead provide certain support services to Schnitzer Steel Industries for an interim period and will be compensated for the provision of such services under a Transitional Services Agreement to be entered into between Hugo Neu Co., LLC (a subsidiary of New Sims Group after the Merger) and an affiliate of Schnitzer Steel Industries. Assumptions and pro-forma adjustments have been made regarding the level of head office costs that will be required to support the operations being merged with those of Sims Group. Further information is set out in Appendix B.

The financial information presented for New Sims Group does not include the effects of any potential synergies that may result from the Merger. In addition, no restructuring costs have been included in the financial information as these costs are not anticipated to be material.

6.3.7. Acquisitions

Contributions from acquisitions are only reflected in the Historical Financial Information from the date of acquisition. No adjustments have been made to pro-forma the full year effects of acquisitions made by either Sims Group or Hugo Neu during the relevant period.

6.4. Sims Group

6.4.1. Basis of financial information

The financial information in this Section 6.4 is based on the Sims Group audited financial reports for the years ended 30 June 2002, 2003 and 2004 and the reviewed financial reports for the six months to 31 December 2003 and 2004, presented on an AGAAP basis in Australian dollars.

Pro-forma adjustments to the financial information for Sims Group to adjust for one-off items were made as set out in Sections 6.4.2, 6.4.3 and 6.4.4.

This financial information for Sims Group assumes that the Merger has not taken place.

Sims Group has incurred and will incur further transaction costs totalling approximately A\$9 million if the Merger is not successful. These costs will be required to be expensed during the year ending 30 June 2006 and are not reflected in the Statements of Financial Performance below.

6.4.2. Statements of Financial Performance

The following table sets out the Statements of Financial Performance for Sims Group:

(A\$ million)	Year ended 30 June			Year ended
	2002 Audited	2003 Audited	2004 Pro-forma	31 December 2004 Pro-forma
Revenue from operating activities	1,409.2	1,579.7	1,873.9	2,332.8
EBITDA	113.9	149.1	202.8	315.7
Depreciation	(31.8)	(29.6)	(26.4)	(28.5)
EBITA	82.1	119.5	176.4	287.2
Goodwill amortisation	(6.2)	(7.2)	(3.8)	(4.7)
EBIT	75.9	112.3	172.6	282.5
Net interest expense	(5.5)	(2.2)	(1.8)	(4.1)
Share of net profits of associates accounted for using the equity method	0.8	1.9	2.5	2.9
Profit before tax	71.2	112.0	173.3	281.3
Taxation expense	(22.6)	(37.0)	(54.1)	(91.1)
Net profit	48.6	75.0	119.2	190.2
Net profit (pre goodwill amortisation)	54.8	82.2	123.0	194.9

Pro-forma adjustments

The EBITDA in the Statements of Financial Performance for Sims Group for the years ended 30 June 2004 and 31 December 2004 presented in the above table have been adjusted to reverse a A\$6.7 million write down of the value in the Consolidated Extrusions joint venture with Crane Group Limited. This adjustment has been made as the write down was considered to be abnormal/non-recurring. No adjustments have been made to the audited Statements of Financial Performance for Sims Group for the years ended 30 June 2002 and 2003.

Highlights of the historical Sims Group Statements of Financial Performance

Year ended 30 June 2002

Highlights for the year included:

- reported net profit after tax of A\$48.6 million, up 19% on the previous year;
- US operations EBIT increasing 133% in US dollars to US\$5.0 million;
- the continuing development of the Recycling Solutions division, with the opening of the first dedicated refrigerator recycling plant at Newport in the UK on 1 July 2002;
- rebound in profitability of ferrous operations as a result of firming ferrous prices throughout the final quarter;
- 22% of metal sales to China; and
- the opening of a representative office in Chennai, India.

Year ended 30 June 2003

Highlights for the year included:

- record reported net profit after tax of A\$75.0 million, up 54% on the previous year;
- EBITDA margins increased to 9.4% compared to 8.1% in the year ended 30 June 2002;
- US operations EBIT increasing 131% in US dollars to US\$11.6 million;
- very strong second half earnings assisted by a dramatic increase in ferrous prices globally;
- organic growth and improving operational efficiencies leading to record shredder production of 2.1 million tonnes and non-ferrous shredder recovery revenues of A\$131 million;
- rationalisation or disposal of under-performing business units including the sale of the South California, land locked metal recycling operations; and
- profitable contribution from the Recycling Solutions division in its first full year of operation, providing a sound platform to broaden Sims Group's focus through the processing of a broader range of recyclables.

Year ended 30 June 2004

Highlights for the year included:

- record reported net profit after tax of A\$119.2 million (pre write down of Consolidated Extrusions joint venture), up 59% on the previous year;
- EBITDA margins increased to 10.8% compared to 9.4% in the year ended 30 June 2003;
- US operations EBIT increasing 227% in US dollars to US\$37.9 million;
- strengthening of the Sims Group USA operations through the acquisition of a majority of the assets and business of Bay Bridge Enterprises in Virginia effective on 31 May 2004 and the leasing of Chaparral Steel's operating site and decommissioned shredder, also in Virginia, effective on 22 June 2004;
- record shredder production of 2.2 million and non-ferrous shredder recovery revenues of A\$133 million;
- establishing the Recycling Solutions division in North America and expansion of the Recycling Solutions division's Australian operations through the acquisition, on 31 May 2004, of Devote Pty Ltd trading as TyreCycle and Encore Rubber; and
- the development of the Newport facility in the UK, including a mega shredder and gantry dock crane, both serviced by a new rail link.

Year ended 31 December 2004

Highlights for the year included:

- record reported net profit after tax of A\$190.2 million (pre write down of Consolidated Extrusions joint venture);
- EBITDA margins increased to 13.5%;
- North American operations EBIT of US\$69.4 million
- acquisition of Mirec for approximately €40 million, generating scale for the Recycling Solutions division in Europe and creating a platform for future growth in that region; and
- continued strong performance of the US operations, with the successful integration of the majority of the assets and business of Bay Bridge Enterprises.

6.4.3. Statements of Cash Flows

The following table sets out the Statements of Cash Flows for Sims Group:

(A\$ million)	Year ended 30 June			Year ended 31 December
	2002 Audited	2003 Audited	2004 Pro-forma	2004 Pro-forma
EBITDA	113.9	149.1	202.8	315.7
Changes in working capital	23.4	13.3	(65.1)	(118.7)
Changes in other assets/liabilities	(7.3)	(2.6)	3.3	(5.6)
Net interest paid	(5.5)	(2.2)	(1.8)	(4.1)
Income taxes paid	(21.3)	(30.6)	(48.0)	(68.0)
Net cash inflow/(outflow) from operating activities	103.2	127.0	91.2	119.3
Net capital expenditure	(22.5)	(32.4)	(51.2)	(58.5)
Net payments for controlled entities and businesses	1.9	23.3	(51.3)	(106.3)
Net payments for other investments	...	(0.1)	(3.5)	(3.5)
Net cash inflow/(outflow) from investing activities	(20.6)	(9.2)	(106.0)	(168.3)
Net proceeds from borrowings	(28.6)	(88.1)	25.5	102.8
Net proceeds/(payment) for issue/(buy-back) of shares	7.4	17.2	(16.2)	0.1
Dividend paid	(30.4)	(38.4)	(52.4)	(78.3)
Net cash inflow/(outflow) from financing activities	(51.6)	(109.3)	(43.1)	24.6
Net increase/(decrease) in cash held	31.0	8.5	(57.9)	(24.4)

Pro-forma adjustments

No adjustments have been made to the Statements of Cash Flows for Sims Group presented in the above table. The adjustment to reverse the A\$6.7 million write down of the value in the Consolidated Extrusion joint venture with Crane Group Limited as discussed in Section 6.4.2 has been reflected in the above table for the years ended 30 June 2004 and 31 December 2004, although this adjustment results in no net cash flow change. No adjustments have been made for the years ended 30 June 2002 and 2003.

6.4.4. Statements of Financial Position

The following table sets out the Statements of Financial Position for Sims Group:

(A\$ million)	As at 30 June 2004 Audited	As at 31 December 2004 Reviewed
Current assets		
Cash assets	20.1	24.2
Receivables	182.4	264.9
Inventories	147.7	150.6
Other	8.5	9.4
Total current assets	358.7	449.1
Non-current assets		
Receivables	5.9	5.8
Investments accounted for using the equity method	7.8	8.9
Property, plant and equipment	261.8	285.7
Deferred tax assets	13.6	14.8
Intangible assets	73.4	107.0
Total non-current assets	362.5	422.2
Total assets	721.2	871.3
Current liabilities		
Payables	179.5	194.7
Interest bearing liabilities	1.1	—
Current tax liabilities	26.9	36.3
Provisions	10.1	11.8
Total current liabilities	217.6	242.8
Non-current liabilities		
Interest bearing liabilities	37.0	131.3
Deferred tax liabilities	6.3	5.2
Provisions	11.7	13.0
Total non-current liabilities	55.0	149.5
Total liabilities	272.6	392.3
Net assets	448.6	479.0
Equity		
Contributed equity	220.7	220.7
Reserves	17.6	(2.5)
Retained profits	210.3	260.8
Total equity	448.6	479.0

Pro-forma adjustments

No adjustments have been made to the Statements of Financial Positions for Sims Group presented in the above table.

6.5. Hugo Neu

6.5.1. Basis of financial information

The Hugo Neu financial information is based on information that was provided to Sims Group during due diligence.

The financial information for Hugo Neu is a set of pro-forma consolidated financial statements that were carved out of the audited financial statements and management accounts of the Hugo Neu Corporation – Schnitzer Steel Industries joint ventures ('Carved-out Financial Statements').

The following pro-forma adjustments were then made to these Carved-out Financial Statements:

- conversion from US dollars to Australian dollars;
- pro-forma adjustments to convert the financial information from USGAAP to AGAAP;
- adjustments to reflect the differences between accounting policies applied by Hugo Neu and those that will be applied by New Sims Group following Completion;
- adjustments for certain cut-off errors identified during due diligence;
- pro-forma adjustments to reflect the businesses being acquired including:
 - adjustments to reflect the impact of the Schnitzer Transaction excluding any amortisation arising on goodwill;
 - adjustments to reflect head office costs and other items identified during due diligence; and
 - profit and distribution adjustments to reflect permitted payments and distributions under the Contribution Agreement.

A reconciliation and explanation of the pro-forma adjustments made to the Carved-out Financial Statements is set out in Appendix B.

The financial information for Hugo Neu assumes that the Merger has not taken place.

6.5.2. Pro-forma consolidated Statements of Financial Performance

The financial information in the following pro-forma consolidated Statements of Financial Performance is shown to the EBIT level, as the historical financial performance below EBIT reflects interest and tax expenses prior to the Merger. As a different corporate and capital structure will prevail after the Merger, these items are not considered meaningful to Sims Group Shareholders as they are not indicative of what these expenses would have been had New Sims Group owned Hugo Neu during the period.

Pro-forma consolidated Statement of Financial Performance at average A\$/US\$ exchange rate

The financial information in the following table is converted from US dollars to Australian dollars at the applicable average A\$/US\$ exchange rate during each of the relevant periods in accordance with AGAAP. The average exchange rates used to convert the financial information in the following table are set out in Section 6.3.4

(A\$ million)	Year ended 31 August			Year ended 31 December
	2002 Pro-forma	2003 Pro-forma	2004 Pro-forma	2004 Pro-forma
Revenue from operating activities	736.3	966.3	1,457.1	1,742.5
EBITDA	43.6	70.2	139.6	182.1
Depreciation	(16.6)	(14.7)	(12.6)	(12.1)
EBITA	27.0	55.5	127.0	170.0
Goodwill amortisation	---	---	---	---
EBIT	27.0	55.5	127.0	170.0

Pro-forma consolidated Statement of Financial Performance at constant A\$/US\$ exchange rate

In addition to the pro-forma consolidated Statement of Financial Performance presented above, based on conversion at average A\$/US\$ exchange rates for the relevant periods, the financial information in the following table is converted from US dollars to Australian dollars at a constant A\$/US\$ exchange rate of 0.7365 being the average A\$/US\$ exchange rate used by Sims Group for the year ended 31 December 2004. This information has been presented to allow Sims Group Shareholders to assess the underlying trend in the earnings of the business.

(A\$ million)	Year ended 31 August			Year ended 31 December
	2002 Pro-forma	2003 Pro-forma	2004 Pro-forma	2004 Pro-forma
Revenue from operating activities	529.4	793.5	1,430.4	1,742.5
EBITDA	31.4	57.7	137.1	182.1
Depreciation	(12.0)	(12.1)	(12.4)	(12.1)
EBITA	19.4	45.6	124.7	170.0
Goodwill amortisation	---	---	---	---
EBIT	19.4	45.6	124.7	170.0

Pro-forma adjustments

Refer to Appendix B for pro-forma adjustments made to the Carved-out Financial Statements.

Highlights of the historical Hugo Neu Statements of Financial Performance

Year ended 31 August 2002

Highlights for the year included:

- increased focus on cost and process improvement and margin control;
- development of national purchasing programme;
- 41% of sales to China;
- bonus plan introduced in financial year 2001;
- additional volume of materials due to World Trade Center collapse; and
- Hugo Neu East completes a majority of dredging and dock improvement programme at Claremont facility in New Jersey.

Year ended 31 August 2003

Highlights for the year included:

- record EBIT, up 135% on the previous year on a constant A\$/US\$ exchange rate basis;
- acquisition of 50% of Schiabo Larovo Company LLC on 7 March 2003, increasing ownership to 100%;
- expansion of Hugo Neu Global Trade operations into Mexico, Brazil and Venezuela;
- significantly improved recycled metal prices resulting in increased profitability;
- increased tonnage volume sold, mainly due to Hugo Neu Global Trade's expanded operations;
- 30% of sales to China; and
- continued focus on cost and process improvement programmes.

Year ended 31 August 2004

Highlights for the year included:

- record EBIT, up 173% on previous year on a constant A\$/US\$ exchange rate basis;
- strong performance of Hugo Neu Global Trade, benefiting from high recycled metal price volatility and favourable operating conditions;
- on 15 March 2004, Hugo Neu entered into an interim recycling contract with the City of New York's Department of Sanitation;
- record recycled metal prices resulting in increased profitability; and
- increased tonnage volume sold, mainly due to Hugo Neu Global Trade's expanded operations.

Year ended 31 December 2004

- record EBIT, 36% higher than the year ended 31 August 2004, on a constant A\$/US\$ exchange rate basis;
- continued high recycled metal prices;
- increased tonnage volumes sold at Hugo Neu East and Hugo Neu West;
- continued strong performance of Hugo Neu Global Trade, benefiting from high recycled metal price volatility and favourable operating conditions;
- increased profit contribution from Interim New York City Recycling Contract;
- 32% of sales to China; and
- 20% of sales to domestic customers.

6.5.3. Pro-forma consolidated Statements of Cash Flows

Cash flows from financing activities and net interest paid are not shown in the following pro-forma consolidated Statements of Cash Flows as a different corporate and capital structure will prevail following Completion. The entities comprising Hugo Neu prior to the completion of the Schnitzer Transaction are non-tax paying entities as they are treated as partnerships for US income tax purposes and therefore any US income tax has been paid at the partner level. Shareholders should refer to the interest and tax assumptions for the pro-forma consolidated Statement of Financial Performance for New Sims Group for the year ended 31 December 2004 as set out in Section 6.6.2 for further details regarding assumptions made for interest and tax.

Pro-forma consolidated Statement of Cash Flows at average A\$/US\$ exchange rate

The financial information in the following table is converted from US dollars to Australian dollars at the applicable average A\$/US\$ exchange rate during each of the relevant periods in accordance with AGAAP. The average exchange rates used to convert the financial information in the following table are set out in Section 6.3.4.

(A\$ million)	Year ended 31 August		Year ended
	2003	2004	31 December
	Pro-forma	Pro-forma	2004
			Pro-forma
EBITDA	70.2	139.6	182.1
Changes in working capital	(44.8)	(65.2)	(38.9)
Changes in other assets/liabilities	(8.0)	0.4	(3.5)
Net interest paid			
Income taxes paid			
Net cash inflow/(outflow) from operating activities prior to interest and income tax payments	17.4	74.8	139.7
Net capital expenditure	(18.0)	(34.7)	(46.5)
Net payments for controlled entities and businesses	...	...	...
Net payments for other investments	...	...	...
Net cash inflow/(outflow) from investing activities	(18.0)	(34.7)	(46.5)
Net cash inflow/(outflow) before financing activities, interest and tax payments	(0.6)	40.1	93.2

Pro-forma consolidated Statement of Cash Flows at constant A\$/US\$ exchange rate

In addition to the pro-forma consolidated Statement of Cash Flow presented above, based on conversion at average A\$/US\$ exchange rates for the relevant periods, the financial information in the following table is converted from US dollars to Australian dollars at a constant A\$/US\$ exchange rate of 0.7365 being the average A\$/US\$ exchange rate used by Sims Group for the year ended 31 December 2004. This information has been presented to allow Sims Group Shareholders to assess underlying trends in the cash flows of the business.

(A\$ million)	Year ended 31 August		Year ended
	2003	2004	31 December
	Pro-forma	Pro-forma	2004
			Pro-forma
EBITDA	57.7	137.1	182.1
Changes in working capital	(36.9)	(64.1)	(38.9)
Changes in other assets/liabilities	(6.6)	0.4	(3.5)
Net interest paid			
Income taxes paid			
Net cash inflow/(outflow) from operating activities prior to interest and income tax payments	14.2	73.4	139.7
Net capital expenditure	(14.8)	(34.0)	(46.5)
Net payments for controlled entities and businesses	...	...	...
Net payments for other investments	...	...	...
Net cash inflow/(outflow) from investing activities	(14.8)	(34.0)	(46.5)
Net cash inflow/(outflow) before financing activities, interest and income tax payments	(0.6)	39.4	93.2

6.5.4. Pro-forma consolidated Statements of Financial Position

The financial information in the following table is converted from US dollars to Australian dollars at an A\$/US\$ exchange rate of 0.7011 as at 31 August 2004 and 0.7787 as at 31 December 2004, being the spot rates used by Sims Group as at those dates.

The following table sets out the pro-forma consolidated Statements of Financial Position for Hugo Neu:

(A\$ million)	As at 31 August 2004 Pro-forma	As at 31 December 2004 Pro-forma
Current assets		
Cash assets	6.8	21.1
Receivables	114.4	76.6
Inventories	108.1	124.5
Other	8.2	9.4
Total current assets	237.5	231.6
Non-current assets		
Property, plant and equipment	113.9	117.6
Intangible assets	81.4	73.3
Other	3.2	2.7
Total non-current assets	198.5	193.6
Total assets	436.0	425.2
Current liabilities		
Payables	35.6	48.5
Other	33.7	12.0
Total current liabilities	69.3	60.5
Non-current liabilities		
Interest bearing liabilities	208.8	222.3
Total non-current liabilities	208.8	222.3
Total liabilities	278.1	282.8
Net assets	157.9	142.4
Equity		
Contributed equity	157.9	142.4
Total equity	157.9	142.4

Pro-forma adjustments

Refer to Appendix B for pro-forma adjustments made to the Carved-out Financial Statements.

6.6. New Sims Group

6.6.1. Basis of financial information

The financial information in this Section 6.6 is based on consolidating the Sims Group financial information (set out in Section 6.4) and the Hugo Neu financial information (set out in Section 6.5) together with pro-forma adjustments assuming that the Merger is completed. These pro-forma adjustments are set out in Sections 6.6.2, 6.6.3 and 6.6.4.

The New Sims Group financial information has been prepared in Australian dollars on an AIFRS basis only as the acquisition is effective after 1 July 2005 and therefore will not be accounted for

under AGAAP. In addition, New Sims Group will only report under AIFRS and not AGAAP as it was incorporated after 1 January 2005.

6.6.2. Pro-forma consolidated Statement of Financial Performance

The Hugo Neu financial information in the following table is converted from US dollars to Australian dollars at an A\$/US\$ exchange rate of 0.7365, being the average A\$/US\$ exchange rate used by Sims Group for the year ended 31 December 2004. If the Merger is completed, the New Sims Group earnings may be materially affected by foreign exchange rate movements.

The pro-forma consolidated Statement of Financial Performance of New Sims Group has been prepared to give an illustration of the impact on Sims Group's historical financial performance as if the Merger had occurred on 1 January 2004. It does not purport to represent the actual financial performance that would have occurred had the Merger occurred on 1 January 2004 and does not purport to be a reflection of future results New Sims Group may report.

The following table sets out the pro-forma consolidated Statement of Financial Performance for New Sims Group:

Year ended 31 December 2004 (A\$ million unless otherwise stated)	AGAAP		AIFRS	
	Sims Group Pro-forma	Hugo Neu Pro-forma	Adjustments Pro-forma	Consolidated New Sims Group ^{2,3} Pro-forma
Revenue from operating activities	2,332.8	1,742.5	---	4,075.3
EBITDA	315.7	182.1	(0.5)	497.3
Depreciation	(28.5)	(12.1)	---	(40.6)
EBITA	287.2	170.0	(0.5)	456.7
Goodwill amortisation	(4.7)	---	4.7	---
EBIT	282.5	170.0	4.2	456.7
Net interest expense	(4.1)	---	(10.0)	(14.1)
Share of net profits of associates accounted for using the equity method	2.9	---	---	2.9
Profit before tax	281.3	---	(5.8)	445.5
Taxation expense	(91.1)	---	(64.0)	(155.1)
NPAT	190.2	---	(69.8)	290.4
NPAT (pre goodwill amortisation)	194.9	---	(74.5)	290.4
Weighted avg no. shares (basic) ¹	91.3	---	32.1	123.4
Weighted avg no. shares (diluted) ¹	91.3	---	32.1	123.4
EPS (pre goodwill amortisation) (diluted) (cents)	213.5	---	---	235.4
EPS (post goodwill amortisation) (diluted) (cents)	208.4	---	---	235.4

Notes:

1. Weighted average number of Sims Group Shares based on the shares on issue as at 13 July 2005 as detailed in Section 6.3.3. New Sims Group Shares issued to Hugo Neu based on calculation as set out in Section 6.3.2
2. A final allocation of fair values for Hugo Neu assets and liabilities acquired will be undertaken following Completion, based on valuations for each asset at the Implementation Date, which may impact the Statement of Financial Performance. Refer to Section 6.9 for further details
3. Refer to Section 6.10 for further details on the difference between AGAAP and AIFRS and Section 6.11 for details of consistency of accounting policies between New Sims Group and Hugo Neu

Pro-forma adjustments

Interest and taxation adjustments

Hugo Neu currently operates under a different corporate and capital structure as it is currently part of a number of joint ventures with Schnitzer Steel Industries. Therefore, any historical tax and interest expense would not be relevant to Sims Group Shareholders. To provide an illustration of the financial impact of the Merger on Sims Group, pro-forma adjustments for interest expense and tax expense have been made in relation to Hugo Neu as follows:

- pro-forma interest expense for the year ended 31 December 2004 has been calculated based on Hugo Neu's net debt as at 31 December 2004 of A\$201.2 million multiplied by an assumed interest rate of 5.0% per annum. The interest rate has been determined by Sims Group management having regard to the expected financing costs of the facilities which are intended to be available to New Sims Group, including to refinance the Hugo Neu net debt assumed following Completion; and
- the entities comprising Hugo Neu were historically non-tax paying entities as they were partnerships for US tax purposes and any income tax was paid at the partner level. Following completion of the Schnitzer Transaction, Hugo Neu will be held through a tax paying entity. A pro-forma tax expense for the year ended 31 December 2004 has been calculated assuming an effective tax rate of 40.0%. The effective tax rate has been determined by Sims Group management based on advice having regard to a conservative estimate of the US federal and state and other taxes applicable to Hugo Neu's operations.

AIFRS adjustments

The following adjustments have been made to convert the financial information from AGAAP to AIFRS:

Mark to market hedges

Hugo Neu holds contracts to hedge the nickel price for its Schiabo Larovo operations. Under AIFRS, the fair value of the instrument is required to be recorded on the Statement of Financial Position with the movement in fair value being recorded in the Statement of Financial Performance assuming that the instrument does not qualify for hedge accounting. An adjustment of A\$0.5 million was made for the year ended 31 December 2004.

Amortisation of goodwill

Under AIFRS there is no amortisation of goodwill as the carrying amount will be subject to impairment testing. An adjustment to the Statement of Financial Performance has been made to reverse the A\$4.7 million of existing goodwill amortisation of Sims Group. A detailed discussion of the differences between AGAAP and AIFRS and the impact on the Statement of Financial Performance is set out in Section 6.10.

In addition, under AIFRS the acquisition of Sims Group by New Sims Group is treated as a 'reverse acquisition' and therefore no goodwill arises on consolidation in relation to the acquisition of Sims Group by New Sims Group. Further detail is set out in Section 6.9.

6.6.3. Pro-forma consolidated Statement of Cash Flows

The Hugo Neu financial information in the following table is converted from US dollars to Australian dollars at an A\$/US\$ exchange rate of 0.7365, being the average A\$/US\$ exchange rate used by Sims Group for the year ended 31 December 2004.

The pro-forma consolidated Statement of Cash Flows for New Sims Group has been prepared to give an illustration of the impact on Sims Group's historical cash flows as if the Merger had occurred on 1 January 2004. It does not purport to represent the actual cash flows that would have been achieved had the Merger occurred on 1 January 2004 and does not purport to be a reflection of future cash flows New Sims Group may report.

The following table sets out the pro-forma consolidated Statement of Cash Flows for New Sims Group:

Year ended 31 December 2004 (A\$ million)	AGAAP		AIFRS	
	Sims Group Pro-forma	Hugo Neu Pro-forma	Adjustments Pro-forma	Consolidated New Sims Group Pro-forma
EBITDA	315.7	182.1	(0.5)	497.3
Changes in working capital	(118.7)	(38.9)	---	(157.6)
Changes in other assets/liabilities	(5.6)	(3.5)	0.5	(8.6)
Net interest paid	(4.1)		(10.0)	(14.1)
Income tax paid	(68.0)		(64.0)	(132.0)
Net cash inflow/(outflow) from operating activities	119.3	139.7	(74.0)	185.0
Net capital expenditure	(58.5)	(46.5)	---	(105.0)
Net payments for controlled entities and businesses	(106.3)	---	---	(106.3)
Net payments for other investments	(3.5)	---	---	(3.5)
Net cash inflow/(outflow) from investing activities	(168.3)	(46.5)	---	(214.8)
Cash inflow/(outflow) before financing activities	(49.0)	93.2	(74.0)	(29.8)

Pro-forma adjustments

The interest and taxation adjustments together with the AIFRS adjustments as set out in Section 6.6.2 have been reflected in the pro-forma adjustment column in the above table. An assumption has been made that interest and income tax payments are paid in the period incurred.

6.6.4. Pro-forma consolidated Statement of Financial Position

The pro-forma consolidated Statement of Financial Position for New Sims Group has been prepared to give an illustration of the impact on Sims Group's Statement of Financial Position as if the Merger had occurred on 31 December 2004. It does not purport to represent the actual Statement of Financial Position that would have been obtained had the Merger occurred on 31 December 2004.

The Hugo Neu Statement of Financial Position and any adjustments in US dollars have been converted from US dollars to Australian dollars at an A\$/US\$ exchange rate of 0.7787 as at 31 December 2004, being the spot rate as used by Sims Group as at that date. The actual exchange rate into which the balance sheet of Hugo Neu as at Completion will be converted will be the exchange rate prevailing at the Implementation Date. An adjustment between the exchange rate assumed and the effective rate will be adjusted against goodwill.

Section 6 Financial information

The following table sets out the pro-forma consolidated Statement of Financial Position for New Sims Group:

As at 31 December 2004 (A\$ million)	AGAAP		AIFRS	
	Sims Group Reviewed	Hugo Neu Pro-forma	Adjustments Pro-forma	Consolidated New Sims Group ^{1,2} Pro-forma
Current assets				
Cash assets	24.2	21.1	---	45.3
Receivables	264.9	76.6	---	341.5
Inventories	150.6	124.5	---	275.1
Other	9.4	9.4	---	18.8
Total current assets	449.1	231.6	---	680.7
Non-current assets				
Receivables	5.8	---	---	5.8
Investments accounted for using the equity method	8.9	---	---	8.9
Property, plant and equipment	285.7 ⁴	117.6	57.8	461.1
Deferred tax assets	14.8	---	2.1	16.9
Intangible assets	107.0	73.3	281.7	462.0
Other	---	2.7	(2.0)	0.7
Total non-current assets	422.2	193.6	339.6	955.4
Total assets	871.3	425.2	339.6	1,636.1
Current liabilities				
Payables	194.7	48.5	---	243.2
Current tax liabilities	36.3	---	---	36.3
Provisions	11.8	---	0.5	12.3
Other	---	12.0	---	12.0
Total current liabilities	242.8	60.5	0.5	303.8
Non-current liabilities				
Interest bearing liabilities	131.3	222.3	11.7	365.3
Deferred tax liabilities	5.2	---	---	5.2
Provisions	13.0	---	14.5	27.5
Total non-current liabilities	149.5	222.3	26.2	398.0
Total liabilities	392.3	282.8	26.7	701.8
Net assets	479.0	142.4	312.9	934.3
Equity				
Contributed equity	220.7	142.4	319.8	682.9
Reserves	(2.5)	---	---	(2.5)
Retained profits ³	260.8	---	(6.9)	253.9
Total equity	479.0	142.4	312.9	934.3

Notes:

1. A final allocation of fair values for Hugo Neu assets and liabilities acquired will be undertaken post acquisition. Refer to Section 6.9 for further details
2. Refer to Section 6.10 for further details on the difference between AGAAP and AIFRS and Section 6.11 for details of consistency of accounting policies between New Sims Group and Hugo Neu
3. The retained earnings of the parent entity of New Sims Group will be nil at Implementation Date. Refer to Sections 6.9 and 6.12 for further details regarding the ability of New Sims Group to pay future dividends
4. The Sims Group Statement of Financial Position does not include the impact of valuations recently finalised, which are subject to audit, of land, buildings and property improvements, which may result in an uplift of approximately A\$48 million

Pro-forma adjustments

The fair value adjustments included above and set out below are estimates based on due diligence conducted by Sims Group. The fair value assessment and purchase price allocation exercise has not been finalised. Any change in the value of Hugo Neu assets and liabilities will be matched by a corresponding increase or decrease in goodwill. For further discussion regarding the fair value assessment and allocation of purchase price, refer to Section 6.9.

The pro-forma adjustments made to present the pro-forma consolidated Statement of Financial Position above are detailed below:

Adjustments relating to fair value of Hugo Neu assets and liabilities acquired

- write up of property, plant and equipment of A\$57.8 million based on land valuations undertaken as part of the due diligence; and
- write off of capitalised financing fees incurred by Hugo Neu of A\$2.0 million as the existing debt facilities will be refinanced by New Sims Group as soon as possible following Completion;

Adjustments relating to the acquisition of Hugo Neu by New Sims Group

- consideration for the acquisition of Hugo Neu is A\$460.9 million, being 32.1 million New Sims Group Shares at an assumed Sims Group share price of A\$14.37 per share; and
- payment of transaction costs of A\$11.0 million funded by debt;

Adjustments relating to the acquisition of Sims Group by New Sims Group

- payment of costs associated with the Scheme of A\$2.0 million, which have been deducted from equity and assumed to be funded by debt;

Other Adjustments

- proceeds from the exercise of Sims Group share options of A\$1.3 million offset against non-current interest bearing liabilities;

AIFRS Adjustments

- recognition of a defined benefit pension fund deficit of A\$7.0 million and a corresponding deferred tax asset;
- mark to market of outstanding Hugo Neu hedges at balance sheet, resulting in a provision for loss of A\$0.5 million;
- recognition of environmental contingencies of A\$7.5 million in relation to Hugo Neu; and
- the acquisition by New Sims Group of Sims Group is treated as a reverse acquisition under AIFRS. Refer to Section 6.9 for further details.

6.7. Recent trading performance

The following pro-forma consolidated Statement of Financial Performance for New Sims Group for the three months ended 31 March 2005 is derived from and based on the following:

- Sims Group's Statement of Financial Performance from the reviewed financial results for the three months ended 31 March 2005; and
- Hugo Neu's pro-forma consolidated Statement of Financial Performance for the three months ended 31 March 2005 from the Carved-out Financial Statements provided to Sims Group by Hugo Neu during the course of due diligence with pro-forma adjustments being made to reflect the business being acquired by New Sims Group as detailed in Appendix B.

Financial information for Hugo Neu in the table below has been converted from US dollars to Australian dollars at the average A\$/US\$ exchange rate for the three months to 31 March 2005 of 0.7786, being the average rate used by Sims Group during this period.

The pro-forma consolidated Statement of Financial Performance of New Sims Group has been prepared to give an illustration of the impact on Sims Group's historical financial performance as if the Merger had occurred on 1 January 2005. It does not purport to represent the actual financial performance that would have occurred had the Merger occurred on 1 January 2005 and does not purport to be a reflection of future results that New Sims Group may report.

The following table sets out the pro-forma consolidated Statement of Financial Performance for New Sims Group:

Three months ended 31 March 2005 (A\$ million)	AGAAP		AIFRS	
	Sims Group Reviewed	Hugo Neu Pro-forma	Adjustments Pro-forma	Consolidated New Sims Group Pro-forma
Revenue from operating activities	624.0	479.3	---	1,103.3
EBITDA	69.9	32.4	—	102.3
Depreciation	(8.2)	(3.0)	---	(11.2)
EBITA	61.7	29.4	—	91.1
Amortisation	(1.6)	---	1.6	---
EBIT	60.1	29.4	1.6	91.1

Pro-forma adjustments

Refer to Appendix B for pro-forma adjustments made to the Carved-out Financial Statements and Section 6.6.2 for AIFRS adjustments.

6.7.1. Sims Group

Sims Group's operating performance for the three months ended 31 March 2005 was supported by relatively high ferrous metal prices and strong demand conditions with all regions and divisions performing as expected. EBITDA margins were 11.2% for the three months ended 31 March 2005 compared to 13.5% for the year ended 31 December 2004. EBITDA margins fell during the three months ended 31 March 2005 due to higher prices of inputs and lower selling prices compared to the fourth quarter in the year ended 31 December 2004.

6.7.2. Hugo Neu

Hugo Neu's operating performance for the three months ended 31 March 2005 was also supported by relatively high ferrous metal prices and strong demand conditions. Hugo Neu's EBITDA margins were also compressed due to higher input costs and lower selling prices compared to the fourth quarter in the year ended 31 December 2004, as well as adverse weather conditions affecting the east coast operations. EBITDA margins were 6.8% for the three months ended 31 March 2005 compared to 10.5% for the year ended 31 December 2004.

6.7.3. New Sims Group

New Sims Group's pro-forma operating performance and EBITDA margins for the three months ended 31 March 2005 reflected the factors outlined above. Pro-forma EBITDA margins were 9.3% for the three months ended 31 March 2005 compared to 12.2% for the 12 months ended 31 December 2004.

6.8. Sims Group's expected financial results for the year ending 30 June 2005 and outlook

As announced on 24 June 2005, Sims Group's earnings for the year ending 30 June 2005 are expected to be slightly below the previous forecast of A\$190 million of NPAT announced to ASX on 29 April 2005 due to a significant decrease in recycled ferrous metal prices in June 2005.

Reflecting these conditions, earnings for the three months ending 30 September 2005 are expected to be significantly below earnings for the three months ended 30 September 2004. Sims Group management notes that recycled ferrous metal prices remain volatile, but appear to be rebounding domestically in the US. Prices appear to have stabilised in Asia. Accordingly, guidance for the three months ending 30 September 2005 should not be taken as guidance for Sims Group's view for earnings for the year ending 30 June 2006.

As a result of the volatility in recycled ferrous metal prices and market conditions, Sims Group cannot provide further earnings guidance beyond the guidance outlined for the three months ending 30 September 2005.

Based on the historical comparative earnings of Sims Group and Hugo Neu and taking into consideration market conditions, the Merger is expected to be earnings per share neutral to positive, before synergies and goodwill amortisation, compared to earnings per share if the Merger did not occur.

As the Merger will occur post the adoption of AIFRS by New Sims Group, there will be no amortisation of the goodwill created as a result of the acquisition of Hugo Neu by New Sims Group, but this goodwill will be subject to impairment testing (refer to Sections 6.9 and 6.10).

6.9. Accounting considerations

Reverse acquisition assessment

If the Scheme is implemented, the Sims Group Shares currently owned by Sims Group Shareholders will be exchanged for shares in New Sims Group. Under AGAAP, this transaction is treated as an acquisition by New Sims Group, which will be the parent for both legal and accounting purposes, of Sims Group.

Under AIFRS (AASB 3, Business Combinations), this acquisition will be treated as a reverse acquisition since the substance of the transaction is that the existing Sims Group Shareholders as at the Implementation Date will, through New Sims Group, continue to control the consolidated business post the Merger. Sims Group will retain operating and financial control and will be treated as the acquirer for accounting purposes. On consolidation by New Sims Group, no goodwill will arise on the acquisition by New Sims Group of Sims Group Shares and the equity issued by New Sims Group will be eliminated against the investment in Sims Group. The investment in Sims Group will exist in the parent company accounts of New Sims Group only. This investment will be recorded at the acquisition value by New Sims Group which, assuming 91.3 million New Sims Group Shares and a Sims Group share price of A\$14.37 per share, equates to A\$1,311.7 million plus expenses associated with the Scheme of A\$2.0 million to give a total investment value of A\$1,313.7 million.

It should be noted that the transaction will never be accounted for under AGAAP as the Merger will be effective post 1 July 2005.

Purchase price allocation in connection with Hugo Neu

New Sims Group management will assess the fair value of the identifiable net assets that have been acquired from Hugo Neu at Completion. The difference between the cost of acquisition and the fair value of identifiable net assets acquired under AGAAP will be allocated to goodwill. AIFRS requires a thorough identification of all intangible assets that is considerably more extensive than that required under AGAAP.

In preparing the New Sims Group pro-forma consolidated Statement of Financial Position set out in Section 6.6.4, Sims Group management has not allocated any of the purchase price to separately identifiable intangible assets that Hugo Neu may have (such as brands, customer

relationships and contracts) on the basis that it has not had the opportunity to perform a detailed fair value exercise. To the extent that any intangible assets are identified with a 'finite' useful life, these will need to be amortised, over their expected useful life, which will adversely affect reported earnings of New Sims Group.

As part of the Merger, New Sims Group will be granted a put option by Hugo Neu Corporation to require Hugo Neu Corporation, at the election of New Sims Group, to purchase certain real estate within a 12 month period. As part of the purchase price allocation, this put option will be required to be valued and the purchase price allocated accordingly. The value of the put option is likely to reflect the volatility of the market value of the properties over a 12 month period. No allocation of purchase price has been made to this put option in the New Sims Group pro-forma consolidated Statement of Financial Position set out in Section 6.6.4.

AIFRS also requires any contingent liabilities of Hugo Neu to be recognised on the opening consolidated Statement of Financial Position, which increases goodwill on consolidation.

The final allocation of the purchase price to the fair value of the identifiable net assets that have been acquired has not been finalised as at the date of this Explanatory Booklet. Subsequent to the Implementation Date, any change in the value of Hugo Neu's assets and liabilities at the date of acquisition will be matched by a corresponding decrease or increase in goodwill and there will be no impact on the cash flows of New Sims Group or Sims Group.

Deferred tax assessment of Hugo Neu

As a result of the change in structure to effect the Schnitzer Transaction, Hugo Neu will convert from a non income tax paying status to income tax paying. Historically, all material Hugo Neu entities were treated as partnerships for US tax purposes and on this basis have not paid US income tax. Instead, they have been treated as 'flow through' entities and US income tax has been paid at the partner level. On this basis, no tax expenses or deferred tax were reflected in the historical financial statements of Hugo Neu.

Due to the change in structure, Hugo Neu will be an income tax paying group post completion of the Schnitzer Transaction. At this stage, the Sims Group Directors have not been provided with sufficient information to be able to assess the impact of this change on the Statement of Financial Position. This will be assessed as part of the fair value exercise that will be completed by New Sims Group post the Merger. To the extent that deferred tax balances are required to be recorded for Hugo Neu and any deferred tax balances arise from fair value adjustments, they will be matched by a corresponding decrease or increase in goodwill.

Retained earnings and payment of dividends

Under AIFRS, the retained earnings in the parent entity of New Sims Group will be nil at the Implementation Date. New Sims Group will be reliant on profits earned subsequent to the Implementation Date in order to be able to pay future dividends to New Sims Group Shareholders.

Future financial performance presented under AIFRS may be significantly impacted by future changes to those standards and their application to the preparation of financial information. This may introduce considerable volatility into the future reported results of New Sims Group, thereby adversely impacting distributable earnings. This issue is not specific to New Sims Group and similar issues are likely to apply to other companies reporting under AIFRS.

Impact of tax consolidation

Sims Group formed a tax consolidated group from 1 July 2003. Sims Group Limited is currently the head entity of the Sims Group tax consolidated group. Under the Scheme, New Sims Group will acquire all the shares in Sims Group Limited such that Sims Group Limited will become a wholly owned subsidiary of New Sims Group. This should cause Sims Group Limited to cease to be the eligible head entity of the New Sims Group tax group. This may cause the existing Sims Group tax consolidated group to come to an end ('deconsolidation'). As a result of this potential deconsolidation, Sims Group will need to make an assessment of any potential capital gains that may arise. Based on initial calculations performed by the Sims Group Directors, it is not expected that the deconsolidation will result in a material adverse tax consequence although this assessment will need to continue to be monitored to the Implementation Date.

New Sims Group will be the head entity of the New Sims Group tax consolidated group. As a result of entering into a new tax consolidated group, the tax base of the assets will need to be reset at the Implementation Date. The Sims Group Directors have performed an initial assessment of the new tax bases and do not expect there to be any material adverse tax consequence. This assessment will need to be made at the Implementation Date. To the extent that there is a change in the tax base of the assets of Sims Group, there will also be a corresponding impact on the deferred tax position that will need to be reflected in the Statement of Financial Position as at the Implementation Date.

Impact of issue of shares under the LTI Plan and Directors' compensation resulting in share based payments

Details of the New Sims Group LTI Plan are set out in Section 10.19. In addition, as detailed in Section 10.7.4, equity performance rights will be issued to Mr Jeremy Sutcliffe as part of his remuneration.

Under AIFRS (AASB 2, Share Based Payments), to the extent that any share based payments are made to employees, an expense will need to be recognised over the vesting period of the payment with a corresponding impact on the equity/option reserve. The expense will be recorded at the fair value of the share based payment. Refer to Section 6.10 for further details.

6.10. Significant differences between reporting under AGAAP and AIFRS for Sims Group, Hugo Neu and New Sims Group

Sims Group management has completed a review of the impact of AIFRS upon the financial results of Sims Group. Sims Group management has relied on information provided in due diligence to assess the likely impact of AIFRS on the financial results of Hugo Neu and New Sims Group. The information below sets out the significant differences between AGAAP and AIFRS as identified by Sims Group using information that is currently available, as they impact Sims Group, Hugo Neu and New Sims Group as the case may be.

The following table summarises the significant adjustments to convert the financial information from AGAAP to AIFRS as at 31 December 2004:

	Sims Group	Hugo Neu	New Sims Group
Goodwill	Reversal of goodwill amortisation of A\$4.7 million	None	Reversal of goodwill amortisation of A\$4.7 million
Deferred taxes	No material impact	Not quantifiable – refer to Section 6.9 for further discussion	Not quantifiable – refer to Section 6.9 for further discussion
Employee benefits	Recognition of defined benefit pension fund deficit of A\$7.0 million and a corresponding deferred tax asset of A\$2.1 million	None	Recognition of defined benefit pension fund deficit of A\$7.0 million and a corresponding deferred tax asset of A\$2.1 million
Share based payments	n/a ¹	None ¹	n/a ¹
Financial instruments	No material impact	Recognition of mark-to-market position on hedges A\$0.5 million	Recognition of mark-to-market position on hedges A\$0.5 million

Note:

- As detailed in Section 10.7.4, certain share based payments to Mr Jeremy Sutcliffe are subject to EGM approval and therefore any financial impact cannot be quantified at the date of this Explanatory Booklet. In addition, the number of shares to be issued under the LTI Plan as set out in Section 10.19 was not finalised at 13 July 2005 and therefore any financial impact was not quantified. The financial impact of these transactions will be reflected in the results for the year ending 30 June 2006 and subsequent periods

Goodwill

Under AGAAP, goodwill is amortised over the useful life of the assets acquired, not exceeding 20 years, resulting in an annual charge for amortisation of goodwill. Under AIFRS, goodwill is no longer amortised but will be subject to annual impairment testing focusing on cash flows of the related cash generating unit. Where impairment is identified, the carrying value of the goodwill will be written down and profit reported for the period will be reduced accordingly.

Impairment of assets

Under AGAAP, the recoverable amount of an asset is determined as the amount that is expected to be recovered through cash inflows and outflows from the continued use and subsequent disposal of the asset, on the basis of discounted or undiscounted future cash flows. For this purpose, Sims Group currently discounts future cash flows at a market-determined, risk-adjusted rate.

Under AIFRS, 'recoverable amount' is determined as the higher of net selling value and value in use, determined by discounting cash flows at an asset-specific discount rate. Reliable estimation of the future financial effects of this change in accounting policy is currently impracticable because the conditions under which impairment will be assessed are not yet known.

Revaluations of property, plant and equipment

Under AGAAP, revaluation increments of non-current assets are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset, previously recognised as an expense in the Statement of Financial Performance, the increment is recognised immediately as revenue in the Statement of Financial Performance. Revaluation decrements are recognised immediately as expenses in the Statement of Financial Performance, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve. Revaluation increments and decrements are offset against one another within a class of non-current assets.

Under AIFRS, revaluation increments of non-current assets are credited to other reserves in Shareholders' Equity. To the extent that an increment reverses a revaluation decrement for that particular asset previously recognised as an expense in the Statement of Financial Performance, the increase is first recognised in the Statement of Financial Performance. Revaluation decrements are first charged against the asset revaluation reserves directly in equity to the extent that the remaining reserve relates to that particular asset, all other decreases are charged to the Statement of Financial Performance. At this stage Sims Group management estimates, based on recently finalised valuations, which are subject to audit, that this change in accounting policy will result in a charge to retained earnings of approximately A\$4 million on the adoption of AIFRS.

Deferred taxes

Under AGAAP, the tax effect of items of income and expense that are recognised in the Statement of Financial Performance in one period but are taxable or deductible in other periods are included in the calculation of the accounting income tax expense and reflected as deferred tax assets and liabilities in the Statement of Financial Position.

Under AIFRS, deferred tax is calculated as the tax expected to be payable or recoverable on differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Therefore, if an asset was held at valuation with changes in fair value recognised in an asset revaluation reserve, no deferred tax liability would be recognised under AGAAP but a deferred tax liability would be recognised under AIFRS. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

As set out in Section 6.9 as a result of the Scheme this should cause the Sims Group tax group to deconsolidate and form a new tax consolidated group with New Sims Group being the head entity. This will require New Sims Group to reset tax bases of assets. This will have a corresponding impact on the deferred tax balances reflected in the Statement of Financial Position. To the extent that adjustments are required to the deferred tax balances an adjustment

will also be required to the retained earnings. Any resulting adjustment has not been reflected in the New Sims Group pro-forma consolidated Statement of Financial Position at 31 December 2004 set out in Section 6.6.4 as any impact of tax consolidation can only be finalised once the Merger is implemented.

Employee benefits

Under AIFRS, employer sponsors are required to recognise the net surplus or deficit in their employer-sponsored defined benefit superannuation funds as an asset or liability respectively, with the year-on-year movement to be expensed to the Statement of Financial Performance or adjusted against equity. Under AGAAP, a surplus or deficit is not required to be recognised as an asset or liability respectively.

Share based payments

Under AIFRS, employers are required to determine the fair value of shares issued to employees as remuneration and recognise this as an expense in the Statement of Financial Performance over the period to vesting. This applies to both option and share based forms of equity based remuneration. Under AGAAP, shares issued to employees as remuneration do not need to be expensed.

Financial Instruments

Under AIFRS, financial assets held by an entity are to be classified as held for trading, held to maturity, available for sale, or loans and receivables. Depending upon the classification, these financial assets will be measured at either fair value or amortised cost.

Under AIFRS, all derivative contracts, whether used as hedging instruments or otherwise, are to be recognised and measured at fair value. Unless detailed hedge accounting requirements are met, movements in fair value of these contracts must be taken to the Statement of Financial Performance. AIFRS also introduces the concept of embedded derivatives and requires the identification, recognition and measurement of derivatives embedded within host contracts. Embedded derivatives are required to be fair valued and movements reported in the Statement of Financial Performance. AGAAP is not specific about the treatment of such financial instruments.

Sims Group currently has foreign exchange contracts held for hedging. Under AGAAP, the costs or gains arising under the contracts together with any realised or unrealised gains from measurement are included in assets or liabilities as deferred gains or losses. Under AIFRS, these contracts should represent cash flow hedges, where the changes in the fair value of these contracts will be recognised directly in equity until the hedged transaction occurs, at which time those amounts will be included in the initial costs of the assets acquired. The Sims Group Directors do not expect that this change will have a material impact as only a short term hedge book is maintained.

Hugo Neu holds contracts to hedge nickel prices. These contracts are not expected to meet the requirements for hedge accounting and therefore will be carried at fair value with the movement in fair value being recorded in the Statement of Financial Performance for the relevant period.

6.11. Consistency of accounting policies between New Sims Group and Hugo Neu

The principal accounting policies to be adopted by New Sims Group will be similar to those set out in Sims Group's financial statements for the year ended 30 June 2004 except to the extent that New Sims Group will be required to change accounting policies to comply with AIFRS as set out in Section 6.10. Sims Group management has conducted a review of the accounting policies adopted by Hugo Neu as disclosed in due diligence information for consistency with the accounting policies to be adopted by New Sims Group. The significant differences that were identified are detailed below:

Inventory valuation

In accordance with USGAAP Hugo Neu values inventory based on the weighted average cost method whereas New Sims Group will value inventory based on the FIFO method. An adjustment has been made to the Carved-out Financial Statements to value inventory based on the FIFO method.

Presentation of net sales

Hugo Neu presents sales on a net basis after selling and shipping costs. An adjustment has been made to the Carved-out Financial Statements to present sales on a gross basis in accordance with the New Sims Group accounting policies.

Capitalisation of spares

New Sims Group will capitalise major spare parts in inventory and then will expense them as they are consumed. Hugo Neu does not capitalise spare parts unless a material amount of spares are purchased. Generally, spare parts are expensed when acquired. Due to the low level of spare parts being held by Hugo Neu for extended periods of time, the Sims Group Directors have made no adjustment to the Hugo Neu financial information as any adjustment is not expected to be material.

Quality and weight provision

New Sims Group will record a provision for anticipated quality and weight adjustments on shipments. Hugo Neu does not record a provision for quality and weight adjustments but instead processes any required adjustment to revenue in the next period. The Carved-out Financial Statements have been restated to record an appropriate quality and weight adjustment at the end of the relevant period consistent with New Sims Group's accounting policy.

6.12. New Sims Group's dividend policy

The New Sims Group Directors will determine the amount of dividends paid having regard to the financial performance of New Sims Group and its financial and taxation position, general business and financial conditions, changes to the tax and accounting systems, ongoing capital requirements, further investment opportunities and any factors that the Directors may consider relevant. The payment of dividends by New Sims Group will be at the complete discretion of the Directors. Dividends will be franked to the maximum extent possible. The level of franking of future dividends is expected to be at a lower percentage than Sims Group's historical franking percentage as a greater proportion of earnings are expected to be generated outside Australia following Completion.

The capacity for New Sims Group to pay a dividend in certain circumstances may be impeded. The Directors will consider the appropriate timing and size of the interim and final dividends for the year ending 30 June 2006, having regard to the dividend capacity of New Sims Group, and general dividend policy considerations. It should be noted that on the Implementation Date, New Sims Group will have a nil retained earnings balance. It will be reliant on profits generated after the Implementation Date to pay future dividends.

Further information about the ways that the Merger may adversely affect New Sims Group's ability to pay dividends is set out in Section 7.3.

In the event that a significant amount of goodwill or the carrying value of an investment (including the value of the investment in Sims Group recorded in the parent company accounts of New Sims Group, which is A\$1,313.7 million based on the assumptions as set out in Section 6.9) is written down following Completion by way of an impairment adjustment and there are insufficient retained earnings in New Sims Group, precluding the ability of New Sims Group to pay dividends, the Directors intend to explore potential alternative means of returning capital to New Sims Group Shareholders including a capital return or share buy-back.

6.13. New Sims Group's finance facilities

Hugo Neu entities have, or immediately prior to, or effective concurrently with the closing of the Schnitzer Transaction will have, signed a credit agreement to provide, upon closing of the Schnitzer Transaction, up to US\$210 million in senior secured credit facilities.

Sims Group management intends to refinance Hugo Neu's stand alone credit facilities as soon as practicable following Completion with facilities provided by Sims Group's existing banking facility providers. Sims Group management considers these facilities provide a lower cost of funding than Hugo Neu's stand alone facilities.

Sims Group has arranged amendments to its existing banking facilities, with the amended finance facilities totalling A\$620 million available to New Sims Group, subject to finalisation of usual documentation. The facilities arranged to be available to New Sims Group are rolling two or three year facilities, subject to annual review. Sims Group management expects that the increased finance facilities will be sufficient to meet any refinancing obligations and support growth initiatives.

Sims Group management and its banking facility providers have agreed to amend the covenants of the finance facilities available to New Sims Group to account for the additional goodwill and investments that will be reflected in the New Sims Group Statement of Financial Position.

Sims Group management intends to refinance the Hugo Neu existing stand alone credit facilities with US dollar denominated debt.

6.14. New Sims Group and foreign exchange rate movements

A significant proportion of New Sims Group's operations will be exposed to foreign exchange rate movements. New Sims Group will derive US dollar, British pound, euro and New Zealand dollar earnings in addition to its Australian dollar earnings. Sims Group has historically hedged future sale and purchase transactions through forward foreign exchange contracts and options contracts. New Sims Group intends to continue to hedge future sale and purchase transactions in a manner consistent with the previous practice of Sims Group.

Sims Group currently does not currently hedge the value of assets and liabilities of overseas controlled entities, and the Sims Group Directors have no current intention of altering this policy following Completion.

Accordingly, foreign exchange rate movements will affect New Sims Group's future reported earnings and Statement of Financial Position.

7.1. Introduction

There are a number of factors that may have an effect on the future performance of Sims Group and Hugo Neu on a stand alone basis and, following Completion, New Sims Group. Investors should be aware that being a shareholder in Sims Group or New Sims Group has a variety of risks that are associated with investing in stock market listed securities. The future level of income, the value of the assets and the market value of securities quoted on ASX may be influenced by any of these risk factors.

Many of these risk factors are the same as those that currently apply to Sims Group and Hugo Neu.

Some of the risks may be mitigated by the use of safeguards and appropriate systems and controls. However, many risks that may impact New Sims Group are outside the control of Sims Group, Hugo Neu and New Sims Group and their respective directors and may not be able to be mitigated. Some of the general and specific risk factors are outlined below.

The risks identified in this Section 7 are not exhaustive. These, and other risks, may materially affect the future performance of Sims Group, Hugo Neu, and New Sims Group. Accordingly, no assurances or guarantees of future performance, profitability, dividends or return of capital are given by Sims Group or Hugo Neu Corporation or any of their Associates in respect of Hugo Neu or New Sims Group. You should read this Explanatory Booklet carefully. If you are unclear in relation to any matter, you should consult your financial, taxation, legal or other professional adviser.

The risk factors pertaining to Hugo Neu use the expected future names of 'Hugo Neu West', 'Hugo Neu East' and 'Hugo Neu Global Trade'.

7.2. General risk factors

General economic conditions

The operating and financial performance of Sims Group, Hugo Neu and New Sims Group are and will be influenced by general business cycles and economic conditions including interest rates, inflation, industrial disruptions, recycled metal prices, finished steel prices, exchange rates and government fiscal,

monetary and regulatory policies in Australia, China, New Zealand, the UK, the US and other countries where Sims Group, Hugo Neu and New Sims Group have operations or customers. Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, may adversely affect New Sims Group and Hugo Neu's operating and financial performance.

Stock market fluctuations

The price of New Sims Group Shares listed on ASX may rise or fall due to numerous factors, including:

- the general economic risks outlined above;
- variations in the local and global market for listed companies, in general, or for metal recycling companies, in particular;
- inclusion or removal from major market indices;
- changes to government policy, legislation or regulation;
- the nature of competition in the markets in which New Sims Group operates; and
- general operational and business risks.

In particular, the share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions, acts of terrorism and the general state of the economy. Such market fluctuations may materially adversely affect the market price of New Sims Group Shares.

New and/or changed laws and policies

Applicable laws or regulations, including those regarding international trade, taxation or environmental matters, relating to Sims Group, Hugo Neu or New Sims Group, or the interpretation or enforcement of such laws or regulations, could change and have an adverse affect on the operating and financial performance of Sims Group, Hugo Neu or New Sims Group. This applies to laws and government policies of Australia, China, New Zealand, the UK, the US and other jurisdictions, as well as the interpretation and/or administration of such laws and policies.

7.3. Risks associated with the Merger

Carrying value of goodwill and investments and impact on ability to pay dividends

New Sims Group will incur significant amounts of goodwill as a result of the acquisition of Hugo Neu, calculated as the difference between the cost of acquisition and the fair value of identifiable net assets acquired. This amount will be allocated to goodwill. In addition, New Sims Group will be required to record the investments in Sims Group and Hugo Neu at fair value in its parent entity accounts which in the case of Hugo Neu incorporates the goodwill amount.

A potential impairment in goodwill or a write down of the investments of Hugo Neu or Sims Group by New Sims Group may be required if recycled ferrous metal prices decrease from current prices towards historical levels on a sustained basis. Given that the investments will be reflected in the New Sims Group parent company accounts, the dividend paying entity, this may limit the ability of New Sims Group to pay dividends in the year in which the write down occurs to the extent there is insufficient retained earnings. In the event that this occurs, the New Sims Group Board may consider other methods to supplement shareholder returns including buying back shares or returning capital.

Due diligence

Sims Group has undertaken substantial due diligence and detailed financial analysis of Hugo Neu in connection with the Merger. In preparing this analysis, Sims Group has relied on information provided by Hugo Neu Corporation. While Sims Group has attempted to verify and independently assess this information wherever possible, its analysis of the Merger to a significant degree relies on the information provided by Hugo Neu Corporation. To the extent that the information provided is inaccurate or deficient, or Sims Group's analysis of the operations and information provided by Hugo Neu has not detected any material issues, this could materially adversely affect New Sims Group's operating and financial performance.

Environment

A significant potential risk for any recycling business is environment risk. Sims Group has conducted due diligence on potential environmental risks in Hugo Neu's operations

including commissioning external consultants to undertake Phase I Environmental Site Assessments and compliance reviews at Hugo Neu's operating locations.

Environmental site assessments are typically called either Phase I Environmental Site Assessments or Phase II Environmental Site Assessments. Phase I Environmental Site Assessments seek to identify possible environmental impairments on a particular property and may include:

- a visual survey of the property and surrounding properties to assess general land use and occupants of the area;
- a visual inspection of the site and surrounding properties to identify recognised environmental concerns;
- a review of data regarding the geology and hydrology of the site;
- an assessment of current and past uses, practices and development of the property with particular attention given to assessing if any hazardous material or waste practices have occurred at the site;
- a review of owner and/or occupier records;
- interviews with the owner and/or occupier of the property; and
- a review of local, state and federal regulatory agency records maintained for the site.

A Phase II Environmental Site Assessment is used to investigate recognised environmental concerns identified by a Phase I Environmental Site Assessment. A Phase II Environmental Assessment is a more detailed investigation to estimate the nature and extent of contamination. Depending on the site and whether there are recognised environmental concerns identified by the Phase I Environmental Site Assessment, a Phase II Environmental Site Assessment may consist of collecting samples of:

- shallow soil;
- ground and surface water; and
- other materials located on the site (for example, dust samples in the case of lead testing).

Samples would be analysed to determine whether there are severe environmental problems at the site and to allow a clearer evaluation of the liability associated with a property.

Sims Group completed a Phase I Environmental Site Assessment of the Hugo Neu operational sites. Sims Group determined, based on advice following the Phase I Environmental Site Assessments, that a Phase I Environmental Assessment constituted a reasonable level of due diligence in the circumstances of the Merger, and a Phase II Environmental Assessment was not conducted. Based on the Phase I Environmental Site Assessments and Sims Group investigations, Sims Group is not aware of any circumstance that is likely to lead to a material exposure for New Sims Group in respect of potential environmental liability after Completion.

Hugo Neu has warranted that all material environmental information referenced in the Contribution Agreement within the actual knowledge of certain senior Hugo Neu Corporation executives has been disclosed to Sims Group.

Risk allocation under the Contribution Agreement

The agreement under which New Sims Group acquires Hugo Neu is the Contribution Agreement. Its key material terms are summarised in Section 11. Under that agreement, the representations and warranties that Hugo Neu Corporation, Hugo Neu Steel Products, Inc. and Flynn-Learner provide (on a joint and several basis) to New Sims Group do not survive Completion (other than those given in respect of title to the interests in Hugo Neu, title in Hugo Neu's properties and assets, financial accounts, undisclosed liabilities and environmental matters, which survive for two years after Completion). Representations and warranties in respect of taxes survive until 90 days after the date upon which claims are statute barred. If a representation or warranty does not survive Completion, New Sims Group has no contractual right of action against the vendors of Hugo Neu if it discovers after Completion that those representations or warranties were not true.

In addition, where New Sims Group does have a right of action against the vendors of Hugo Neu for a breach of representation or warranty, the total liability those vendors have to New Sims Group is limited, in the aggregate, to US\$20 million. Liabilities for breaches of representations in respect of the capitalisation of Hugo Neu or taxes (as well as certain indemnities) are not capped.

This means that if New Sims Group determines after Completion that the value of Hugo Neu is significantly less than the value anticipated by Sims Group due to a representation or warranty breach, its right to recover for that loss of value is limited and it is unlikely that New Sims Group could fully recover all of its loss in such circumstances.

Integration

New Sims Group may not be able to successfully integrate Sims Group's operations with those of Hugo Neu or to realise over time the full benefits that Sims Group anticipates from the Merger. The Merger involves the integration of businesses that have previously been privately held and which have been a part of joint ventures with Schnitzer Steel Industries. The businesses are still in the process of being separated from Schnitzer Steel Industries (see Section 4.2 for further information in connection with the Schnitzer Transaction).

Integration of the businesses will involve, among other things, coordinating geographically separated organisations, integrating complex information technology and reporting (including financial reporting) systems, integrating personnel with diverse business backgrounds, acquiring and developing coordinated policies on corporate services such as treasury and insurance, and combining different corporate and workplace policies and cultures.

Integration of Sims Group and Hugo Neu and the retention of personnel are a key aspect of the Merger and a significant undertaking in itself, particularly given the scale of the two businesses and Hugo Neu previously being operated through joint ventures. The process of integrating operations could, among other things, divert management's attention, interrupt or reduce the performance of the activities of one or more of the businesses, and result in the loss of key personnel, any of which could materially adversely affect New Sims Group's operating and financial performance.

It is intended that a transition and integration team comprising senior executives from both Sims Group and Hugo Neu will be established to manage the integration of the operations of Sims Group and Hugo Neu. Sims Group considers its successful integration of acquired businesses as a core skill that has led to its growth and is confident of its ability to integrate the Sims Group and Hugo Neu businesses.

Barges

Due to US maritime regulatory constraints, New Sims Group, in its current form, is not permitted to own and operate the barges that are currently owned and operated by Hugo Neu. Hugo Neu currently owns and operates 53 barges. It is intended that these barges will be transferred to a third party charter company and chartered back to the New Sims Group. Negotiations to finalise these arrangements are ongoing. New Sims Group's possible inability to own and operate the barges, and to find suitable charter parties to operate and maintain them on New Sims Group's behalf, may materially adversely affect New Sims Group's operating and financial performance.

Hugo Neu Global Trade

Earnings generated by Hugo Neu Global Trade in recent years may have been particularly high as a result of favourable market conditions that may be unlikely to be repeated. Currently, at any one time, Hugo Neu Global Trade may have a material number of 'open' or at risk trading positions. To the extent that markets move in an adverse direction and Hugo Neu Global Trade has not hedged its position, this will have an adverse impact on profitability. Hugo Neu does not currently have a formal hedging policy in place and current operations may generally be considered speculative in nature. Following Completion, Hugo Neu Global Trade's profitability may be materially affected by compliance with New Sims Group's risk management policies. These risk management policies may limit Hugo Neu's ability to hold 'open' positions and may have an adverse impact on profitability.

Confirmation of inventory levels

Sims Group is unable to definitively determine the actual volume of inventory that is contained in Hugo Neu's major metal recycling processing yards due to the impracticality of weighing significant volumes of material and the lack of alternative methods of precise determination. There exists the potential for some variance between the levels of inventory shown in the Statement of Financial Position of Hugo Neu and the actual level of inventory held by Hugo Neu both at the time of signing the Contribution Agreement and at Completion. While the Contribution Agreement provides mechanisms to reduce this risk and protection for manifest error in the calculation of inventory levels, there is a risk that New Sims Group may derive economic loss from adverse variations in

actual inventory levels compared to inventory as stated in the accounting records of Hugo Neu which are subsequently determined.

Taxation

Currently, Sims Group is the head company of an Australian tax consolidated group that includes all its wholly owned Australian resident subsidiaries ('Sims Tax Group'). The Merger will cause a deconsolidation of the Sims Tax Group. The deconsolidation of a tax consolidated group can trigger capital gains for the head company in certain circumstances. Whether a material tax liability will arise for Sims Group from such capital gains will depend on the position at the time the Merger is implemented. Analysis undertaken assuming a deconsolidation of the Sims Tax Group at 31 December 2004 did not suggest that a material tax liability would have been triggered from such capital gains. Sims Group is continuing to monitor the position.

It is intended for New Sims Group to elect to form a new tax consolidated group ('New Sims Tax Group') immediately after the deconsolidation referred to above. This will require the New Sims Tax Group to reset the tax values of all assets in Sims Group. The assets' reset tax values will influence future tax deductions and other tax outcomes after the Merger. Whether this resetting of tax values will have a material adverse effect will depend on the position at the time New Sims Tax Group forms. Analysis undertaken to date does not suggest that the Merger will materially reduce the aggregate tax values of Sims Group assets. Sims Group is continuing to monitor the position.

Accounting

AIFRS is to be adopted for all entities reporting under the Corporations Act for financial years commencing on or after 1 January 2005. The adoption of AIFRS will be first reflected in New Sims Group financial statements for the half year ended 31 December 2005 and the year ended 30 June 2006.

The financial information presented in the Explanatory Booklet that is referred to as being presented in AIFRS reflects the set of standards applicable to financial years beginning on or after 1 January 2005.

The information set out in Section 6.10 provides a summary of the significant differences between AGAAP and AIFRS as applicable to the

financial information presented for Sims Group, Hugo Neu and New Sims Group.

Shareholders should be aware that future financial performance presented under AIFRS may be significantly impacted by future changes to those standards and their application to the preparation of the financial information. In particular goodwill is no longer amortised, however, the carrying value is assessed annually for impairment. Other intangible assets with finite lives will continue to be amortised over their useful lives and assessed for impairment where there is an indicator. This may introduce considerable volatility into the future reported results of Sims Group, Hugo Neu and New Sims Group thereby adversely affecting distributable earnings. This issue is not specific to Sims Group/New Sims Group and similar issues are likely to apply to other companies reporting under AIFRS.

Financing

Sims Group intends to refinance Hugo Neu's existing facilities as soon as practicable following Completion as outlined in Section 6.13. There is a potential risk that final documentation of the revised financing facilities for New Sims Group may be less favourable for New Sims Group than anticipated by Sims Group management, and whilst Hugo Neu's finance agreement has been reviewed, there may be unanticipated costs associated with refinancing the debt associated with Hugo Neu with the new debt facilities to be provided to New Sims Group.

Increased debt levels

Sims Group will be assuming the net debt of Hugo Neu as at Completion (A\$201.2 million (US\$156.6 million) on a pro-forma basis as at 31 December 2004) as set out in Section 6). The assumption of Hugo Neu's net debt will increase New Sims Group's net debt compared to the current net debt of Sims Group, and therefore increase its exposure to interest rate movements.

The actual amount of net debt assumed by Sims Group on Completion may be above or below pro-forma net debt as at 31 December 2004, and will depend on movements in working capital, the A\$/US\$ exchange rate, capital expenditure and other factors. While the Contribution Agreement determines the amount of net debt New Sims Group will assume as a result of the Merger, and the expectations for an increase in net debt have

been considered by the Sims Group Board in assessing the merits of the Merger, New Sims Group will have substantially increased net debt compared to Sims Group prior to the Merger which may result in a material adverse effect on its financial performance.

Port of Los Angeles lease

Hugo Neu Corporation is currently negotiating with the Port of Los Angeles regarding Hugo Neu's lease rent at its Terminal Island property at the Port of Los Angeles. Under the provisions for rent escalations every five years, there is the likelihood that lease payments will substantially increase, effective as of 31 August 2004. Further, the consent of the Port of Los Angeles to the Merger, under the permit to operate at the Port, is an Acquisition Condition to Completion, hence, there is the possibility that Completion could be delayed until agreement can be reached and a risk that the consent will not be obtained, which will prevent the Merger from occurring.

Hugo Neu Corporation's shareholding

As a consequence of the Merger, Hugo Neu Corporation and its Associates will obtain a 26.0% shareholding in New Sims Group (on a fully diluted basis) and the right to nominate two Directors to the Board, thereby enabling them to potentially block a special resolution of shareholders and influence the decisions of the Board.

This 26.0% shareholding of Hugo Neu Corporation would be sufficient to prevent a potential third party making a takeover offer for New Sims Group, from being able to compulsorily acquire all of the New Sims Group Shares or being able to acquire 100% of the New Sims Group Shares through a scheme of arrangement. This may reduce the likelihood of a takeover or merger offer for New Sims Group from a third party.

7.4. Risks associated with Hugo Neu business

Factors relating to the Schnitzer Transaction

The Merger is conditioned upon the closing of the Schnitzer Transaction. The Schnitzer Transaction is conditioned upon the receipt of third party consents, permit amendments or transfers, the repayment of certain existing indebtedness and other customary closing conditions. While it is expected by Hugo Neu Corporation that the closing of the Schnitzer

Transaction will occur by September 2005 or, with delays in the satisfaction or waiver of the conditions to completion, the fourth quarter of 2005, there can be no assurance that the third party consents or permit amendments or transfers will be obtained on a timely basis or at all.

Moreover, the new credit facility entered into by Hugo Neu entities is subject to a number of conditions. There can be no assurance that these conditions will be satisfied and that the funding will be made available to Hugo Neu entities to effect the Schnitzer Transaction. If this facility were not to close, it could materially adversely affect the liquidity and financial condition of Hugo Neu. It is unlikely that Hugo Neu Corporation and its affiliates will be able to secure alternative financing to complete the Schnitzer Transaction. Furthermore, the use of this facility is subject to a number of conditions. If, subsequent to the closing of the Schnitzer Transaction, any of these conditions were not met, it could materially adversely affect the liquidity and financial condition of Hugo Neu. Sims Group intends to refinance this facility with facilities to be made available to New Sims Group following Completion, as set out in Section 6.13.

Operating initiatives

Hugo Neu is undertaking a significant capital expenditure programme, including installing a new mega shredder at each of its Terminal Island, Los Angeles facility and its Claremont Terminal, Jersey City facility which are expected to have greater capacity and lower per tonne operating costs than shredder equipment currently operated by Hugo Neu, subject to operating at a sufficient utilisation rate. To the extent that either of these mega shredders does not perform in accordance with expectations or is not installed on schedule, the operating and financial performance of Hugo Neu and New Sims Group may be adversely impacted. If Hugo Neu was unable for any reason to procure adequate supplies of raw material to shred using this new equipment, it would adversely impact the return on this investment and could materially adversely affect Hugo Neu and New Sims Group's operating and financial performance.

The non-ferrous metal separation plant currently planned for Navassa, North Carolina is subject to a permitting and approval process from various authorities. Hugo Neu or New Sims Group may not receive any of the permits

or approvals that are required to construct or operate either the non-ferrous metal separation plant or the associated disposal facility. In addition, the present design of this planned non-ferrous metal separation plant involves technology not presently used by Hugo Neu, as well as technology believed never to have been used on a production basis, only on a test basis. If for these or any other reasons, the development and operation of the North Carolina facilities progress less satisfactorily than expected or do not progress at all, it could materially adversely affect Hugo Neu and New Sims Group's operating and financial performance.

Unionised labour

Approximately 50% of Hugo Neu's employees belong to unions. Hugo Neu is entering into contract negotiations at the Terminal Island, Los Angeles facility in August 2005. If relations with one or more of these unions were to deteriorate or if a settlement is not reached at Terminal Island, strikes or other disruptions could occur, which could materially affect Hugo Neu's, and therefore following Completion, New Sims Group's, operating and financial performance. In addition, at Hugo Neu West there are approximately 40 pending grievances filed under current and former collective bargaining agreements. Some of these grievances date back to 1997 and some involve sensitive issues such as non-union personnel performing alleged union work. Adverse results in resolving some of these grievances could result in significant liabilities to Hugo Neu.

Personnel changes associated with the Schnitzer Transaction and the Merger

Hugo Neu will go through a number of personnel changes associated with the reorganisations resulting from the Schnitzer Transaction and the Merger. Employees adversely impacted by these transactions may seek recourse by filing discrimination or other complaints. Defending such claims could divert management's time and attention from completing the Merger and result in material legal costs. Adverse judgements could result in material monetary awards. The changes could result in key personnel resigning from Hugo Neu. Neither satisfactory back-up staff nor satisfactory succession plans are in place for many Hugo Neu senior management positions. Such events related to personnel changes could materially adversely affect Hugo

Neu and New Sims Group's financial and operating performance.

In addition, the transition services to be provided by Hugo Neu following the closing of the Schnitzer Transaction may strain Hugo Neu's existing resources to manage Hugo Neu's own growth initiatives, as well as the integration process following the Merger and this could materially adversely affect the financial and operating performance of Hugo Neu and New Sims Group.

Gearing and closure of financing

As of 31 December 2004, Hugo Neu had pro-forma net debt of A\$201.2 million (US\$156.6 million), including net debt that will result from the closing of the Schnitzer Transaction. The degree to which Hugo Neu is leveraged could have important negative consequences such as a substantial portion of Hugo Neu's cash flow from operations being required to pay debt service and not being available to fund future operations; Hugo Neu's ability to obtain future financing for capital expenditures, working capital or general corporate purposes being potentially limited; and Hugo Neu and New Sims Group having increased vulnerability to adverse general economic and metal recycling industry conditions. This could materially adversely affect the financial and operating performance of Hugo Neu and New Sims Group.

Legal proceedings

From time to time, Hugo Neu is involved in various litigation matters and administrative proceedings involving ordinary and routine claims incidental to its business, as well as non-routine matters. Many of these matters result from environmental compliance issues, including notices of alleged violations received from regulatory agencies, and workers compensation related claims applicable to Hugo Neu's operations. Hugo Neu currently believes that the ultimate outcome of these pending proceedings, individually and in the aggregate, will not materially adversely affect the financial and operating performance of Hugo Neu. However, there can be no assurance that this will be the case.

From time to time, Hugo Neu is party to or the subject of various lawsuits and other legal proceedings and claims involving environmental matters, including being named as defendant or an otherwise responsible party under the US Comprehensive Environmental Response,

Compensation and Liability Act (commonly known as 'CERCLA' or 'Superfund Law') as amended, and similar state laws which seek to recover from generators of waste which contain hazardous substances the cost of cleaning up sites where such waste has been disposed of. Those laws provide that such generators are jointly and severally liable for such clean-up costs. From time to time, Hugo Neu is also engaged in various environmental remediation activities at sites currently or previously owned or leased by it. These activities have been commenced voluntarily or at the request or direction of government agencies, landlords or other parties to remediate environmental contamination occasioned by past operations at the sites. In those proceedings involving clean-up of sites operated by third parties, it is anticipated, although there can be no assurance, that in most instances, liability, if any, will be apportioned among all defendants or responsible parties, to the extent any of them are found or agree to be responsible for the presence of waste containing hazardous substances at the particular disposal site.

Hugo Neu West (in 1996) and Hugo Neu East (in 2002) agreed with the Port of Los Angeles, in conjunction with the Los Angeles Regional Water Quality Control Board, and the New York Office of the US Environmental Protection Agency, respectively, to be solely responsible for certain environmental remediation and reimbursement arrangements. In both cases, each of Hugo Neu West and Hugo Neu East has substantially complied with these arrangements and is awaiting confirmation of this from those authorities.

In addition, through 30 June 2005, Hugo Neu has expensed US\$1,558,000 with respect to remediation work to cap certain premises that had been previously leased by Hugo Neu East from the Port Authority of New York and New Jersey at Port Newark. Under a settlement agreement executed in October 2004, Hugo Neu East has no further obligations to remediate contamination at the site as of November 1999 (the date Hugo Neu East vacated the site) unless future claims are made requiring further clean-up at the site, however Hugo Neu East remains responsible for claims of personal injury or property damage caused by contamination existing at the site as of November 1999. Any such future claims may result in material liabilities for Hugo Neu.

Environment

Compliance with environmental laws and regulations is a significant factor in Hugo Neu's business. Some areas of Hugo Neu's business are subject to international, federal, state and local environmental laws and regulations concerning, among other matters, solid waste disposal, hazardous waste disposal, air emissions, water quality and discharge, dredging and employee health and safety. Environmental legislation and regulations have changed rapidly in recent years and it is likely that Hugo Neu will be subject to even more stringent environmental standards in the future.

The nature of Hugo Neu's business and previous operations by others at facilities currently or formerly owned or operated or otherwise used by a Hugo Neu entity, which can include the handling of hazardous materials and other regulated substances or contaminants, as well as construction activities which involve the onsite movement and relocation of soil and other materials, expose Hugo Neu to risks of claims under environmental, health and safety laws and regulations. Contamination may exist at varying levels at current and former sites, which could require investigation, monitoring, remediation or other corrective action, as well as result in proceedings seeking damages and the imposition of fines or penalties in the future.

Because the metal recycling industry has the potential for discharging wastes or other regulated materials into the environment, Hugo Neu believes that in any given year, a significant portion of its capital expenditures could be related, directly or indirectly, to pollution control or environmental remediation. It is not possible to predict the total size of all capital expenditures or the amount of any increases in operating costs or other expenses that may be incurred by Hugo Neu to comply with environmental requirements applicable to Hugo Neu and its operations, or whether all such cost increases can be passed on to customers through product price increases. Further, environmental legislation has been enacted, and may in the future be enacted, to create liability for past actions that were lawful at the time taken. As is the case with steel makers and recycled metal processors in general, if damage to persons or the environment has been caused, or is in the future caused, by Hugo Neu's activities or by hazardous substances now or in the future located at Hugo Neu's facilities, Hugo Neu may be fined and held liable for such damage and,

in addition, may be required to remedy the condition. Thus, there can be no assurance that potential liabilities, expenditures, fines and penalties associated with environmental laws and regulations will not be imposed on Hugo Neu in the future or that such liabilities, expenditures, fines or penalties will not materially adversely affect the financial and operating performance of Hugo Neu.

Further, Hugo Neu's operations are conducted primarily outdoors and, depending on the nature of the ground cover, involve the risk of releases of wastes and other regulated materials to the soil and, possibly, to groundwater. From time to time, as part of Hugo Neu's continuous improvement programmes, Hugo Neu incurs costs to improve environmental control systems. In particular, if a costly stormwater plan is not implemented at Hugo Neu East's Claremont Terminal facility, it could materially adversely affect the financial and operating performance of Hugo Neu.

Hugo Neu has, in the past, been found not to be in compliance with certain environmental laws and regulations and has incurred liabilities, expenditures, fines and penalties associated with such violations. Hugo Neu's objective is to maintain compliance. Efforts are ongoing to be responsive to environmental regulations.

Hugo Neu has taken actions, including the following, to reduce its exposure to environmental issues:

- most of Hugo Neu's facilities operate on concrete surfaces;
- stormwater collection systems have been installed at many of Hugo Neu's facilities;
- it is Hugo Neu's current policy to dispose of all ASR only in permitted landfills;
- radiation detection gates and other inspection processes to prevent the intake of hazardous materials have been installed or adopted; and
- Hugo Neu has a number of fully dedicated environmental professionals at its major facilities.

However, regardless of such actions, Hugo Neu may incur liabilities, expenditures, fines and penalties under environmental laws and regulations that could have a material adverse effect on the financial and operating performance of Hugo Neu. Furthermore, Hugo Neu does not typically hold environmental

insurance, potentially worsening the impact of any such liabilities.

ASR and other wastes

After the shredding of automobile bodies and other obsolete machinery and appliances and the separation of ferrous and saleable non-ferrous metals, the remaining ASR must be managed. US federal and state environmental regulations require that Hugo Neu test ASR to determine if it is classified as hazardous waste before disposing of it off-site in permitted landfills. Over the many years of operations of Hugo Neu, large amounts of ASR or 'fluff', as well as other wastes, were or may have been disposed of at different non-permitted locations, including Hugo Neu owned or operated sites, as well as third party locations in various states in different parts of the US. There is also a possibility that permitted sites where ASR was lawfully disposed of may become the subject of remedial action (such as the BKK landfill in California, which is presently the subject of administrative proceedings). Hugo Neu West has not been named as a potentially responsible party regarding the BKK landfill, although Hugo Neu West did send large amounts of ASR to that landfill and it is probable that as legal proceedings continue, regulators or parties who have been named as responsible parties will seek to involve Hugo Neu West in the proceedings and/or in sharing the costs of remediation or related efforts, which costs may be substantial. In addition, ASR was disposed of in various areas of the Claremont facility in New Jersey. Furthermore, Hugo Neu East has recently been advised by a partner in a development project which is nearby the Claremont facility, that ASR was recently discovered during earthmoving operations. No claim has been asserted that the ASR originated from Hugo Neu East or that Hugo Neu East should remove it.

The testing of ASR can be performed by various protocols and laboratories, with potentially different results, which may lead to disputes over testing results and additional costs in verifying results or dealing with some ASR differently.

Other waste streams of Hugo Neu's business are subject to similar requirements. Hugo Neu can give no assurance that such contaminants will be successfully removed from source streams and resultant recycling by-products. As a result, Hugo Neu's waste streams may, from time to time, be classified as a hazardous waste, in which case Hugo Neu may incur higher costs for disposal.

There is presently uncertainty in the industry concerning compliance by industry members, including Hugo Neu, with the EPA Regulation related to PCB Bulk Product Waste known as the 'Mega Rule' (40 CFR Part 761). Hugo Neu has not received written notice from any governmental authority alleging that it is in violation of the Mega Rule. However, Hugo Neu has been advised by legal counsel that it is exposed to potential liability under the Mega Rule in connection with the disposal of ASR.

Costs to dispose of ASR and other wastes are a significant operating cost for Hugo Neu. In the past, there have been significant increases in such costs.

Costs and liabilities arising from the disposal of ASR and other wastes could materially adversely affect Hugo Neu and the New Sims Group's financial and operating performance.

Failure of customers to open letters of credit

If one or more customers do not open, or one or more banks did not honour, a letter of credit, this could materially adversely affect Hugo Neu's financial and operating performance.

Assignment of contracts

In the event one or more material contracts cannot be assigned effectively following the Merger, it could materially adversely affect Hugo Neu's financial and operating performance.

Failure to comply with or obtain government permits

Hugo Neu is required to obtain, and must comply with, various permits and licences to conduct its operations. Improvements have been made at all or substantially all of the Hugo Neu operating locations in California, in some instances, without obtaining the requisite building or construction permits or other governmental consents. Failure to obtain or renew, or violations of, any permit or licence, if not remedied, could result in Hugo Neu incurring substantial fines, suspension of operations or closure of a site and could materially adversely affect the financial and operating performance of Hugo Neu and New Sims Group.

Reliance on main export terminals

If one or both of Hugo Neu's principal export terminals, Claremont Terminal in New Jersey and the Terminal Island facility in California, were to suffer damage from an earthquake,

accident, terrorist act, weapons of mass destruction, tsunami or other occurrence, it could materially adversely affect Hugo Neu's financial and operating performance.

Schiabo Larovo hedging activities

Schiabo Larovo periodically engages in hedging transactions that may be considered speculative. Unfavourable market moves could materially adversely affect the operating and financial performance of Schiabo Larovo and, therefore, of Hugo Neu.

Competition

Hugo Neu competes for the purchase of unprocessed and processed recyclable metals from suppliers and the sale of processed recycled metal to finished steel makers. Unprocessed metal, which falls into two main categories, heavy iron (which is processed by shearing or torching) and shreddable steel (which is processed by shredding), is difficult to transport cost effectively over long distances and therefore generally stays in the geographic region in which it is generated (although instances do occur when out-of-region recyclers or brokers compete for material). Hugo Neu also bales certain types of purchased metal. Hugo Neu competes in the shreddable steel market against a few large competitors with shredders within their geographic regions. For instance, there are several shredders in the Los Angeles and greater New York City metropolitan areas. With respect to unprepared heavy iron, large competitors and small dealers have shearing capability and compete on the purchase side. However, only large companies (including Hugo Neu) have more powerful stationary shears, which provide more volume capability and lower shearing costs per ton. With respect to the purchase of prepared (as contrasted to unprepared) recyclable steel, Hugo Neu also competes against domestic steel mills that buy directly or through brokers from dealers. Among the predominant competitive factors impacting Hugo Neu's recycled metal sales and its ability to obtain unprocessed and processed metals are price, including shipping costs, availability, and reliability of service and product quality.

Hugo Neu competes with a number of US and foreign recycled metal processors for export sales. Hugo Neu also competes against dealers who load prepared recycled metal into containers and sell directly into the export market. Price, shipping costs, and availability are the most important competitive factors, but

reliability and quality are also important. Hugo Neu believes that its size and locations allow it to compete effectively with other US and foreign metal recyclers. However, there can be no assurance that this will remain so.

Hugo Neu makes a number of large recycled ferrous metal shipments to domestic and foreign steel makers each year. Hugo Neu's control over the timing of shipments is limited by customers' requirements, shipping schedules, and other factors. Variations in the number of shipments from quarter to quarter result in fluctuations in quarterly revenues, earnings, and inventory levels.

A major supplier to Hugo Neu West is seeking to install a shredder. If successful, this could materially reduce the volumes supplied to Hugo Neu West's shredder and materially adversely affect the financial and operating performance of Hugo Neu.

Potential competition from other industry players

There are no provisions in the Schnitzer Agreement that expressly prohibit or restrict either SSI or Hugo Neu Corporation from using information gained during the period they co-owned, directly or indirectly, the joint venture businesses or that prohibit SSI from competing in the areas where Hugo Neu operates (other than as noted in 'Non-Compete' below). If SSI or an acquirer of SSI were to decide to compete with Hugo Neu East, Hugo Neu West or Hugo Neu Global Trade, the financial and operating performance of Hugo Neu and the New Sims Group could be materially adversely affected.

In addition, Metal Management, Inc., a competitor of Hugo Neu's, has entered a joint venture agreement with Donjon Marine, Inc. to form Port Albany Venture, LLC. Depending on how Hugo Neu East and Port Albany Venture, LLC interact, the formation of the Port Albany joint venture could lead to a material adverse impact on Hugo Neu's financial and operating performance.

Non-Compete

By acquiring the ownership interests in Hugo Neu, New Sims Group will become subject to the following non-compete restrictions set forth in the Schnitzer Agreement:

----- for a five year period after the completion of the Schnitzer Transaction, New Sims Group may not engage in, or make a loan to any person who engages in, the purchase of

recycled metal that is shipped from certain seaports located in the Baltic Sea, the Barents Sea or the Kara Sea.

..... for a three year period after the completion of the Schnitzer Transaction, New Sims Group may not pursue any acquisitions, joint venture or other strategic transaction with a certain recycled metal company based in Hawaii.

New York City Recycling Contract

Hugo Neu East's New York City recycling operations currently operate under an interim contract. The interim contract provides that the New York City Department of Sanitation can terminate the contract without cause upon giving a short period of notice.

The terms for the proposed 20 year contract for New York City recycling are under negotiation. If terms cannot be agreed, New Sims Group will only have the benefit of the interim contract (subject to the termination rights described above), which is currently scheduled to operate until 31 March 2009, with two options to extend for a period of one year under each option, in the sole discretion of the New York Department of Sanitation. To the extent that the interim contract is terminated or final terms for the proposed 20 year contract cannot be agreed, or are less favourable than currently expected, the financial and operating performance of Hugo Neu and New Sims Group may be materially adversely affected.

Deterioration of community relations

Hugo Neu strives to maintain positive relations with the communities in which it operates. If such relations were to worsen, it could materially adversely affect Hugo Neu's financial and operating performance.

7.5. Risks common to Sims Group, Hugo Neu and New Sims Group

Supply sources

Sims Group and Hugo Neu procure recyclable metal inventory from numerous sources. These suppliers generally are not bound by long term contracts and have no obligation to sell recyclable metals to Sims Group, Hugo Neu or following Completion, New Sims Group. In periods of low industry prices, suppliers may elect to hold recyclable metal to wait for higher prices or slow recyclable metal collection activities. If a substantial number of recyclable metal suppliers ceased selling recyclable

metals to New Sims Group, New Sims Group would be unable to recycle metals at desired levels and its results of operations or financial condition could be materially adversely affected. In addition, a slowdown of industrial production would reduce the supply of industrial grades of recyclable metal to the metal recycling industry.

Relationships with suppliers and customers

Sims Group and Hugo Neu have developed strong relationships with suppliers and customers. While it is not envisaged that the Merger will have any material adverse effect on supplier or customer relationships, the loss or deterioration of these relationships after Completion may materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

Destination of sales

The majority of New Sims Group's sales of recycled metal is expected to be to international markets (compared to the location of the processing facility), with a significant portion of these sales to customers in China and other individual markets. If sales to China or these other individual markets were to decline significantly for any reason whatsoever, it could materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

Injuries and accidents

Sims Group and Hugo Neu's facilities utilise heavy machinery, and their operations involve risk of serious or fatal accidents. Such occurrences may result in compensation claims or prosecutions or actions by regulatory authorities. This could materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

Commodity price volatility

Sims Group and Hugo Neu will be exposed to commodity price risk during the period they have title to products that are held in inventory for processing and/or resale. Prices of commodities, including recycled metal, can be volatile due to numerous factors beyond their control, including:

- general economic conditions;
- labour costs;
- competition;

- financial condition of major customers;
- availability of imports;
- availability and relative pricing of alternative steel making raw material (such as pig iron) and coke and iron ore;
- import duties and ocean freight costs; and
- tariffs and currency exchange rates.

An increasing price environment may limit the ability of Sims Group and Hugo Neu to pass on price increases to their customers. In a decreasing price environment, Sims Group and Hugo Neu will not have the ability to fully recoup the cost of raw recyclable metal that they process and sell to their customers.

Such factors could materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

No established futures market

Sims Group and Hugo Neu are not able to hedge, and New Sims Group will not be able to hedge positions in recycled ferrous metal, since no established futures market exists for recycled ferrous metal. Their respective sales and inventory positions will therefore be more vulnerable to adverse changes, which could materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

Metal recycling industry cyclicality

The operating results of the metal recycling industry in general, and the operations of Sims Group and Hugo Neu specifically, are highly cyclical in nature. They tend to reflect and be amplified by general economic conditions in the US and other key markets. Historically, in periods of recession or periods of slowing economic growth, the operations of ferrous metal recycling companies have been materially adversely affected. For example, during recessions or periods of slowing economic growth, the automobile and the construction industries typically experience major cutbacks in production, resulting in decreased demand for steel, copper and aluminium. This leads to significant fluctuations in demand and pricing for the products of Sims Group and Hugo Neu. Economic downturns in the US or internationally could likely materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group. Historically, margins have been greater when recycled ferrous metal prices have been high and lower when recycled

ferrous metal prices were low. The ability of Sims Group, Hugo Neu and New Sims Group to withstand significant economic downturns and periods of lower recycled ferrous metal prices in the future will depend in part on their respective level of capital and liquidity at the time.

Sims Group, Hugo Neu and New Sims Group's financial and operating performance may also be materially adversely affected by increases in ferrous metal imports into the US or other significant regions such as Australia, the UK and New Zealand in which Sims Group has significant recycled ferrous metal operations, decreases in recycled steel imports by countries which are key sales destinations for Sims Group and Hugo Neu, and significant changes in the price of recycled ferrous metal and/or the price of steel. Additionally, the financial and operating performance of Sims Group, Hugo Neu and New Sims Group could be materially adversely affected by increased freight costs, which could impact export sales.

China has recently become a net exporter of steel, with the additional supply in the steel market creating downward pressure on steel prices. This price weakness may have impacted the price for recycled metal, which has also recently declined. To the extent that production of steel in China is not reduced, there is the potential for downward pressure to remain on steel prices and potentially materially adversely affect the price and market for recycled ferrous metal and the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

Cheaper production of recycled ferrous metal substitutes

A number of third parties around the world are working on ways to produce recycled ferrous metal substitutes at lower cost. If these efforts prove successful, they could become significant competitors and materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

Inventory and sales position

Inventory may exceed the amount of product sold, exposing Sims Group, Hugo Neu and New Sims Group to decreases in recycled metal prices, or sales may exceed inventory, exposing New Sims Group to cost increases, either of which could materially adversely affect the operating and financial performance of Sims Group, Hugo Neu and New Sims Group.

Quality of working capital

As in many commodity-processing companies, the primary source of financial liquidity is the successful completion of the asset conversion cycle. If customers were not to pay amounts due to Sims Group, Hugo Neu or New Sims Group and/or receivables or inventories were to drop in value and/or customer quality claims were to result in material costs, it could materially adversely affect the liquidity and financial position of Sims Group, Hugo Neu or New Sims Group.

Retention of key personnel

The operating and financial performance of New Sims Group, as for that of Sims Group and Hugo Neu, will be largely dependent on its ability to retain and attract key personnel. Whilst efforts are made to retain key employees and contractors and to recruit new personnel as the need arises, the loss of a number of key personnel may materially adversely affect the earnings or growth prospects of Sims Group, Hugo Neu or New Sims Group.

In particular, in relation to the Merger, key staff have been identified as part of Sims Group's due diligence review of Hugo Neu and executive service agreements have been or will be offered to certain senior managers in Hugo Neu and their employment by New Sims Group will be subject to their acceptance of mutually agreed offers of employment. The retention of key personnel will be a focus of the integration process.

Interest rates

New Sims Group, as a borrower of money, will be potentially exposed to adverse movements in interest rates. While this exposure may be managed using interest rate hedging, Sims Group, Hugo Neu or New Sims Group may have residual exposure that may result in a material adverse effect on its financial performance.

To the extent that interest rate movements are not hedged, New Sims Group will be subject to the risk of increasing interest rates on all borrowings with a floating interest rate component.

Exchange rates

New Sims Group, as a company that operates in many countries around the world, will be exposed to movements in exchange rates, the impact of which cannot be reliably predicted.

New Sims Group intends to manage its foreign exchange risk to minimise the adverse impact of currency movements on its cash flows. Sims Group's current foreign exchange hedging policy includes, but is not limited to, foreign currency derivative instruments (such as forward foreign exchange contracts and option contracts) and foreign currency borrowings.

The Merger involves significant assets, liabilities and earnings denominated in currencies other than the Australian dollar, in particular US dollars. These assets, liabilities and earnings will therefore be exposed to fluctuations in exchange rates between these currencies and the Australian dollar.

The Chinese Government has recently announced that the Chinese yuan will no longer be pegged to the US dollar. This change may have regional and global economic consequences, including on China's import and export of steel and recycled metal.

Regulatory factors

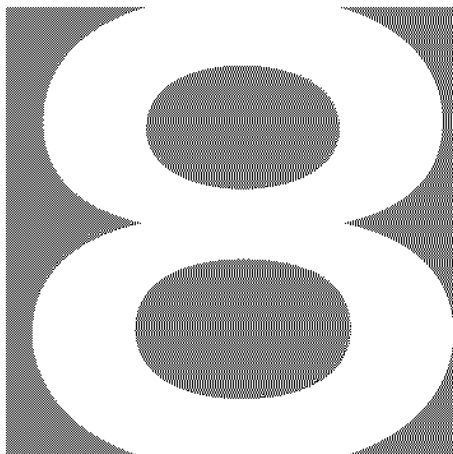
Companies that engage in international trade are increasingly the subject of further regulation. This is particularly the case in the US. By way of example, the US has detailed and complex regulations which prohibit trade or commerce with certain countries, organisations and individuals because of perceived security concerns or terrorist associations. It is a challenge for all persons to whom these regulations apply to ensure compliance. Failure to comply can result in significant penalties being imposed.

Similarly, the US, Australia and many other countries have legislation that prohibits corrupt conduct with foreign officials. This legislation is very broad in its scope and operation, and again is difficult to comply with, particularly when companies (such as Hugo Neu and Sims Group) use agents to assist them to make sales. Schnitzer Steel Industries has publicly disclosed that it is conducting an internal investigation of certain of its past practices and will voluntarily report the results of such investigations to the US Department of Justice and the US Securities and Exchange Commission. There is a possibility that Hugo Neu or New Sims Group could become the subject of an investigation by the US Department of Justice, although neither Sims Group nor Hugo Neu has been approached by the Department of Justice in connection with any such investigation.

In light of this investigation both Hugo Neu Corporation and Sims Group are investigating their own compliance with foreign corrupt practices legislation. Under the Contribution Agreement, both New Sims Group and Hugo Neu Corporation indemnify the other from any losses that arise in respect of breaches by them of any applicable foreign corrupt practices legislation. If Hugo Neu or Sims Group were found to have failed to comply with any such legislation, it would be subject to penalties prescribed by such legislation, which may be significant depending on the nature and scope of the non-compliance. This may have a material adverse effect on the financial and operating performance of New Sims Group. In addition, any such finding may require Hugo Neu or Sims Group to adopt policies or practices that may materially adversely affect the businesses that they conduct in the countries where they may be found to have been in non-compliance.

Competition

In addition to the competitive risks for Hugo Neu set out in Section 7.4, following commissioning of a mega shredder in Newcastle, Smorgon Steel Limited ('Smorgon') has announced an intention to relocate two refurbished shredders to Western Australia and South Australia and that it expected buying prices to rise initially.



The Directors
Sims Group Limited
Sims Group House
Level 6, 41 McLaren Street
NORTH SYDNEY NSW 2060

2 August 2005

**Subject: Investigating Accountant's Report on Historical Financial Information
and Financial Services Guide**

Dear Sirs

We have prepared this Report on the consolidated financial information of Sims Group Limited ('Sims Group'), the pro-forma consolidated financial information of Hugo Neu ('Hugo Neu') and the pro-forma consolidated financial information for the New Sims Group for inclusion in an Explanatory Booklet dated on or about 2 August 2005 ('Explanatory Booklet') relating to the proposed merger of the Sims Group with Hugo Neu.

Expressions defined in the Explanatory Booklet have the same meaning in this Report.

The nature of this Report is such that it should be given by an entity that holds an Australian Financial Services Licence under the Corporations Act. PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services Licence.

Background

On 24 June 2005, Sims Group announced its Merger with Hugo Neu. The Merger will be implemented through a Scheme of Arrangement between Sims Group and its Shareholders, which will result in all Sims Group Shares being acquired by New Sims Group and immediately thereafter New Sims Group acquiring all of the equity interests in Hugo Neu. New Sims Group will be listed on ASX and called 'Sims Group Limited' if the EGM Resolution concerning the change of Sims Group's name is approved by the required majority.

Under the Scheme of Arrangement, New Sims Group has been incorporated with the intention that:

- all shareholders in Sims Group will receive one share in New Sims Group for each share in Sims Group; and
- New Sims Group will acquire all the equity interests in Hugo Neu for consideration equating to a 26.0% shareholding in New Sims Group (on a fully diluted basis).

**PricewaterhouseCoopers
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Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report ('Report') covering the following Historical Financial Information contained within the Explanatory Booklet:

Sims Group

- the consolidated Statements of Financial Performance of Sims Group for the three years ended 30 June 2002, 2003 and 2004, the year ended 31 December 2004 and the three months ended 31 March 2005;
- the consolidated Statements of Cash Flows of Sims Group for the three years ended 30 June 2002, 2003 and 2004 and the year ended 31 December 2004;
- the consolidated Statements of Financial Position of Sims Group as at 30 June 2004 and as at 31 December 2004;

Hugo Neu

- the pro-forma consolidated Statements of Financial Performance of Hugo Neu for the three years ended 31 August 2002, 2003 and 2004, the year ended 31 December 2004 and the three months ended 31 March 2005;
- the pro-forma consolidated Statements of Cash Flows of Hugo Neu for the two years ended 31 August 2003 and 2004 and the year ended 31 December 2004;
- the pro-forma consolidated Statements of Financial Position of Hugo Neu as at 31 August 2004 and as at 31 December 2004;

New Sims Group

- pro-forma consolidated Statements of Financial Performance of New Sims Group for the year ended 31 December 2004 and the three months ended 31 March 2005 which assumes completion of the Merger;
- the pro-forma consolidated Statement of Cash Flows of New Sims Group for the year ended 31 December 2004 which assumes completion of the Merger; and
- the pro-forma consolidated Statement of Financial Position of New Sims Group as at 31 December 2004 which assumes completion of the Merger,

(collectively, 'Historical Financial Information').

This Report has been prepared for inclusion in the Explanatory Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information to which it relates for any purposes other than for which it was prepared.

Scope of Review of Historical Financial Information

The financial information for Sims Group set out in Section 6.4 of the Explanatory Booklet has been extracted from the financial statements of Sims Group for the years ended 30 June 2002, 2003 and 2004 and the six months ended 31 December 2004 which were audited or reviewed by PricewaterhouseCoopers.

The financial information of Hugo Neu set out in Section 6.5 of the Explanatory Booklet has been sourced from pro-forma consolidated information that was provided to Sims Group during due diligence. This pro-forma consolidated information has been extracted from:

- the audited financial statements of the Hugo Neu – Schnitzer Steel Industries joint ventures for the years ended 31 August 2002, 2003 and 2004; and/or



..... the management accounts of the Hugo Neu – Schnitzer Steel Industries joint ventures for the year ended 31 December 2004 and the three months ended 31 March 2005,

(the 'Carved-out Financial Statements').

The Hugo Neu – Schnitzer Steel Industries joint ventures' financial statements for the years ended 31 August 2002, 2003 and 2004 have been audited by PricewaterhouseCoopers LLP.

The Historical Financial Information incorporates such adjustments as the Directors considered necessary to reflect the operations of Sims Group, Hugo Neu and their respective controlled entities going forward. The Directors are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 'Review of Financial Reports'. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited and or reviewed financial performance of Sims Group and Hugo Neu for the relevant historical periods;
- a review of work papers, accounting records and other documents of Sims Group and Hugo Neu;
- a review of the adjustments made to the reported historical Statements of Financial Performance and Statements of Financial Position of Sims Group and Hugo Neu;
- a review of the assumptions used to compile the pro-forma Statement of Financial Position for New Sims Group set out in Section 6.6.4 of the Explanatory Booklet ('pro-forma transactions');
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the New Sims Group disclosed in Section 6 of the Explanatory Booklet, and
- inquiry of Sims Group and Hugo Neu Corporation directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro-forma consolidated Statement of Financial Position for New Sims Group as at 31 December 2004 as set out in Section 6.6.4 has not been properly prepared on the basis of the pro-forma transactions;
- the pro-forma transactions as set out in Section 6.6.4 do not form a reasonable basis for the pro-forma Statement of Financial Position;
- the Historical Financial Information, as set out in Section 6 and Appendix B of the Explanatory Booklet, does not present fairly;

Sims Group

- the consolidated Statements of Financial Performance of Sims Group for the three years ended 30 June 2002, 2003 and 2004, the year ended 31 December 2004 and three months ended 31 March 2005;
- the consolidated Statements of Cash Flows of Sims Group for the three years ended 30 June 2002, 2003 and 2004 and the year ended 31 December 2004;
- the consolidated Statements of Financial Position of Sims Group as at 30 June 2004 and as at 31 December 2004;



Hugo Neu

- the pro-forma consolidated Statements of Financial Performance of Hugo Neu for the three years ended 31 August 2002, 2003, 2004, the year ended 31 December 2004 and three months ended 31 March 2005;
- the pro-forma consolidated Statements of Cash Flows of Hugo Neu for the two years ended 31 August 2003, 2004 and the year ended 31 December 2004;
- the pro-forma consolidated Statements of Financial Position of Hugo Neu as at 31 August 2004 and as at 31 December 2004;

New Sims Group

- the pro-forma consolidated Statements of Financial Performance of New Sims Group for the year ended 31 December 2004 and the three months ended 31 March 2005 which assumes completion of the Merger;
 - the pro-forma consolidated Statement of Cash Flows of New Sims Group for the year ended 31 December 2004 which assumes completion of the Merger; and
 - the pro-forma consolidated Statement of Financial Position of New Sims Group as at 31 December 2004 which assumes completion of the Merger;
- (collectively, 'Historical Financial Information') in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of Sims Group have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this Scheme of Arrangement other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix 1 to our Report. The Financial Services Guide is designed to assist retail clients in their use of any financial produce advice in our Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Glen Hadlow'.

Glen Hadlow
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Yours faithfully

A handwritten signature in black ink, appearing to read 'Clara Cutajar'.

Clara Cutajar
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

PricewaterhouseCoopers
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APPENDIX I

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 2 August 2005.

1 About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Sims Group Limited ("Sims Group") to provide a report in the form of Investigating Accountant's Report in relation to the Historical Financial Information (the "Report") for inclusion in the Explanatory Booklet in relation to the Scheme of Arrangement between Sims Group and the holders of its ordinary shares in relation to a recommended Merger with Hugo Neu to form New Sims Group dated on or about 2 August 2005.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5 Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees were charged on an hourly basis and will be approximately A\$500,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6 Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Sims Group. PricewaterhouseCoopers LLP is the auditor of Hugo Neu Corporation.

7 Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service ("FICS"), an external complaints resolution service. You will not be charged for using the FICS service.

8 Contact details

PwC Securities can be contacted by sending a letter to the following address:

Mr Glen Hadlow or Ms Clara Cutajar
PricewaterhouseCoopers Securities Ltd
GPO Box 2650
Sydney NSW 1171

Section 8 Investigating Accountant's Report and Financial Services Guide

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2 August 2005

The Directors
Sims Group Limited
Level 6 – Sims Group House
41 McLaren Street
NORTH SYDNEY NSW 2060

Dear Directors

Australian Taxation Report

This report has been prepared for inclusion in an Explanatory Booklet that Sims Group Limited intends to issue to its shareholders dated 2 August. Capitalised terms used in this report have the same meaning as in the Explanatory Booklet, unless otherwise indicated.

This report provides a general summary of the principal Australian income tax implications of the Scheme for a Scheme Shareholder that holds their Sims Group Shares on capital account ('Shareholder'). It does not comment on the implications for persons other than Shareholders. This report does not address all Australian tax implications for Shareholders. Scheme Shareholders should read Section 3.0 below which outlines limitations on the scope of this report.

This report is general in nature and does not constitute tax advice to any party. The individual circumstances of each Scheme Shareholder may affect the taxation implications of the Scheme for them. Accordingly, each Scheme Shareholder should seek appropriate independent professional advice that considers the taxation implications of their own specific circumstances.

1.0 Australian Resident Shareholders

1.1 CGT Rollover

The exchange of Sims Group Shares for New Sims Group Shares will constitute a disposal of the Sims Group Shares for CGT purposes. Such a disposal by an Australian resident Shareholder ('Australian Shareholder') should qualify for CGT rollover relief if:

- a capital gain would otherwise have arisen in respect of the disposal; and
- the Australian Shareholder chooses rollover relief.

A choice for rollover must be made by the date of lodgment of the Australian Shareholder's income tax return for the year in which the disposal of Sims Group Shares occurs (generally the year ending 30 June 2006). A formal written notice of the choice is not required. The choice can be evidenced by excluding the capital gain that would otherwise have arisen from the income tax return.

Where CGT rollover applies for an Australian Shareholder:

- the capital gain that would otherwise arise from the disposal of the Sims Group Shares is disregarded;
- the Australian Shareholder's cost base in the New Sims Group Shares acquired will be determined by reference to the cost base that Australian Shareholder held in the Sims Group Shares. This cost base will be relevant for calculating any capital gain or loss arising from a subsequent dealing with those New Sims Group Shares; and
- the New Sims Group Shares will be taken to have been acquired on the date the Australian Shareholder acquired the Sims Group Shares for the purposes of determining eligibility for discount capital gain treatment on any sale of the New Sims Group Shares (refer below).

1.2 No CGT Rollover

Where CGT rollover does not apply (for instance where the Australian Shareholder does not choose for rollover to apply), the tax implications for Australian Shareholders will depend on their specific circumstances including when they acquired their Sims Group Shares and their CGT cost base in those shares.

Shares acquired after 11.45 am (EST) on 21 September 1999

Australian Shareholders that acquired Sims Group Shares after 11.45 am (EST) on 21 September 1999 will realise a capital gain or loss determined by reference to the difference between the capital proceeds received in respect of the disposal and the Australian Shareholder's cost base in the Sims Group Shares. The relevant capital proceeds will be the market value of the New Sims Group Shares received. A Shareholder's CGT cost base in the Sims Group Shares would generally include the acquisition cost of the shares, plus any incidental costs of acquisition (for example, brokerage fees and stamp duty).

A capital gain will arise to the Australian Shareholder if the capital proceeds received in respect of the disposal of the Sims Group Shares exceed the Shareholder's cost base in those shares. A capital loss will be realised by the Australian Shareholder if the capital proceeds received in respect of the disposal are less than the CGT cost base held in the Sims Group Shares.

Capital gains and capital losses are aggregated to determine whether an Australian Shareholder has made a net capital gain or net capital loss in the year in which the disposal occurs. If there is a net capital gain, it is included in the Shareholder's assessable income and may be subject to income tax. A net capital loss cannot be deducted against assessable income of that year or any later year, however, it may be able to be carried forward for offset against future capital gains if certain requirements are met.

If an Australian Shareholder is an individual, a complying superannuation entity or a trust (other than a corporate unit trust or public trading trust under Tax Laws) and the Shareholder has held its Sims Group Shares for more than 12 months at the time of disposal, they should be eligible to apply the discount capital gain method to determine any capital gain on the disposal. In broad terms, under this method the Shareholder first calculates the gross gain on disposal (capital proceeds less CGT cost base). The gross gain is then reduced by any available capital losses of the Shareholder to determine a net gain amount. The net gain amount is then reduced by a discount amount (one half for individuals and certain trusts and one third for complying superannuation entities) to determine the capital gain for the Shareholder on the disposal. Trustees of trusts should seek advice regarding the tax implications of discount capital gains and the distribution of such gains in their specific circumstances.

The discount capital gain method does not apply where Sims Group Shares have been held for less than 12 months at the time of disposal or if they are owned by an ineligible class of Shareholder (for example, a company). In such circumstances, the difference between the capital proceeds and the CGT cost base will give rise to a capital gain or loss as discussed above.

Shares acquired at or before 11.45 am (EST) on 21 September 1999

Australian Shareholders that acquired Sims Group Shares at or before 11.45 am (EST) on 21 September 1999 (other than those holding pre-CGT shares – refer below) will at first instance calculate their capital gain or loss in the same manner as described above. However, in the case of capital gains they should be entitled to choose between the discount capital gain method (discussed above) and the indexation method. Under the indexation method, the CGT cost base in the Sims Group Shares can be indexed for inflation up to 30 September 1999.

The choice to apply indexation or the discount capital gain method must be made by the Australian Shareholder on or before the date of lodgment of the Shareholder's income tax return for the year in which the disposal occurs (generally the year ending 30 June 2006). A formal written notice of the choice is not required. The choice can be evidenced by the way in which the Shareholder's income tax return is prepared.

Pre-CGT shares

Sims Group does not expect that there are many (or any) Shareholders with pre-CGT status in their Sims Group Shares due to the listing of the company in 1991. Nonetheless the following comments on pre-CGT status are included for completeness.

Where an Australian Shareholder has pre-CGT status in their Sims Group Shares (generally applicable if the shares were acquired before 20 September 1985), no capital gain will arise on their exchange for New Sims Group Shares under the Scheme. These New Sims Group Shares will not inherit the pre-CGT status of the Sims Group Shares exchanged. The market value of these New Sims Group Shares at the time they are acquired will be included in their CGT cost base. This will be relevant for determining any capital gain or loss on a subsequent disposal of the New Sims Group Shares.

2.0 Non-resident Shareholders

For a Shareholder who is not a resident for Australian tax purposes ('Non-resident Shareholder'), the disposal of Sims Group Shares pursuant to the Scheme should not give rise to Australian CGT if:

- that Shareholder (together with associates) did not at any time during the five years leading up to the disposal, own 10% or more of the issued stock of Sims Group; and
- that Shareholder did not use their Sims Group Shares in carrying on a business through a permanent establishment in Australia.

If either of the above requirements are not met for a Non-resident Shareholder then the Scheme may have CGT implications for that Shareholder depending on their specific circumstances including the operation of any relevant double tax agreement. In addition the Scheme may have tax implications for Non-resident Shareholders in jurisdictions other than Australia. Non-resident Shareholders should seek appropriate independent professional advice that considers the taxation implications (in Australia and other jurisdictions) of their own specific circumstances.

3.0 Scope

This report is based on Tax Laws at the date of this report. It does not take into account or anticipate changes to Tax Laws (including subsequent court decisions) and we are not under any obligation to revise this report for such changes. This report does not deal with taxes of a jurisdiction other than Australia.



This report does not address the tax implications of the Scheme for Scheme Shareholders holding Sims Group Shares on revenue account (including as trading stock) or under an employee share scheme. Nor does this report address the tax implications of the Scheme for insurance companies, banks, investment companies, managed funds or securities traders. We have not independently verified or audited the facts upon which we have relied in preparing this report.

This report is confined to taxation issues and therefore only addresses one of the matters that Scheme Shareholders should consider when deciding how to vote on the Scheme. Ernst & Young expresses no opinion and provides no guarantee or assurance in respect of how Scheme Shareholders should vote or in respect of the commercial merits of the Merger. The inclusion of this report in the Explanatory Booklet is subject to the terms of our consent for its inclusion and to be named in the Explanatory Booklet.

Yours faithfully

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized script.

Ernst & Young



10.1. Steps in implementing the Scheme and Acquisition

Following are the key steps in implementation of the Scheme and the Acquisition.

- (a) Sims Group, New Sims Group, Hugo Neu Corporation, Hugo Neu Steel Products, Inc. and Flynn-Learner entered into a Merger Implementation Deed on 24 June 2005. A full copy of the Merger Implementation Deed is attached at Appendix C.
- (b) New Sims Group executed a Deed Poll on 2 August 2005 in favour of Scheme Shareholders, covenanting to perform its obligations under the Scheme. The Deed Poll is set out in Appendix D.
- (c) The Court ordered that Sims Group convene the Scheme Meeting at 10.00am on 8 September 2005 at James Cook Ballroom, Hotel InterContinental, 117 Macquarie Street, Sydney, NSW, for the purposes of considering and, if thought fit, approving the Scheme ('Scheme Order').
- (d) If the Scheme is approved by the requisite majorities at the Scheme Meeting and all other conditions to the Scheme, and those Acquisition Conditions which will not be satisfied by or as a consequence of the Court approving the Scheme, have been satisfied or waived, then Sims Group will apply to the Court for orders approving the Scheme. Further information about the Scheme Conditions and the Acquisition Conditions can be found in Sections 10.2.2 and 10.3.1 respectively.

Each Sims Group Shareholder has the right to appear at the Court hearing in respect of the application by Sims Group for orders approving the Scheme. Details of the procedure that Sims Group Shareholders must follow to exercise this right will be published in *The Sydney Morning Herald*, expected to be on or before 15 September 2005. See also the 'Important Notices' Section at the front of this Explanatory Booklet.

- (e) If the Court orders approving the Scheme are obtained, the Sims Group Directors and the New Sims Group Directors will take or procure the taking of steps required for the Scheme to proceed. These will include the following:
 - (i) Sims Group would lodge with ASIC an office copy of the Court orders approving the Scheme under section 411 of the Corporations Act;
 - (ii) in consideration for the transfer of the Sims Group Shares to New Sims Group,

New Sims Group will issue New Sims Group Shares, to the Sims Group Shareholders, as required under the provisions of the Scheme;

- (iii) in the case of Ineligible Overseas Shareholders, New Sims Group will issue New Sims Group Shares to a nominee of New Sims Group as required under the provisions of the Scheme. The nominee will sell New Sims Group Shares as soon as practicable and the net cash proceeds will be remitted to the Ineligible Overseas Shareholders;
 - (iv) Sims Group will enter the name of New Sims Group in the Register as the holder of the Sims Group Shares;
 - (v) New Sims Group will enter the names of the Sims Group Shareholders in the New Sims Group Share register as the holder of the New Sims Group Shares; and
 - (vi) Sims Group will apply to be removed from the Official List.
- (f) Once the Scheme is implemented, provided that all of the Acquisition Conditions are satisfied (see the summary of the Contribution Agreement in Section 11) Hugo Neu Corporation will transfer its interest in Hugo Neu to New Sims Group on the terms and conditions set out in the Contribution Agreement.

The Court may refuse to grant the Scheme Order even if the Scheme is approved by the requisite majorities at the Scheme Meeting.

The Merger Implementation Deed provides that a party may terminate that deed if the Scheme Order has not been made on or before 31 December 2005.

10.2. Agreements relevant to the Scheme

10.2.1. Merger Implementation Deed

Under the Merger Implementation Deed (a copy of which is attached at Appendix C), Sims Group, New Sims Group and the HNC Parties that are parties to the Contribution Agreement have undertaken certain obligations. The Merger Implementation Deed establishes the framework for the parties' agreement to proceed with the Scheme and propose the Share Issue Resolutions. Each of Sims Group and New Sims Group has, subject to the satisfaction of certain conditions, agreed to do

all things necessary to implement the Scheme and propose the Share Issue Resolutions on the terms of that Deed. The HNC Parties have agreed to assist Sims Group in proposing the Scheme and the Share Issue Resolutions on the terms of that Deed.

10.2.2. Scheme Conditions

The implementation of the Scheme is subject to the following conditions as set out in the Merger Implementation Deed being satisfied or waived (other than in respect of the Court approval) by 8.00am on the Second Court Order Date (each a 'Scheme Condition' and together, 'Scheme Conditions'):

- (Regulatory consents) Sims Group or New Sims Group obtaining all approvals or consents required from any government agency (including ASX and ASIC) or judicial authority to implement the Scheme;
- (FIRB) there being no objection under the *Foreign Acquisitions and Takeovers Act 1975* (Cwlth) to the Merger;
- (Sims Prescribed Occurrence) no Sims Prescribed Occurrence (as that term is defined in the Merger Implementation Deed set out in Appendix C) having occurred;
- (No prohibitive orders or determinations) no court or government agency having issued an order, decree or ruling or taken any action enjoining, restraining or otherwise prohibiting the implementation of the Scheme;
- (Sims Group Shareholder approval) Sims Group Shareholders approving the Scheme Resolution at the Scheme Meeting;
- (Court approval) the Court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (Warranties) the warranties and representations provided by Sims Group and each of the HNC Parties being true and correct in all material respects; and
- (Quotation of New Sims Group Shares) the New Sims Group Shares to be issued to Sims Group Shareholders under the Scheme and to the HNC Parties under the Contribution Agreement being approved for official quotation on ASX.

10.2.3. Deed Poll

Under the Deed Poll (a copy of which is attached at Appendix D), New Sims Group covenants in favour of Scheme Shareholders to

perform its obligations under the Scheme. The Deed Poll may be relied on and enforced by Sims Group Shareholders who are registered in the Register as at the Scheme Record Date.

10.3. Contribution Agreement

Under the Contribution Agreement, the HNC Parties agree to contribute their equity interests in the two holding companies that own the Hugo Neu business to New Sims Group, on the terms and conditions of that agreement. A summary of the Contribution Agreement is set out in Section 11.

10.3.1. Acquisition Conditions

Completion is subject to the following conditions set out in the Contribution Agreement being satisfied or waived on or before 8.00am on the Second Court Order Date or the Implementation Date (as the case requires) (each an 'Acquisition Condition' and together, 'Acquisition Conditions'):

- (Warranties) the representations and warranties of New Sims Group and the HNC Parties being true and correct except where the failure to be so true and correct would not result in a material adverse change for the relevant party;
- (Covenants) all of the covenants and obligations provided by New Sims Group and the HNC Parties under the Contribution Agreement, having been duly performed and complied with in all material respects;
- (Permitted debt) evidence reasonably satisfactory to New Sims Group that the balance outstanding under Hugo Neu's new credit facility does not exceed the permitted debt (as described in Section 11.2);
- (Consents) each of the consents required to be obtained by New Sims Group or the HNC Parties, having been obtained and being in full force and effect, including the consent of the Port of Los Angeles to the transfer of the permit for the use of the Terminal Island facility (as described in Section 7.3), Foreign Investment and Review Board approval and clearance of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- (Documents) each of the following being delivered:
 - by each of New Sims Group and the HNC Parties:

- a duly executed Put Option (as described in Section 12.1.6);
 - a duly executed Barge Transfer and Charter Agreement (as described in Section 12.1.6);
 - a duly executed Jersey Avenue Lease (as described in Section 12.1.6);
 - a duly executed Fifth Avenue Assignment (as described in Section 12.1.6);
 - a duly executed employment agreement with Mr John Neu (as described in Section 12.1.6); and
 - appropriate title insurance issued by Chicago Title Insurance Company, in relation to nominated properties of Hugo Neu;
 - by the HNC Parties:
 - executed resignation of Mr John Neu and his affiliates from the board of directors or board of managers (or other similar governing body) of Hugo Neu Co., LLC and its subsidiaries (as nominated by New Sims Group), effective as of Completion;
 - evidence reasonably satisfactory to New Sims Group of the termination of the existing credit facility of Hugo Neu with Standard Chartered Bank; and
 - consents from third parties in relation to various leasehold properties as a result of the change of ownership or control of Hugo Neu or its subsidiaries;
 - by New Sims Group:
 - a duly executed employment agreement between New Sims Group and Mr Jeremy Sutcliffe (as described in Section 10.7.4);
 - a release from the Town of Navassa, North Carolina, of Hugo Neu Corporation from its guarantee under a business agreement ('Navassa Guarantee') or if the release from the Navassa Guarantee is not obtained by the Second Court Order Date, an indemnification agreement duly executed by New Sims Group that indemnifies Hugo Neu Corporation and its affiliates from all liabilities arising from the Navassa Guarantee;
- (No material adverse change) since the date of the Contribution Agreement, there being no material adverse change, and no event, occurrence or condition arising that would reasonably be expected to result in a material adverse change to either New Sims Group or Hugo Neu;
- (No prohibition) there shall not be in effect any law or order that prohibits the completion of the Merger;
- (Schnitzer Transaction) completion of the Schnitzer Transaction;
- (Excluded properties) the distribution by Hugo Neu Co., LLC, or a relevant subsidiary, of certain properties excluded from the Acquisition to Hugo Neu Corporation or any of its affiliates;
- (Scheme conditions) satisfaction or waiver of all Scheme Conditions (as discussed in Section 10.2.2 above);
- (Other authorisations) Hugo Neu or its subsidiaries obtaining (or making an application for, if such authorisations are not required as of the Second Court Order Date) all authorisations of any government authorities that are necessary for the construction and operation of the mega shredders referred to in Section 7.4;
- (Change in tax law) there being no change in specific US tax laws or any proposals issued to amend such laws that would adversely affect the intended tax treatment of the HNC Parties under the Merger;
- (Scheme) implementation of the Scheme; and
- (Approval of resolutions) approval of the Share Issue Resolutions.

10.4. Tax Sharing Agreement

Under the Tax Sharing Agreement between Hugo Neu Corporation and Hugo Neu (and its successors), Hugo Neu Corporation will indemnify New Sims Group for any tax liability of the Hugo Neu entities that relates to a tax period prior to the Implementation Date. New Sims Group will cause Hugo Neu to indemnify Hugo Neu Corporation for any tax liability that relates to any taxes imposed on Hugo Neu Corporation from activities of Hugo Neu entities after the Implementation Date. New Sims Group will also cause Hugo Neu to reimburse Hugo Neu Corporation for any tax benefit that is actually received by New Sims Group as a result of the recognition by Hugo Neu Corporation of certain taxes. The Tax Sharing Agreement terminates after 17 years.

10.5. Standstill and Lock-Up Deed

New Sims Group and the HNC Parties have also entered into a Standstill and Lock-Up Deed, under which they have agreed to place restrictions on the acquisition and disposal of New Sims Group Shares by the HNC Parties. Under this deed, for a period of 18 months after the Implementation Date, the HNC Parties must not increase their shareholding in New Sims Group except under their 'Top-Up Rights' described below or under a rights issue by New Sims Group. The standstill restriction terminates if a third party makes a takeover bid for New Sims Group or otherwise seeks to control New Sims Group through some form of transaction.

Moreover, for a period of 18 months after the Implementation Date, the HNC Parties must not sell, transfer, convey or assign any of their shares in New Sims Group other than to their affiliates.

The Top-Up Rights are set out in detail in the Standstill and Lock-Up Deed. In summary, they amount to a right on behalf of Hugo Neu Corporation and its affiliates to increase their shareholding in New Sims Group in the event that additional shares are issued in New Sims Group, convertible securities in New Sims Group have been converted into shares, or other security interests in New Sims Group have been reclassified into shares. If these events occur (referred to in the Standstill and Lock-Up Deed as 'Diluting Events'), the Top-Up Rights enable Hugo Neu Corporation (or any affiliate nominated by it) to increase its shareholding so Hugo Neu Corporation and its affiliates retain the same proportionate shareholding after the Diluting Event occurred as they did before the Diluting Event occurred. There are certain shares issued by New Sims Group that do not trigger Top-Up Rights. These are share issues under pro rata issues, employee plans, convertible securities, share purchase plans, dividend reinvestment plans and acquisitions where New Sims Group Shares are used as consideration.

The Top-Up Rights terminate if the aggregate number of shares held by Hugo Neu Corporation and its affiliates falls below 5% of the New Sims Group Shares on issue.

10.6. Costs reimbursement

Under the Merger Implementation Deed, Sims Group has agreed to reimburse the HNC Parties up to a maximum of US\$3 million for their reasonable out-of-pocket expenses

incurred since 1 November 2004 in connection with the transactions contemplated by the Merger Implementation Deed and the Contribution Agreement, if at any time before the Scheme Meeting a majority of the Sims Group Board makes a public statement or statements withdrawing its support or recommendation of the Scheme (unless the Scheme becomes effective despite such occurrence).

10.7. Interests of Directors of Sims Group and New Sims Group

Except as set out below or elsewhere in this Explanatory Booklet, no Sims Group Director or current or prospective New Sims Group Director has any material interest in relation to the Scheme.

10.7.1. Sims Group and New Sims Group securities

The number, description and amount of Sims Group Shares and New Sims Group Shares held by or on behalf of each Sims Group Director and each current or prospective New Sims Group Director in respect of which that person has a relevant interest as at the date of this Explanatory Booklet are:

Director	Sims Group Shares in which relevant interest held	New Sims Group Shares in which relevant interest held
PK Mazoudier	14,082	Nil
GN Brunsdon	3,250	Nil
AC Copeman	7,791	Nil
JM Feeney	25,504	Nil
JL Sutcliffe	100,517	Nil
RB Cunningham	11,879	Nil
JL Neu	Nil	Nil
PJ Varello	Nil	Nil

10.7.2. Hugo Neu Corporation marketable securities

There are no marketable securities of Hugo Neu Corporation held by or on behalf of any Sims Group Director or any current New Sims Group Director as at the date of this Explanatory Booklet.

10.7.3. Payments or other benefits to Directors, secretaries or executive officers

Other than as stated in this Section or elsewhere in this Explanatory Booklet, no payment or other benefit is proposed to be made or given to any Director, secretary or executive officer of Sims Group or its Related Bodies Corporate as compensation for loss of or as consideration for or in connection with their retirement from the office in Sims Group or in any Related Body Corporate.

Except as referred to above or elsewhere in this Explanatory Booklet, no payment or other benefit has been or has been proposed to be paid or given to a current or proposed New Sims Group Director to induce them to become or to qualify as a New Sims Group Director, or in connection with the formation or promotion of New Sims Group or the Scheme.

10.7.4. Arrangements with Sims Group Directors and New Sims Group in connection with or conditional upon the outcome of the Scheme

The Sims Group Board (with Mr Jeremy Sutcliffe absent) has resolved that, subject to the successful completion of the Merger, Sims Group shall pay Mr Jeremy Sutcliffe a bonus of A\$500,000 payable in cash.

In addition, Sims Group has entered into an agreement with Mr Jeremy Sutcliffe subject to the completion of the Merger. Under the agreement, Mr Jeremy Sutcliffe will continue in the role as Group Chief Executive for a term of five years with a minimum three year commitment. The employment period will be fixed for an initial two year term and thereafter may be terminated by either party providing 12 months' notice in writing. In the event that New Sims Group serves notice of termination on Mr Jeremy Sutcliffe, it may, at its option, make payment in lieu of notice equivalent to one year's base remuneration. This represents an agreed reduction from Mr Jeremy Sutcliffe's entitlement to 18 months' notice (or payment in lieu based on the aggregate of his remuneration and his Short Term Incentive ('STI') bonus for the prior year). Mr Jeremy Sutcliffe's existing entitlement to a retention payment equivalent to six months' base remuneration if he remains in the employ of Sims Group six months after a takeover remains. If Mr Jeremy Sutcliffe is terminated within six months of a takeover, that retention payment is still payable to him.

Mr Jeremy Sutcliffe will receive a base remuneration of A\$1.35 million effective from 1 July 2005. Mr Jeremy Sutcliffe's STI (70% of base remuneration) and his Long Term Incentive ('LTI') (50% of base remuneration) will remain unchanged, except that a minimum of 35% of his LTI must be taken as New Sims Group Shares under Sims Group's existing LTI Plan.

In addition, subject to the passing of the relevant EGM Resolution at the Extraordinary General Meeting, Mr Jeremy Sutcliffe will receive A\$2 million of performance rights in respect of Sims Group Shares or New Sims Group Shares. This aspect of Mr Jeremy Sutcliffe's contract is summarised in Section 12.

Mr John Neu will be an employee of New Sims Group under a minimum three year contract that is summarised in Section 12.

Under a Deed of Indemnity between Sims Group and New Sims Group, Sims Group indemnifies the New Sims Group Directors to the maximum extent permitted by law, against all claims or losses suffered or incurred by the Directors which arise directly or indirectly in connection with the execution or performance of the documents into which New Sims Group is required to enter as part of the Merger.

New Sims Group has entered into a Deed of Access, Indemnity and Insurance in favour of each New Sims Group Director. Each deed gives each Director rights to access Board papers. The indemnity is subject to restrictions set out in the Corporations Act and the constitution of New Sims Group. Each deed requires New Sims Group to maintain insurance cover for the Directors.

Except as referred to above or elsewhere in this Explanatory Booklet, there are no other agreements or arrangements made between any Sims Group Director or current or prospective Director of Sims Co Limited and any other person in connection with or conditional upon the outcome of the Scheme.

For their work in connection with the Merger, Mr Geoff Brunsdon will receive additional remuneration from Sims Group of A\$40,000 and Mr Mike Feeney will receive an amount of A\$15,000.

10.8. Interests of Independent Expert, other advisers and consents

The costs of the Scheme include legal, accounting, taxation and financial advisers, Independent Expert costs and other upfront financing costs total approximately A\$2 million.

The Independent Expert, KPMG Corporate Finance (Aust) Pty Ltd ('KPMG Corporate Finance'), prepared the Independent Expert's Report set out in Appendix A. In respect of this work, KPMG Corporate Finance will be paid a fee of approximately A\$350,000, excluding GST, plus out-of-pocket expenses.

KPMG Corporate Finance has provided and has not withdrawn its written consent for the Independent Expert's Report to be included in this Explanatory Booklet in the form and context in which it is included. KPMG Corporate Finance has given and has not withdrawn its consent to be named as the Independent Expert in this Explanatory Booklet in the form and context in which its name appears.

Baker & McKenzie has given and has not withdrawn its consent to be named as the Legal Adviser in this Explanatory Booklet in the form and context in which its name appears.

UBS AG, Australia Branch has given and has not withdrawn its consent to be named as Financial Adviser in this Explanatory Booklet in the form and context in which its name appears.

Ernst & Young has given and has not withdrawn its consent to be named as Tax Adviser in this Explanatory Booklet in the form and context in which its name appears.

PricewaterhouseCoopers Securities Ltd has given and has not withdrawn its consent to be named as the Investigating Accountant in this Explanatory Booklet in the form and context in which its name appears.

GaiaTech Incorporated has given and has not withdrawn its consent to be named as the Environmental Adviser in this Explanatory Booklet in the form and context in which its name appears.

Computershare Investor Services Pty Limited has given and has not withdrawn its consent to be named as the provider of registry services to Sims Group in this Explanatory Booklet in the form and context in which its name appears.

10.9. Further Information

10.9.1. Intentions of Directors regarding business of Sims Group

Except as disclosed elsewhere in this Explanatory Booklet, the Sims Group Directors and the New Sims Group Directors intend that:

- the business currently conducted by Sims Group and which will be conducted by New Sims Group if the Scheme is approved, will

be conducted in the same manner and in accordance with the same operating principles under which it currently operates;

- no major changes will be made to the business of Sims Group, including any redeployment of the fixed assets of Sims Group; and
- there will be no major changes to the future employment of the present employees of Sims Group.

10.9.2. Material change in financial position of Sims Group

Within the knowledge of the Sims Group Directors, there has been no material change to the financial position of Sims Group since the date the last balance sheet was laid before Sims Group in general meeting or sent to shareholders in accordance with sections 314 and 317 of the Corporations Act, except as disclosed elsewhere in this Explanatory Booklet, in particular in Section 6.

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

Except as set out in this Explanatory 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 of any director of a Related Body Corporate of Sims Group or a current New Sims Group Director that has not previously been disclosed to Sims Group Shareholders.

10.10. Lodgement of this Explanatory Booklet

This Explanatory Booklet was lodged with ASIC on 15 July 2005 in accordance with section 411(2)(b) of the Corporations Act.

10.11. ASIC relief

ASIC has granted Sims Group a modification of section 611 item 7 of the Corporations Act to permit Sims Group Shareholders, at the Extraordinary General Meeting, rather than New Sims Group at a general meeting of its shareholders, to consider and vote on:

- the issue of the Neu Shares; and

- Sims Co Limited to obtain a relevant interest in the Neu Shares under the lock-up arrangement described in Section 10.5.

ASIC has granted New Sims Group an exception from section 259C of the Corporations Act to permit New Sims Group, which at the relevant time is a subsidiary of Sims Group, to acquire the Scheme Shares under the Scheme on the basis that New Sims Group cannot exercise any voting rights attaching to Sims Group Shares it holds while Sims Group controls New Sims Group.

ASIC has granted New Sims Group a modification of section 707 of the Corporations Act to exempt the Neu Shares from the on-sale restrictions set out in sections 707(3) and 707(4) of the Corporations Act.

ASIC has granted New Sims Group an exemption from the requirements of section 707(3) of the Corporations Act which restrict a person from on-selling securities within 12 months after they are issued without a disclosure document except in limited circumstances specified in section 708 of the Corporations Act, to enable the sale of New Sims Group Shares by a nominee as part of the Scheme consideration arrangements for Ineligible Overseas Shareholders described in Section 1.6.

10.12. ASX relief

ASX has granted the following Listing Rule waivers and confirmations in relation to the application for listing of New Sims Group Shares on ASX:

- Listing Rule 1.1, Condition 8 (incorporating Listing Rules 1.3.5(a) and 1.3.5(c)):
 - confirmation that New Sims Group does not have to provide ASX with audited accounts for the last three full financial years; and
 - confirmation that Listing Rule Condition 8 will be satisfied by the provision to ASX of the financial information contained in Section 6;
- Listing Rule 1.1, Condition 1 and Condition 2, Listing Rule 2.1, Condition 1, Listing Rule 6.1 and Listing Rule 14.4 to allow the New Sims Group constitution to contain provisions allowing Hugo Neu Corporation to nominate two Directors to New Sims Group Board where their shareholding in New Sims Group remains above 15% and one Director for a shareholding between 5% and 15%;
- Listing Rule 7.1 does not apply to the issue by New Sims Group of the Neu Shares;

- Listing Rule 2.5 Condition 6(a) allowing the Neu Shares to be quoted on ASX but carry a separate 'ticker' to other New Sims Group Shares for so long as they carry restricted dividend rights in relation to the interim dividend of New Sims Group for the half year ended 31 December 2005 (ie until the date of payment of that dividend);

- Listing Rule 10.14 is waived, allowing the approval by Sims Group Shareholders of the Scheme to suffice as the approval of the adoption by New Sims Group of a new LTI Plan on identical terms to the existing Sims Group LTI Plan, and approval for Mr Jeremy Sutcliffe and Mr Ross Cunningham to participate in the LTI Plan provided that:

- the securities are issued within three years of the date of the New Sims Group's admission to the Official List;
- details of any securities issued are published in each annual report of New Sims Group relevant to the period in which they were issued; and
- details of the LTI Plan are fully explained in the Explanatory Booklet; and

- Listing Rules 10.1 and 10.11 confirming that the exceptions in Listing Rules 10.3 and 10.12, Exception 5 apply to the issue of the Neu Shares to Hugo Neu Corporation.

The waivers and confirmations granted by ASX are subject to the condition that they apply only until 5 October 2005 and are subject to any amendments to the Listing Rules or changes in the interpretation or administration of the Listing Rules and policies of ASX. If completion of the Merger has not occurred by that date, Sims Group and New Sims Group will need to 'refresh' this relief.

10.13. ASX quotation of New Sims Group Shares

New Sims Group intends, within seven days after the date of this Explanatory Booklet, to apply for admission to the Official List and for official quotation on ASX of the New Sims Group Shares. The New Sims Group Shares issued are expected to commence trading on a deferred settlement basis at the commencement of trading on the day following the Effective Date. Following the issue of the New Sims Group Shares under the Scheme, New Sims Group Shareholders will receive a holding statement setting out the number of New Sims Group Shares issued to them as Scheme Consideration.

10.14. Relevant interests in Sims Group securities

As at the date of this Explanatory Booklet, Hugo Neu Corporation has no relevant interest in any of the 91,476,668 Sims Group Shares on issue.

As at the date of this Explanatory Booklet, New Sims Group has no relevant interest in the 91,476,668 Sims Group Shares on issue.

10.14.1. Voting power in Sims Group

As at the date of this Explanatory Booklet, Hugo Neu Corporation has no voting power in Sims Group.

As at the date of this Explanatory Booklet, New Sims Group has no voting power in Sims Group.

10.15. Dealings in Sims Group securities

Except as disclosed elsewhere in this Explanatory Booklet, none of New Sims Group, Hugo Neu Corporation or any associate (as that term is defined in section 12 of the Corporations Act) of New Sims Group or Hugo Neu Corporation has provided, or agreed to provide, consideration for any Sims Group Shares or New Sims Group Shares under a purchase or agreement during the four months ended on the day immediately before the date of this Explanatory Booklet.

Except as disclosed elsewhere in this Explanatory Booklet, during the period of four months ended on the day immediately before the date of this Explanatory Booklet, none of New Sims Group, Hugo Neu Corporation or any associate (as that term is defined in section 12 of the Corporations Act) of New Sims Group, Hugo Neu Corporation has given or offered to give or agreed to give a benefit to any person where the benefit was likely to induce the other person, or an associate (as that term is defined in section 12 of the Corporations Act), to:

- vote in favour of the Scheme;
- dispose of Sims Group Shares;
- vote in favour of the Share Issue Resolutions; or
- vote in favour of the EGM Resolutions.

10.16. Information disclosed to ASX and documents lodged with ASIC

Sims Group is a 'disclosing entity' for the purposes of Part 1.2A of the Corporations Act

and as such is subject to a continuous reporting and disclosure obligation. Specifically, as a listed company, Sims Group is subject to the Listing Rules which require continuous disclosure of any information that Sims Group has that a reasonable person would expect to have a material effect on the price or value of its shares.

ASX maintains files containing publicly disclosed information about all listed entities. Sims Group's file is available for inspection at ASX during normal business hours.

In addition, Sims Group and New Sims Group are required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Sims Group or New Sims Group may be obtained from, or inspected at, an ASIC office.

Sims Group will provide free of charge, to any Sims Group Shareholder who requests it before the Scheme Meeting, a copy of:

- Sims Group's constitution;
- New Sims Group's constitution;
- the annual financial report of Sims Group for the year ended 30 June 2004 (being the annual financial report most recently lodged with ASIC before this Explanatory Booklet was lodged for registration with ASIC);
- any quarterly or half-yearly financial reports lodged with ASIC by Sims Group after the lodgement of the annual financial report referred to above and before lodgement of this Explanatory Booklet for registration by ASIC;
- the annual financial report of Sims Group for the year ended 30 June 2005 once that annual report has been lodged with ASIC; and
- any continuous disclosure notice given to ASX by Sims Group since the lodgement with ASIC of the annual report of Sims Group for the year ended 30 June 2004 referred to above and before lodgement of this Explanatory Booklet for registration by ASIC.

Copies of any of the documents referred to above can be obtained free of charge by writing to:

The Company Secretary
Sims Group Limited
Level 6
41 McLaren Street
North Sydney, NSW 2060
Australia.

Since 30 June 2004, Sims Group has made the following announcements to ASX:

Date	Announcement
29/07/2005	Change of Director's Interest Notices
21/07/2005	Consolidated Extrusions Pty Ltd
12/07/2005	Change in substantial holding from PPT
08/07/2005	Change of Director's Interest notice x 2
01/07/2005	Ceasing to be a substantial holder
27/06/2005	Change in substantial holding
24/06/2005	Sims Hugo Neu Presentation
24/06/2005	Merger Transaction with Hugo Neu
24/06/2005	Merger with Hugo Neu
24/06/2005	Request for Trading Halt
15/06/2005	Change in substantial holding
13/05/2005	Change in substantial holding from PPT
29/04/2005	Third Quarter F05 Result
07/04/2005	Change in substantial holding
18/03/2005	Broker Presentation
25/02/2005	Half Year Results Presentation
25/02/2005	Half Year Accounts
25/02/2005	Half Year Results to 31 December 2004
25/02/2005	Half Yearly Report
24/02/2005	Sims & Collex launch IT & electronics recycling business
20/01/2005	Change in substantial holding
15/12/2004	Change in substantial holding from PPT
09/12/2004	Ceasing to be a substantial holder
03/12/2004	Change of Director's Interest Notice
19/11/2004	Results of Meeting
19/11/2004	Chairman's Address to Shareholders
29/10/2004	Change in substantial holding from PPT
21/10/2004	Sims Group First Quarter Earnings
20/10/2004	Annual Report 2004/Notice of AGM
05/10/2004	Mirec Acquisition Broker Presentation
05/10/2004	SMS Group opens Rep Office in Vietnam
05/10/2004	Acquisition of Mirec Group
30/09/2004	Full Year Accounts
24/09/2004	Becoming a substantial holder
20/09/2004	First Quarter Profit Upgrade
23/08/2004	Full Year Presentation
23/08/2004	Preliminary Final Report

10.16.1. Dealings in New Sims Group Shares

New Sims Group is currently a non-trading company with no assets or liabilities, profits or losses. It has a share capital of A\$1 comprising one A\$1 share subscribed for by Sims Group. There has been no trading in securities of New Sims Group in the three months ended on the day immediately before the date of this Explanatory Booklet. There has been no market, and there is no market price, for securities in New Sims Group.

10.16.2. Rights attaching to New Sims Group Shares

The shares issued in New Sims Group are to be fully paid ordinary shares and will rank equally in all respects with New Sims Group's other ordinary shares that are currently on issue or which will be on issue at the Implementation Date. The rights attaching to the shares are set out in the New Sims Group constitution ('Constitution') and, in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and general law.

A summary of the Constitution is set out below. It is not intended to be an exhaustive summary of the rights and obligations of shareholders. Investors who wish to inspect a copy of the Constitution may do so at the registered office of New Sims Group during normal office hours.

Voting

Subject to the Corporations Act, the Listing Rules and any rights or restrictions for the time being attached to any class or classes of share at general meetings of shareholders or classes of shareholders:

- every shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote (unless a shareholder has appointed two proxies in which case neither proxy may vote); and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative has one vote for every fully paid share and a fraction of a vote for every partly paid share equivalent to the proportion

which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) for that share, ignoring any amount paid in advance of a call.

Voting at any shareholder meeting is by a show of hands unless a poll is demanded by the chairperson of the meeting, five shareholders entitled to vote on the resolution, or shareholders holding at least 5% of the votes that may be cast on the resolution on a poll (including proxies, attorneys and representatives).

Dividends

The Directors may from time to time declare and pay dividends out of the profits of New Sims Group and may fix the amount and timing for payment and the method of payment of any such dividend. Subject to any special rights attached to any class of shares, dividends are payable to all shareholders in proportion to the amounts paid up (not credited) on the shares held by them. Any amount paid on a share in advance of a call will be ignored when calculating the relevant proportion. Except as otherwise provided by law, all dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of New Sims Group until claimed.

In addition, the Directors may implement a dividend reinvestment plan on such terms as they think fit to be amended as and when they think fit.

General meetings and notices

Each New Sims Group shareholder is entitled to receive notice of, and to attend and vote at, general meetings of New Sims Group and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Issue of further shares

Subject to the Constitution, the Corporations Act, the Listing Rules and any rights previously conferred on the holders of existing shares, the Directors may allot, issue or otherwise dispose of shares to any persons, on any terms and conditions, at that issue price and at those times as the Directors think fit. Directors have power to give any person a call or option over any shares during any time and for any consideration as they think fit and may issue

shares with any preferential, deferred or special rights, privileges or conditions or with any restrictions (whether in regard to dividend, voting, return of share capital or otherwise) as they determine.

Winding up

Subject to the rights of shareholders with special rights in a winding up, on a winding up of New Sims Group all assets that may be legally distributed among the shareholders will be distributed to shareholders in order to return capital paid up on their shares and distribute any surplus in proportion to the amount paid up (not credited) on shares held by them.

Transfer of shares

Shareholders may transfer shares by a written transfer instrument in the usual form, or any form approved by the Directors, or by a proper transfer effected in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the Corporations Act, the Listing Rules and the ASTC Settlement Rules. The Directors may refuse to register a transfer of shares, including in circumstances where the transfer is not in registrable form or the refusal to register the transfer is permitted by the Listing Rules or ASX. The Directors must refuse to register a transfer of shares where required to do so by the Listing Rules. In addition, subject to the Corporations Act and the Listing Rules, the Directors may, in limited circumstances as described in the Constitution, apply a holding lock to prevent a transfer of shares.

Number of Directors and appointment

The number of Directors must be not less than three and the maximum is to be determined by the Directors from time to time, but which may not be more than nine while HNC Group is entitled to nominate any Directors.

Where Hugo Neu Corporation, Hugo Neu Steel Products, Inc. and Flynn-Learner ('HNC Group') and its associates (as that term is defined below) between them have a relevant interest in not less than 5% or more of the New Sims Group Shares on issue or one-third of the Neu Shares (whichever is lesser), the HNC Group may nominate such number of persons to the Board ('HNC Group Nominee') as is calculated as follows:

----- for as long as the HNC Group holds in aggregate a relevant interest in at least 15% of the New Sims Group Shares on issue,

the HNC Group may nominate two Directors, one of whom is a resident of the US and who is not an associate of the HNC Group ('Independent Nominee'); and

- for as long as the HNC Group holds in aggregate a relevant interest in at least 5% of the New Sims Group Shares on issue, the HNC Group may nominate one person as a Director whether or not that person is an associate of the HNC Group.

In the context of nomination rights in the Constitution, the term 'associate' means a director of any member of the HNC Group or any entity which controls a member of the HNC Group, if any company in the HNC Group is controlled by an entity that is not a body corporate, each of the persons making up the controlling entity, any spouse, de facto, parent or children of any person within this definition already listed and any person who has a direct or indirect financial interest in a member of the HNC Group or a controller of a member of the HNC Group.

The HNC Group may remove such HNC Group nominee (other than an Independent Nominee) at any time and may not nominate a person Director if that person has been removed or, being a Director retiring by rotation, is not re-elected, by resolution of members. When an Independent Nominee is due to retire by rotation, the HNC Group may nominate another person and the Independent Nominee will not be able to offer him or herself for re-election.

Subject to the approval of the nominee by the Nomination Committee of New Sims Group, acting reasonably, the Directors shall appoint the nominee of the HNC Group as a Director (unless the Directors reasonably believe that they would be in breach of their fiduciary or statutory duties as Directors if they made such an appointment). Any HNC Group Director appointed under this process after New Sims Group is admitted to the Official List must retire from office at, and will be eligible for re-election at, the next annual general meeting following his or her appointment.

If a Director nominated by the HNC Group is removed or fails to be re-elected by resolution of members, for any reason, the HNC Group may nominate another nominee of the HNC Group in that person's place and neither the Directors nor New Sims Group in general meeting may appoint a successor who is not a nominee of the HNC Group.

Subject to the Corporations Act, the Listing Rules and the Constitution, Directors must retire from office or seek re-election by no later than the third annual general meeting following

their appointment or election or three years, whichever is longer. In addition, while New Sims Group is admitted to the Official List, at least one Director must retire from office at each annual general meeting unless there has been an election of Directors earlier that year.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of New Sims Group, at which time they will also be eligible for re-election.

Remuneration of Directors

Subject to the Listing Rules, the shareholders of New Sims Group may in general meeting fix the maximum aggregate cash remuneration to be paid to the Directors for services rendered as Directors. It is proposed that the maximum aggregate cash remuneration specified in the constitution of New Sims Group is A\$1,000,000 per annum provided that the EGM Resolution concerning the increase of Sims Group's cap to A\$1,000,000 is approved (see Section 12 for more details), which may be distributed among the Directors as they determine. The Constitution also makes provision for New Sims Group to pay all reasonable expenses of Directors in attending meetings and carrying out their duties.

If the EGM Resolution referred to above is not passed, the initial cap for New Sims Group will be A\$500,000.

Indemnification and insurance of Directors

New Sims Group, to the full extent permitted by law, indemnifies each person who is or has been a Director or Secretary of New Sims Group, and such other officers or former officers of New Sims Group as the Directors in each case determine (each an 'Officer'), or representative of New Sims Group serving as an Officer of another company at the request of New Sims Group, against any liability (other than legal costs) incurred in the discharge of their duties as an Officer of New Sims Group or another company except where the liability is a liability owed to New Sims Group or a Related Body Corporate or the liability arises out of conduct involving a lack of good faith on the part of the Officer or conduct attracting the civil penalty provisions of the Corporations Act. Officers are also indemnified by New Sims Group for costs (including legal costs) and expenses incurred in defending an action for a liability incurred in acting as an Officer of New Sims Group or another company, subject to certain exceptions set out in the Constitution.

New Sims Group may pay insurance premiums on behalf of an Officer of New Sims Group or of a subsidiary of New Sims Group, other than in relation to a liability arising out of conduct involving wilful breach of duty in relation to New Sims Group or a contravention of civil obligations under the Corporations Act prohibiting improper use of position or information gained in that position.

Proportional takeover provisions

The Constitution prohibits the registration of a transfer giving effect to an offer made under a proportional takeover bid (that is, an offer for some but not all of the holder's shares in the Company) unless an ordinary resolution which approves the bid has been passed. The provision regulating proportional takeover bids must be renewed in a general meeting every three years to remain effective.

Share buy back

New Sims Group may, in accordance with the Corporations Act and the Listing Rules, buy back its own shares on any terms and conditions determined by the Directors from time to time. The consideration paid for a buy back of shares may include specific assets, including securities of New Sims Group or of any other corporation, trust or entity.

Variation or cancellation of rights

Subject to the Corporations Act and the Listing Rules, all or any of the rights attached to any class of shares may be varied or cancelled with the consent in writing of the holders of at least 75% of the issued shares in the particular class or the sanction of a special resolution passed at a meeting of holders of shares in that class.

Unmarketable parcel

If a Sims Group Shareholder holds a number of shares which is less than a marketable parcel (as defined in the Listing Rules), New Sims Group may sell the shares held by each unmarketable parcel holder on any terms and in that manner and at those times which the Directors determine provided that the procedures set out in the Constitution are followed.

Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of votes cast by shareholders present and voting at a general meeting of New Sims Group.

Liability for calls, interest and forfeiture

The Directors may make calls as they think fit on the shareholders for all monies unpaid on shares, which are not payable by the conditions of allotment at fixed times. Interest on unpaid calls accrues from the date payment was due until actual payment is received by New Sims Group at any rates as the Directors may determine. The Directors may waive payment of interest either in whole or in part. Any share on which a call is unpaid 14 days after the day for its payment has expired will be absolutely forfeited. A forfeiture includes all dividends and distributions declared or to be made in respect of those forfeited shares and not actually paid or distributed before the forfeiture. The Directors may sell or cancel the forfeited shares, subject to compliance with the Corporations Act and the Listing Rules.

10.17. Differences between Sims Group constitution and New Sims Group constitution

The constitution of Sims Group was adopted by the company in October 1991 and was last amended by the Sims Group Shareholders in November 1997. Since 1997, there have been extensive changes to the Corporations Act and modifications to the Listing Rules. In addition, due to its date of adoption, the Sims Group constitution contains a number of provisions that are no longer required in the current regulatory environment.

As a result, there are a number of differences between the provisions of the New Sims Group constitution and the Sims Group constitution. These key differences are summarised below.

- Preference shares – the New Sims Group constitution allows the issue of preference shares which are liable to be redeemed or converted into ordinary shares. Previously, preference shares issued by Sims Group could only be redeemed.
- Power to allot shares – the Sims Group constitution contains restrictions on the Directors' power to allot any shares, where the allotment will have the effect of transferring a controlling interest in Sims Group. This restriction is not contained in the New Sims Group constitution.
- Share buy-backs – the provisions in the Sims Group constitution relating to Sims Group's power to buy back its shares are required be renewed by the company every three years. There is no such requirement

for the buy-back provisions in the New Sims Group constitution as these are now authorised under the Corporations Act rather than constitutions.

- Delivery to joint holders of shares -- under the Sims Group constitution, notice to joint holders of shares is by way of delivery to the first of the joint holder's named in the members register. Notice served on any joint holder is deemed to be notice to all joint holders under the New Sims Group constitution.
- Variation or cancellation of rights -- under the New Sims Group constitution, the consent of shareholders is not required for a redemption or cancellation of any shares where the redemption or cancellation is in accordance with the terms of issue of those shares. There is no corresponding provision in the Sims Group constitution.
- Notice of calls -- the amount of notice for calls and due date on the payment of shares has been extended from 10 to 30 days in the New Sims Group constitution.
- Interest on call amounts -- a maximum level of 20% per annum interest payable on unpaid call amounts in the Sims Group constitution has been removed from the New Sims Group constitution, which does not include an interest rate cap.
- Lien over shares -- additional provisions specifying that the company has a lien over any shares issued under an employee share plan has been incorporated into the New Sims Group constitution.
- Restrictions on transfer of shares -- in addition to the rights of the Directors to restrict the transfer of a share under the Listing Rules, the New Sims Group constitution contains additional powers for the Directors to restrict a transfer of shares being recorded, including where:
 - the company has a lien on the shares;
 - the company is served with a court order that restricts a member's capacity to transfer the shares;
 - registration of the transfer may violate an Australian law and ASX has agreed in writing to the application of a holding lock;
 - if the transfer is paper based, either a law related to stamp duty prohibits the company from registering it or the

company is otherwise allowed to refuse to register it under the Listing Rules;

- the transfer does not comply with the terms of any employee incentive scheme of the company;
- if the transfer is paper based, registration of the transfer will create a new holding which at the time of the transfer is lodged is less than a marketable parcel as defined in the Listing Rules; and
- the relevant member has agreed in writing to the application of a holding lock (which must not breach the ASTC Settlement Rules) or that the company may refuse to register a transfer.
- Closure of register -- provisions in the Sims Group constitution which permit the closure of the members register for up to a period of 30 days, are not provided in the New Sims Group constitution.
- Proportional takeover provisions -- the New Sims Group constitution contains standard proportional takeover provisions. These provisions are described in Section 10.16.2.
- Unmarketable parcels -- the New Sims Group constitution contains provisions relating to the sale of unmarketable parcels of shares. These provisions are described in Section 10.16.2.
- Notice of general meeting -- the Sims Group constitution requires 21 days' notice for a general meeting at which a special resolution is to be considered and 14 days' notice for all other meetings. The New Sims Group constitution provides that notice requirements for meetings must comply with the Corporations Act and the Listing Rules.
- No quorum -- under the New Sims Group constitution, if a quorum is not present at an adjourned general meeting, the members present at the adjourned meeting are deemed to be a quorum. The Sims Group constitution requires two members to be present at the adjourned meeting to form a quorum.
- Notice of adjourned meeting -- if a meeting of members is adjourned for more than one month, the New Sims Group constitution requires notice of the adjourned meeting to be given to members. The threshold adjournment period requiring notice under the Sims Group constitution is 28 days.

- Demand for a poll – the New Sims Group constitution allows one or more members holding 5% of the total voting rights at a meeting to demand a poll, rather than the 10% required under the Sims Group constitution. This change is in line with amendments to the Corporations Act.
- Proxies – under the New Sims Group constitution, if a member is present at a general meeting for which they have validly appointed a proxy, then the proxy's authority is suspended while the member is present. There is no comparative provision in the Sims Group constitution.
- Voting by member of unsound mind – provisions in the New Sims Group constitution allow the rights attaching to the shares of a member of unsound mind to be exercised by that member's committee or trustee, so long as the company is satisfied of the relationship between the member and his or her committee or trustee.
- Voting exclusions – the New Sims Group constitution contains provisions relating to members voting exclusions which are in line with the requirements of the Corporations Act and the Listing Rules.
- Appointment of Directors – the New Sims Group constitution contains additional provisions relating to the rights of Hugo Neu Corporation to nominate Directors to the New Sims Group Board. The nomination arrangements are more fully described in Section 10.16.2.
- Nomination of Directors – to be eligible for nomination as a Director, the New Sims Group constitution requires a signed written nomination and consent to the appointment to be received at least 30 days before the relevant general meeting. The time limit under the Sims Group constitution is 21 days.
- Retirement by rotation – the Sims Group constitution requires one-third of the Directors to retire by rotation at each annual general meeting. The New Sims Group constitution requires at least one Director to so resign. The managing director is exempt from retirement by rotation.
- Notice of Directors' meeting – the Sims Group constitution requires each Director to receive notice of a Directors' meeting at least 48 hours prior to the scheduled meeting time. This notice period has been removed from the New Sims Group constitution, however, each Director must receive notice of the meeting.
- Revaluation of assets – subject to the Corporations Act, the New Sims Group constitution gives the Directors an express right to revalue any assets of the company. There is no comparative provision in the Sims Group constitution.
- Payment of dividends – under the New Sims Group constitution, dividends will be declared in Australian currency, however, dividends may be paid in a foreign currency. In addition, the Directors of New Sims Group are given the express power to retain dividends payable on New Sims Group Shares to which any person is entitled to become a member because of death, bankruptcy or operation of law, until that person (or nominated transferee) becomes a member in respect of the shares.
- Inspection of company records – under the Sims Group constitution, a member does not have a right to inspect the accounting records of the company unless expressly authorised to do so pursuant to a court order or Directors' resolution. The New Sims Group constitution removes this restriction on a member's right to inspection, however, the Directors retain a general discretion as to when such records may be inspected.
- Service of notices – the New Sims Group constitution contains additional means for serving notices, including email and other electronic means.
- Notice to deceased or bankrupt members – the New Sims Group constitution deems notice to have been duly given to deceased or bankrupt members, whether or not the company has notice of the same.
- Winding up – the New Sims Group constitution contains specific provisions prohibiting the payment of a commission or fee to any Director or liquidator for the sale or realisation of the company's assets unless such fee or commission has been approved by the company in general meeting.
- Indemnity of Directors – the New Sims Group constitution extends the indemnity requirements to former Directors and secretaries (as well as present officers). The indemnity provisions in the New Sims Group constitution reflect amendments to the Corporations Act occurring since the adoption of the Sims Group constitution.
- Listing Rule requirements – the provisions required under Appendix 15A of the Listing Rules, to the effect that that the New Sims

Group constitution is subject to the Listing Rules, have been inserted in the New Sims Group constitution. This is in line with the requirements of ASX for listed company constitutions.

As noted out in Section 10.16, Sims Group will provide a copy of the New Sims Group constitution to any Sims Group Shareholder who requests it before the Scheme Meeting. Shareholders should refer to Section 10.16 in relation to obtaining a copy of the constitution.

10.18. Non-Executive Directors' Retiring Allowance Agreement

Sims Group currently has a non-executive Directors retirement allowance agreement in place for its non-executive Directors (Mr Paul Mazoudier, Mr Charles Copeman, Mr Michael Feeney and Mr Geoffrey Brunsdon). To allow for the benefits under the current plan to continue in relation to their proposed appointments as non-executive Directors of New Sims Group, New Sims Group has adopted a retirement benefits plan ('Non-Executive Directors' Retiring Allowance Agreement') on substantially identical terms to the Sims Group plan.

The key terms of the Non-Executive Directors' Retiring Allowance Agreement are as follows:

- the retiring allowance payable to a non-executive Director is an amount equal to the highest aggregate amount of fees received by the non-executive Director in respect of any period of three consecutive years of services to Sims Group and/or New Sims Group ('Aggregate Amount');
- the definition of 'fees' in the Non-Executive Directors' Retiring Allowance Agreement, specifically excludes any contributions made in accordance with the *Superannuation Guarantee (Administration) Act 1992* or any other relevant Commonwealth, State or Territory law. The effect of this is that the retiring allowance payable to a non-executive Director does not include any superannuation benefit paid or payable to this Director by Sims Group or New Sims Group;
- in addition, for each year or part of a year of service exceeding three years and up to 13 years, the non-executive Director will receive an additional 5% of the Aggregate Amount. After 13 years of service, the amount that the non-executive Director will receive will be capped at 150% of the Aggregate Amount;

----- the retiring allowance is payable to the non-executive Director in a lump sum on retirement as a New Sims Group Director, unless the office of the Director is vacated automatically in circumstances where the non-executive Director:

- is declared bankrupt;
- becomes of unsound mind or a person whose person or estate is liable to be dealt with under the laws relating to mental health;
- is prohibited from being a Director in accordance with any of the provisions of the Listing Rules, the Corporations Act or any order made under the Corporations Act or the Director's office is vacated;
- resigns by giving the company written notice; or
- either personally or by an alternate Director, fails to attend Board meetings for a continuous period of six months without leave of absence;

----- in the event that a non-executive Director vacates office by reason of his misconduct or for one of the reasons listed above, the New Sims Group Board has a discretion to pay the retiring allowance to the dependents of the non-executive Director;

----- the retiring allowance will be paid to the dependents (if any) of the non-executive Director, if he ceases to be a director by reason of his death; and

----- any amount payable to the dependents of a Director must not exceed the total retiring allowance to which that Director would have been entitled under the agreement.

The Non-Executive Directors' Retiring Allowance Agreement shall apply only to the non-executive Directors who currently participate in the Sims Group plan. The Non-Executive Directors' Retiring Allowance Agreement will not apply to any other persons appointed as non-executive Directors of New Sims Group.

10.19. New Sims Group Long Term Incentive Plan

Sims Group currently has a long term incentive plan for its executives that allows invited Sims Group executives to be issued with shares under Sims Group funded loan and security arrangements ('LTI Plan'). In accordance with Listing Rule 7.1 and 7.2, the LTI Plan was approved by the Sims Group Shareholders at

Sims Group's annual general meeting held in November 2004. At the same meeting and in accordance with Listing Rule 10.14, the Sims Group Shareholders also provided their approval for two executive Directors, Mr Jeremy Sutcliffe and Mr Ross Cunningham, to participate in the LTI Plan for a period of three years.

At the commencement of the 2003 financial year, Sims Group introduced a long term incentive cash plan under which participating executives are eligible to receive cash payments if the annual average growth in the diluted earnings per share of Sims Group over rolling three year periods (subsequently amended to rolling five year periods) is between 5% and 10% per annum compounded.

In 2004, the Board of Sims Group considered it appropriate to re-introduce a share based long term incentive plan, the purpose of which was to better align the interests of shareholders and the executives of Sims Group by linking the rewards of executives to the long term success of Sims Group. The Sims Group Board continues to believe that the LTI Plan will:

- create a stronger link between the shareholders, the executives and Sims Group's overall financial performance as reflected by the performance of Sims Group Shares; and
- increase productivity through increased participation in the company by the executives as shareholders.

For the above reasons, New Sims Group will adopt a share based long term incentive plan, which shall be on identical terms to the LTI Plan approved by the Sims Group Shareholders ('New Sims Group LTI Plan'). The New Sims Group LTI Plan will be put in place prior to implementation of the Scheme and as a result of an ASX waiver summarised in Section 10.12, allows for the executive Directors named above to participate for a period of three years from the date that New Sims Group is admitted to the Official List.

Summary of the terms of the New Sims Group LTI Plan

A summary of the terms of the New Sims Group LTI Plan (which are identical to the terms of the LTI Plan) is set out below.

Eligibility

The Board may from time to time invite executives to participate in the New Sims Group LTI Plan and acquire shares in New Sims

Group on such terms and conditions as to minimum tenure, performance and other criteria and restrictions attaching to the shares as the Board determines. Under the New Sims Group LTI Plan Rules, a person who is a permanent full-time or part-time employee of New Sims Group or any of its Associated Body Corporates (as that term is defined in the New Sims Group LTI Plan) and who in the Board's opinion is an executive officer, including executive Directors of New Sims Group or its Associated Body Corporates, may be invited to participate in the New Sims Group LTI Plan. Executives will acquire no shares under the New Sims Group LTI Plan unless the requirements of the Listing Rules have been complied with.

Maximum number of shares that can be issued

The maximum number of shares which can be issued under the New Sims Group LTI Plan and all other employee incentive plans of New Sims Group will be 10% of the issued capital of New Sims Group.

Manner of acquisition

The executives will be invited to subscribe for a new issue of New Sims Group Shares. New Sims Group Shares will be issued to an executive at the market price at the date of allotment, being the weighted average price at which those shares were traded on ASX over the one week period up to and including the date of allotment. A New Sims Group provided loan as outlined below will fund the acquisition cost of the New Sims Group Shares. New Sims Group Shares issued under the New Sims Group LTI Plan will be allotted and issued to and registered in the name of the executive (or his or her approved nominee), but will remain subject to restrictions on dealing as determined by the Board (which may include applying a holding lock to the shares) until the executive becomes entitled to withdraw the shares from the New Sims Group LTI Plan (see below).

Performance hurdles

The Board will specify, in the invitation, the performance hurdles that will generally need to be satisfied before the executive may withdraw his or her shares from the New Sims Group LTI Plan ('Performance Hurdles'). Performance Hurdles will include minimum tenure requirements and performance criteria or other appropriate criteria as determined by the Board. Generally speaking, provided any loan outstanding has been repaid, the executive

may withdraw his or her shares from the New Sims Group LTI Plan once the applicable Performance Hurdles have been satisfied.

If an executive dies, becomes totally and permanently disabled (in the opinion of the Board), reaches normal retirement age or is made redundant before the applicable Performance Hurdles have been satisfied ('Special Circumstances'), the executive may have the right to withdraw all or some of his or her shares from the New Sims Group LTI Plan, but only with the approval of the Board. In assessing the extent to which an executive (or in the case of any executive who has died, his or her legal personal representative) can withdraw shares from the plan in Special Circumstances, the Board will have regard to (among other things) the extent to which the Performance Hurdles have been satisfied.

If the Board determines that a change of control of New Sims Group has occurred or is likely to occur (for example, because New Sims Group is subject to a takeover bid, proposes to enter into a scheme of arrangement or is to be wound up) ('Control Event'), then the Performance Hurdles applicable to shares held by an executive will be waived and the executive will be able to withdraw from the New Sims Group LTI Plan (subject to repaying any loan to New Sims Group) all of the executive's shares.

Except for shares the Board determines the executive may retain in the case of Special Circumstances (as outlined above) or following a Control Event, if an executive ceases to be employed by New Sims Group or any of its Associated Body Corporates, then the executive will generally be required to transfer to New Sims Group any of his or her shares which are still subject to the applicable Performance Hurdles.

Loan and security

Under the New Sims Group LTI Plan Rules, the executive may apply for an interest free loan from New Sims Group (on terms and conditions as determined by the Board) to enable the executive to acquire shares under the New Sims Group LTI Plan. Generally speaking, the loan is repayable within five years after the date it was provided unless one of the following events occurs first, in which case the loan will automatically become repayable:

----- the cessation of employment (including in Special Circumstances) of the executive; or

----- failure to satisfy the applicable Performance Hurdles; or

----- a Control Event.

Loans under the New Sims Group LTI Plan are limited recourse in nature, which means that if at the date that the loan becomes repayable, the executive's shares are worth less than the outstanding balance of the loan, New Sims Group cannot recover the difference from the executive. If at the date that the loan becomes repayable the value of the shares exceeds the total amount of the loan owing to New Sims Group by the executive, then, subject to having satisfied the applicable Performance Hurdles (or in the case of Special Circumstances (as outlined above) or a Control Event) and as long as the executive has not been dismissed for fraud, dishonesty or other serious misconduct, the executive may either repay the loan and retain the shares without restriction or request the sale of the shares and the surplus proceeds to be paid to the executive.

As security for the loan, New Sims Group may require the executive to pledge his or her shares acquired under the New Sims Group LTI Plan to New Sims Group at the time the financial assistance is provided and to grant a charge over any benefits attributable to those shares, including bonus shares and rights, but excluding dividends.

Loans or other financial assistance will only be extended to the executives as permitted by the Corporations Act. The executives have the right to receive dividends and franking credits associated with the shares acquired under the New Sims Group LTI Plan.

Forfeiture and buy-back

If the applicable Performance Hurdles determined by the Board are not satisfied, the executives will generally not benefit from their shares. In these circumstances, New Sims Group will (subject to compliance with the Corporations Act and the Listing Rules) buy back the shares for the value of the outstanding loan. Shares bought back by New Sims Group will be automatically cancelled.

Voting

The executives may vote their New Sims Group Shares acquired under the New Sims Group LTI Plan at meetings of shareholders of New Sims Group.

Expenses of the New Sims Group LTI Plan

New Sims Group will meet the ongoing administration expenses of the New Sims Group LTI Plan. The executives will meet all outgoings and expenses in selling or otherwise dealing with their shares.

Previous share issues and issue limitations

No offers have as yet been made, nor securities issued, under the New Sims Group LTI Plan.

Other provisions

The New Sims Group LTI Plan Rules also contain various provisions relating to administration of the New Sims Group LTI Plan, variation of the New Sims Group LTI Plan Rules and termination of the New Sims Group LTI Plan.

Participation of executive Directors in the New Sims Group LTI Plan

As previously noted, Sims Group Shareholders provided their approval, at the Sims Group annual general meeting in November 2004, for two executive Directors, Mr Jeremy Sutcliffe and Mr Ross Cunningham, to participate in the LTI Plan for a period of three years.

The terms for the participation of Mr Jeremy Sutcliffe in the New Sims Group LTI Plan are to be identical to his right to participate in the LTI Plan. As such, the terms of Mr Jeremy Sutcliffe's participation are as follows:

- Mr Jeremy Sutcliffe will be invited to acquire up to a maximum of 800,000 shares in aggregate under the New Sims Group LTI Plan, with parcels of shares to be issued annually, but no later than three years after the date of the approval by Sims Group Shareholders of the LTI Plan, as part of his remuneration as Group Chief Executive Officer of New Sims Group. Shares will be issued at the market price at the date of allotment, being the weighted average price at which those shares were traded on ASX over the one week period up to and including the date of allotment;
- New Sims Group will lend Mr Jeremy Sutcliffe sufficient funds to enable him to acquire the shares under the New Sims Group LTI Plan. Details of the terms applicable to the loan are set out above under the heading 'Loan and security';

----- subject to the plan rules, shares will not generally be able to be sold or otherwise dealt with by Mr Jeremy Sutcliffe until the loan has been settled and until performance hurdles have been satisfied. The performance hurdles require the satisfaction of both the following tenure requirement and performance criterion:

- the tenure requirement will be satisfied if Mr Jeremy Sutcliffe is still employed by New Sims Group 12 months after the date of the allotment;
- the performance criterion is the compound growth in Average Earnings Per Share ('AEPS') of Sims Group and/or New Sims Group (as the case may be) measured over a rolling five year period. As Mr Jeremy Sutcliffe is a participant in the Sims Group long term incentive cash plan, the performance criterion for any allotment in respect of the financial year ending 30 June 2006 will be the compound growth in AEPS of Sims Group and/or New Sims Group measured over the period from 1 July 2002 to 30 June 2006. The period from 1 July 2002 to 30 June 2006 and each rolling five year period thereafter is called a 'Relevant Period';
- the performance criterion for the allotment of New Sims Group LTI Plan shares in respect of a Relevant Period will be satisfied in accordance with the following scale:

Compound growth in AEPS of Sims Group and/or New Sims Group for the Relevant Period	% of New Sims Group LTI Plan shares for which the performance criterion will be satisfied
Less than 5%	Nil
5%	50%
10% or more	100%
Greater than 5% but less than 10%	Pro rata award

- the shares will be acquired by Mr Jeremy Sutcliffe under the approval within three years of the date New Sims Group was admitted to the Official List;
- since the Sims Group annual general meeting in November 2004, an associate of Mr Jeremy Sutcliffe has been issued 90,517 Sims Group Shares at an issue price of A\$14.99 per share, pursuant to the LTI Plan; and

..... the maximum number of securities that may be acquired by all persons for whom approval is required under Listing Rule 10.14 is 1,250,000.

The terms for the participation of Mr Ross Cunningham in the New Sims Group LTI Plan are as follows:

..... Mr Ross Cunningham will be invited to acquire up to a maximum of 450,000 shares in aggregate under the New Sims Group LTI Plan, with parcels of shares to be issued annually, but no later than three years after the date of the approval by Sims Group Shareholders, as part of his remuneration as Executive Director of New Sims Group. Shares will be issued at the market price at the date of allotment, being the weighted average price at which those shares were traded on ASX over the one week period up to and including the date of allotment;

..... New Sims Group will lend Mr Ross Cunningham sufficient funds to enable him to acquire the shares under the New Sims Group LTI Plan. Details of the terms applicable to the loan are set out above under the heading 'Loan and security';

..... subject to the plan rules, shares will not generally be able to be sold or otherwise dealt with by Mr Ross Cunningham until the loan has been settled and until performance hurdles have been satisfied. The performance hurdles require the satisfaction of both the following tenure requirement and performance criterion:

- the tenure requirement will be satisfied if Mr Ross Cunningham is still employed by the New Sims Group 12 months after the date of the allotment;
- the performance criterion is the compound growth in Average Earnings Per Share ('AEPS') of Sims Group and/or New Sims Group (as the case may be) measured over a rolling five year period. As Mr Ross Cunningham is a participant in the Sims Group long term incentive cash plan, the performance criterion for any allotment in respect of the financial year ending 30 June 2006 will be the compound growth in AEPS of Sims Group and/or New Sims Group measured over the period from 1 July 2002 to 30 June 2006. The period from 1 July 2002 to 30 June 2006 and each rolling five year period thereafter is called a 'Relevant Period'; and

- the performance criterion for the allotment of New Sims Group LTI Plan shares in respect of a Relevant Period will be satisfied in accordance with the following scale:

Compound growth in AEPS of Sims Group and/or New Sims Group for the Relevant Period	% of New Sims Group LTI Plan shares for which the performance criterion will be satisfied
Less than 5%	Nil
5%	50%
10% or more	100%
Greater than 5% but less than 10%	Pro rata award

..... the shares will be acquired by Mr Ross Cunningham under the approval, within three years of the date New Sims Group was admitted to the Official List;

..... since the Sims Group annual general meeting in November 2004, an associate of Mr Ross Cunningham has been issued 11,879 Sims Group Shares at an issue price of A\$14.99 per share, pursuant to the LTI Plan; and

..... the maximum number of securities that may be acquired by all persons for whom approval is required under Listing Rule 10.14 is 1,250,000.

10.20. Sims Group Shareholder information as at 30 June 2005

10.20.1. Substantial Sims Group Shareholders

Substantial Sims Group Shareholders	No. of Sims Group Shares
Perpetual Trustees Australia Limited ¹	9,758,852
M & G Investment Management Limited	6,382,574
Barclays Global Investors Australia Limited ²	5,393,700

Notes:

1. Perpetual Trustees Australia Limited announced to ASX on 12 July 2005 that it had increased its substantial holding to 10,674,948 Sims Group Shares
2. Barclays Global Investors Australia Limited announced to ASX on 1 July 2005 that it had ceased to be a substantial Sims Group Shareholder

10.20.2. Distribution of Sims Group Shareholders

Range	Total Holders	No. of Sims Group Shares	% Issued Capital
1 – 1,000	9,786	5,996,391	6.58
1,001 – 5,000	9,398	22,194,853	24.37
5,001 – 10,000	1,094	7,920,016	8.70
10,001 – 100,000	460	10,070,142	11.06
100,001 – and over	45	44,904,684	49.30
Total	20,783	91,086,086	100.00

10.20.3. Top 20 Sims Group Shareholders

		No. of Sims Group Shares	% Held
1	JP Morgan Nominees Australia Limited	9,248,525	10.15
2	Westpac Custodian Nominees Limited	7,060,008	7.75
3	National Nominees Limited	5,727,614	6.29
4	RBC Global Services Australia Nominees Pty Limited	4,858,757	5.33
5	ANZ Nominees Limited	1,905,785	2.09
6	Citicorp Nominees Pty Limited	1,878,990	2.06
7	ANZ Nominees Limited	1,429,765	1.57
8	AMP Life Limited	1,282,557	1.41
9	RBC Global Services Australia Nominees Pty Limited	1,236,998	1.36
10	Warbont Nominees Pty Ltd	1,151,860	1.26
11	Cogent Nominees Pty Limited	1,149,113	1.26
12	UBS Nominees Pty Ltd	924,286	1.01
13	Queensland Investment Corporation	520,000	0.57
14	Milton Corporation Limited	445,000	0.49
15	UCA Growth Fund Limited	400,000	0.44
16	Cogent Nominees Pty Limited	351,645	0.39
17	The Australian National University	350,000	0.38
18	Pan Australian Nominees Pty Limited	338,321	0.37
19	Camrock (Australia) Pty Limited	302,200	0.33
20	HSBC Custody Nominees (Australia) Limited	280,000	0.31
		40,841,424	44.82

11.1. Introduction

Sims Group and New Sims Group entered into the Contribution Agreement on 24 June 2005 with Hugo Neu Corporation and two of its subsidiaries, Hugo Neu Steel Products, Inc. and Flynn-Learner (collectively referred to as 'Hugo Neu Corporation' in this summary). The Contribution Agreement sets out the terms on which New Sims Group will acquire certain businesses from Hugo Neu Corporation.

This Section 11 is a summary of the material terms of the Contribution Agreement.

11.2. Acquisition

Under this Contribution Agreement, New Sims Group will acquire Hugo Neu from Hugo Neu Corporation.

Purchase Price

..... Hugo Neu Corporation will receive fully paid ordinary shares in New Sims Group equal to 26.0% of New Sims Group Shares (on a fully diluted basis) as at Completion (see below).

..... New Sims Group agrees to assume the Permitted Debt of Hugo Neu, which essentially comprises:

- existing debt of US\$22.8 million;
- other agreed costs and distributions to Hugo Neu Corporation and other uses of funds up to an aggregate of approximately US\$122.4 million;
- the Hugo Neu subsidiaries' share of distributions made in September 2004, being US\$25 million, for earnings to 31 August 2004;
- agreed budget for capital expenditure (US\$42.2 million plus agreed overruns and acquisitions);
- increases in working capital from the working capital of US\$140.4 million (decreases in working capital will decrease the Permitted Debt); and
- costs incurred before the Implementation Date in respect of certain specified projects.

Permitted Debt is reduced by non-current liabilities (except for those liabilities comprising indebtedness for borrowed money).

The Contribution Agreement contains an adjustment mechanism under which Adjustment Amounts will be payable either by

Hugo Neu Corporation to New Sims Group (if the Adjustment Amount is positive) or by New Sims Group to Hugo Neu Corporation (if the Adjustment Amount is negative). The Adjustment Amount comprises the total amount of indebtedness of Hugo Neu as at the Completion Date, less the Permitted Debt described above, as further adjusted for any capital expenditures in the agreed budget for capital expenditure but not incurred by Completion, along with capital expenditure outside the capital expenditure budget agreed between the parties (unless Sims Group has approved these expenditures) and for certain benefit entitlements for transferring employees.

Completion Date

Completion will occur on the Implementation Date, immediately following the time at which the Scheme is implemented. The parties' obligation to close is subject to certain conditions including:

- Hugo Neu Corporation and Hugo Neu having obtained certain contractual consents required from third parties;
- no material adverse change in Hugo Neu or New Sims Group having occurred;
- Foreign Investment Review Board approval having been obtained and the waiting period under the Hart-Scott Rodino Antitrust Improvements Act having expired or been terminated early;
- completion of the Schnitzer Transaction;
- the Scheme Conditions having been satisfied;
- no change in tax law having occurred which would adversely affect Hugo Neu Corporation's intended tax treatment of the Merger; and
- other procedural/standard conditions.

Warranties

Knowledge

Many of the warranties are qualified by the 'knowledge' of the party giving the warranty. Knowledge means:

- the actual knowledge of specified individuals of each party; and
- the knowledge those individuals would have had if they had conducted a reasonable investigation of available written documents created since 1 January 2000.

Materiality thresholds

Many of the warranties are qualified as to materiality; in the case of New Sims Group 'material' generally means an impact on:

- assets or liabilities (of New Sims Group) in excess of US\$4 million; or
- earnings (of New Sims Group) in excess of US\$2.5 million.

In the case of Hugo Neu Corporation, 'material' generally means an impact on:

- assets or liabilities of Hugo Neu in excess of US\$250,000; or
- earnings of Hugo Neu in excess of US\$250,000.

Scope of Hugo Neu Corporation warranties

- Scope: Hugo Neu Corporation gives a full set of warranties with respect to Hugo Neu, including with respect to: organisation and good standing, enforceability, capitalisation and ownership, financial statements, books and records, no material adverse change, environmental, health and safety matters, real property and assets, intellectual property, contracts, customers and suppliers, insurance, taxes, employee benefits, employee relations, compliance with law, legal proceedings, related party relationships, the agreement with Schnitzer Steel Industries (concerning the separation of the joint ventures that had been in place with Hugo Neu) and no undisclosed liabilities.
- Survival: the Hugo Neu Corporation warranties generally do not survive closing, with the exception of warranties on corporate organisation, enforceability, ownership, financial statements, environmental, health and safety matters, title to real property and assets, no brokers' and existence of undisclosed liabilities, which will survive for a period of two years and the tax warranties, which will survive until 90 days after the date upon which claims are statute-barred.

Scope of Sims Group and New Sims Group warranties

- Scope: similarly, Sims Group and New Sims Group give a full set of warranties with respect to New Sims Group, including with respect to: organisation and good standing, enforceability, the Neu Shares, financial statements, books and records, no material adverse change, environmental, health and safety matters, real property and assets, intellectual property, contracts, customers

and suppliers, insurance, taxes, employee benefits, employee relations, compliance with law, legal proceedings and compliance with public disclosure obligations.

- Survival: New Sims Group warranties generally do not survive closing, with the exception of warranties on corporate organisation, enforceability, the Neu Shares, financial statements, environmental, health and safety matters and title to real property and assets, which will survive for a period of two years.

Indemnities

Hugo Neu Corporation indemnities

Hugo Neu Corporation gives indemnities in respect of (among others):

- breaches of representations or warranties that survive Completion;
- breaches of covenants;
- certain Hugo Neu assets that are not being contributed to New Sims Group and those assets and liabilities Hugo Neu Corporation is transferring to Schnitzer Steel Industries as part of the Schnitzer Transaction;
- any obligations arising out of or related to the Schnitzer Agreement (except to the extent New Sims Group has specifically agreed to assume a liability);
- taxes of Hugo Neu Corporation or Hugo Neu relating to the period prior to the Implementation Date;
- taxes imposed on New Sims Group as a result of an action by Hugo Neu Corporation that leads to the disqualification of the contribution as a tax-free transfer; and
- any conduct prior to the Implementation Date of Hugo Neu Corporation, Hugo Neu or their affiliates that violates the *US Foreign Corrupt Practices Act* or any other anti-corruption laws.

New Sims Group indemnities

New Sims Group gives indemnities for (among others):

- breaches of representations or warranties that survive Completion;
- breaches of covenants;
- tax imposed on Hugo Neu Corporation resulting from an action by New Sims Group that causes the contribution of Hugo Neu to trigger a taxable gain for Hugo Neu Corporation;

- certain liabilities and obligations under the Schnitzer Agreement (where New Sims Group has agreed to be liable);
- any conduct prior to the Implementation Date of New Sims Group, Sims Group or their affiliates that violates the *US Foreign Corrupt Practices Act* or any anti-corruption laws; and
- any liability related to any consent obtained or executed pursuant to the *New Jersey Industrial Site Recovery Act* with respect to Hugo Neu East.

Warranty and indemnity limitations

Time limits for warranty claims

In respect of the warranties which survive closing (as outlined above), a party may only recover in respect of those warranties if a claim for breach of such warranty is asserted by written notice prior to the end of the survival period for those warranties.

For the remaining warranties, a party may only recover in respect of those warranties if a claim for breach of such warranty is asserted by written notice on or before the Implementation Date.

Thresholds – General

The following limitations apply to breaches of warranties and to breaches of the covenants contained in the Contribution Agreement (but not any of the specific indemnities listed above).

A party has no liability for claims until the aggregate value of all claims exceeds US\$1 million (except certain claims arising for events occurring after signing where a party has no liability until the aggregate value of all claims reaches US\$4 million) ('Deductible Amount').

Claims of less than US\$100,000 are disregarded for the purposes of making claims under the Contribution Agreement and in determining whether the Deductible Amount has been exceeded.

The limit on claims is US\$20 million.

Thresholds – Tax indemnities for non-income tax matters

Hugo Neu Corporation has no liability under these tax indemnities until the aggregate value of all claims (except for claims in respect of income tax) exceeds US\$100,000 in which case the indemnity is for the full amount of such claims. There is no cap on such claims once this threshold has been reached.

Thresholds – Specific indemnities

A party's liability under its specific indemnities identified above (except for breaches of warranties or covenants or Hugo Neu Corporation's tax indemnities – in each case as described above) is not subject to any deductibles and is unlimited both as to time and amount.

Limitation of damages

Even where a claim can be made, neither Hugo Neu Corporation, Sims Group nor New Sims Group can recover consequential, indirect, punitive, exemplary or similar damages (other than for a breach of the non-compete obligations described below).

Period between signing and Implementation Date

During the period between signing and the Implementation Date, the Contribution Agreement requires Hugo Neu Corporation to:

- continue to operate the business of Hugo Neu in the ordinary course of business and confer with New Sims Group concerning material matters; and
- seek the consent of Sims Group to take certain specified actions in respect of Hugo Neu (for example, sell or otherwise dispose of any material asset).

Capital expenditure budget

Between signing and the Implementation Date, Hugo Neu Corporation must keep New Sims Group regularly updated as to the level of capital expenditure (in excess of certain thresholds) under the capital expenditure budget set out in a schedule to the Contribution Agreement. All overruns from this budget in excess of certain thresholds require Sims Group approval, and capital expenditure in excess of the capital expenditure budget that were (i) not approved by New Sims Group; or (ii) for certain items only, necessary because the amounts set out in the capital expenditure budget were insufficient, must be reimbursed by Hugo Neu Corporation to New Sims Group under the adjustment mechanism referred to above. In respect of certain items of capital expenditure, Sims Group cannot unreasonably withhold approval to overruns from the budget.

Inventory

Before entering into the Contribution Agreement, Hugo Neu Corporation provided New Sims Group with a statement setting out the inventory levels of ferrous and stainless

steel metal for Hugo Neu ('Ferrous Inventory') as of 23 June 2005, and a shipping schedule and sales schedule. New Sims Group conducted a physical inventory review to prima facie confirm the recorded book value on signing (although this review does not constitute a waiver of New Sims Group's right to object to the level of Ferrous Inventory).

Between signing and the Implementation Date, Hugo Neu Corporation will provide a weekly update on shipping and sales schedules and a monthly statement of Ferrous Inventory. Hugo Neu Corporation is obliged to not accelerate shipments of Ferrous Inventory during the 45 day period prior to the Implementation Date for the purpose of maximising income prior to that date and to ensure there is a minimum level of Ferrous Inventory at the Implementation Date. There is a dispute resolution mechanism if a dispute arises in respect of these issues.

New York City Recycling Contract

Hugo Neu Corporation agrees to use its commercially reasonable efforts to negotiate a legally binding agreement with the relevant New York City departments reflecting a term of at least 20 years and otherwise on terms no less favourable to Hugo Neu Corporation than the previously provided draft memorandum of understanding. If New Sims Group does not accept the final Long Term Recycling Contract that is negotiated before the Implementation Date, or if New Sims Group declines to continue negotiations for the contract after the Implementation Date, Hugo Neu Corporation has the right to assume the Long Term Recycling Contract. If Hugo Neu Corporation becomes the operator under such contract, Hugo Neu will enter into a shared services agreement for the term of the Long Term Recycling Contract on reasonable terms to facilitate Hugo Neu Corporation's operation of such contract.

North Carolina non-ferrous metal recycling plant and associated disposal facility

Hugo Neu Corporation may determine that it is appropriate before the Implementation Date for Hugo Neu to purchase the land to be used as the site for the North Carolina non-ferrous metal recycling plant and associated disposal facility and must pay the outstanding balance of the purchase price (US\$2.7 million). Hugo Neu Corporation must keep New Sims Group fully informed as to the status of the purchase of such land. After the closing, upon the request of New Sims Group, Hugo Neu Corporation

must assign all assets, surveys, plans and other books and records relating to the project to Hugo Neu, for no further consideration.

Employees

At Completion and for a period of 24 months thereafter, New Sims Group will cause Hugo Neu to continue to employ its employees on terms and conditions no less favourable in the aggregate (in terms of total employee costs), than those available immediately prior to Completion, although this does not prevent New Sims Group from terminating the employment of any such employee after closing.

Non-compete

Hugo Neu Corporation, Mr John Neu and certain of their affiliates must not engage in a Competing Business (as defined below) or solicit any employees of New Sims Group or Hugo Neu until the earlier of one year after the date on which:

- John Neu or any other nominee of Hugo Neu Corporation ceases to be a New Sims Group Director; or
- Hugo Neu Corporation ceases to own at least 5% of the issued share capital of New Sims Group.

The non-compete will also terminate early if:

- Hugo Neu Corporation is sold to a third party; or
- John Neu ceases to be a Director, Hugo Neu Corporation ceases to own, in the aggregate, at least 13.0% of the issued share capital of New Sims Group and the employment of John Neu shall have been terminated without cause or been constructively terminated by New Sims Group or his responsibilities or remuneration shall have been significantly diminished.

'Competing Business' means a business competitive with the acquired business or an electronics recycling business within a 200 mile radius of any facilities of New Sims Group and its affiliates, within North America or Mexico, with certain limited exceptions.

Governing law

The Contribution Agreement is governed by the law of the State of New York.



12.1. Extraordinary General Meeting resolutions 1 and 2 – approval under item 7 of section 611 of the Corporations Act ('Share Issue Resolutions')

12.1.1. Overview

Section 606(1) of the Corporations Act contains a general prohibition on a person acquiring a relevant interest in shares in a listed company or a company with over 50 members if they do so through a transaction entered into by or on behalf of that person and, as a result of the transaction, that person's or someone else's 'voting power' in the company increases from below 20% or to more than 20%, or by any amount from a starting point which is above 20% and below 90% (subject to certain exceptions).

For the purposes of section 606(1) of the Corporations Act, a person's 'voting power' in New Sims Group will be calculated by dividing the total number of New Sims Group Shares in which that person, or its 'associates', has a 'relevant interest' by the total number of New Sims Group Shares on issue. A person does not need to be the registered holder of a share in order to have a 'relevant interest' in that share. For example, in certain circumstances a person may acquire a 'relevant interest' in a share merely because it enters into an agreement which enables it to control the disposal of that share.

A person's ('**first person**') 'associates' include any person:

- that controls the first person;
- that is controlled by the first person;
- that is controlled by the same person as the first person;
- with whom the first person has a relevant agreement in relation to the affairs of New Sims Group; or
- with whom the first person is acting in concert in relation to the affairs of New Sims Group.

The prohibition in section 606(1) of the Corporations Act applies to the proposed issue of shares by New Sims Group to Hugo Neu Corporation ('**HNC**') (in its own right and in its capacity as nominee on behalf of Hugo Neu Steel Products, Inc. and Flynn-Learner), the subsequent transfer of shares in New Sims Group by HNC to Hugo Neu Steel Products, Inc. ('**HNSP**') and Flynn-Learner ('**FL**') under the nominee arrangements (summarised in Section 12.1.3) ('Nominee Arrangements') and to the Standstill and Lock-Up Deed (summarised in Section 12.1.3). However, item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) of the Corporations Act in circumstances where:

- the shareholders of the company in general meeting pass a resolution approving the acquisition of the relevant interest in shares in the company;
- no votes are cast in favour of the resolution by parties proposing to make the acquisition, including their associates; and
- shareholders are provided with certain prescribed information.

12.1.2. ASIC modification

As consideration for the Acquisition, New Sims Group will issue fully paid ordinary shares representing 26.0% of its issued share capital to HNC (as nominee – see Section 12.1.3) immediately after the implementation of the Scheme, the registration of the transfer of the Scheme Shares by Sims Group and the issue of shares by New Sims Group to Scheme Shareholders on a one-for-one basis.

Under the Standstill and Lock-Up Deed, summarised in Section 10.5, the Neu Shares will be subject to a restriction on disposal enforceable by New Sims Group for a period of 18 months from the date of their issue.

The issue of the Neu Shares to HNC and the entering into effect of the restriction on disposal in the Standstill and Lock-Up Deed will result in:

- HNC acquiring a relevant interest in the Neu Shares; and

----- New Sims Group obtaining a relevant interest in the Neu Shares,

in breach of the prohibition in section 606(1) of the Corporations Act unless approval of the acquisitions is obtained from New Sims Group Shareholders under item 7 of section 611 of the Corporations Act.

However, because it is proposed that the Neu Shares are to be issued to HNC immediately after the implementation of the Scheme, it is not possible to seek the approval of New Sims Group Shareholders prior to the issue, given the notice requirements for the convening of shareholders' meetings.

Accordingly, New Sims Group has obtained a declaration from ASIC under section 655A(1) of the Corporations Act that item 7 of section 611 of the Corporations Act is modified to permit resolutions of shareholders in Sims Group (rather than shareholders in New Sims Group) at a meeting convened immediately following the Scheme Meeting to approve:

----- the issue by New Sims Group of the Neu Shares; and

----- New Sims Group obtaining a relevant interest in the Neu Shares under the Standstill and Lock-Up Deed,

to operate as resolutions of New Sims Group Shareholders.

12.1.3. Nominee Arrangements

HNC will hold all the Neu Shares for its own account, and as nominee for the account of each of HNRP and FL. The proportion of the New Sims Group Shares to be held by each of HNC, HNRP and FL has not yet been determined. However, HNC and each of HNRP and FL as principals, will control the New Sims Group Shares that are issued with respect to all matters pertaining to such New Sims Group Shares, including the voting and transfer of such shares. Pursuant to a Standstill and Lock-Up Deed, the HNC Parties have agreed with New Sims Group not to sell or otherwise assign any of their New Sims Group Shares to any third party for 18 months after the completion of the Merger. Following the completion, an HNC Party may wish to transfer its New Sims Group Shares to another existing wholly owned subsidiary of HNC on such terms and conditions to be determined by such parties at the time.

Under the Nominee Arrangements described above, each of HNC, HNRP and FL will obtain a 'relevant interest' and 'voting power' in all of the Neu Shares on and from the time of their issue.

12.1.4. Voting power and certain statutory information

12.1.4.1. HNC Parties

As at the date of this Explanatory Booklet, HNRP is a direct wholly owned subsidiary of HNC and FL is an indirect wholly owned subsidiary of HNC. Accordingly, HNC will be deemed to have the same relevant interest in any of the Neu Shares in which HNRP or FL obtains a relevant interest.

Set out below are the matters required for disclosure in accordance with item 7 of section 611 of the Corporations Act, being:

(a) *The identity of the person proposing to make the acquisition and their associates*

The persons proposing to make the acquisition of relevant interests are the HNC Parties. The 'associates' of the HNC Parties at the date of this Explanatory Booklet are:

----- the trust created under Article Seventh of the Will of Hugo Neu for the Primary Benefit of the family of John L Neu, the John L Neu Trust No. 1 and the John L Neu Trust No. 2; and

----- each of the other related bodies corporate of HNC, HNSP and FL listed below (together, 'HNC Associates'):

• Hugo Neu Corporation	• HNW Recycling LLC*
• River Terminal Warehouses Corp.	• Metro Metal Recycling Corp.
• HB Venture	• Hugo Neu Corporation FS Corp.
• 1875/1925 Century Park East Co.	• PPA Metal Recycling Corp.
• RTC Properties, Inc.	• Central Iron Liquidating
• RTL Services Inc.	• Hugo Neu Schnitzer East*
• Garden Navigation Corp.	• Schiabo Larovo Company, L.L.C.*
• Cove Contractors Inc.	• Schiabo Larovo-AR, L.L.C.*
• The Learner Company	• Dover Barge Company*
• Flynn-Learner	• Hugo Neu-Proler Company*
• Fresno Recycling Company	• Etiwanda Development, LLC (CA)*
• Western Stevedoring Corp.	• North Carolina Resource Conservation, LLC*
• Neu Properties, Inc.	• North Carolina Recycling, LLC*
• Neuco Blunck Venture	• Alameda Street Metal Corp.*
• Lot 17 Associates	• Pacific Bulk Loading, Inc.*
• HNE Recycling LLC*	• Pacific Industrial Metals Co.*
• Hugo Neu Steel Products, Inc.	• Hugo Neu Schnitzer Global Trade LLC*
• Hugo Neu Co., LLC*	• HNS Scrap Corporation*

and immediately after closing of the Contribution Agreement will be all of the above except the companies marked with an '*'.

(b) *The maximum extent of the increase in the HNC Parties' voting power in New Sims Group that would result from the acquisitions*

As noted in the table below, the maximum extent of the increase in the HNC Parties' voting power in New Sims Group that would result from the acquisitions is 26.0% (being an increase from 0.0% to 26.0% of the voting power in New Sims Group).

(c) *The voting power that each of the HNC Parties would have as a result of the acquisitions*

As noted in the table below, on completion of the acquisitions, the voting power that each of the HNC Parties will have as a result of the acquisitions is 26.0%.

(d) *The maximum extent of the increase in the voting power of each of the HNC Associates that would result from the acquisitions*

As noted in the table below, on completion of the acquisitions, the maximum increase in the respective voting power of each of the HNC Associates in New Sims Group is 26.0% (being an increase from 0.0% to 26.0% of the voting power in New Sims Group).

(e) *The voting power that each of the HNC Associates would have as a result of the acquisitions*

As noted in the table below, on completion of the acquisitions, the voting power that each of the HNC Associates would have as a result of the acquisitions is 26.0%.

The table below shows the increase in voting power of each of the HNC Parties and the HNC Associates and the resulting voting power that would arise as a consequence of the acquisitions:

Event	Maximum percentage increase in voting power of the HNC Parties and the HNC Associates	Maximum percentage voting power of the HNC Parties and the HNC Associates
As at the date of this Explanatory Booklet	0.0%	0.0%
If resolution (1) is passed, upon the issue of the Neu Shares to HNC as nominee for each of the HNC Parties	26.0%	26.0%
Upon the transfer of any of the Neu Shares from HNC as nominee to any of the HNC Parties under the Nominee Arrangements	26.0%	26.0%

In accordance with ASIC Policy Statement 74, New Sims Group Shareholders should note that Sims Group has been informed by the HNC Parties that if Sims Group Shareholders approve the requisite acquisitions of relevant interests described in resolutions 1 and 2 and the Merger is implemented, the HNC Parties have the following current intentions in relation to the future of New Sims Group (on the assumption that New Sims Group completes the Acquisition):

(f) *Business of New Sims Group*

None of the HNC Parties has any current intention to change the business of New Sims Group except as contemplated by completion of the Merger and as described in this Explanatory Booklet.

(g) *Injection of capital*

None of the HNC Parties has any current intention to inject further capital into New Sims Group. If New Sims Group wishes to raise further capital at some future time, the HNC Parties would, subject to the terms of the capital raising, consider participating in that capital raising or exercising their 'Top-Up Rights' (if any) described in Section 10.5.

(h) *Present employees*

None of the HNC Parties has any intention regarding the future of employment of the employees of New Sims Group, including any change to the employment arrangements or policies of New Sims Group in the future except as contemplated by the completion of the Merger and as described in this Explanatory Booklet.

(i) *Transfer of property*

None of the HNC Parties has any current intention regarding any proposal whereby any property will be transferred between New Sims Group and the HNC Parties or any person associated with any of them except as contemplated by the Completion of the Merger and as described in this Explanatory Booklet.

(j) *Redeploy fixed assets*

None of the HNC Parties has any current intention to otherwise deploy the fixed assets of New Sims Group.

(k) *Financial and dividend policies*

None of the HNC Parties has any current intention to significantly alter the financial or dividend policies of New Sims Group.

12.1.4.2. New Sims Group

Set out below are the matters required for disclosure in accordance with item 7 of section 611 of the Corporations Act being:

(a) *The identity of the person proposing to make the acquisition and their associates*

New Sims Group under the terms of the Standstill and Lock-Up Deed.

The associates of New Sims Group at the date of this Explanatory Booklet are each of the related bodies corporate of New Sims Group listed in the table below (together the 'New Sims Group Associates'):

• Sims Group Limited	• Simsmetal UK (Northern) Limited United Castings Limited
• Sims Manufacturing Pty Limited	• Sims Group UK Limited
• Sims Aluminium Pty Limited	• Simsmetal UK (SouthEast) Limited
• Sims Superannuation Management Limited	• Simsmetal UK (SouthWest) Limited
• Simsmetal Executive Staff Superannuation Pty Limited	• Simsmetal UK (Glos.) Limited
• Simsmetal Finance Limited	• Simsmetal UK (Elliot) Limited
• Simsmetal Holdings Pty Limited	• Simsmetal UK (Reclamation) Limited
• Simsmetal Services Pty Limited	• Simsmetal UK (Wessex) Limited
• Sims Industrial Pty Limited	• Simsmetal UK (Fraser) Limited
• Sims Energy Pty Limited	• Blackbushe Metals (Western) Limited
• Simsmetal Staff Equity Pty Limited	• End of Life Vehicle Information Systems Limited
• Universal Inspection and Testing Company Pty Limited	• SK Stainless Limited
• Sims Tyrecycle Pty Ltd	• Mirec Limited
• Sims Tyrecycle Properties Pty Ltd	• Mirec Asset Management Group Limited
• Sims E-Recycling Pty Limited	• Mirec Asset Management Limited
• Simsmetal Industries Limited	• Lot 1 Co. Limited
• Sims Asia Holdings Limited	• Frazier Europe Limited
• PNG Recycling Limited	• Mirec BV
• Sims Group UK Holdings Limited	• De Valk Glas BV
• Simsmetal UK (Midwest) Limited	• Limburgglas BV
• Sims Group UK Intermediate Holdings Limited	• ICR Business BV
• Simsmetal UK (Southern) Limited	• Mirec AB
• Sims Group UK Pension Trustees Limited	• Mirec NV
• Simsmetal UK Recycling Limited	• Sims Group USA Corporation
	• Mirec Asset Management USA LLC
	• Sims Group Canada Limited

(b) *The maximum extent of the increase in New Sims Group's voting power in New Sims Group that would result from the acquisitions*

As noted in the table below, the maximum extent of the increase in New Sims Group's voting power in New Sims Group that would result from the acquisition is 26.0% (being an increase from 0.0% to 26.0% of the voting power in New Sims Group).

(c) *The voting power that New Sims Group would have as a result of the acquisition*

As noted in the table below, on completion of the acquisitions, the voting power that New Sims Group will have as a result of the acquisitions is 26.0%.

- (d) *The maximum extent of the increase in the voting power of each of the New Sims Group Associates that would result from the acquisitions*

As noted in the table below, on completion of the acquisitions, the maximum increase in the voting power of the New Sims Group Associates in New Sims Group is 26.0% (being an increase from 0.0% to 26.0% of the voting power in New Sims Group).

- (e) *The voting power that each of the New Sims Group Associates would have as a result of the acquisitions*

As noted in the table below, on completion of the acquisitions, the voting power that each of the New Sims Group Associates would have as a result of the acquisitions is 26.0%.

The table below shows the maximum increase in voting power of each of New Sims Group and the Sims Associates and the resulting voting power that would arise as a consequence of the proposed acquisitions:

Event	Maximum percentage increase in voting power of New Sims Group and the New Sims Group Associates	Maximum percentage voting power of New Sims Group and the New Sims Group Associates
As at the date of this Explanatory Booklet	0.0%	0.0%
If resolution (1) is passed, upon the issue of the New Shares to HNC as nominee for each of the HNC Parties	26.0%	26.0%

In accordance with ASIC Policy Statement 74, New Sims Group has the following current intentions in relation to the future of New Sims Group (on the assumption that New Sims Group completes the Acquisition):

- (f) *Business of New Sims Group*

New Sims Group does not have any current intention to change the business of New Sims Group except as contemplated by completion of the Merger and as described in this Explanatory Booklet.

- (g) *Injection of capital*

New Sims Group does not have any current intention to inject further capital into New Sims Group.

- (h) *Present employees*

New Sims Group does not have any intention regarding the future of employment of the employees of New Sims Group, including any change to the employment arrangements or policies of New Sims Group in the future except as contemplated by completion of the Merger and as described in this Explanatory Booklet.

- (i) *Transfer of property*

New Sims Group does not have any current intention regarding any proposal whereby any property will be transferred between New Sims Group and any person associated with New Sims Group except as contemplated by the completion of the Merger and as described in this Explanatory Booklet.

- (j) *Redeploy fixed assets*

New Sims Group does not have any current intention to otherwise deploy the fixed assets of New Sims Group.

- (k) *Financial and dividend policies*

New Sims Group does not have any current intention to significantly alter the financial or dividend policies of New Sims Group except as contemplated by the completion of the Merger and as described in this Explanatory Booklet.

12.1.5. Board of Directors

Upon Completion, it is intended that Mr John Neu and Mr Paul Varello would be appointed to the New Sims Group Board as Directors.

It is also proposed that Mr John Neu and Mr Paul Varello be appointed to the board of directors of other similar governing body of Hugo Neu Co., LLC, with Mr John Neu being appointed Vice Chairman of Hugo Neu Co., LLC. Hugo Neu Co., LLC is the limited liability company that it is proposed will be transferred to New Sims Group by the HNC Parties under the Contribution Agreement and which will own Hugo Neu or, together with HNE Recycling LLC (which will also be transferred to New Sims Group under the Acquisition), will own Hugo Neu prior to Completion. After Completion, Hugo Neu Co., LLC will be known as Sims Hugo Neu Company LLC.

A description of the Directors of New Sims Group is provided in Section 5.3 along with the biographies for Mr John Neu and Mr Paul Varello.

12.1.6. Proposed Contracts

As a condition to the completion of the Acquisition the following contracts will be entered into:

- (a) *Put Option*. Certain land located in Jersey City, State of New Jersey, together with the improvements thereon (together, 'Jersey City Property') will be contributed to New Sims Group as part of the contribution of Hugo Neu to New Sims Group by the HNC Parties.

Under a Put Option Agreement to be executed at Completion, New Sims Group has the right to require Hugo Neu Corporation to purchase the Jersey City Property for a purchase price of US\$10 million. This right may be exercised by New Sims Group within one year after Completion.

- (b) *Fifth Avenue Lease*. HNC is currently the sublessee of the 7th and 8th floors located at 110 Fifth Avenue, New York, New York 10011. At Completion, HNC will assign all of its rights under the sublease to a subsidiary of New Sims Group, subject to the consent of the sublessor and the landlord of the premises.

Prior to Completion, the HNC Parties will use their commercially reasonable efforts to cause the 8th floor to be returned to the sublessor (at no cost to Hugo Neu) or to sublet the 8th floor to a third party on terms (including rent) as close as possible to the existing terms.

- (c) *Jersey Avenue Lease*. Prior to Completion, HNC or one of its affiliates will acquire from Hugo Neu East certain land and improvements thereon located at One Jersey Avenue, Jersey City, New Jersey. At Completion, HNC (or its applicable affiliate) will enter into a lease agreement with a designated subsidiary of New Sims Group ('Lessee'), under which the Lessee will lease certain land and the improvements thereon for a term of five years for an annual rental of US\$1 plus a US\$4,800 monthly licence fee (subject to escalation) to reimburse the lessor for payments under a licence, which allows for certain access to a public street and use of a parking area. The Lessee will be responsible for operating costs for its use and occupancy of the leased premises, including costs incurred in the operation, management, cleaning, maintenance, repair, preservation and protection of the leased premises and for parking.

- (d) *Mr John L Neu Employment Agreement*. Concurrently with the execution of the Contribution Agreement, Sims Group offered employment, conditional on Completion, to Mr John Neu as the Vice Chairman of Hugo Neu Co., LLC (which will be known as Sims Hugo Neu Company LLC ('SHNC')) following Completion, and Executive Chairman of New York City Recycling (the subsidiary or division of SHNC responsible for the recycling contract with the City of New York and, together with SHNC the 'Company'). The term of employment will be under an employment agreement, which will be executed by Mr John Neu prior to Completion, and will be for three years commencing immediately following Completion and will be automatically extended for additional one year periods, unless either party gives notice to terminate.

During the term of the employment agreement, Mr Neu will be paid a base annual salary of US\$500,000 and will be entitled to an annual cash bonus as determined by the board of SHNC in its sole discretion in the event of exceptional performance. During the term, Mr Neu will also be entitled to participate in all of the Company's employee pension plans, welfare benefit plans, tax deferred savings plans or other welfare or retirement benefits and arrangements in which other

executives participate. The Company will also make available to Mr Neu the use of an automobile in accordance with the Company's policies applicable to the senior most executives of the Company.

If Mr Neu's employment is terminated without cause or Mr Neu terminates his employment for good reason (that is, a material breach by the Company of the employment agreement (including any reduction in the remuneration to be paid to Mr Neu) any assignment without his consent to duties materially inconsistent with his position or that would constitute a material reduction in such position, duties or responsibilities, or changes in his title or office or his removal from such office, or Mr Neu is relocated to a place more than 50 miles from his location of employment at the time of Completion and, in each case, the Company fails to cure such breach or action within 20 days following written notice), then the Company is required to pay Mr Neu the sum of any accrued and unpaid base salary and any earned but unpaid bonus and the greater of (i) the base salary for the unexpired portion of the term; and (ii) 12 months' base salary. In addition, for 24 months after his termination, Mr Neu and his family will continue to participate in and receive benefits under the medical, dental and life insurance benefit plans and programmes of the Company, provided such plans permit such continuation of coverage, until Mr Neu secures other employment and is eligible for coverage under another employer's comparable benefits plans and programmes.

(e) *Jeffrey P Neu's employment terms.* Mr Jeffrey Neu, a son of Mr John Neu, currently acts as general manager of Hugo Neu West, which is the entity that conducts the recycling business in California. As set out in the Contribution Agreement, Mr Jeffrey Neu is an employee of Hugo Neu West; is entitled to an annual salary of US\$290,000; is entitled to a potential bonus under the Hugo Neu Corporation-Schnitzer Steel Industries, Inc. Economic Value Added Bonus Plan for the 2006 fiscal year; and is eligible to participate in benefit plans available to other similarly situated Hugo Neu West employees. If Mr Jeffrey Neu's employment is terminated, he is not entitled to any severance, unless his termination is without cause, in which case he is entitled to severance of four weeks of base salary for each year of service with Hugo Neu or any other HNC subsidiary or joint venture engaged in the scrap metal recycling business.

(f) *Barge Transfer and Charter Agreement.* Certain barges used in the recycling business are owned by HNC subsidiaries that are to be contributed to New Sims Group. However, under current US law, such barges, which are used in the New York harbour, the Hudson River and the Long Island sound, generally may not be owned and operated in US waters by a non-US controlled person. Accordingly, concurrently with Completion, a barge transfer and charter agreement will be entered into by HNC to assign ownership of the barges to a third party designated by New Sims Group, which will in turn charter them back to New Sims Group or its subsidiaries. If requested by New Sims Group, an affiliate of HNC may consider taking title to the barges and chartering them to New Sims Group and its subsidiaries.

12.1.7. Particulars of the terms of the transaction documents

Section 10.2 summarises the terms of the transaction documents which have been entered into in respect of the Acquisition.

12.1.8. Independent Expert's Report

The Independent Expert has concluded that each of the Share Issue Resolutions is fair and reasonable having regard to the interests of Sims Group Shareholders and the New Sims Group Shareholders.

12.1.9. Directors' recommendation and reasons for recommendation

The Directors of Sims Group recommend that you vote in favour of both of the Share Issue Resolutions for the reasons set out in Section 1.4. The Directors intend to vote in favour of both of the Share Issue Resolutions in respect of the shares in Sims Group they own.

12.1.10. Conditionality of Share Issue Resolutions

The Share Issue Resolutions are subject to the Scheme Resolution being passed by the required majorities.

The Acquisition is conditional on the Share Issue Resolutions being approved by the required majority of at least 50% of the votes cast on the resolutions. If those approvals are not obtained the Acquisition will not complete unless both New Sims Group and Hugo Neu Corporation waive those conditions. Neither party will be able to waive the condition in respect of the first of the Share Issue Resolutions (Resolution 1) as the issue to Hugo Neu Corporation of 26.0% of the New Sims Group is a breach of section 606 of the Corporations Act as set out in Section 12.1.1 if that resolution is not approved.

In addition, the Scheme Resolution is conditional on Resolution 1 and 3 being approved by the required majority. If Resolution 1 and 3 are not approved by the required majority, the Scheme will not be implemented.

12.1.11. Voting exclusion statement

Sims Group will disregard any votes cast on the Share Issue Resolutions by:

- (a) Hugo Neu Corporation, Hugo Neu Steel Products, Inc., Flynn-Learner and New Sims Group; and
- (b) an associate (as that term is defined in section 12 of the Corporations Act) of any one of Hugo Neu Corporation, Hugo Neu Steel Products, Inc., Flynn-Learner and New Sims Group.

However, Sims Group need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

12.2. Extraordinary General Meeting resolution 3 – change of name

12.2.1. Overview

Section 157 of the Corporations Act provides that if a company wants to change its name, it must pass a special resolution adopting a new name and lodge an application in the prescribed form with ASIC within 14 days after the resolution is passed. Section 147 of the Corporations Act restricts a company adopting a name that is identical to a name that is reserved or registered under the Corporations Act for another body.

12.2.2. Name change resolution

Following Completion, New Sims Group will become the parent company of Sims Group and the merged group and will be listed on ASX, in place of Sims Group. The Directors believe that it is appropriate and desirable that the listed parent entity of the merged group maintain the name 'Sims Group Limited'.

The resolution is conditional on the Scheme Resolution and the first Share Issue Resolution (Resolution 1) being passed by the required majorities and the Scheme Order being made by the Court. If these conditions are satisfied and the special resolution is approved by Sims Group Shareholders, the name of Sims Group will be changed to 'Sims Group Australia Holdings Limited', to reflect New Sims Group's role as the holding entity for the Australian operations of the business. In addition, the name of New Sims Group will be changed to 'Sims Group Limited' upon implementation of the Scheme, to reflect its position as the listed parent entity of the merged group.

As a special resolution, the name change resolution requires the approval of at least 75% of the votes cast on the resolution (in person, by proxy, attorney or corporate representative).

Both the Scheme Resolution and Resolution 1 are conditional on the name change resolution being approved by the required majority. If it is not approved by the required majority, the Merger will not be completed.

12.2.3. Directors' recommendation

The Directors of Sims Group recommend that you vote in favour of the special resolution under section 157 of the Corporations Act. The Directors intend to vote in favour of the special resolution in respect of the shares in Sims Group they own.

12.3. Extraordinary General Meeting resolution 4 – equity performance rights to Mr Jeremy Sutcliffe

12.3.1. Overview

Under Listing Rule 10.11, unless a relevant exception set out in Listing Rule 10.12 applies, an entity must not issue or agree to issue equity securities to a related party without the approval of the holders of ordinary securities. For the purposes of the Listing Rules, a related party has the same meaning as the meaning of that term in section 228 of the Corporations Act.

Under section 228 of the Corporations Act, a director of a public company is a related party of the company. It follows that the proposed issue of equity performance rights to Mr Jeremy Sutcliffe under the terms of his employment agreement with Sims Group (as more fully described in Section 10.7.4), is an issue of securities to a related party.

Unless an exception in Listing Rule 10.12 applies to the issue of the New Sims Group Shares to Mr Jeremy Sutcliffe, the approval of the Sims Group Shareholders is required. There is no exception in Listing Rule 10.12 that applies in the circumstances.

12.3.2. Information required under the Listing Rules

Set out below are the matters required for disclosure in accordance with Listing Rule 10.13, being:

- (a) The name of the person to whom the securities are to be issued

The person to whom the equity performance rights are to be issued is Mr Jeremy Sutcliffe, the Group Chief Executive Officer and a director of both Sims Group and New Sims Group.

- (b) The number of securities to be issued or the formula for calculating the number of securities to be issued to the person

The securities to be issued are equity performance rights over shares in either Sims Group or New Sims Group (depending on which is the relevant listed entity at the vesting date). These are referred to as 'New Sims Group Shares' in this Section 12.3.2.

Mr Jeremy Sutcliffe will be granted performance rights in respect of A\$2 million of New Sims Group Shares valued at the weighted average price of Sims Group Shares during the one week period prior to the Implementation Date.

- (c) The date on which the entity will issue the securities

Subject to the passing of Extraordinary General Meeting resolution 4, New Sims Group will grant the equity performance rights to Mr Jeremy Sutcliffe on the earlier of the Implementation Date or 28 days after the date of the EGM. The tranches of shares will vest as follows (assuming a grant date of 1 October 2005):

- Tranche 1, 20.0% allocation on 30 September 2006;
- Tranche 2, 20.0% allocation on 30 September 2007;
- Tranche 3, 20.0% allocation on 30 September 2008;
- Tranche 4, 20.0% allocation on 30 September 2009; and
- Tranche 5, 20.0% allocation on the fifth anniversary of the start date.

(d) The issue price of the securities and a statement of the terms of the issue

No consideration is payable for the grant of the equity performance rights or their exercise into Sims Group or New Sims Group Shares on vesting.

The terms of the issue of the securities are set out in the table below:

	Allocation	Vesting*	Performance hurdles	Performance period (assumes a grant date of 1 October 2005)*
Tranche 1 Year 1	20.0%	30/09/2006	Nil, unless employment terminated with cause by New Sims Group	Period commencing 1 October 2005 and ending 30 September 2006
Tranche 2 Year 2	20.0%	30/09/2007	EPS compound growth since 1 October 2006 must equal or exceed 8% per annum	Period commencing 1 October 2006 and ending 30 September 2007 subject to further retesting
Tranche 3 Year 3	20.0%	30/09/2008	EPS compound growth since 1 October 2006 must equal or exceed 8% per annum	Period commencing 1 October 2006 and ending 30 September 2008 subject to further retesting
Tranche 4 Year 4	20.0%	30/09/2009	EPS compound growth since 1 October 2006 must equal or exceed 8% per annum	Period commencing 1 October 2006 and ending 30 September 2009 subject to further retesting
Tranche 5 Year 5	20.0%	The fifth anniversary of the start date	EPS compound growth since 1 October 2006 must equal or exceed 8% per annum	Period commencing 1 October 2006 and ending 30 September 2010 If EPS compound growth as at 30 September 2009 equals or exceeds 12% per annum after three years, all Tranche Shares vest on 30 September 2009

* The precise date for vesting and the performance period will depend on the timing of the Implementation Date. Vesting will occur on the month end closest to each anniversary of the Implementation Date.

For Tranches 2, 3 and 4, if the performance hurdles are not satisfied, each Tranche will not vest but will accrue and can be retested at the end of any subsequent period to determine whether the annual 8.0% compound growth per annum has been achieved. In the event of a change in control of New Sims Group:

- all performance hurdles in relation to any such Tranche that has accrued but not vested will cease to apply and the Tranche will immediately vest; and
- the performance hurdles will also cease to apply to a pro rata portion of the current Tranche (calculated by reference to the period up to completion of the change in control) and that pro rata portion will also immediately vest.

(e) Voting exclusion statement

Sims Group will disregard any votes cast on the resolution by:

- (i) Mr Jeremy Sutcliffe; and
- (ii) an associate (as that term is defined in the note to Listing Rule 14.11) of Mr Sutcliffe.

However, Sims Group need not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

12.3.3. Directors' recommendation

The Directors of Sims Group (other than Mr Jeremy Sutcliffe) recommend that you vote in favour of the resolution under Listing Rule 10.11. The Directors (Mr Jeremy Sutcliffe excluded) intend to vote in favour of the resolution in respect of the shares in Sims Group they own.

12.4. Extraordinary General Meeting resolution 5 – increase in cap for total non-executive Directors' fees

12.4.1. Overview

Article 58 of the Sims Group constitution provides that the non-executive Directors may be paid as remuneration for their services such aggregate sum as is from time to time determined by Sims Group in general meeting. Further, Listing Rule 10.17 provides that a listed company must not, without shareholder approval, increase the total amount of non-executive directors' fees.

The non-executive Directors are paid fees monthly for their services to Sims Group which includes their sitting on committee meetings where applicable. The non-executive Directors are not normally paid extra for additional services provided for the benefit of Sims Group throughout the year, and are not paid for time spent in visiting Sims Group's operations throughout Australia and overseas.

The present limit of A\$500,000 per annum was set in November 2002, following a resolution of shareholders. The Board seeks to increase the limit from A\$500,000 to A\$1,000,000 per annum. The A\$1,000,000 excludes payments made by Sims Group in respect of insurance premiums or indemnity payments permitted by the Corporations Act. It also excludes payments made for extra services performed at the Board or Company's request, such as living overseas. This limit will apply to payments made to the non-executive Directors of Sims Group up to the date of implementation of the Scheme, at which time the same aggregate limit of A\$1,000,000 per annum, if the resolution is approved, will be adopted and applied by New Sims Group.

Sims Group non-executive Directors' fees are currently A\$200,095 per annum for the Chairman, A\$91,936 per annum for two non-executive Directors and A\$84,345 per annum for the remaining non-executive Director, and the aggregate amount payable is A\$468,312 per annum.

The Board is of the view that the present limit of A\$500,000 per annum is inadequate for a number of reasons. First, on the recommendation of the Remuneration Committee, and after that Committee considered publicly available information in respect of the level of fees that are currently being paid to directors of other comparable publicly listed companies, the Board did approve, prior to 1 July 2005, a 10% increase in the amount of fees payable to non-executive Directors effective from 1 July 2005, subject to approval of the resolution by Sims Group Shareholders. Second, it is contemplated that Mr Paul Vareilo, who will be appointed to the New Sims Group Board following the implementation of the Scheme, will be compensated at the same level at least as the other non-executive Directors of Sims Group. Third, increasing the maximum amount payable will also provide the Board with flexibility for the future, particularly if there is any further increase in the number of non-executive Directors of New Sims Group.

The Merger may still proceed if this resolution is not approved by a simple majority of votes cast on the resolution.

If the resolution is not approved, New Sims Group's initial cap on total non-executive Directors' fees will be A\$500,000.

12.4.2. Information required under the Listing Rules

Set out below are the matters required for disclosure in accordance with Listing Rule 10.17, being:

- (a) The amount of the increase and the maximum amount that may be paid to Directors as a whole

The increase of the aggregate amount payable to non-executive Directors of Sims Group is A\$500,000.

The maximum amount that may be paid to the non-executive Directors of Sims Group is A\$1,000,000.

- (b) Voting exclusion statement

Sims Group will disregard any votes cast on the resolution by:

- (i) Mr Paul Mazoudier, Mr Geoffrey Brunsdon, Mr Charles Copeman and Mr Michael Feeney (the non-executive Directors); and
- (ii) an associate (as that term is defined in the note to Listing Rule 14.11) of any of the non-executive Directors.

However, Sims Group need not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

12.4.3. Directors' recommendation

The Directors (other than the non-executive Directors) being the executive Directors, Mr Jeremy Sutcliffe and Mr Ross Cunningham, recommend that you vote in favour of the resolution under Listing Rule 10.17. Mr Jeremy Sutcliffe and Mr Ross Cunningham intend to vote in favour of the resolution in respect of the shares in Sims Group they own.

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AS or \$ or cents	Australian dollars or cents
AASB	Australian Accounting Standards Board
Acquisition	The transaction under which New Sims Group acquires all of the outstanding ownership interests in Hugo Neu and issues 26.0% of New Sims Group Shares (on a fully diluted basis) to Hugo Neu Corporation on the terms of the Contribution Agreement
Acquisition Condition	A condition precedent to the Acquisition, which is summarised in Section 10.3.1
AGAAP	Generally accepted accounting principles in Australia
AIFRS	Australian equivalents to International Financial Reporting Standards
Appendix	An appendix to this Explanatory Booklet
ASIC	Australian Securities and Investments Commission
ASR	Automobile shredder residue
Associate	Has the same meaning as in section 11 of the Corporations Act
ASTC Settlement Rules	The settlement rules of ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532)
ASX	Australian Stock Exchange Limited (ACN 008 624 691) or the market conducted by it, as the context requires
Board	The board of directors of Sims Group, or New Sims Group, as the context requires
Business Day	A day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney
Carved-out Financial Statements	The Carved-out Financial Statements as described in Section 6.5.1
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CGT	Capital gains tax provisions contained in Part 3 of the <i>Income Tax Assessment Act 1997</i> (Cwlth)
CHESS	The clearing house electronic sub register system of securities transfers operated by ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532)
CIF	Cost, insurance and freight paid to a point of destination and included in the price
Completion	Completion of the Acquisition. It will occur after implementation of the Scheme, on the Implementation Date

Contribution Agreement	The Contribution Agreement among Sims Group, New Sims Group, the HNC Parties and Hugo Neu Co., LLC, dated 24 June 2005 under which New Sims Group acquires Hugo Neu
Corporations Act	The <i>Corporations Act 2001</i> (Cwlth)
Court	The Supreme Court of New South Wales
CY	Calendar year
Deed Poll	The deed poll to be executed by New Sims Group under which New Sims Group covenants in favour of Sims Group Shareholders to perform its obligations under the Merger Implementation Deed and the Scheme
Director	A director of Sims Group or New Sims Group, as the context requires, and does not include Mr John Neu or Mr Paul Varello
Dividend Record Date	12 September 2005
Dividends	The final ordinary dividend of A\$0.70 per Sims Group Share and the special dividend, as described in Section 1.2
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Effective Date	The date upon which an office copy of the Scheme Order is lodged with ASIC
EGM or Extraordinary General Meeting	The extraordinary general meeting of Sims Group to be held on 8 September 2005 at 11.00am to approve the EGM Resolutions
EGM Resolutions	The resolutions (other than the Share Issue Resolutions) to be considered at the Extraordinary General Meeting, which are resolutions 3 to 5 as set out in the Notice of Extraordinary General Meeting contained in Appendix G
EPS	Earnings per share
Explanatory Booklet	This Explanatory Booklet, dated 2 August 2005, in relation to the Merger
Extraordinary General Meeting Proxy Form	The blue proxy form that accompanies the Explanatory Booklet in relation to the Extraordinary General Meeting
FIFO	First in, first out
Financial Charts	The charts contained in Section 4.3 entitled 'Business EBITDA contribution CY04' and 'Sales by destination CY04', the charts contained in and Section 4.8 entitled 'Gross Sales' and 'EBITDA and EBITDA margin' and the information in the paragraph immediately preceding the charts in Section 4.8

First Court Order Date	The date the Court hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act
GST	The goods and services tax as defined in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cwlth)
Historical Financial Information	The Historical Financial Information as defined in the Investigating Accountant's Report on the Historical Financial Information in Section 8
HMS	Heavy melting steel
HNC Parties	Hugo Neu Corporation, Hugo Neu Steel Products, Inc. and Flynn-Learner
Hugo Neu East	The recycling business of the New York general partnership, currently operating as Hugo Neu Schnitzer East
Hugo Neu West	The recycling business of the California general partnership, currently operating as Hugo Neu-Profer Company
Hugo Neu	The recycling operations of Hugo Neu Corporation that are merging with Sims Group, including Hugo Neu East, Hugo Neu West and Hugo Neu Global Trade that will be indirectly owned by Hugo Neu Corporation on completion of the Schnitzer Transaction through Hugo Neu Co., LLC, HNE Recycling LLC and HNW Recycling LLC
Hugo Neu Corporation	Hugo Neu Corporation, a New York corporation or Hugo Neu Corporation and its subsidiaries and associated parties, as the context requires
Hugo Neu Global Trade	The trading business of the Delaware limited liability company, excluding the Russia and Baltic trading activities to be separated on completion of the Schnitzer Transaction, currently operating as Hugo Neu Schnitzer Global Trade LLC
Hugo Neu Information	The information contained in Section 4 (but in relation to the Financial Charts in Section 4, only to the extent of the Carved-out Financial Statements) and the risk factors pertaining to Hugo Neu in Sections 7.2, 7.4 and 7.5
Implementation Date	The date three Business Days after the Scheme Record Date
Independent Expert	KPMG Corporate Finance (Aust) Pty Ltd
Independent Expert's Report	The report prepared by the Independent Expert and stating its opinion on whether the Scheme is in the best interests of Sims Group Shareholders and stating whether the transactions set out in the Share Issue Resolutions are fair and reasonable when considered in the interests of Sims Group Shareholders and New Sims Group Shareholders
Ineligible Overseas Shareholder	A Sims Group Shareholder whose address is shown in the Register as at the Scheme Record Date in a jurisdiction other than Australia or its external territories, New Zealand, Hong Kong, the UK, the US, Singapore, Japan or Switzerland

Investigating Accountant	PricewaterhouseCoopers Securities Ltd in relation to the investigating accountant's report on the Historical Financial Information as set out in Section 8
Listing Rules	The listing rules (including appendices) of ASX
LTI	Long term incentive
Merger	The proposed transaction comprising the Scheme and the Acquisition
Merger Implementation Deed	The deed between, among others, Sims Group, New Sims Group and Hugo Neu Corporation dated 24 June 2005 under which each party undertakes specific obligations to give effect to the Scheme
MT	Metric tonnes
Neu Shares	The number of New Sims Group Shares that will constitute 26.0% of the share capital in Sims Co Limited on the Implementation Date (on a fully diluted basis assuming the issue and allotment of shares by Sims Co Limited to Scheme Shareholders under the Scheme has occurred and the exercise of all outstanding securities (including stock rights, warrants and options) that are exchangeable or convertible into New Sims Group Shares as of the Implementation Date)
New Sims Group	Sims Co Limited ACN 114 838 630 or Sims Co Limited and each of its controlled entities, as the context requires
New Sims Group Share	A fully paid ordinary share in Sims Co Limited
New Sims Group Shareholder	A person registered in the New Sims Group register as the holder of New Sims Group Shares
Newco	Sims Co Limited
NFSR	Non-ferrous shredder recoveries
NPAT	Net profit after tax
NYCRC	New York City recycling contract
Official List	The official list of entities that ASX has admitted and not removed
Phase I Environmental Site Assessment	A Phase I Environmental Site Assessment as described in Section 7.3.
Phase II Environmental Site Assessment	A Phase II Environmental Site Assessment as described in Section 7.3.
Proxy Forms	The Scheme Proxy Form and the Extraordinary General Meeting proxy form
Register	The Sims Group Share register, operated by the Registry
Registry	Computershare Investor Services Pty Limited

Related Body Corporate	In relation to a person, any entity which is related to that person within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian Accounting Standard) that is controlled by that person
Resolutions	The Share Issue Resolutions and the EGM Resolutions
Sale Agent	The person nominated by Sims Group to sell the New Sims Group Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Scheme
Scheme or Scheme of Arrangement	The scheme of arrangement under Part 5.1 of the Corporations Act between Sims Group and Sims Group Shareholders under which New Sims Group will (subject to the terms of such arrangement) acquire all issued shares in Sims Group and issue shares in itself on a one-for-one basis to Scheme Shareholders
Scheme Booklet	This Explanatory Booklet dated 2 August 2005, in relation to the Merger
Scheme Condition	A condition precedent to the Scheme as summarised in Section 10.2.2
Scheme Consideration	One New Sims Group Share for each Scheme Share
Scheme Meeting	The Sims Group Shareholders' meeting ordered by the Court to be convened under section 411(1) of the Corporations Act
Scheme Notice	The notice of meeting issued by Sims Group for the purpose of convening the Scheme Meeting and considering the Scheme Resolution
Scheme Order	The order of the Court under section 411 of the Corporations Act approving the Scheme
Scheme Proxy Form	The green proxy form that accompanies the Scheme Notice in relation to the Scheme Meeting
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date
Scheme Resolution	The resolution set out in the Scheme Notice
Scheme Share	A fully paid ordinary share in Sims Group Limited (ABN 37 008 634 526) issued as at the Scheme Record Date
Scheme Shareholder	A holder of Scheme Shares as at the Scheme Record Date
Schnitzer Agreement	The agreement dated 8 June 2005 among Hugo Neu Corporation, Schnitzer Steel Industries and their affiliates to separate their joint venture arrangements
Schnitzer Steel Industries or SSI	Schnitzer Steel Industries, Inc., an Oregon corporation
Schnitzer Transaction	The separation of the joint venture arrangements between Hugo Neu Corporation and Schnitzer Steel Industries pursuant to the Schnitzer Agreement

Second Court Order Date	The first day of hearing of an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme or, where the hearing of such application is adjourned, the first day of hearing of the adjourned application
Share Issue Resolutions	The resolutions that approve the issue of a 26.0% shareholding in Sims Co Limited to Hugo Neu Corporation, which are resolutions 1 and 2 as set out in the Notice of EGM contained in Appendix G
Sims Co Limited	Sims Co Limited (ACN 114 838 630) (to be renamed Sims Group Limited if the relevant EGM Resolution is passed by the required majority)
Sims Group	Sims Group Limited (ABN 37 008 634 526) or Sims Group Limited and each of its subsidiaries and controlled entities, as the context requires
Sims Group Information	All the information contained in this Explanatory Booklet other than the Hugo Neu Information
Sims Group Share	A fully paid ordinary share in Sims Group Limited (ABN 37 008 634 526)
Sims Group Shareholder	A person registered in the Register as the holder of shares in Sims Group Limited (ABN 37 008 634 526)
Standstill and Lock-Up Deed	The deed between New Sims Group and the HNC Parties, dated 24 June 2005, the terms of which are summarised in Section 10.5
STI	Short term incentive
Tax Laws	Each of the <i>Income Tax Assessment Act 1936</i> (Cwlth) and <i>Income Tax Assessment Act 1997</i> (Cwlth) as well as Australian court decisions on that legislation
tonnes	2240lbs when used in Section 4 and wherever used with reference to the business of Hugo Neu
Top-Up Rights	The Top-Up Rights in the Standstill and Lock-up Deed, as summarised in Section 10.5
UK	United Kingdom
US or USA	United States of America
US\$	US dollars
USGAAP	Generally accepted accounting principles in the US
WEEE	Waste from Electrical and Electronic Equipment





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The Directors
Sims Group Limited
Sims Group House
Level 6
41 McLaren Street
North Sydney NSW 2060

2 August 2005

Dear Sirs

Independent expert's report and financial services guide

1 Introduction

1.1 Overview

On 24 June 2005, Sims Group Limited ("Sims Group") announced:

- a restructure by way of a Scheme of Arrangement between Sims Group and its shareholders ("the Scheme"); and
- a merger with Hugo Neu, substantially all of the recycling operations of Hugo Neu Corporation of New York in the United States of America ("USA") ("the Acquisition").

The Scheme and the Acquisition are collectively referred to as the "Merger" in the Explanatory Booklet to be dated 2 August 2005 ("Explanatory Booklet").

In relation to the Acquisition, we understand that:

- substantially all of the recycling operations of Hugo Neu Corporation being merged with Sims Group (which will collectively be referred to as "Hugo Neu") comprise:
 - Hugo Neu East, a ferrous metals recycler and processor operating principally in New York and New Jersey (currently known as Hugo Neu Schnitzer East);
 - Hugo Neu West, a ferrous metals recycler and processor operating principally in Los Angeles (currently known as Hugo Neu-Proler Company); and



- Hugo Neu Global Trade, a ferrous metal recycler and alternative steel making raw materials trader (currently known as Hugo Neu-Schnitzer Global Trade LLC);
- the acquisition price has been agreed between Sims Group and Hugo Neu Corporation to be equity reflecting 26.0% of the merged group;
- the consideration for the transfer of the Sims Group shares will be satisfied by Sims Group through the issue of ordinary shares of Sims Co Limited, to be renamed Sims Group Limited ("New Sims Group"), a new company established to acquire Sims Group by way of the Scheme and Hugo Neu; and
- by acquiring all of the equity interests in Hugo Neu, New Sims Group will acquire all assets and liabilities of Hugo Neu at completion, including Hugo Neu's net debt.

As part of the Acquisition, Hugo Neu Corporation may not sell any of the shares acquired (or increase its shareholding in New Sims Group) for 18 months except in limited circumstances, including amongst other factors, with the consent of New Sims Group ("the Lockup Agreement"). Due to the Lockup Agreement, it is considered that New Sims Group is gaining a relevant interest in excess of 20% of its own issued capital ("the Relevant Interest").

The Board of Sims Group has requested KPMG Corporate Finance (Aust) Pty Ltd ("KPMG") to prepare an independent expert's report ("IER") indicating whether, in our opinion:

- the proposed Scheme is in the best interests of Sims Group Shareholders;
- the Acquisition is fair and reasonable having regard to the interests of Sims Group Shareholders and New Sims Group Shareholders; and
- the Relevant Interest is fair and reasonable having regard to the interests of Sims Group Shareholders and New Sims Group Shareholders.

The shareholder resolutions to approve the issue of New Sims Group Shares to Hugo Neu Corporation under the Acquisition and the creation of the Relevant Interest are collectively referred to as the "Share Issue Resolutions" in the Explanatory Booklet.

1.2 Parties to the transaction

Sims Group

Sims Group is listed on the Australian Stock Exchange Limited ("ASX") and is involved in providing recycling services for metallic and non metallic materials. Sims Group operates within Australia and internationally, and earns most of its revenues through recycling ferrous metals.



Hugo Neu Corporation

Hugo Neu Corporation is a privately owned materials recycler based in New York, USA. Hugo Neu's operations focus on the recycling and processing of ferrous metal, with processing plants on the east and west coasts of the USA. Hugo Neu sells its processed product both within the USA market and internationally.

1.3 General

We note that our report forms part of the Explanatory Booklet, prepared by the directors of Sims Group. Details of the proposed Scheme and the Acquisition are set out more fully in the Explanatory Booklet. Unless otherwise stated, all financial amounts set out in this report are denominated in Australian dollars ("A\$"). Financial information relating to operations in the USA are denominated in American dollars ("US\$").

2 Opinion

In our opinion:

- the Scheme is in the best interests of Sims Group Shareholders. As the Scheme is designed to facilitate the Acquisition, we have formed our opinion based upon our analysis of the Acquisition as set out in the remainder of this report and summarised below;
- the Acquisition is fair and reasonable having regard to the interests of the Sims Group Shareholders and New Sims Group Shareholders; and
- the Relevant Interest is fair and reasonable having regard to the interests of the Sims Group Shareholders and New Sims Group Shareholders.

In forming our opinions, we have considered the advantages and disadvantages of the Scheme and the Acquisition as well as the implications for Sims Group Shareholders and New Sims Group Shareholders if the Scheme and/or the Acquisition are not approved, as summarised below.

2.1 Advantages of the Scheme

In our opinion, the Acquisition involves the following advantages for Sims Group Shareholders and New Sims Group Shareholders:

- **Pricing.** In our view the relative pricing of Sims Group Shares (representing the value of a share in New Sims Group in the absence of the Acquisition) and Hugo Neu is appropriate. We have valued a share in the issued capital of Sims Group, taking into consideration recent recycled ferrous metal pricing, in the range of \$13.08 to \$14.18. This range of values implies that (depending upon the effect that lower recycled ferrous metal prices have upon the operating earnings of Hugo Neu) Hugo Neu is being priced at multiples of operating earnings of between 3.6 and 5.1 times;
- **Financial:**



- pro-forma operating earnings per share for New Sims Group (based upon actual and pro-forma results for the year ended 31 December 2004) increase from \$3.46 to \$4.03;
- pro-forma net assets per share increase as a result of the Acquisition from approximately \$5.26 to \$7.57 as at 31 December 2004 (although we note that net tangible assets per share decline); and
- pro-forma gearing increases but remains below the median gearing level for companies comparable to New Sims Group.
- Strategic:
 - the Acquisition enables Sims Group to significantly increase scale in the USA by acquiring businesses with complementary operations; and
 - New Sims Group retains financial flexibility in relation to its future operations; and
- Operational. The Lockup Agreement commits Hugo Neu Corporation to the on-going financial success of New Sims Group (at least for the term of the Lockup Agreement) and provides incentive to the successful integration of business operations.

In our opinion, the Acquisition also involves the following disadvantages for Sims Group Shareholders:

- Earnings volatility.
 - the acquisition of Hugo Neu will increase the proportion of New Sims Group's earnings derived from ferrous metal recycling. Recycled ferrous metal prices are quite volatile and, therefore, the Acquisition could, at least initially, be expected to increase the earnings volatility of New Sims Group (although as the post-consumer recycling operations of Hugo Neu develop this aspect of earnings volatility could be expected to decline); and
 - as an increased proportion of New Sims Group's earnings will be sourced from the USA, New Sims Group earnings may have increased volatility due to the relevant exchange rate;
- Dilution. Sims Group Shareholders' interest in New Sims Group will be reduced from 100% to 74%;
- Separation. Hugo Neu Corporation is in the process of restructuring its operations in the USA and separating certain joint venture interests which will comprise Hugo Neu ("the Schnitzer Transaction"). Completion of the Schnitzer Transaction is a condition precedent to the Scheme and the Acquisition, and is not within the control of Sims Group. If this process is delayed, New Sims Group may experience additional costs and/or business disruption;



- Integration. Sims Group Shareholders will be subjected to integration risks as Hugo Neu's businesses are combined with those of Sims Group; and
- Share trading. Hugo Neu Corporation will become the largest shareholder of New Sims Group controlling 26.0% of total shares outstanding. The existence of a large shareholding block may decrease the liquidity of New Sims Group Shares and reduce the likelihood of a takeover offer.

2.3 Other factors

We also consider the following factors to be pertinent to Sims Group Shareholders consideration of the Scheme:

- while not conditional upon either the Scheme or the Acquisition, Sims Group Directors intend to declare an ordinary dividend and a special dividend representing 100% of the net profits after tax of Sims Group for the 6 months ended 30 June 2005, expected to total approximately \$0.90 per share;
- New Sims Group earnings will increasingly be sourced from regions outside Australia (thereby impacting upon the level of available franking credits), although we note that Sims Group Shareholders have experienced a declining level of dividend franking since 2002; and
- Hugo Neu Corporation are not paying a premium for control for its 26.0% shareholding in New Sims Group and securing 2 Board seats. We note that we do not consider such a premium is warranted primarily due to Hugo Neu Corporation's limited ability to influence the strategic direction of New Sims Group without the support of other Board members.

2.4 Implications if the Scheme and/or the Acquisition are not approved

The resolution implementing the Scheme and the resolution approving the Acquisition are conditional upon each other. If Sims Group Shareholders do not approve one of these resolutions, neither will proceed. In this case:

- Sims Group Shareholders will not have their interests diluted from 100% to 74%;
- costs of \$9 million will have been incurred;
- in some circumstances, Sims Group will be required to reimburse costs to Hugo Neu Corporation of up to US\$3 million;
- Sims Group will remain listed on ASX; and
- Sims Group's business operations will remain unaltered and Sims Group Shareholders will not participate in any of the advantages associated with the Acquisition.

2.5 Implications if the Relevant Interest is not approved

The Acquisition is conditional upon the Relevant Interest being approved. If the Relevant Interest is not approved then, unless New Sims Group and Hugo Neu Corporation agree to waive that



condition, the Acquisition will not occur. The implications of this event are discussed in sections 2.4, above.

2.6 General advice

In forming our opinion, we have considered the interests of the Sims Group Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Sims Group Shareholders. It is not practical or possible to assess the implications of the Scheme on individual Sims Group Shareholders as their specific financial circumstances are not known.

The decision of Sims Group Shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. In particular, the taxation consequences may vary widely depending on individual circumstances. Individual Sims Group Shareholders should therefore consider the appropriateness of our opinion before acting on it.

As an individual's decision to approve the Scheme may be influenced by his or her particular circumstances, we recommend that individual shareholders consult their financial adviser.

2.7 Other

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We have not undertaken to update our report for events or circumstances arising after the date of this report.

The above opinion should be read in conjunction with, and not independently of, the information set out in the remainder of this report including the appendices.

Yours faithfully

Ian Jedlin
Executive Director

Michael Jones
Director



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FINANCIAL SERVICES GUIDE

Dated 2 August 2005

KPMG Corporate Finance

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 ("KPMG Corporate Finance" 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.

Financial Services Guide

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: 246901**;
- 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:

- 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 KPMG Corporate Finance, 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. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

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

Through a variety of corporate and trust structures KPMG Corporate Finance is ultimately wholly owned by and operates as part of KPMG's Australian professional advisory and accounting practice. Our directors may be partners in KPMG's Australian partnership.

From time to time KPMG Corporate Finance or KPMG and/or KPMG 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, KPMG Corporate Finance, PO Box H67, Australia Square, Sydney NSW 1213.

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 Industry Complaints Service Limited ("FICS"). FICS 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 FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007

Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291

Contact details

You may contact us at 10 Shelley Street, Sydney, NSW 2000, by telephone (02) 9335 7000 or by facsimile (02) 9335 8021.



3 Details of the Scheme and Acquisition

3.1 Scheme

The Scheme facilitates New Sims Group's acquisition of Sims Group and the Acquisition. Sims Group Shareholders are to be issued New Sims Group Shares on a one for one basis. New Sims Group will also complete the Acquisition (refer below). At the conclusion of the Scheme and the Acquisition, existing shareholders will hold 74% of the pro-forma fully diluted issued capital of New Sims Group while Hugo Neu Corporation will hold 26.0%.

New Sims Group Shares are to be listed on the ASX.

3.2 Acquisition

New Sims Group is to acquire Hugo Neu from Hugo Neu Corporation. The consideration for the Acquisition is 26.0% of the fully diluted issued capital of New Sims Group, totalling approximately 32 million shares.

3.3 Other

Other pertinent details of the Scheme and the Acquisition are:

- New Sims Group will assume all of the existing net debt of Sims Group and "permitted" net debt of Hugo Neu, including:
 - net debt on the statement of financial position as at 31 August 2004;
 - US\$122.35 million that may be used by Hugo Neu Corporation for matters, including a payment to Schnitzer Steel Industries and payment of taxes and transaction costs; and
 - movements in working capital and approved capital expenditure over the period 1 September 2004 until the Acquisition is completed;
- Hugo Neu Corporation is permitted to distribute all net income over the period 1 September 2004 until the Acquisition is completed;
- Sims Group directors intend to declare a final ordinary dividend of 70 cents per share to existing shareholders and a special dividend estimated to be approximately 20 cents per share;
- Hugo Neu Corporation will be entitled to appoint two directors (of a current total of 8, which total will not increase above 9 for so long as Hugo Neu Corporation has the right to appoint directors to the Board of New Sims Group) to the New Sims Group Board;
- Mr John Neu, the present Chairman and CEO of Hugo Neu Corporation, will maintain an executive role in international trade and post-consumer recycling with New Sims Group for a minimum period of 3 years (subject to extension);



- the Hugo Neu Corporation shareholding in New Sims Group will be subject to lockup and standstill provisions for a period of 18 months; and
- Hugo Neu Corporation will be restricted from increasing its shareholding in New Sims Group, except in certain circumstances, for a period of 18 months.

4 Basis of assessment

This report has been prepared by KPMG for inclusion in the Explanatory Booklet to be sent to Sims Group Shareholders in relation to meetings to be held on or about 8 September 2005. The purpose of the meetings is to seek shareholder approval for the Scheme, the Acquisition, the Relevant Interest and other related issues.

Sims Group requires an IER as:

- section 411(3) of the Corporations Act 2001 (Cwlth) ("the Act") requires that an explanatory statement issued in relation to a proposed Scheme of Arrangement include information that is material to the making of a decision by a creditor or member whether or not to agree with the proposal;
- pursuant to section 611 of the Act, Hugo Neu Corporation will be acquiring an interest in excess of 20% of the issued capital of New Sims Group without making a takeover offer for New Sims Group; and
- pursuant to section 611 of the Act, the Lockup Agreement gives New Sims Group the Relevant Interest (Resolution 2).

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with the Australian Securities and Investment Commission ("ASIC") must, where the parties to the reconstruction have common directors, include a report prepared by an expert stating whether, in the expert's opinion, the proposed Scheme of Arrangement is in the best interests of the members of the body as a whole and setting out the expert's reason(s) for forming that opinion.

Policy Statement 75 "IER to Shareholders", issued by ASIC, indicates the principles and matters which it expects a person preparing an expert report for inclusion in Scheme of Arrangement documentation to consider in determining whether the Scheme of Arrangement is "in the best interests of the members". With respect to determining the meaning of "in the best interests" paragraph 6 of Policy Statement 75 states:

"Fair and reasonable" should be taken as a reference to "in the best interests of the members".



Whilst this does not indicate that ASIC considers "fair and reasonable" to have the same meaning as "in the best interests of members" we consider that, in most circumstances, an analysis undertaken under the concepts of "fair and reasonable" as expressed in Policy Statement 75 is consistent with determining whether a proposal is "in the best interests of members".

As to the concepts of "fairness" and "reasonableness" Policy Statement 75 requires a separation so that both concepts must be addressed and concluded upon separately in the expert's report. Policy Statement 75 indicates that in the circumstances of the Acquisition, the Acquisition should be considered as "fair" if the value of the consideration is equal to or greater than the fair value of the securities that are the subject of the transaction. The transaction should be considered "reasonable" if the offer is "fair".

In the case where an expert forms the opinion that an offer is not "fair" the expert may still form the opinion that an offer could be considered "reasonable" because of other relevant factors.

The Act, by virtue of Section 606, expressly prohibits an individual (or corporation) obtaining more than 20% of the voting power of an Australian company (with more than 50 shareholders) unless a full takeover offer is made. An exemption to this rule is contained in Section 611 of the Act, which allows the target company shareholders the opportunity to vote to forgo their right to a full takeover.

Section 611 allows for an acquisition previously approved by a resolution passed at a general meeting of the company in which the said acquisition is proposed to be made. While technically the relevant acquisition is being made by New Sims Group, ASIC has agreed to a modification to the Act to allow Sims Group Shareholders to approve the Acquisition and Relevant Interest. This modification is discussed in Section 10 of the Explanatory Booklet. In passing the resolution, no votes may be cast by the potential acquirer or its associates or by the persons from whom the acquisition is to be made or their associates.

In the case of a resolution pursuant to Section 611 of the Act, ASIC requires that shareholders be supplied with sufficient information to enable them to assess the merits of the proposal. In such circumstances, the Directors of Sims Group are required to provide shareholders with a detailed analysis of whether the Acquisition is fair and reasonable. The Directors may undertake such an analysis or, as is more commonly the case, the Directors may engage an independent expert to report on the proposal.

ASIC Policy Statement 74 indicates the principles and matters that it expects a person preparing an Independent Experts' Report under Section 611 of the Act to consider. Paragraph 21 of Policy Statement 74 states that *"what is fair and reasonable for non-associated shareholders should be judged in all the circumstances of the proposal. The report must compare the likely advantages and disadvantages for the non-associated shareholders if the proposal is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment"*.



4.2 Approach

In the present circumstances, we consider the definition of "fair and reasonable" as contained in ASIC Policy Statement 74 to have better application to the Scheme than that set out in ASIC Policy Statement 75 due to the commercial outcome of the Scheme. Therefore, in the present circumstances, we will be treating the concepts of fairness and reasonableness as a single opinion, that is, the Acquisition either is or is not fair and reasonable. Accordingly, in our opinion, the fairness and reasonableness of the Acquisition should be determined against the background of the specific and general implications of the Acquisition on Sims Group (using ASIC Policy Statement 74 as a guideline). The Acquisition will be fair and reasonable if the non-associated shareholders are generally at a greater advantage if the Acquisition is executed, than if it is not. They will receive an advantage if the expected benefits to Sims Group Shareholders outweigh any disadvantages that might result from the Acquisition. Should the Acquisition be fair and reasonable to the non-associated shareholders, the Scheme will be in the best interests of Sims Group Shareholders.

4.3 Factors considered in determining our opinion

In forming our opinion, we have considered the following issues:

- the underlying value of Sims Group Shares (representing the value of New Sims Group in the absence of the Acquisition);
- a comparison of the value of the New Sims Group Shares being used as consideration and the value of Hugo Neu;
- the extent of any control premium being paid by Hugo Neu Corporation;
- any conditions associated with the Acquisition;
- other advantages and disadvantages which may impact the Sims Group Shareholders if the Acquisition proceeds; and
- the consequences of not approving the Acquisition.

4.4 Disclosure of information

In preparing this IER, KPMG has had access to all financial information considered necessary in order to provide the opinion requested. In this report we have limited the disclosure of information to that which is regularly placed into the public domain by Sims Group. This approach has been adopted following a request by Sims Group and the commercially sensitive and confidential nature of certain operational and financial information supplied to us.

4.5 Sources of information

In preparing this report and arriving at our opinion, we have considered those sources of information detailed in Appendix 2 of this report. We note that an important part of the



information used in forming an opinion of the kind referred to above is comprised of the opinions and judgements of management. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

The statements and opinions expressed in this report are made in good faith and have been based on information as at 13 July 2005 and that information is believed to be reliable, accurate and prepared by Sims Group and/or Hugo Neu Corporation (as the case may be) on a reliable basis. We have relied upon the information set out in Appendix 2 and have no reason to believe that any material factors have been withheld from us. The preparation of this report does not imply that KPMG or any of its affiliates have carried out any form of audit on the accounting or other records of Sims Group, its respective investments, associates, Hugo Neu or Hugo Neu Corporation.

The information provided to KPMG included budgets of Sims Group's and Hugo Neu's operations prepared by the management of Sims Group and Hugo Neu Corporation respectively. Whilst KPMG has considered these budgets in preparing this report, Sims Group and Hugo Neu Corporation remain responsible for all aspects of the budgets. Achievement of these budgets is not warranted or guaranteed by KPMG. Prospective financial results are by their nature uncertain and are dependent on a number of future events that may impact on the forecasts being achieved and consequently cannot be guaranteed. Actual results may vary significantly from the budgets considered by KPMG. Any variations from budgets results may affect our opinion.

The opinions of KPMG are based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion.

4.6 *Methodology for assessing the value of Sims Group and Hugo Neu*

ASIC's Practice Note 43 "Valuation reports and profit forecasts" indicates that it is appropriate for an independent expert to consider the following valuation methods:

- the discounted cash flow method ("DCF");
- the capitalisation of future maintainable earnings or cash flows ("Capitalisation of Earnings");
- the amount that would be distributed to shareholders on an orderly realisation of assets;
- the amount which an alternative acquirer might be prepared to pay; or
- the most recent quoted price of listed securities.

The application of the most common of these methodologies is detailed in Appendix 5 of this report.

In selecting the appropriate valuation methodology to value Sims Group and Hugo Neu, we have considered which of these methodologies a potential purchaser would most likely adopt and which are most fitting to the nature of the assets. Having regard to our statements above, the specific nature of the business operations and the available information we consider the most appropriate methodology to value both Sims Group and Hugo Neu to be the Capitalisation of Earnings approach.

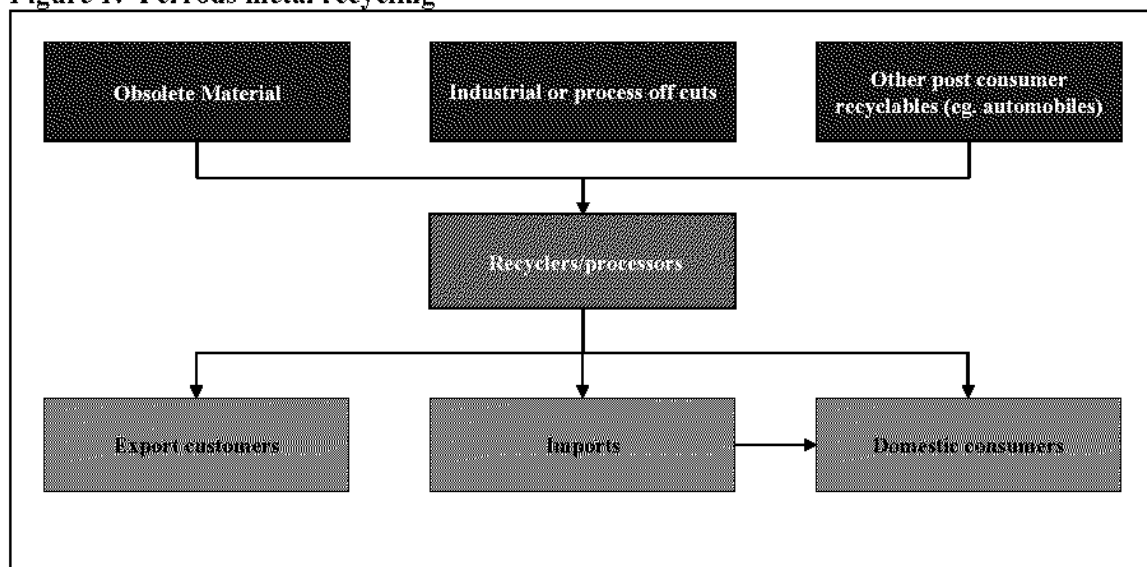
5 The recycling industry

5.1 General

Sims Group operates in the metal and broader materials recycling industry. Recycling incorporates a range of activities involving the collection, processing and trading of various post consumer and industrial materials (often referred to as scrap). Sims Group's core business focuses on ferrous and non-ferrous metal recycling. However Sims Group has diversified its business operations to include plastic recycling and the recycling of other non metallic materials such as rubber, glass, electronic and electrical equipment.

Detailed below is a flow chart illustrating the ferrous metal recycling market (an indication of how environmental policy and legislation impacts this market is set out in Section 5.5 of this report).

Figure 1: Ferrous metal recycling



Source: David J. Joseph Company and KPMG

Included below is an outline of the market as contained in the above diagram, with specific emphasis on ferrous metal recycling.



The sourcing of recyclable ferrous metal

As depicted in the figure above, recyclable material is sourced from three main areas:

- circulating off cuts and recyclable materials, which are internally generated in the production process of the steel industry. This material arises as a result of the steel making process, and in the more efficient plants accounts for less than 10% of crude steel production¹. This internally generated material is typically not traded but reused by the steel plants;
- industrial or process off cuts left over from the manufacturing processes of steel consumers. This typically takes the form of trimmings, cuttings, or stampings; and
- obsolete material, which is sourced from products that are past their useful life, including demolition material. An informal network of collectors source obsolete material from a variety of locations.

We have included below further discussion relating to the specific factors which affect the supply of recyclable material.

The processing of recyclable material

Processors perform a variety of procedures in order to produce a saleable product. The principal form of processing involves shredding or fragmentising material to process and segregate ferrous and non-ferrous metals contained in end of life vehicles and post-consumer goods. Heavier material is often sheared or oxy cut, whilst new industrial arisings are frequently baled.

Plant and equipment utilised by processors such as shredders and balers require significant capital investment, and in practice such plant is often installed near shipping and port facilities or in the vicinity of rail infrastructure. This is done so as to facilitate the low cost transportation of processed materials to domestic and export customers.

The sale of processed material

Once recyclable material has been processed, processors may directly export the material or sell it directly to domestic consumers. Alternatively, as is the case with smaller operators they may sell the recycled material through a broker. The role of brokers has diminished over the years as a result of increased price transparency in international trade.

Shipping and port facilities are important in facilitating the delivery of recyclable material to processing plants. They are also important for those processors operating in the export markets. Sales of processed material are generally made 30 days to 90 days in advance, and sales can be made to either include or exclude freight charges (c+f or fob).

¹ International Iron and Steel Institute



There are three main categories of recycled metal for trading purposes. These comprise Shredded, Low Residual, and Heavy Melting Scrap ("HMS"). Recycled ferrous metal is ultimately used as an input in the steel production process. We have included some discussion below on the demand for ferrous metal within the steel production industry.

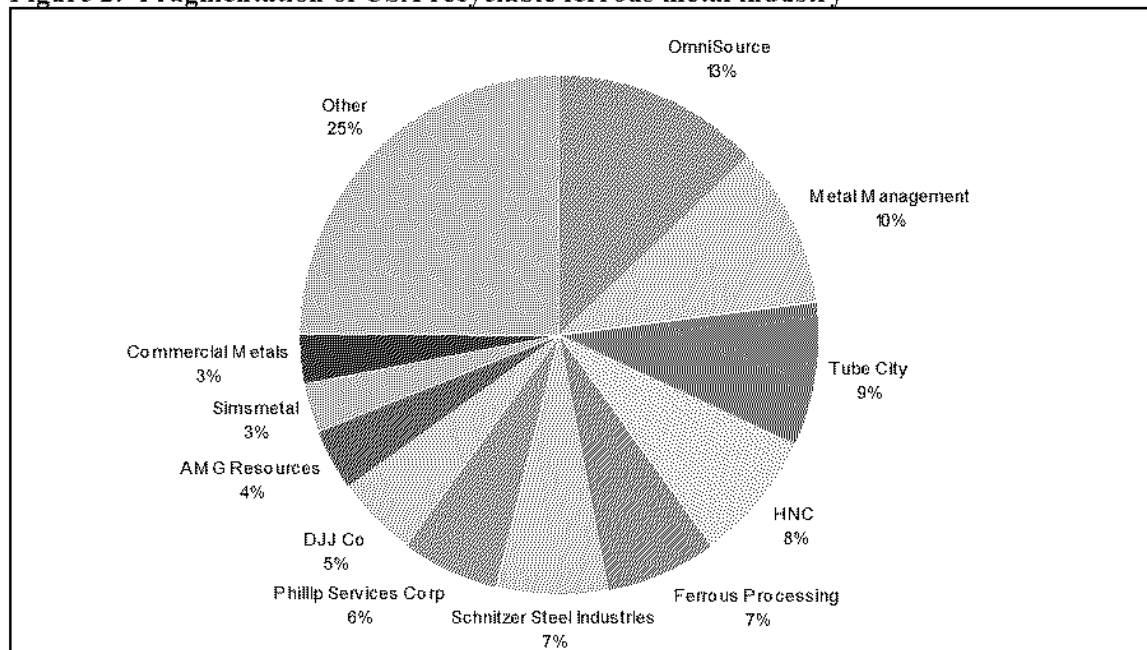
5.2 *Global recyclable ferrous metal markets*

Sims Group's operations encompass USA (23% of 2004 revenues), Australia (42% of 2004 revenues), Europe (predominantly in the United Kingdom ("UK")) (32% of 2004 revenues) and New Zealand (3% of 2004 revenues)². Included below is a discussion of the local markets in which Sims Group operates.

USA recyclable ferrous metal market

The recyclable ferrous metal market in the USA is large, with participants consisting predominantly of privately owned and highly fragmented operators. The following figure illustrates the USA market in early 2005:

Figure 2: Fragmentation of USA recyclable ferrous metal industry



Source: Broker research dated 4 April 2005.

We note that the above illustration includes a number of ferrous metal brokers. Based upon our review of the activities of the above companies, the primary ferrous metal processors in the above illustration include Hugo Neu Corporation, Omnisource, Metal Management, Ferrous Processing, Schnitzer Steel Industries and Sims Group.

² Sims Group financial statements for the year ended 30 June 2004.



In relation to the figure we note the degree of fragmentation in the USA is illustrated by:

- the top 5 companies accounting for less than half the total market share; and
- 35% of the total market being attributable to companies with less than 5% market share.

Australian recyclable ferrous metal market

Sims Group and Smorgon Steel Group Limited ("Smorgon") are the largest participants in the Australian recyclable ferrous metal market, with both companies having approximately the same market share. The market is considered to be mature with limited growth opportunities apparent within Australia. We understand that recently Smorgon commissioned a shredder in Newcastle to rationalise its New South Wales ("NSW") recycling operations as well as announced an intention to relocate refurbished shredders to South Australia ("SA") and Western Australia ("WA"). It is our understanding that no material impact in market share in the near term is expected as Smorgon has been stock piling recyclable material in anticipation of the two refurbished shredder installations.

The Australian ferrous metal recycling industry is a net exporter of recycled metal, as compared to China, Korea, Taiwan and South East Asian countries which are all net importers. Australia has been able to capitalise on its geographic advantage and reduced freight costs compared to its North American competitors in accessing the Asian export market.

European recyclable ferrous metal markets

The two major processing participants in the UK market are Sims Group and European Metal Recycling Limited ("EMR"). We understand that EMR holds a larger market share than Sims Group in the UK.

Recent UK based demand for recyclable ferrous metal has increased significantly as a result of increased steel production and legislative changes promoting recycling initiatives. Specifically steel production has increased as a result of the recommissioning of a steel mill in Cardiff, and increasing production at a steel mill in Newport. We have discussed below some of the recently enacted legislative changes which effect the recycling industry in Europe.

5.3 Supply and demand for recyclable materials

Supply factors for recyclable materials

The supply of recyclable materials is inherently linked to growth in gross domestic product, with the volume of recyclable product increasing as manufacturing levels increase and consumption rates grow. The level of supply for recyclable materials has historically grown at approximately 3% per year worldwide. However it is envisaged that more developed countries will begin to see a slight increase in this rate as the useful life of many consumables reduce as a result of technological advancement.

Transportation costs are another important factor in the supply of recyclable materials. Such material is generally sourced from significantly populated areas in countries which have had



industrialised processes in place in excess of 20 years. If transportation costs outweigh the benefits of transporting recyclable material then supply may be constrained to more industrialised and densely populated areas. We note however, that recent high metal prices have led to increased transportation volumes which have in part offset high transport costs.

Environmental studies and initiatives have also driven a push to encourage recycling. The supply of recyclable material has increased as recycling programs have been implemented throughout communities in industrialised countries. For example, initiatives such as the End-of-Life Vehicle Directive program in the European Union, and various 'Design for Recycling' programs around the world promote the production of goods that are easy to recycle at the end of their useful life. These initiatives plus others that seek to reduce waste into landfill and reduce pollution will see a drive for products that are capable of being recycled.

A recent factor impacting worldwide recyclable material supply has been the structural shortage of such material as demand for raw steel ferrous metal in Asia increases. This has led to a possible shortage of recycled metal available to world markets. This shortage has been exacerbated by the reduction in recycled metal supplies from the Commonwealth of Independent States ("CIS") which had previously flooded the market with recyclable ferrous metal after the break-down of the former Soviet Union.

Demand factors for recyclable ferrous metal

Steel has traditionally been manufactured using virgin iron ore, however the incorporation of recycled ferrous metal into the steel manufacturing process has grown significantly since the early 1990s (further details are set out below). More recently, steelmaker's recycled metal requirements have grown at a compound annual growth rate ("CAGR") of 5.3% since the end of 2001. Approximately 450 million tonnes of recycled metal were utilised in the steel production process last year alone³. The following factors are likely to impact on the demand for recycled ferrous metal:

- there is a strong correlation between the demand for steel and the demand for recycled ferrous metal products, with recycled ferrous metal being an important raw material used in the steel production process. The steel industry is currently producing over 1.05 billion tonnes of steel per year, and has experienced a CAGR of 4.4% over the last 5 years⁴. The growth in steel production has resulted in a surge for recycled ferrous metal.

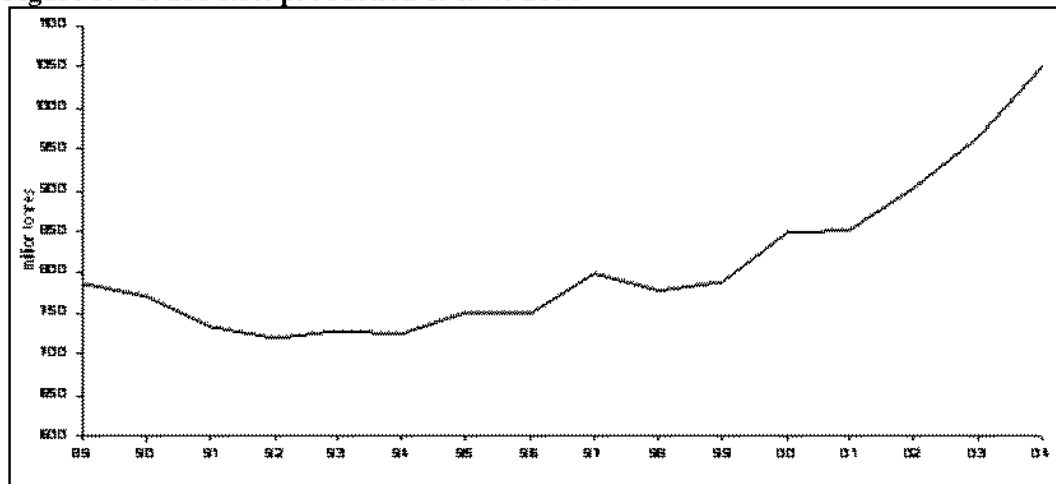
³ Iron and Steel Statistics Bureau

⁴ Iron and Steel Statistics Bureau



- the following graph illustrates the growth in steel production since 1989:

Figure 3: Crude steel production 1989 to 2004



Source: Iron and Steel Statistics Bureau "BIR London Convention" 29 October 2004- Global Ferrous Scrap Trade and Future Prospects and international Iron and Steel Institute "Steel Statistical Yearbook 2004".

In relation to the figure above we note:

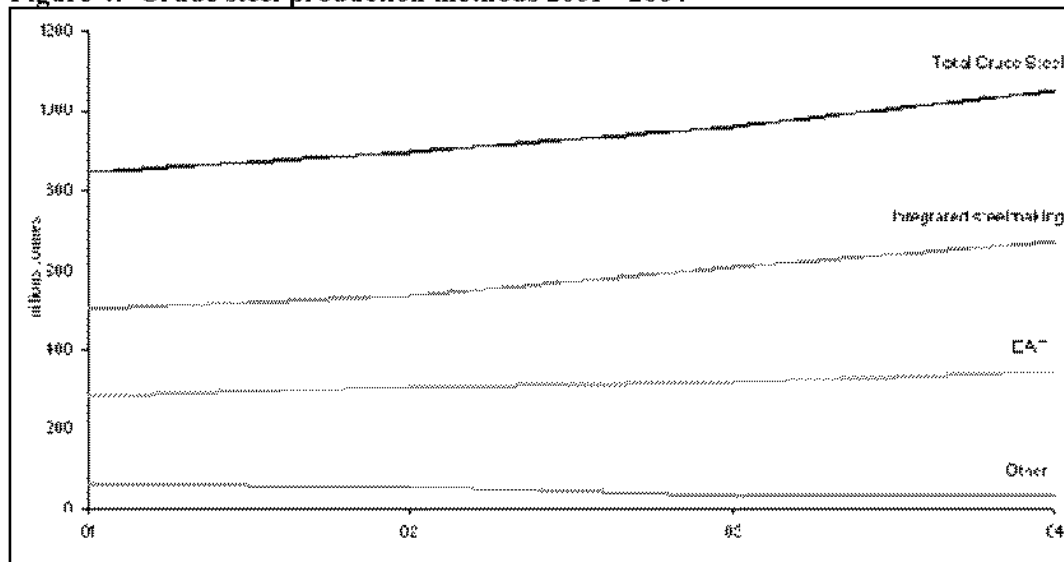
- China contributed 268 million tonnes in 2004, accounting for 25.5% of global crude steel production, whilst Japan and the USA both contributed over 100 million tonnes each;
- increased production has been facilitated by greater market capacity particularly in China and Turkey. China and Turkey were both significant importers of recycled ferrous metal in 2003, importing 9.3 and 12.8 million tonnes respectively; and
- the 1990's saw weak market conditions for steel producers as a result of the Southeast Asian economic crisis, and generally weak demand conditions internationally in countries such as the USA. The market also experienced overcapacity with low-price supply from former Soviet Union countries;
- the demand for recycled ferrous metal is impacted by the level of industrial activity, with increases in industrial output linked to increased demand for steel production, and hence the demand for recycled ferrous metal. It is likely that large developing nations have had a significant impact on the demand for recycled ferrous metal as their economies have grown at a greater pace compared to more developed nations;
- the process adopted to produce steel has influenced the demand for recycled ferrous metal. The two principal methods of producing steel include the use of integrated steelmaking technologies and the adoption of the Electric Arc Furnaces ("EAF") process. Integrated steelmaking technology utilises virgin iron ore as its principal input material, whilst EAF utilises recycled ferrous metal as its main raw material input.

The EAF process uses approximately 85% of recycled ferrous metal of varying grades in steel production, whereas blast furnaces may use approximately 10% to 30% of recycled ferrous metal, of which approximately 50% is internally generated recyclable metal. Further it is believed that steel production using EAF processes utilise up to 75% less energy than steel production using traditional means.

The past decade has seen a shift from integrated steelmaking technologies to the adoption of EAF processes. The proportion of EAF steel production grew from 24% in 1984 to 33% in 2004⁵, with China and former Soviet Union countries among the few countries which have not shifted most of their production processes. EAF plants in China only produced 15% of China's total 268 million tonnes of steel in 2003, whilst plants in the USA and Spain produce in the vicinity of 50% and 70% of their steel in EAF plants respectively;

- crude steel production methods in recent years are illustrated in the diagram below.

Figure 4: Crude steel production methods 2001 - 2004



Source: Iron and Steel Statistics Bureau – International Iron and Steel Institute

In relation to the above figure we note:

- EAF production of steel has grown at an average CAGR of 6.6% over the past three years to 345 million tonnes in 2004; and
- EAF production has increased as a proportion of total steel production in most countries outside of the Asian region. EAF production as a percentage of total steel production fell from 28.3% to 25.6% in the Asian region between 2001 and 2003;

⁵ Iron and Steel Statistics Bureau

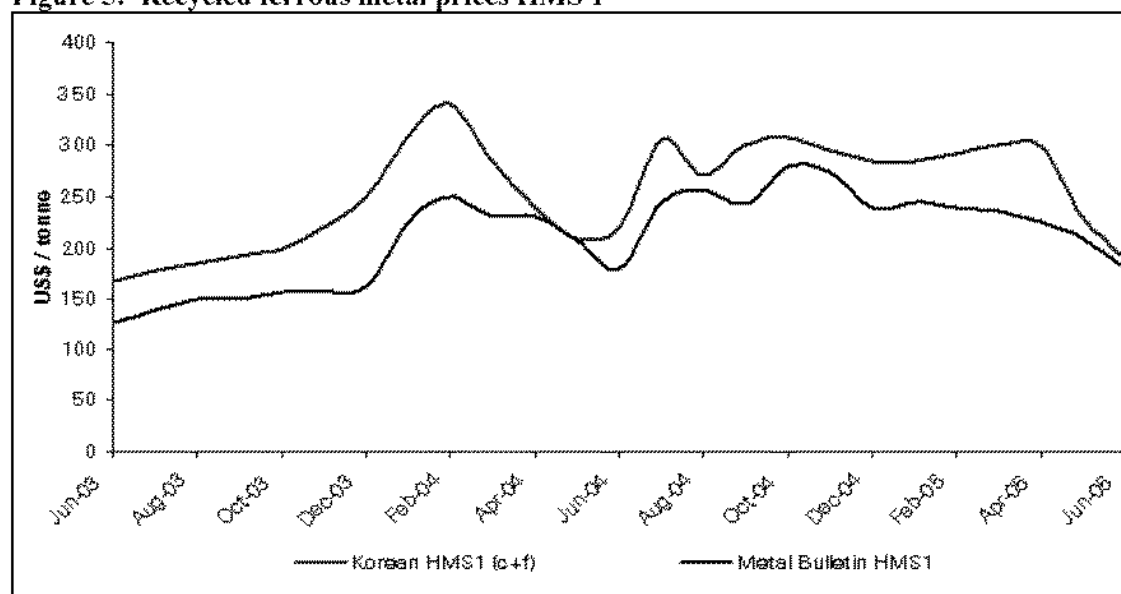


- the Environmental Protection Agency of the USA has undertaken a number of research studies on the efficiencies of the EAF process. The benefits of adoption of the EAF process includes a 74% saving in energy, 90% saving in virgin materials use, 86% reduction in air pollution, 40% reduction in water use, 76% reduction water pollution, 97% reduction in mining waste and a 105% reduction in consumer waste⁶; and
- environmental considerations are becoming increasingly important for many corporations today. Accordingly, in an effort to capitalise on the environmental benefits outlined above, many producers may seek to adopt EAF processes, which will in turn increase the demand for recycled ferrous metal.

5.4 *Price of recycled ferrous metal*

Current recycled ferrous metal prices are considerably higher than the ten year average price of US\$154 per tonne⁷. The sustained high prices have encouraged competition and may see margins reduced from the highs recently experienced as the buying prices of unprocessed ferrous metal collection increase. The trend in HMS 1 prices is indicated in the graph below.

Figure 5: Recycled ferrous metal prices HMS 1



Source: Bloomberg LLP and Sims Group

A number of factors have contributed to high recycled ferrous metal prices, these include:

- Chinese demand for recycled ferrous metal increased in early 2003 and mid 2004 as the Chinese government lifted restrictions on imports in these periods;

⁶ Institute of Scrap Recycling Industries, "Scrap Recycling: Where Tomorrow Begins" publication and the Environmental Protection Agency of the USA.

⁷ Sims Group and Tex Report, based on Korean HMS1 (c+f) price.



- the previously held excess inventories of recyclable ferrous metal by the CIS has decreased significantly;
- the recent rise in demand and consumption of steel has not been met with a corresponding increase in supply. Supply has been constrained by low consumer recycling rates in the 1980's and 1990's restricting the amount of available recyclable ferrous metal;
- there has been limited supply in all steel making raw materials (including recycled ferrous metal, iron ore, coke, coking coal and thermal coal); and
- freight rates have also increased significantly as a result of surging demand, with China experiencing a sharp decline in the availability of ocean freight vessels.

5.5 *Outlook for the recycled ferrous metal industry*

Total global crude steel production in 2006 is estimated to grow by 5% to reach 1.15 billion tonnes. It is anticipated that 750 million tonnes of this will be produced from integrated steelwork processes, whilst 365 million tonnes will be produced from EAF plants⁸. Based on these forecasts it is anticipated that an additional 26 million tonnes of recycled ferrous metal will be required in the 2006 year.

Analysts estimate that Chinese crude steel production will grow by 10% in 2006, whilst long term forecasts for China estimate growth to be in the vicinity of 5% per annum. This compares to long term forecasts of 3% annual growth estimated for the rest of the world. Based on such forecasts, it is estimated that the global steel industry will require an additional 90 million to 100 million tonnes of recycled ferrous metal by 2010⁹.

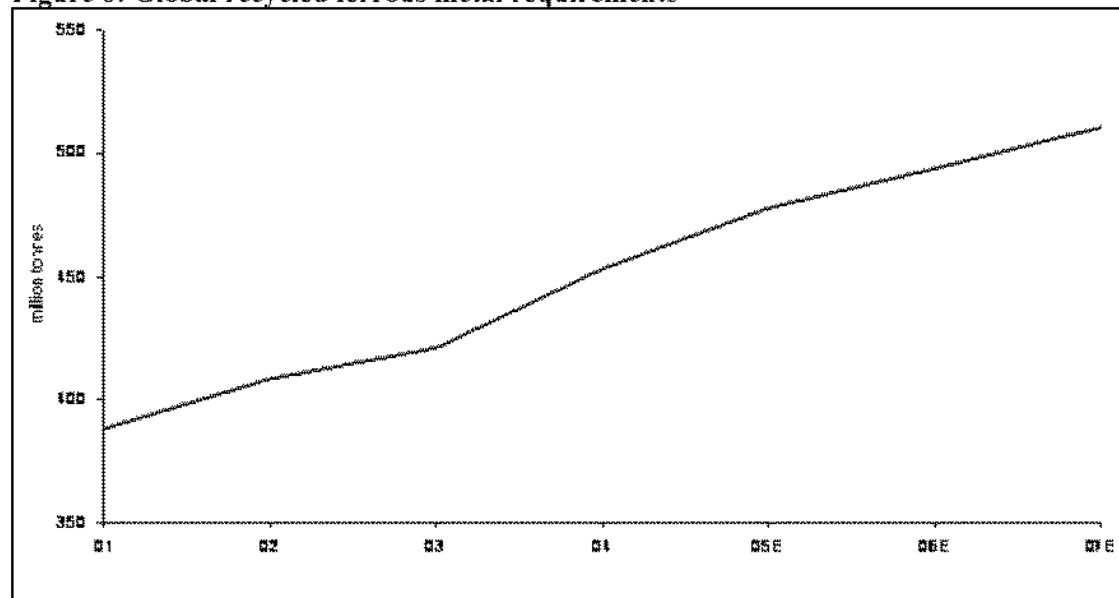
⁸ Metal Bulletin 10 January 2005.

⁹ Metal Bulletin "Big Numbers for 2004- and Bigger numbers for 2005?" dated 10 January 2005.



The following graph depicts the forecast growth in global recycled ferrous metal requirements:

Figure 6: Global recycled ferrous metal requirements



Source: Iron and Steel Statistics Bureau "BIR London Convention" 29 October 2004- Global Ferrous Scrap Trade and Future Prospects and international Iron and Steel Institute "Steel Statistical Yearbook 2004".

We note the following in relation to the above graph:

- demand for recycled ferrous metal is forecast to grow at a CAGR of 4.1% over the next three years reaching 511 million tonnes by 2007¹⁰; and
- incremental shifts in production methods or percentages of recycled ferrous metal used can have a major impact on global demand.

Recycled ferrous metal prices

Analyst views indicate a slight decline in the average price of recycled ferrous metal throughout the 2005 financial year, with consensus broker forecasts indicating forecast prices to be in the vicinity of US\$200 to US\$250 per tonne¹¹. In the medium term recycled ferrous metal prices are expected to remain stable throughout 2006 before suffering a further decline in the vicinity of 10% throughout 2007¹².

¹⁰ Iron and Steel Statistics Bureau "BIR London Convention" 29 October 2004- Global Ferrous Scrap Trade and Future Prospects and international Iron and Steel Institute "Steel Statistical Yearbook 2004".

¹¹ Consensus views as included in various broker reports in early 2005.

¹² Various broker reports.



Policy and legislation

Policy and legislation changes are increasingly playing a role in the demand and supply of recyclable material and recycled goods. The following are examples of recent legislative pronouncements and governmental policies which have impacted on the recycling industry globally:

- the government of the USA, as a result of an internal review of Section 201 of the Trade Act 1974, imposed a tariff on the importation of steel products in March 2002. The USA subsequently overturned its tariff policy in December 2003, however a Steel Import Monitoring and Analysis ("SIMA") system remains in place to monitor the importation of steel products. The SIMA system was to be due for review in March 2005.

Further initiatives adopted within the USA include the 'Clear Skies Initiative' and 'CO₂ Regulation/Control' which seek to minimise environmental impact of industry in general;

- in response to increases in dumped and subsidised steel imports at the beginning of the last decade the government of the USA implemented the Continued Dumping & Subsidy Offset Act ("CDSOA"). This act aims to compensate companies that are directly harmed by foreign dumping and subsidy benefits;
- the Indian government has tightened its importation measures for recyclable metal with the exception of some pre shredded material after some Indian steel mills experienced safety concerns with the quality of some recyclable metal imported from certain Middle Eastern and Afghanistan suppliers;
- a number of UK and European waste directives have impacted on the industry. These include the Waste from Electrical and Electronic Equipment and End-of-Life Vehicle Directive. Both of these recent legislative developments in the UK have been implemented to develop safe ways of disposing of goods that have exceeded their useful life, and include such items as fridges and televisions; and
- the Chinese government, through the General Administration of Quality Supervision, Inspection and Quarantine initiative has implemented a scheme to improve the quality, control and procedure requirements for the importation of waste material. The Chinese government has implemented the policy to reduce commercial fraud issues and address environmental related issues.

In our view, it would appear likely that increased environmental legislation will lead to an increased demand for recycling services. In addition, stringent environmental legislation on the activities of recycling operators is likely to create operational difficulties for smaller participants in the industry as well as creating a barrier to entry.



Potential threats to the outlook for recycled materials

Whilst crude steel production is estimated to grow by 26.0% to 2010¹³ and China is expected to contribute two-thirds of this growth, China's preferred crude steel production processes incorporate integrated steelwork technologies and not EAF plants which utilise high proportions of recycled ferrous materials.

A number of substitutes to recycled ferrous metal are also being developed and tested. Rio Tinto Limited is opening a demonstration plant for HiSmelt technology and currently licensing it to Chinese manufacturers. Other technologies in development include Finex, Ausmelt and Fastmet/Fastmelt. If recycled ferrous metal prices continue to stay at high levels, crude steel producers may look to introduce these alternatives.

6 Profile of Sims Group

6.1 Background

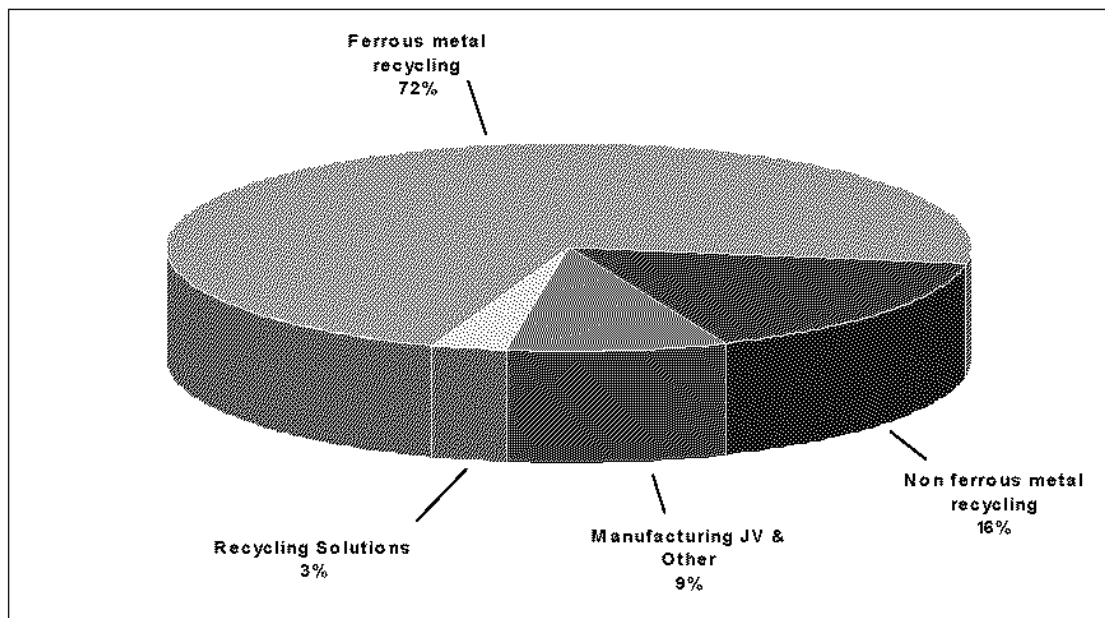
Sims Group listed on the ASX in 1991, and is involved in the recycling of ferrous and non-ferrous metals, along with the recycling and processing of other materials such as plastic and rubber. Sims Group operations span a number of countries across four continents, with approximately 60% of its revenues coming from international operations in the UK, North America, New Zealand, and Asia. Sims Group has approximately 2,400 employees worldwide.

¹³ Iron and Steel Statistics Bureau "BIR London Convention" 29 October 2004- Global Ferrous Scrap Trade and Future Prospects and international Iron and Steel Institute "Steel Statistical Yearbook 2004".



The following chart illustrates the composition of products supplied by Sims Group as a proportion of gross revenues for the 6 month period to 31 December 2004¹⁴:

Figure 7: Gross revenue by product for Sims Group



Source: Sims Group Half Year Results to December 2004 presentation

As illustrated above, Sims Group's operations primarily consist of recycling ferrous and non-ferrous metal. We note that non metal recycling is predominantly undertaken by Sims Group's Australian and UK operations. Non metal recycling accounts for approximately 20% of Sims Group's Australian operations and approximately 25% of Sims Group's UK operations.

Sims Group has been active in seeking out potential acquisitions over the past number of years. Recent acquisitions include:

- the acquisition of the Mirec group of companies, which are involved in electronic and electrical equipment recycling in Europe, as announced in October 2004. We note that the implied acquisition multiples for this transaction were approximately 6.9 times Mirec's 2004 EBITDA and approximately 6.1 times Mirec's 2005 EBITDA;
- the acquisition of Australian tyre recycler Devote Pty Limited ("Devote") (trading as TyreCycle and Encore Rubber), announced in May 2004. We understand that the implied acquisition multiples in the Devote transaction were 9.2 times 2003 EBITDA and 6.5 times normalised EBITDA; and

¹⁴ Ferrous metal recycling includes non-ferrous shredder recoveries.



- the acquisition of the business of Bay Bridge Enterprises LLC ("Bay Bridge"), a USA based metals recycling and shredding facility, announced in April 2004. We understand that the implied acquisition multiple for the Bay Bridge business was in the vicinity of 7.3 times EBITDA.

Further detail on Sims Group's operating divisions are summarised below.

Metal recycling division

The metal recycling division ("Sims Metal") is the largest metal recycler in the southern hemisphere¹⁵. It supplies all grades of recycled ferrous and non-ferrous metals to industrial customers both in Australia and overseas by collecting, processing and packing product to international specifications.

The following table illustrates significant Sims Metal operations:

Table 1: Sims Metal operating regions

Geographic region	Description of operations
Australia and regional countries	Sims Metal has operations in Australia, New Zealand, and Papua New Guinea, and processing is undertaken through the use of fragmentisers, shears, balers, and granulating plants. Metal collection depots are located in NSW, QLD, Victoria, SA, and WA. Sims Metal also undertakes distribution of steel products.
Canada	Operations in Canada are a result of a joint venture of Sims Group Canada Limited (a subsidiary of Sims Group) and General Recycling of Washington LLC (a subsidiary of Nucor, a US based steel manufacturer). Sims Group Canada Corporation operates two metal recycling facilities in British Columbia. The recycling plants process ferrous metals using shredders, shears, and balers, and the product is then sorted into internationally recognised grades. Finished product from the Canadian operations are shipped to customers in North America or overseas by sea freight.
UK	Sims Metal UK is the second largest recycler of ferrous and non-ferrous metal, with annual sales of approximately 2 million tonnes per year. There are a total of 27 sites with collection and transfer facilities located either near UK steel and foundry customers or dockside for sea export to customers. The UK operations have 5 operating shredders which produce 1 million tonnes of high quality shredded furnace feed from recyclable products such as motor vehicles and other consumer goods. Baling machines transform industrial waste into high quality low residual bundles, whilst hydraulic shearing produces cut steel grades for the steel and foundry industry.

¹⁵ Sims Group.



Geographic region	Description of operations
USA	Operations began in 1988 through the acquisition of various recycling related assets of Levin Metal Corporation, a large recyclable metal processor and exporter located on the west coast of the USA. Currently, the metal recycling division incorporates recyclable metal processing yards on the west coast and east coast of the USA. Ferrous metals are processed using shredders, shears and balers and sorted into internationally recognized grades, whilst non-ferrous metals are processed and sorted into internationally recognized grades with the use of wire reclamation capabilities, balers and shears. Sims Metal also has one steel retail site and one electronic waste recycling site on the west coast of the USA, and one steel retail site and one electronic waste recycling site on the east coast of the USA. We understand that recycled metal products are shipped by rail throughout the USA, and to offshore customers via sea going vessels.

Source: Sims Group

In addition to the above, Sims Metal has recycling operations in New Zealand (a 50/50 joint venture with Fletcher Building Limited) and Papua New Guinea and has representative offices in Malaysia, India, China and Vietnam.

Recycling Solutions division

The Recycling Solutions division provides recycling services for products which have little residual value, such as consumer electronics and electrical equipment. Since the cost of processing these types of products generally exceeds the value of any recovered materials, Sims Recycling Solutions operates on a fee for service basis.

The Recycling Solutions division is a relatively new division of Sims Group. We understand that this division seeks to capitalise on growing legislative requirements around the world to recycle consumer goods. In the UK this has meant that Sims Recycling Solutions has set up a number of special processing plants for fridges and e-recyclables. Sims Recycling Solutions operates in Australia, the UK and the USA.

Manufacturing division

The Manufacturing division ("Sims Manufacturing") incorporates the aluminium and plastics recycling operations of Sims Group. The manufacturing operations are based in Australia and include the following:

- the production of specification aluminium alloys and the recovery of aluminium and salt from salt slag (a by product of aluminium production); and
- the recycling of various grades of recyclable plastic residues including agricultural plastics.

The activities of Sims Manufacturing are discussed briefly below.



Aluminium

Sims Aluminium is Australia's largest producer of specification grade aluminium alloy, primarily for the automotive industry locally and in South East Asia. The division has two production facilities in Victoria. Secondary raw aluminium resources are sourced from industrial and domestic sources nation wide.

The division produces molten aluminium in its Melbourne smelter which is supplied to customers for further processing into items such as engine parts, alloy wheels, and specification grade ingots. Additionally, Sims Aluminium's Geelong plant specialises in the treatment of salt slag waste produced within the secondary aluminium industry in Australia.

Plastics

Sims Plastics recycles high value plastics such as High and Low Density Polyethylene and Polypropylene. A significant portion of recyclable source materials come from post consumer plastic supplies and plastics from within the automotive industry.

Source products are granulated, washed, blended and then extruded into specification plastic pellets. The pellets are sold as a raw material to be used in the production of products such as plastic bags, car battery cases, and agricultural draining pipe. Sims Plastics has operations in Sydney and Melbourne.

Other operations

Sims Manufacturing also includes a commodities trading division. This division distributes a wide range of semi finished fabricated raw material products through the Sims Metal network to a range of customers in different industries. These products include the following:

- antimony ingot;	- specification secondary copper and brass foundry ingot;
- lead ingot;	- ferro-alloys;
- primary aluminium ingot;	- silicon metal; and
- zinc ingot;	- tin.

We note that this division also includes a number of joint venture investments which Sims Group has entered into. These comprise:

- a 33.3% interest in Consolidated Extrusions ("Conex"), which is a brass and alloy extrusions joint venture with Crane Group Limited; and
- a 50% interest in Australian Refined Alloys ("ARA"), which undertakes secondary lead processing operations. This joint venture is with Zinifex Limited and is the only significant producer of secondary lead in Australia.



Energy division

Sims Group holds a 25% interest in Landfill Management Services Pty Limited ("LMS"), a company specialising in land fill gas and renewable energy projects. LMS undertakes research and installs and develops gas systems and renewable power generation technologies.

International division

The International division has offices in Australia, China, Vietnam, Malaysia and India and is primarily involved in the sale and marketing of products from the global Sims Group operations. These products include all types of secondary ferrous, non-ferrous and stainless steel materials, along with other products such as plastics.

Additionally, the International division provides logistical, shipping and market identification services to recycling operations in the Pacific Islands.

Industrial division

The Industrial division provides secondary material handling and processing. The division provides industrial services such as blending, furnace loading and stockpile management services to third party customers. In particular, operations include the provision of consulting services to steel mills. These services include valuation and sourcing advice for recyclable materials and process advice regarding the receipt and segregation of production materials.



6.2 *Historical financial performance*

Sims Group's audited statements of financial performance for the three years ended 30 June 2002 to 2004, and reviewed statement of financial performance for the half year ended 31 December 2004 are set out in the table below.

Table 2: Sims Group historical financial performance

S millions	Year ended 30 June			Year ended 31
	2002	2003	2004	Dec 2004
Revenues	1,409.2	1,579.7	1,873.9	2,332.8
EBITDA	113.9	149.1	202.8	315.7
Depreciation	(31.8)	(29.6)	(26.4)	(28.5)
Amortisation	(6.2)	(7.2)	(3.8)	(4.7)
EBIT	75.9	112.3	172.6	282.5
Net interest revenue/(expense)	(5.5)	(2.2)	(1.8)	(4.1)
Share of Associate's profit	0.8	1.9	2.5	2.9
Net profit before tax	71.2	112.0	173.3	281.3
Taxation expense	(22.6)	(37.0)	(54.1)	(91.1)
Net profit after tax	48.6	75.0	119.2	190.2
<i>EBITDA %</i>	<i>8.1%</i>	<i>9.4%</i>	<i>10.8%</i>	<i>13.5%</i>
<i>EBIT %</i>	<i>5.4%</i>	<i>7.1%</i>	<i>9.2%</i>	<i>12.1%</i>

Source: Explanatory Booklet

We note the following in relation to the above table:

- the Explanatory Booklet adjusts EBITDA, EBIT, and net profit for the year ended 30 June 2004 and the year ended 31 December 2004 for the write down of the Consolidated Extrusions joint venture with Crane Group Limited. We express no opinion on this adjustment;
- Sims Group achieved revenue growth of approximately 12% in 2003 and 19% in 2004, whilst revenue growth in the 6 month period ended 31 December 2004 was approximately 54% greater than that achieved in the previous corresponding period. We understand that the growth in revenues over recent periods has been primarily facilitated by both increases in the price of ferrous prices globally and also the increase in the volume of materials handled and processed by Sims Group.

Domestic sales as a proportion of total sales increased from 38% in fiscal 2003, to 49% in fiscal 2004, whilst increases in sales volumes to Asia were facilitated by a strong Chinese economy and an ensuing sustained level of demand for steel imports to that country. We understand that China accounted for approximately 22% of total sales and 43% of total exports made by Sims Group in the 2004 fiscal year;

- other revenues in 2003 included \$23.6 million attributable to the sale of Ferromet, Inc. which was disposed of on 31 March 2003;



- other revenues incorporate sales of property, plant and equipment for the amount of \$4.7 million in 2002, \$3.1 million in 2003, and \$4.4 million in 2004;
- gross margins remained relatively stable between 2002 and 2004, however we note that the six month period ended 31 December 2004 saw an increase in gross margins achieved to approximately 38%;
- depreciation and amortisation expenses primarily relate to plant and equipment. The following table illustrates Sims Group's plant and equipment asset balances and intangibles balances along with depreciation and amortisation charges over the past three years:

Table 3: Depreciation and amortisation

S'000	Year ended 30 June		
	2002	2003	2004
Plant and equipment asset balance (net of accumulated depreciation)	108,410	101,076	137,697
Depreciation expense on plant and equipment	29,916	27,336	24,160
Goodwill asset balance (net of accumulated amortisation)	76,473	55,428	73,360
Amortisation expense on goodwill	6,191	7,156	3,794

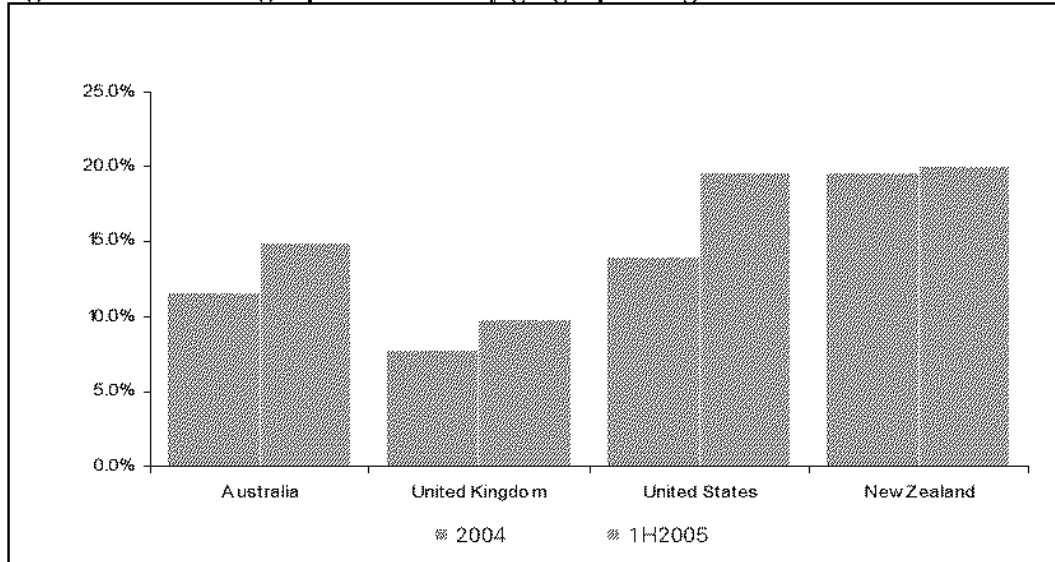
Source: Sims Group financial statements

- Sims Group increased EBITDA by 172% for the half year ended 31 December 2004, up to \$179 million from \$66 million in the previous corresponding period. Sims Group's EBITDA had experienced steady year on year growth in the vicinity of 30% for the 2003 and 2004 financial years; and



- whilst we understand that improvements in earnings were experienced in all geographic regions in which Sims Group operates, we note that the company's North American operations have been experiencing the greatest growth in recent periods with EBIT tripling in the 2004 financial year for that region. The following graph illustrates the EBIT margins achieved by Sims Group in its different geographic operating regions:

Figure 8: EBIT margin performance by geographic region



Source: Sims Group



6.3 *Historical financial position*

Sims Group's audited statement of financial position as at 30 June 2004 and reviewed statement of financial position as at 31 December 2004 are set out in the table below.

Table 4: Sims Group historical financial position

S'000	30 June	31 December
	2004	2004
Current Assets		
Cash	20,107	24,173
Receivables	182,397	264,894
Inventories	147,676	150,569
Other	8,489	9,411
	358,669	449,047
Non Current Assets		
Receivables	5,908	5,841
Investments	7,821	8,916
Property, plant and equipment	261,755	285,727
Intangibles	73,360	107,019
Deferred tax assets	13,645	14,751
	362,489	422,254
Total Assets	721,158	871,301
Current Liabilities		
Accounts payable	179,475	194,699
Interest bearing liabilities	1,100	-
Tax liabilities	26,924	36,315
Provisions excluding tax liabilities	10,128	11,757
	217,627	242,771
Non Current Liabilities		
Interest bearing liabilities	36,950	131,261
Tax liabilities	6,277	5,191
Provisions excluding tax liabilities	11,736	13,095
	54,963	149,547
Total Liabilities	272,590	392,318
Net Assets	448,568	478,983
Equity		
Capital/contributed equity	220,665	220,665
Reserves	17,620	(2,524)
Retained profits	210,283	260,842
Total Equity	448,568	478,983

Source: Sims Group financials



In relation to the above table we note:

- receivables increased by 45% in the 6 month period to 31 December 2004, which is consistent with the significant sales growth experienced in this period. In particular, sales in this period increased by:
 - 54% compared to the previous corresponding 6 month period ended 31 December 2003; and
 - 40% when annualised sales for the 6 month period ended 31 December 2004 are compared to sales for the year ended 30 June 2004;
- Sims Group's group structure incorporates equity holdings in a number of direct or indirectly controlled companies incorporated in Australia and overseas as well as a number of equity interests in associate companies. The following table illustrates Sims Group's investments in associates:

Table 5: Sims Group's investments in associates

Name of Associate	Principal activity	Ownership interest
Richmond Steel Recycling Limited	Metal Recycling	50.0%
Landfill Management Services Pty Limited	Landfill Gas Management	25.0%
Australian Refined Alloys Pty Limited	Metal Recycling	50.0%
Extruded Metals (New Zealand) Limited	Metal Recycling	33.3%
Sims Pacific Metals Limited	Metal Recycling	50.0%
Consolidated Extrusions Pty Limited	Metal Recycling	33.3%
Consolidated Extrusions (Management) Pty Limited	Metal Recycling	33.3%

Source: Sims Group 2004 financial report

- Sims Group is also involved in a number of joint venture operations, which include the following:
 - a 50% interest in the ARA joint venture, the principal activity of which is the production of lead, lead alloys and related products;
 - a 50% interest in the New Zealand based Sims Pacific Metals joint venture, the principal activity of which is the processing and sale of ferrous and non-ferrous secondary raw materials; and
 - a 33.3% interest in the Conex joint venture, the principal activity of which is the production and sale of extruded brass and copper products;



- Sims Group's property, plant and equipment as at 30 June 2004 consisted of the following:

Table 6: Property, plant and equipment

Property, plant and equipment	As at 30 June 2004 \$'000
Freehold Land	69,185
Buildings (net of accumulated depreciation)	31,748
Leasehold improvements (net of accumulated amortisation)	8,124
Plant and equipment (net of accumulated depreciation)	137,697
Capital work in progress	15,001
Total	261,755

Source: Sims Group 2004 financial report

The value of freehold land, buildings and leasehold improvements as contained above are based on directors' assessed values as at 30 June 2002 adjusted for accumulated depreciation to 30 June 2004. Director's valuations were based predominantly on independent external market valuations based on existing use principals. As at 30 June 2004 the directors assessed the carrying amounts of these assets and concluded that these do not differ materially from their fair values at those dates. In undertaking these assessments the directors considered advice received from independent external valuers.

We note that the total value of property, plant and equipment as at 31 December 2004 was \$286 million;

- intangibles increased 45.9% to \$107 million in the half year ended 31 December 2004. We understand that the increase in intangibles related to the acquisition of the Mirec group of companies on 4 October 2004. We note that the goodwill on acquisition was \$42 million;
- Sims Group's 2004 financial report indicates approximately \$38 million in total current and non current interest bearing bank loans as at 30 June 2004. Sims Group has in place an unsecured global multi-currency / multi-option loan facility, and as at 30 June 2004 the unused credit on this facility was \$299 million. The following table provides an indication of the financing arrangements available to Sims Group:

Table 7: Sims Group's financing arrangements

Sm	Year ended 30 June		31 December
	2003	2004	2004
Total credit standby arrangements	274	329	329
Amount of credit used	8	30	138
Amount of credit unused	266	299	191

Source: Note 30: 'Financing Arrangements' as contained in Sims Group 2004 financial report and Sims Group management.

We make the following comments in relation to these arrangements:

- the above credit standby arrangements incorporate unsecured global multi-currency / multi option bank loans. Unsecured bank loans are subject to guarantees / cross guarantees and indemnities from Sims Group and some of its controlled entities; and



- we understand that these facilities are subject to review at different times ranging from one to three years; and
- Sims Group's non current interest bearing liabilities have increased significantly. We understand that Sims Group's acquisition of the Mirec Group of companies in October 2004 was principally funded through non current loan facilities.

6.4 *Historical cash flow performance*

Sims Group's audited statements of cash flows for the years ended 30 June 2002, 2003, and 2004, along with the reviewed statement of cash flows for the 6 month period ended 31 December 2004 are set out in the table below.

Table 8: Sims Group historical cash flow statement

S'000	Year ended 30 June			6 months to 31 Dec
	2002	2003	2004	2004
Receipts from customers (including GST)	1,463,823	1,661,204	1,923,520	1,295,690
Payments to suppliers and employees (including GST)	(1,333,836)	(1,499,904)	(1,782,472)	(1,199,768)
	129,987	161,300	141,048	95,922
Interest received	1,778	1,756	860	158
Borrowing costs	(7,214)	(3,955)	(2,706)	(2,369)
Income taxes paid	(21,340)	(30,594)	(47,955)	(44,161)
Net cash inflow from operating activities	103,211	128,507	91,247	49,550
Payments for property, plant and equipment	(28,399)	(36,243)	(55,575)	(28,767)
Payments for other investments	-	(1,964)	(3,500)	-
Payments for controlled entities and businesses	-	-	(51,334)	(57,575)
Net proceeds from sale of controlled entities	1,938	23,321	-	-
Proceeds from sale of other investments	-	356	-	-
Proceeds from insurance claim re plant and equipment	1,148	742	-	-
Proceeds from sale of property, plant and equipment	4,732	3,112	4,369	298
Net cash outflow from investing activities	(20,581)	(10,676)	(106,040)	(86,044)
Proceeds from borrowings	68,951	70,409	118,951	170,379
Repayment of borrowings	(97,520)	(158,547)	(93,471)	(75,544)
Proceeds from issue of shares	7,413	17,228	867	-
Payment for shares under share buy-back	-	-	(17,033)	-
Dividends paid	(30,430)	(38,367)	(52,442)	(54,652)
Net cash outflow from financing activities	(51,586)	(109,277)	(43,128)	40,183
Net increase / (decrease) in cash held	31,044	8,554	(57,921)	3,689
Cash at the beginning of the financial year	39,850	71,202	78,617	20,107
Effects of exchange rate changes on cash	308	(1,139)	(589)	377
Cash at end of financial year	71,202	78,617	20,107	24,173

Source: Sims Group financial statements



In relation to the table, we note:

- Sims Group's net cash outflow from investing activities increased \$62 million as a result of the acquisition of the Mirec group of companies. The net cash proceeds paid for the acquisition was \$57.6 million;
- Sims Group's net cash inflow from financing activities increased significantly for the half year ended 31 December 2004 over the previous corresponding 6 month period. We understand that Sims Group's increased non current debt was the predominant driver of the increase; and
- sales and EBITDA growth may not be reflected in operating cash flows due to the fact that working capital expenditure increases as ferrous metal prices increase, and working capital decreases as ferrous metal prices decrease.

Subsequent events

We note the following with respect to Sims Group's operations in the period after 31 December 2004:

- whilst there has been a contraction in margins as a result of the decline in ferrous metal prices, this has been moderated as a result of the following:
 - Sims Group pre sold (in the ordinary course of business) a significant amount of ferrous product in the beginning of the 2005 calendar year before the decline in ferrous prices; and
 - Sims Group has been able to retain strong EBIT margins as a result of its strong market position in certain geographic regions; and
- Sims Group management believes that Sims Group earnings for the 2005 financial year is likely to be slightly below guidance given in April 2005.

6.5 Forecast financial performance

On 24 June 2005, Sims Group announced that it expected its forecast net profit after tax for the 2005 financial year to be slightly below its previous guidance of \$190 million. Sims Group also stated that:

- current market conditions (including a significant downturn in ferrous metal prices in the June quarter of 2005) indicate that earnings for the quarter ending 30 September 2005 are likely to be significantly below those for the prior corresponding period;
- ferrous metal prices, while remaining volatile, appear to be rebounding in the USA and have stabilised in Asia; and



- earnings guidance for the three months ending 30 September 2005 should not be taken as earnings guidance for the year ending 30 June 2006.

The following table illustrates earnings estimates for Sims Group for the 2006 financial year as included in a number of broker reports published before the announcement of the Scheme and Acquisition:

Table 9: Broker earnings estimates for 2006 financial year

Broker	Report date	Sales (\$m)	EBITDA (\$m)	EBIT (\$m)	Net profit (\$m)
Broker 1	27 June 2005	2,183	196	158	106
Broker 2	27 June 2005	2,327	188	159	108
Broker 3	2 May 2005	2,561	288	256	167
Broker 4	24 June 2005	1,932	235	201	131
Broker 5	29 April 2005	2,319	306	271	180
Broker 6	27 June 2005	2,167	249	193	123
Broker 7	24 June 2005	1,838	233	186	126
<i>Mean</i>		2,190	242	203	134
<i>Median</i>		2,183	235	193	126

We note that the above earnings estimates for the 2006 financial year reflect weaker recycled ferrous metal prices than those experienced in recent months. We also note that we have utilised these earnings estimates as a cross-check to our estimate of Sims Group's likely future maintainable earnings in section 8.2 of this report.

6.6

Capital structure

Contributed equity

Sims Group had approximately 91 million shares on issue as at 30 June 2005. The following table illustrates Sims Group's top 10 shareholders as at that date:

Table 10: Sims Group major shareholders as at 30 June 2005

	Total number of securities held	% of contributed equity
JP Morgan Nominees Australia Limited	9,248,525	10.15
Westpac Custodian Nominees Limited	7,060,008	7.75
National Nominees Limited	5,727,614	6.29
RBC Global Services Australia Nominees Pty Limited	4,858,757	5.33
ANZ Nominees Limited	1,905,785	2.09
Citicorp Nominees Pty Limited	1,878,990	2.06
ANZ Nominees Limited	1,429,765	1.57
AMP Life Limited	1,282,557	1.41
RBC Global Services Australia Nominees Pty Limited	1,236,998	1.36
Warbont Nominees Pty Limited	1,151,860	1.26
Total	35,780,859	29.27
Other security holders	55,305,227	60.73
Total listed securities on issue	91,086,086	100.0

Source: Sims Group



The following table provides a breakdown of the relevant interests held by substantial shareholders as at last notice:

Table 11: Sims Group substantial shareholders as at last notice

	Date of last notice	Total number of securities held	% of contributed equity
Perpetual Trustees Australia Limited	12 July 2005	10,674,948	11.7
M&G Investment Management Limited	04 April 2005	6,382,574	7.0

Source: Sims Group

The spread of shareholders as at 30 June 2005 is set out below:

Table 12: Spread of Sims Group shareholders as at 30 June 2005

Size of holding	Number of security holders	% of securities on issue
1 to 1,000	9,786	6.6
1,001 to 5,000	9,398	24.4
5,001 to 10,000	1,094	8.7
10,001 to 100,000	460	11.1
100,001 and over	45	49.2
Total	20,783	100.0

Source: Computershare

We note the following with respect to the shareholder spread of Sims Group:

- shareholders holding parcels less than 10,000 shares account for approximately 40% of the total shares on issue. This would indicate a reasonable level of spread in the shareholder base of Sims Group; and
- there appears to be a large proportion of small parcel shareholders, with over 90% of total shareholders holding parcels of less than 5,000 shares.



Directors' interests

As at 13 July 2005, the directors of Sims Group held the following securities:

Table 13: Directors' and Executive's relevant interests

Name	Position	Number of shares held
PK Mazoudier	Chairman- Non-Executive Director	14,082
JL Sutcliffe	Group Chief Executive	10,000
RB Cunningham	Executive Director, Group Finance and Strategy	-
GN Brunson	Non Executive Director	3,250
AC Copeman	Non Executive Director	7,791
JM Feeney	Non Executive Director	25,504
Total		60,627

Source: Sims Group

Options

We note that there are no share options on issue by Sims Group as at 30 June 2005. Options previously granted to the Group Chief Executive have been exercised.

ADR facility

American Depositary Receipts ("ADRs") are negotiable securities in the USA that generally represent a non US company's publicly traded equity. ADRs are denominated in US dollars or euros, and allow investors an opportunity to diversify their portfolios by investing in overseas companies. Sims Group has a sponsored ADR facility with the Bank of New York. The ADRs trade on an over the counter basis with each ADR representing four ordinary Sims Group Shares.

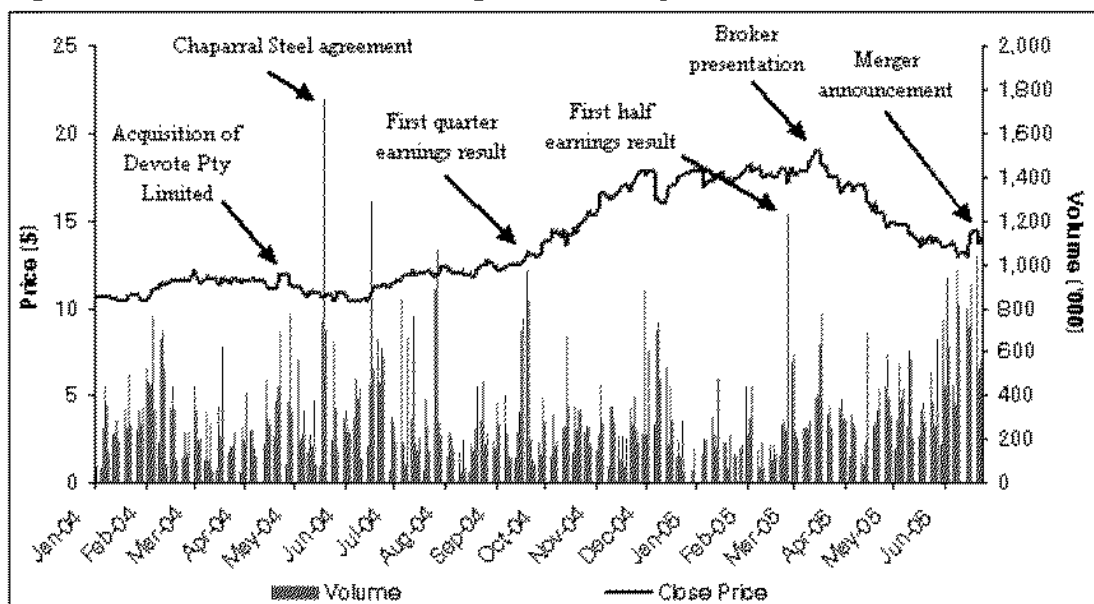
6.7 *Share market performance*

Recent security market trading

Sims Group's price history and volume of trading for the period from 1 January 2004 to 24 June 2005 (being the date of the announcement of the Scheme and the Acquisition) is set out below.



Figure 9: Prices and volume of trading in Sims Group Shares



Source: dfs IRESS

Announcements and publications issued since 1 January 2004 that may have had an impact on the market price and trading volumes of Sims Group Shares have been included in the following table:

Table 14: Sims Group announcements and publications

Date	Announcement/publication
22 April 2004	Sims Group announced that it had upgraded its full year forecast based on record third quarter results. Sims Group also announced the group's agreement to purchase the assets and business of Bay Bridge Enterprise LLC in Virginia, USA. The acquisition formed part of the group's strategy to expand on the US east coast.
31 May 2004	Sims Group announced the acquisition of Devote Pty Ltd, trading as TyreCycle and Encore rubber, Australia's largest tyre recycler.
22 June 2004	Sims Group announced an agreement with Chaparral Steel to lease its mega shredder located at Petersburg Virginia, USA. This agreement marked Sims Group continued expansion on the USA east coast.
23 August 2004	Sims Group released its full year results. The full year result was a record along with record earnings per share and a record dividend.
20 September 2004	Sims Group announced an upgrade for first quarter earnings for fiscal 2005.



Date	Announcement/publication
5 October 2004	Sims Group announced the completed acquisition of the Mirec Group of Companies, a European electronic and electrical equipment recycler. The acquisition was made to complement the recycling solutions division.
21 October 2004	Sims Group announced that first quarter earnings were up 244%.
25 February 2005	Sims Group announced its half year results to 31 December 2004 and an upgrade in the full year outlook. The result incorporated a first half record performance led by the strong ferrous metal prices and strong performance in the US. The outlook for the second half was robust and a record performance was forecast for the full year.
24 February 2005	Sims Group and Collex launched Australia's first comprehensive information technology and electronics recycling business.
25 February 2005	Sims Group announced a record first half profit to 31 December 2004. The earnings were up threefold on the previous corresponding period.
18 March 2005	Sims Group released an investor presentation in relation to its UK and USA operations. The presentation provided details on recycled metal markets in those regions, included information on operating performance, and incorporated a discussion of general strategic and acquisition opportunities for Sims Group.
8 April 2005	Sims Group paid an interim dividend of \$0.70 per share.
29 April 2005	Sims Group announced that third quarter results were in line with management expectations and that full year earnings of approximately \$190 million are expected to be achieved.
24 June 2005	Sims Group announced the Acquisition and the Scheme. Sims Group also announced: • a profit downgrade indicating that full year earnings are likely to be slightly below the previous forecast of \$190 million due to a "significant" decrease in ferrous prices in June 2005; • first quarter earnings for the 2006 financial year are likely to be "significantly" below those for the prior corresponding period; and • the earnings guidance for the first quarter of the 2006 financial year should not be taken as guidance for the full 2006 financial year.

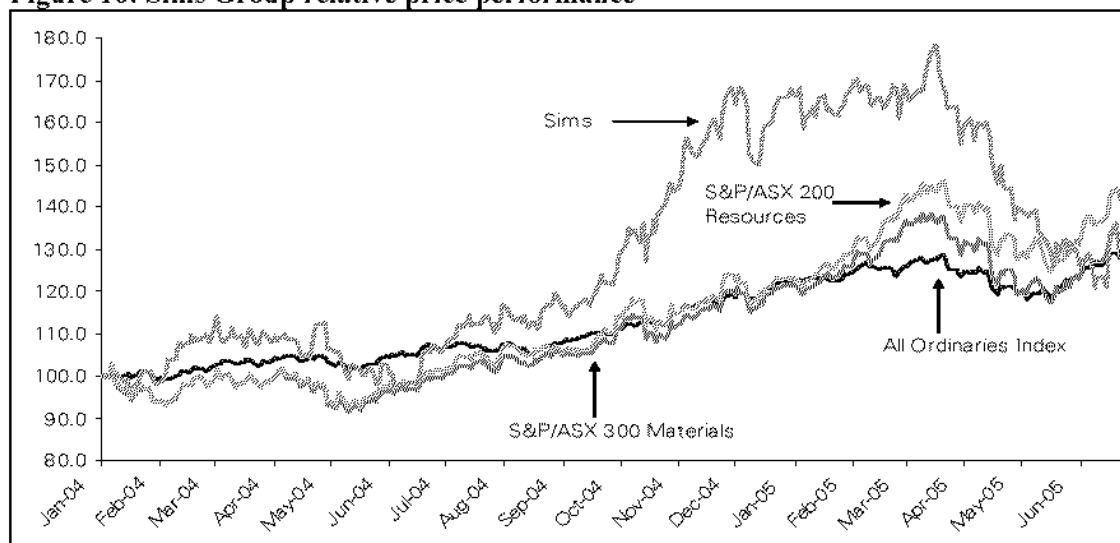
Source: ASX and various publications



Relative share price performance

Sims Group is currently included in the S&P/ASX 300 Material Index, although representing less than 1% of this index. The figure below illustrates the performance of Sims Group securities between 1 January 2004 and 24 June 2005 (being the date of the announcement of the Scheme and the Acquisition), relative to the ASX All Ordinaries Index, S&P/ASX 200 Resources Index and the S&P/ASX 300 Materials Index.

Figure 10: Sims Group relative price performance



Source: dfs IRESS

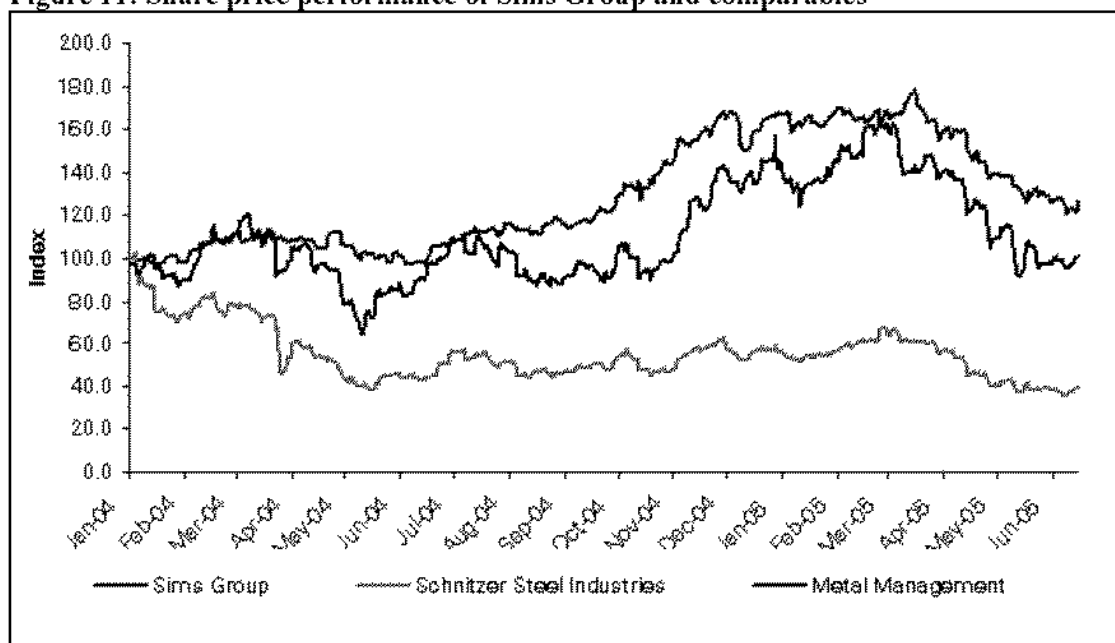
In relation to the figure above we note the following with respect to the share price performance of Sims Group:

- Sims Group's share price performance was in line with all comparable indices for the first 7 months of 2004;
- Sims Group outperformed all three comparable indices during the period 16 July 2004 to 15 March 2005. In this period Sims Group's share price increased 59% compared to the 19.1%, 37.3% and 33.1% growth experienced by the All Ordinaries Index, the S&P/ASX 200 Resources Index and the S&P/ASX 300 Materials Index respectively. The outperformance of Sims Group Shares over this period may be attributable to company specific factors which include the following:
 - Sims Group announced record earnings and/or profit upgrades at all quarterly releases, fuelling stock price momentum;
 - there was significant speculation about industry consolidation and Sims Group management had publicly announced its intention to find suitable targets; and



- Sims Group had positioned itself to take advantage of the Asian demand for steel and recyclable material, resulting in strong performances in both the USA and Australia as both countries exported significant volumes to Asian regions;
- Sims Group however underperformed the market during the period from 16 March 2005 to mid June 2005. Sims Group share price declined 28.8% compared to the 0.2%, 4.2% and 2.9% losses of the All Ordinaries Index, the S&P/ASX 200 Resources Index and the S&P/ASX 300 Materials Index respectively. We note that Sims Group paid a final dividend on 8 October 2004, and an interim dividend was paid on 8 April 2005;
- over the 18 month period prior to announcement, the Sims Group share price has exhibited strong correlation with the fluctuations in all three comparable indices. Whilst the direction of the fluctuations has exhibited strong correlation, the volatility has not. Sims Group experienced much larger fluctuations in both the expansion and contraction periods; and
- the close relationship between Sims Group's share price movements and the price of ferrous metal is mirrored in many of Sims Group's comparable companies. The following graph illustrates Sims Group's share price movements against those of Schnitzer Steel Industries and Metal Management, Inc.:

Figure 11: Share price performance of Sims Group and comparables



Source: Bloomberg LLP and KPMG

Note:

1 The share price for Metal Management has been adjusted for a share split which took place in April 2004.



The above figure indicates the high correlation between Sims Group's share price and that of Metal Management, Inc. over the entire period. We also note that all 3 stocks are highly correlated over the period from 1 June 2004.

Share trading after the announcement of the Scheme and Acquisition

We note that from the close of trade on 23 June 2005 (being the day immediately prior to the announcement of the Scheme and the Acquisition) to 6 July 2005:

- Sims Group Shares increased from \$14.06 to \$14.60, an increase of 2.0%;
- the S&P/ASX 300 Material Index increased 2.1%; and
- the ASX All Ordinaries Index declined 0.4%.

In our view we would generally expect an earnings downgrade to result in a decline in the share price, particularly in the situation where expected earnings had been recently confirmed to the market (in the case of Sims Group this occurred on 29 April 2005). In the present circumstances, in light of an earnings downgrade and a declining market, Sims Group's share price has increased since the announcement of the Scheme. In our view this indicates general support for the strategy indicated by the Scheme and the Acquisition.

Liquidity analysis

An analysis of the volume of trading in Sims Group's shares prior to the announcement of the Scheme and Acquisition including the VWAP¹⁶ for period to 24 June 2005 is set out below:

Table 15: VWAP of trading in Sims Group Shares prior to 24 June 2005

Period	Price (high)	Price (low)	VWAP	Cumulative volume ('000)	% of issued capital
1 week	14.98	13.52	14.05	4,724	5.19
1 month	14.98	12.85	13.69	14,513	15.93
3 months	17.58	12.85	14.46	27,211	29.87
6 months	19.25	12.85	15.69	42,246	46.38
12 months	19.25	11.25	14.92	79,953	87.78

Source: dfs IRESS

In relation to the table above we note:

- over the 12 month period to 24 June 2005, the total volume of trading in Sims Group's shares was 79.95 million, or 87.78% of issued capital;
- the volume weighted average price over the 12 month period ended 24 June 2005 was \$14.92; and

¹⁶ Volume weighted average price.

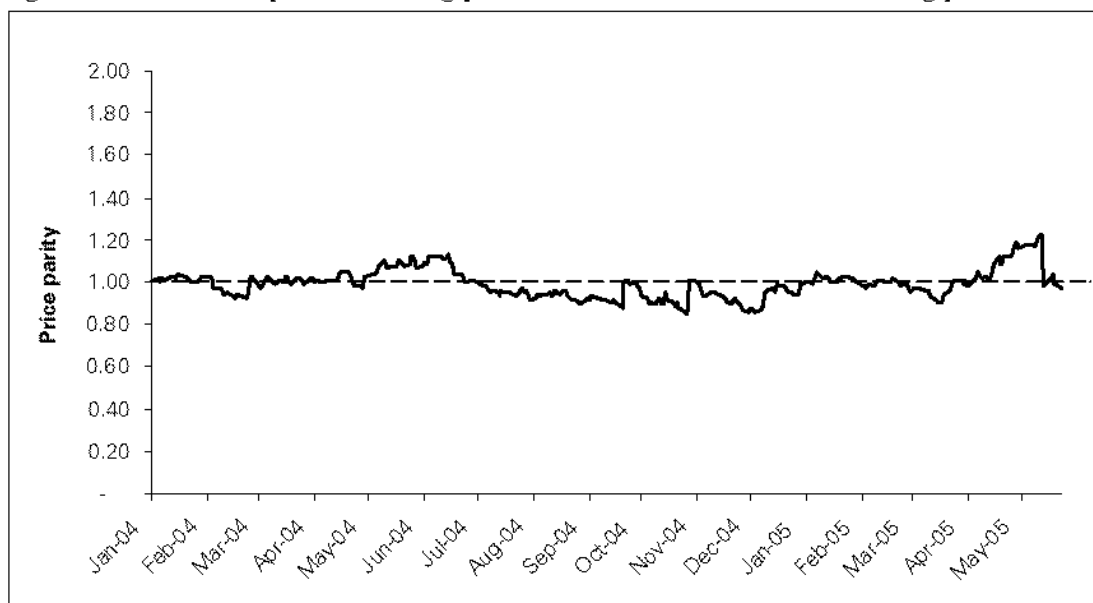


- over the 12 month period to 24 June 2005, the average monthly volume of trading in Sims Group's shares was 6.62 million, or 7.31% of issued capital. Based on this analysis, we consider Sims Group's shares to be fairly actively traded.

ADR trading

The following graph illustrates the price parity between Sims Group's traded ADR price relative to Sims Group's ASX share trading price when the 4 for 1 ratio and USA/Australian dollar exchange rate is taken into consideration:

Figure 11: Sims Group ADR trading price relative to its ASX share trading price



Source: Bloomberg LLP and KPMG

The above graph illustrates the price parity apparent between Sims Group's Australian dollar translated ADR price relative to its ASX traded share price, with price relativity fluctuating around 1.

Periods of divergence in price parity, such as between May 2004 and June 2004 where the relative ADR price exceeded Sims Group's share price often coincides with periods of foreign exchange rate volatility. Whilst factors such as foreign exchange fluctuations may bring a degree of instability to the price parity in the short term, we note that such episodes are relatively short lived as investors take advantage of arbitrage opportunities and drive relative prices back towards 1.

Profile of businesses to be acquired

The operations being acquired pursuant to the Acquisition are set out in detail in Section 4 of the Explanatory Booklet. Accordingly, we have not incorporated detailed operational and financial information in this report.



However, we are of the view that the following points are important in the evaluation of the Scheme and the Acquisition:

- Hugo Neu Corporation has traditionally operated as a series of joint ventures with Schnitzer Steel Industries;
- the joint venture activities between Hugo Neu Corporation and Schnitzer are in the process of being segregated with Hugo Neu Corporation and Schnitzer Steel Industries each ultimately taking full control of certain joint ventures;
- the historical financial statements of Hugo Neu Corporation are not reflective of the ongoing operations of Hugo Neu (in the absence of the Acquisition) due to the altered operating structure;
- PricewaterhouseCoopers Securities Ltd have undertaken a review of the pro-forma financial information relating to Hugo Neu. The Investigating Accountant's Report is set out in Section 8 of the Explanatory Booklet;
- the pro-forma financial information subject to the PricewaterhouseCoopers Securities Ltd review is set out in Section 6 and Appendix B of the Explanatory Booklet;
- summary financial information in relation to Hugo Neu is set out below:

Table 16: Hugo Neu summary financial information

Million	Year ended 31 August			12 months to 31 Dec
	2002	2003	2004	2004
Revenue	529.4	793.5	1,430.4	1,742.5
EBITDA	31.4	57.7	137.1	182.1
EBITDA margin (%)	5.9	7.3	9.6	10.5
Net assets	Na	Na	157.9	142.4

Source: Explanatory Booklet

- as at 31 December 2004, Hugo Neu's pro-forma net interest bearing debt totalled US\$156.6 million (\$201.2 million).

8 Valuation of Sims Group

8.1 General

In section 4.6 we noted that in selecting the appropriate valuation methodology to value Sims Group we considered the available valuation methodologies and formed the view that the most appropriate methodology to value both Sims Group and Hugo Neu to be the Capitalisation of Earnings approach.



8.2 *Likely future maintainable earnings*

In undertaking a Capitalisation of Earnings approach, it is necessary to determine the likely level of future maintainable earnings. In general, future maintainable earnings may be defined as the level of earnings (in this case EBITDA) which, in the absence of unforeseen circumstances, the level of EBITDA would be unlikely to fall below. While there are difficulties applying this concept in most valuations, in the case of Sims Group the estimation of future maintainable EBITDA is also impacted by the volatility of ferrous metal prices. In particular we note that over the period June 2003 to April 2005, the trend in recycled ferrous metal prices has been an increasing one and the standard deviation has been approximately 20% per month. In this environment, Sims Group has reported the following levels of EBITDA:

Table 17: Historical EBITDA

	\$ million
Year ended 30 June 2002	113.9
Year ended 30 June 2003	149.1
Year ended 30 June 2004	202.8
Last 12 months to 31 December 2004	315.7

Source: Explanatory Booklet

As noted elsewhere in this report, recycled ferrous metal prices have declined in 2005 from the levels experienced in the latter half of 2004. In addition, while the price trend has been increasing, the continuation of that trend is dependent upon factors outside the control of Sims Group.

Due to the variability of the recycled ferrous metal price, there are likely to be significant year by year differences in actual results to our estimation of the maintainable earnings of Sims Group. In some years Sims Group's EBITDA will be above our estimation and in others it will be below. On the basis of no significant changes in the volumes of product sold by Sims Group, we are of the opinion that a reasonable estimate of the future maintainable EBITDA of Sims Group is in the range of \$260 million to \$280 million. In forming this view, we have considered:

- the historical EBITDA of Sims Group;
- Sims Group's forecast for the year ended 30 June 2005 (although we note that this forecast was compiled prior to the decline in recycled ferrous metal pricing experienced in the second quarter of 2005);
- the proportion of Sims Group's earnings derived from recycled ferrous metal operations;



- the average recycled ferrous metal prices over the periods (as sourced from Figure 5) July 2004 to June 2005 and January 2005 to June 2005 of US\$272 per tonne and US\$258 per tonne respectively;
- the price volatilities implicit in the pricing set out in Figure 5 of 41.2% and 53.0% for the periods July 2004 to June 2005 and January 2005 to June 2005 respectively;
- the lack of a forward market for recycled ferrous metal pricing;
- the trend in recycled ferrous metal prices over the first half of 2005; and
- the absolute level of the recycled ferrous metal price as at June 2005.

As a cross-check, we note:

- the median and mean broker estimates of Sims Group's 2006 EBITDA are \$235 million and \$242 million respectively; and
- Sims Group's share price is highly correlated to the ferrous metal price (with a correlation coefficient of 40%).

8.3 *Earnings multiple*

The multiple applied in a Capitalisation of Earnings based approach should reflect the return expected by an investor in the business. Therefore the selected multiple should reflect amongst other things:

- the operational risks of the business;
- the growth profile of the business; and
- the nature of the environment in which the business operates.

In selecting the multiples to be applied, consideration is generally given to data from listed companies and recent transactions in a comparable sector, with appropriate adjustment for the specific characteristics of the business being valued. In making our assessment as to the appropriateness of the multiples, the following specific factors were considered:

- trading in Sims Group Shares;
- companies which may be broadly considered comparable in terms of operations; and
- transactions in the recyclable ferrous metal and wider recycling industries.

Pre announcement trading

At 24 June 2005, Sims Group closed at \$14.06 per share implying an historical EBITDA multiple of 4.5 times based upon EBITDA generated during the 12 months ended 31 December 2004.



Comparable companies

We have identified a number of comparable companies as detailed in Appendix 3. In assessing this information it should be noted that:

- whilst the comparable companies have operations of a similar nature to those of Sims Group, they are all different in terms of their size and growth profile, as well as the size and characteristics of the market in which they operate; and
- trading multiples of publicly listed companies reflect the investment expectations of portfolio investors. That is, they represent trading in parcels of shares to which no premium for control attaches.

In relation to the comparables we note the following:

- we have stratified the selected companies into those we consider to be most comparable to Sims Group (Group 1 companies) and those which we consider to be relevant to the current analysis but not as comparable as the Group 1 companies (Group 2 companies) as they undertake more "value added" processes than Sims Group;
- in relation to the Group 1 companies, the average EBITDA multiple was 4.0 times, and the median multiple was 3.5 times;
- the average EBITDA multiple for all comparable companies was 7.1 times, and the median multiple was 4.4 times;
- Sims Group has strong EBITDA margins when compared to a large number of the companies set out in Appendix 3;
- generally the larger companies in the industry tend to have higher implied multiples due to having sufficient scale and operations to implement technological change and reduce operational risk; and
- the more geographically diversified companies tend to have higher multiples due to their ability to better diversify operational risk.

Comparable Transactions

We have identified a number of comparable transactions as detailed in Appendix 4. In relation to these we note:

- the average implied EBITDA multiple for the comparable transactions was 5.9 times with a median of 5.7 times. Of the transactions considered, the minimum and maximum implied EBITDA multiples were 4.3 times and 7.8 times respectively. We note however that many of the companies identified at Appendix 4 are involved in more diverse operations or undertook a higher degree of manufacturing than either Sims Group or the businesses to be acquired from Hugo Neu Corporation. Accordingly, in our opinion the EBITDA multiples



of these companies may be higher than that attributable to a company which provides purely metal recycling services;

- Sims Group's implied EBITDA multiples for the acquisitions undertaken in 2004 of between 6.1 times to 9.2 times. In respect of these we note:
 - the implied transaction multiple in the Devote acquisition reflects the achievement of considerable synergies in the form of cost savings; and
 - cost savings expected in the Bay Bridge acquisition are in part offset by approximately \$3 million of maintenance capital expenditure; and
- it is likely that the value of all the transactions considered above would have included both an element of 'pure' control premium and a value in respect of synergistic and/or strategic benefits, some of which may have been unique to the acquirer. The extent of any synergy benefit varies between transactions.

Having regard to the above, we are of the opinion that an appropriate EBITDA multiple by which to value the issued capital of Sims Group, incorporating a premium for control would approximate 5 times.

8.4 *Valuation of Sims Group's shares*

Based upon the above, we have valued a Sims Group share in the range of \$13.08 to \$14.18, calculated as follows.

Table 18: Valuation range

	Low \$ million	High \$ million
Maintainable EBITDA	260.0	280.0
EBITDA multiple (times)	5.0	5.0
Enterprise value	1,300.0	1,400.0
Less net debt	107.1	107.1
Add cash from exercise of options	1.3	1.3
Value of issued capital	1,194.2	1,294.2
Shares outstanding, fully diluted (million)	91.3	91.3
Price per share (\$)	13.08	14.18

Source: KPMG analysis

We note that the range set out in the above table is below prices at which Sims Group Shares have recently traded. As previously noted, the Sims Group share price is highly correlated to the price of recycled ferrous metal. Therefore, were the long term average recyclable ferrous metal price to be below the levels experienced in the period ended 31 December 2004, we



would expect the Sims Group share price (on a long term basis and in the absence of any other factors) to be below the historically high levels.

9 Impact of the Scheme and the Acquisition

Of itself, the Scheme is merely part of the method by which the Acquisition is to be facilitated. In the absence of the Acquisition (were the Scheme to proceed) shareholders' interests in New Sims Group would be identical to their existing interests in Sims Group, their underlying business would remain unaltered as would the risk profile of their investment. Accordingly, for the remainder of this Section we will only consider the impact of the Acquisition.

9.1 *Management rationale for the Acquisition*

Sims Group management have taken an active approach to growing the business operations of Sims Group. This is evidenced by the acquisitions and divestments undertaken in recent years. Management have indicated that Sims Group acquisition criteria include complementary businesses with deep water port access in order to meet demand from export markets. In this context, the Acquisition provides Sims Group with significant scale in the USA in markets which complement those in which Sims Group currently operates. Whereas Sims Group currently has operations in San Francisco and Virginia, Hugo Neu operates in Los Angeles and New York/New Jersey.

9.2 *Anticipated pro-forma financial impact of the Acquisition*

The anticipated pro-forma financial impact of the Acquisition on Sims Group's operations is set out in Section 6 of the Explanatory Booklet. We do not intend reproducing that information in this report but note the following salient points.

Table 19: Financial impact of the Acquisition on Sims Group, last 12 months

	Before Acquisition	After Acquisition
USA and Canada Revenue	559.9	2,302.4
Other revenue	1,772.9	1,772.9
Total Revenue (\$ million)	2,332.8	4,075.3
Revenue acquired as a percentage of total (%)		42.8
EBITDA (\$ million)	315.7	497.3
EBITDA acquired as a percentage of total (%)		37.0
EBITDA per share (\$)	3.46	4.03
Net assets per share (\$)	5.26	7.57

Source: Sims Group and Explanatory Booklet



We also note the following:

- the consideration for the Acquisition is shares in New Sims Group with these shares being subject to the Lockup Agreement for a period of 18 months. Based upon:
 - Sims Group's statement of financial position as at 31 December 2004; and
 - the New Sims Group consolidated statement of financial position set out in section 6 of the Explanatory Booklet,
- Sims Group's gearing¹⁷ will increase from 8.6% prior to the Acquisition to approximately 19% as a result of the Acquisition (although New Sims Group's gearing will remain below the median of the comparable companies set out in Appendix 3);
- in addition to the final ordinary dividend, Sims Group's Board intends to declare a special dividend expected to total approximately \$0.20 per share reflecting the net profit after tax of Sims Group for the 6 months ending 30 June 2005; and
- the Acquisition will result in an increasing percentage of Sims Group's earnings being sourced from regions outside Australia. In these circumstances the level of franking associated with the dividends paid by Sims Group will decline. In this respect we note the level of dividends paid historically as set out below.

Table 20: Dividends

Applicable to year ended	Dividend declared (\$)	Gross dividend (\$)	Franking %
30 June 2002	0.360	0.514	100.0
30 June 2003	0.540	0.709	73.2
30 June 2004	0.660	0.805	51.2

Source: Bloomberg LLP

9.3 *Synergies and implementation costs*

Synergies

Sims Group and Hugo Neu operate complementary businesses on the east and west coasts of the USA but at different geographical locations. Sims Group management have advised us that any "hard" synergies associated with the Acquisition (such as direct cost savings) are likely to be minimal and that any synergies ultimately realised are more likely to be attributable to "soft" synergies such as no longer competing with each other in export markets and increased buying power. We understand that these synergies have not been quantified (and are not necessarily

¹⁷ As represented by the book value of net debt divided by the market value of equity. The comparison is based upon the pro-forma net debt as at 31 December 2004.



capable of quantification with any precision) and, based upon our assessment of the pricing of the Acquisition, the fairness of the Acquisition is not dependent upon them.

We also note that any synergies arising will be shared by shareholders based upon their relative equity interests.

Implementation costs

Sims Group's management have indicated to us that they do not expect significant implementation costs associated with the Acquisition.

9.4 Other impacts

Other impacts flowing from approval of the Scheme include:

- Hugo Neu Corporation will appoint two directors (of a current total of 8, which total will not increase above 9 for so long as Hugo Neu Corporation has the right to appoint directors to the Board of New Sims Group) to the New Sims Group board; and
- Mr John Neu will execute an employment contract with an initial term of 3 years.

10 Evaluation of the Scheme

The Scheme and the Acquisition are inexorably linked. Therefore as part of our consideration as to whether the Scheme is in the best interests of Sims Group Shareholders, we have considered the pricing implicit in the Acquisition.

10.1 Assessment of fairness

Pursuant to ASIC Policy Statement 75, an offer is "fair" if:

"The value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."

In considering the pricing of the Acquisition, we have considered the valuation parameters associated with the business to be acquired from Hugo Neu Corporation by reference to our valuation of Sims Group's shares and the consideration to be paid to Hugo Neu Corporation. The implicit EBITDA multiples are set out in the table below.



Table 21: Implicit value of Hugo Neu

	Low	High
Value of a Sims Group share (\$)	13.08	14.18
Shares used as consideration for the Acquisition (m)	32.07	32.07
Value of consideration (\$ million)	419.48	454.75
\$/US\$ exchange rate on 15 June 2005	0.7658	0.7658
Value of consideration (US\$ million)	321.2	348.2
Debt being acquired (US\$ million)	156.6	156.6
Enterprise value of Hugo Neu being acquired (US\$ million)	477.8	504.8
EBITDA (US\$ million)	131.4	131.4
Implicit EBITDA multiple in the Acquisition	3.6	3.8

Source: KPMG analysis

In evaluating the fairness of the EBITDA multiples implicit in the Acquisition, we have taken into consideration:

- the comparable company and comparable transaction multiples set out in Appendix 3 and Appendix 4 respectively;
- the multiples implicit in other transactions undertaken by Sims Group;
- that the realisation of any synergies would only tend to reduce the implicit multiples calculated above;
- that Hugo Neu is less geographically diversified and less operationally diversified than Sims Group's business operations; and
- that the EBITDA of Hugo Neu is likely impacted by the high recycled ferrous metal prices recently experienced and that the EBITDA for the 12 months ended 31 December 2004 may not necessarily be considered to be maintainable. In this context, were the maintainable EBITDA of Hugo Neu to be assessed at:
 - 10% below the level set out in table 21, the implicit EBITDA multiples in the Acquisition would increase to between 4.0 times and 4.3 times; and
 - 25% below the level set out in table 21, the implicit EBITDA multiples in the Acquisition would increase to between 4.8 times and 5.1 times.

After considering each of the above factors, we are of the opinion that the EBITDA multiples implicit in the Acquisition are fair.



10.2 Advantages of the Acquisition

There are a number of advantages associated with the Acquisition which we have considered in forming our opinion. These are:

- the Acquisition enables Sims Group to acquire a significant participant in the USA recyclable ferrous metal industry. As indicated in Figure 2, the industry is quite fragmented and the combination of the business operations of Sims Group and Hugo Neu will result in New Sims Group becoming the second largest operator in the USA. Sims Group operations in San Francisco and Virginia will be augmented by the Hugo Neu businesses operating in Los Angeles and New York/New Jersey;
- pro-forma operating earnings per share for New Sims Group (based upon actual and pro-forma results for the 12 months ended 31 December 2004) are expected to increase from \$3.46 to \$4.03;
- net assets per share will increase as a result of the Acquisition from \$5.26 to \$7.57 (although we note that net tangible assets per share decline);
- gearing increases but remains below the median gearing level for companies comparable to New Sims Group;
- through the utilisation of New Sims Group Shares as consideration for the Acquisition, New Sims Group retains greater financial flexibility in conducting its business in the future; and
- the Lockup Agreement and the employment contract signed by Mr John Neu mean that Hugo Neu Corporation is committed to the development of New Sims Group's business in the USA.

10.3 Disadvantages of the Acquisition

There are also a number of disadvantages associated with the Acquisition which we have considered in forming our opinion. These are:

- Sims Group has historically committed resources to diversify its core ferrous metal recycling business into post consumer recycling operations. The acquisition of Hugo Neu will increase New Sims Group's exposure to ferrous metal recycling. As previously indicated, historical recycled ferrous metal prices have been quite volatile and, therefore, the Acquisition could be expected to increase the earnings volatility of New Sims Group. However, we also note that New Sims Group will have the opportunity to increase the post consumer recycling operations of Hugo Neu and that, as these develop, the exposure of New Sims Group's earnings to the volatility of recycled ferrous metal prices could be expected to decline;



- an increased proportion of earnings of New Sims Group will be sourced outside of Australia, thereby increasing the potential volatility of New Sims Group's reported Australian dollar earnings to exchange rate movements;
- Sims Group Shareholders' interest in Sims Group will be reduced from 100% to 74% although this must be considered in the context of New Sims Group's larger business and the increase in operational earnings per share;
- Sims Group Shareholders will be subjected to integration risks as the operations of Hugo Neu are combined with those of Sims Group (however we understand that Sims Group management are quite familiar with Hugo Neu and Sims Group have also undertaken extensive due diligence investigations);
- Hugo Neu Corporation will become the largest shareholder of New Sims Group controlling 26.0% of total shares outstanding. The existence of a large shareholding block may decrease the liquidity of New Sims Group Shares; and
- the likelihood of a takeover offer may be reduced due to Hugo Neu Corporation's large shareholding.

10.4 *Implications if the Scheme and/or the Acquisition are not approved*

The resolution implementing the Scheme and the resolution approving the Acquisition are conditional upon each other. If Sims Group Shareholders do not approve one of these resolutions, neither will proceed. In this case:

- Sims Group Shareholders will not have their interests diluted from 100% to 74%;
- costs of \$9 million will have been incurred;
- in some circumstances, Sims Group will be required to reimburse costs to Hugo Neu Corporation of up to US\$3 million;
- Sims Group will remain listed on the ASX; and
- Sims Group business operations will remain unaltered and Sims Group Shareholders will not participate in any of the advantages associated with the Acquisition.

10.5 *Implications if the Relevant Interest is not approved*

The Acquisition is conditional upon the Relevant Interest being approved. If the Relevant Interest is not approved then, unless New Sims Group and Hugo Neu Corporation agree to waive that condition, the Acquisition will not occur. The implications of this event are discussed in sections 10.4, above.



10.6 *Other factors*

Separation

As indicated in Section 7 of this report the operations of Hugo Neu are being separated from Schnitzer Steel Industries. The Acquisition is conditional upon the separation of the Hugo Neu Corporation and Schnitzer Steel Industries joint ventures which is not wholly within the control of Sims Group. While such separation is anticipated to occur in September 2005, any delays may result in costs and business disruption to New Sims Group.

Dividends

While the Acquisition will result in an increase in Sims Group's earnings sourced from regions outside Australia (thereby impacting upon the level of available franking credits) we note that Sims Group Shareholders have experienced a declining level of dividend franking since 2002. The impact of the Acquisition on the gross yield on New Sims Group Shares (as compared to the gross yield on Sims Group Shares) will depend upon the levels of share price appreciation in the future.

Premium for control

A premium for control may be considered to be the payment of an amount by a purchaser of shares to secure control of the operations of an entity thereby gaining access to and control of the cashflows of that entity, including available synergies. Typically, this would involve securing control of the board of directors of a company, thereby being able to directly affect operational decision making.

In the case of the Acquisition, Hugo Neu Corporation are gaining 26.0% of the issued capital of New Sims Group and securing 2 New Sims Group Board seats from a current total of 8 (after the completion of the Acquisition). Accordingly, the ability of Hugo Neu Corporation to influence the strategic direction of New Sims Group without the support of the Board would be extremely limited. Further, as previously indicated in Section 9.3:

- available "hard" synergies are likely to be minimal;
- "soft" synergies have not been quantified (and are not necessarily capable of quantification with any precision); and
- any synergies arising will be shared by shareholders based upon their relative equity interests.

Accordingly, in our view a sufficient basis does not exist to warrant the payment of a premium for control by Hugo Neu Corporation for its shareholding in New Sims Group.



11 Opinion

In our opinion the Acquisition is fair and reasonable and, therefore, based upon our approach, the Scheme is in the best interests of Sims Group Shareholders. In forming this opinion we have taken the following factors into consideration:

- the value of a Sims Group share. We have valued a share in the issued capital of Sims Group in the range of \$13.08 to \$14.18 per share. This assessment was based upon a maintainable EBITDA in the range of \$260 million to \$280 million and an EBITDA multiple of 5 times;
- depending upon the extent to which weakening recycled ferrous material prices impact upon the EBITDA of Hugo Neu, the implicit EBITDA multiple associated with the businesses being acquired could be in the range of 3.6 times to 5.1 times. Given the:
 - differences between Hugo Neu and Sims Group;
 - comparable companies reviewed by us; and
 - the transactions considered,
 we do not consider this range of implicit EBITDA multiples to be unreasonable;
- the Acquisition provides Sims Group with the opportunity to gain significant scale in complementary geographical locations in a single transaction;
- Sims Group Shareholders' interests will be diluted from 100% of Sims Group to 74% of New Sims Group;
- the pro-forma financial implications of the Acquisition:
 - EBITDA per share (based upon the actual and pro-forma results for the year ended 31 December 2004) increases from \$3.46 to \$4.03; and
 - net assets per share increase from \$5.26 to \$7.57 (as at 31 December 2004);
- that Hugo Neu Corporation are not paying a premium for control for its interest of 26.0% of the issued capital of New Sims Group; and
- the Lockup Agreement and the employment terms of Mr John Neu.

We have also taken into account that Hugo Neu Corporation will become the largest shareholder in New Sims Group and that such a shareholding may act to discourage a takeover offer for New Sims Group.



We are also of the opinion that the Relevant Interest is fair and reasonable having regard to the interests of the Sims Group Shareholders and New Sims Group Shareholders.



Appendix 1 – Qualifications and declarations

Qualifications

KPMG is the holder of an Australian Financial Services Licence, No 246901, under the Corporations Act 2001. The individuals responsible for the preparation of this report are Mr Ian Jedlin and Mr Michael Jones.

Ian Jedlin is an Executive Director in KPMG, an Associate of the Institute of Chartered Accountants in Australia, holds a Master of Commerce from the University of New South Wales, an Associate of the Securities Institute of Australia and has had in excess of 15 years' experience in the preparation of independent reports on the valuation of shares and businesses.

Michael Jones is a Director in KPMG. He is an Associate of the Institute of Chartered Accountants in Australia, holds a Master of Commerce degree from the University of New South Wales and has had in excess of 15 years' experience in the preparation of independent reports on the valuation of shares and businesses.

Declarations

The statements contained in the report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

During the course of this engagement, KPMG provided draft copies of this report to Sims Group for comment as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG alone. Changes made to this report as a result of these reviews have not changed the opinions reached by KPMG.

Interests

KPMG is entitled to receive a fee in the order of \$350,000 excluding GST for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

Employees of KPMG may hold shares in Sims Group, however, no individual involved in the preparation of this report, or review thereof, holds a direct interest in Sims Group's shares.

Consent

KPMG consents to the issue of this report by Sims Group in conjunction with the Explanatory Booklet.

Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of KPMG to the form and context in which it appears.



PricewaterhouseCoopers have consented to the references to themselves and their report in this IER.

Responsibility

KPMG has prepared this report on the basis of information available as at the date of this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of Sims Group or Hugo Neu Corporation for the purposes of this report. We have considered and relied upon information provided by certain directors and senior management of Sims Group and Hugo Neu Corporation, which after due enquiry, we believe to be reliable, complete and not misleading. We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

We note that any forecasts and projections as supplied to us are based upon assumptions about events and circumstances that have not yet transpired. Accordingly, KPMG cannot provide any assurance that the estimates will be representative of the results, which will actually be achieved during the forecast period.

Indemnity

Sims Group has indemnified KPMG and its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with this report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services by KPMG and occasioned by reliance by KPMG on information provided by Sims Group or its representatives which is subsequently found to be false or misleading or not complete. Complete information is deemed to be information which at the time of completing this report should have been available to KPMG and would have reasonably been expected to have been made available to KPMG to enable us to form our opinion.



Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Sims Group

- Sims Group annual report for years ended 30 June 2003 and 2004 and half yearly report for half-year ended 31 December 2004;
- copies of management accounts for the 2005 financial year, including forecasts;
- Sims Group share register reports as at 31 January 2005 and 20 June 2005;
- details of presentations made by Sims Group management to investors;
- Sims Group Board discussion papers;
- Sims Group broker reports and major announcements;
- Sims Group web site; and
- copy of Explanatory Booklet.

Hugo Neu Corporation

- various Due Diligence reports on Hugo Neu Corporation;
- file notes and associated information collated by management of Sims Group in relation to the operating plant and equipment of Hugo Neu Corporation;
- information pack on Hugo Neu Corporation's operations; and
- Hugo Neu Corporation web site.

General

- Bloomberg LLP;
- IRESS Market Technology;
- various industry publications
- various newspaper articles; and
- DatAnalysis.

In addition, we have also had discussions with certain directors and management of both Sims Group and Hugo Neu Corporation, in relation to the nature of the operations of the business and the specific risks and opportunities for the business in the foreseeable future.



Appendix 3 –Comparable company analysis

The following table includes a number of companies whose operations may be considered comparable to Sims Group:

Table 22: Comparable company financial information

Company name	Market Cap (m) ¹	Revenues (m) ²	EBITDA (m) ³	EBIT (m) ³	EBITDA Multiple	EBIT Multiple	EBITDA margin (%)	Debt/ Mkt Cap (%)
Group 1								
Schnitzer Steel Industries Inc.	528	813	197	176	3.0	3.4	24.2%	10.7%
CFF Recycling	415	1,653	154	108	3.4	4.8	9.3%	24.3%
Metal Management Inc.	447	1,702	162	143	2.8	3.1	9.5%	
Green World Holdings Limited	28	241	9	8	3.6	4.0	3.7%	57.5%
Commercial Metals Company	1,612	5,997	464	389	4.2	5.1	7.7%	19.0%
Smorgon Steel Group Limited	1,097	2,825	234	110	6.8	14.5	8.3%	41.1%
Mean					4.0	5.8	10.5%	30.5%
Median					3.5	4.4	8.8%	24.3%
Group 2								
Citron AG	105	18	7	4	17.5	31.9	38.9%	17.1%
Gerdau Ameristeel Corp.	1,789	3,393	515	426	4.3	5.2	15.2%	24.4%
SMPC Corp. BHD	25	301	21	15	6.4	8.8	7.0%	
Metal Reclamation Berhad	86	169	17	12	11.2	15.3	10.1%	118.0%
Asahi Pretec Corp.	33,313	43,292	3,410	3,047	10.0	11.2	7.9%	2.3%
Greenman Technologies Inc.	12	31	2	(1)	15.4		6.5%	111.4%
Shenzhen Dongjiang Environ-H	84	214	28	25	3.6	4.0	13.1%	
Korea Zinc Co. Limited	570,818	2,184,685	200,533	97,083	4.4	9.2	9.2%	49.1%
Oriental Metals Limited	1,670	1,258	217	175	9.2	11.4	17.2%	9.3%
Mean (overall)					7.1	9.4	12.5%	40.4%
Median(overall)					4.4	7.0	9.3%	24.4%
Sims Group Limited	1,245	2,333	309	276	4.4	4.9	13.2%	8.6%

Source: Bloomberg LLP, company announcements, broker reports and company financials.

Note:

1. Financial measures are quoted in local currencies.
2. Market capitalisation is as at June 2005.
3. EBITDA and net debt are from the latest financial reports prior to June 2005.
4. Debt figure incorporates Net Debt.

**Table 23: Comparable company descriptions**

Company name	Country	Description
Schnitzer Steel Industries, Inc.	USA	Schnitzer Steel Industries, Inc. operates a steel recycling business in the United States. The company supplies recycled ferrous metals to export and domestic steel producers through its collection, processing, and deep water facilities. Schnitzer Steel Industries, Inc. also operates collection and processing facilities, as well as manages other facilities through joint ventures.
CFF Recycling	France	CFF Recycling collects, transforms, and recycles ferrous and non-ferrous metals. The company also operates recycling facilities located in France, the United States, Belgium, Spain, and Germany.
Metal Management, Inc.	USA	Metal Management, Inc. is a full service metal recycler that operates facilities in various states. The company collects and processes ferrous and non-ferrous metals for resale to metals brokers, steel producers, and producers and processors of other metals.
Green World Holdings Limited	Singapore	Green World Holdings Limited recycles and trades ferrous and non-ferrous metal to the international markets. The company also deals in electrical and electronics and recyclable insulated cable.
Citron AG	Switzerland	Citron Holding AG Centre International de Traitements et de Recyclage des Ordures Nocives recycles waste. The company recycles metal containing wastes such as shredded automobile residues, hydroxide sludges, catalysts, grinding sludges, and steel wastes.
Commercial Metals Company	USA	Commercial Metals Company and its subsidiaries manufacture, recycle and market steel and metal products and related materials. The company markets and trades primary and secondary metals, steel, ores, concentrates, industrial minerals, ferroalloys, chemicals, and other materials used in a variety of industries.
Smorgon Steel Group Limited	Australia	Smorgon Steel Group Limited operations encompasses steel manufacturing and distribution. The company's activities range from the collection and processing of recyclable steel to manufacturing, processing and distribution of a variety of steel products.
Gerdau Ameristeel Corp	Canada	Gerdau Ameristeel Corporation is a mini mill steel producer that provides mill finished steel products. The company primarily serves customers in the eastern half of North America through its network of mini mills, metal recycling facilities, and downstream operations. Gerdau's products are generally sold to steel service centres, fabricators, and original equipment manufacturers.

Source: Bloomberg LLP and KPMG

**Table 23: Comparable companies (continued)**

Company name	Country	Description
SMPC Corp. BHD	Malaysia	SMPC Corporation Berhad is an investment holding company which leases industrial and commercial assets. The company, through its subsidiaries, trades, shreds, and processes ferrous and non-ferrous recyclable metals, manufactures steel stirrups, steel roofing, and wall cladding sheets, trades construction and building materials, and processes iron rods and wire related products.
Metal Reclamation Berhad	Malaysia	Metal Reclamation Berhad is an investment holding company. The company, through its subsidiaries, reclaims and sells lead and lead alloys, trades drained batteries, recyclable copper, recyclable cast iron, and recyclable aluminium.
Asahi Pretec Corp.	Japan	Asahi Pretec Corp. recycles precious metal such as gold, silver, platinum, and palladium from liquid and solid industrial wastes. The company also recovers and disposes hazardous and non-hazardous waste such as photosensitive materials, waste medical products and recyclable electronic components.
Greenman Technologies Inc.	USA	Greenman Technologies, Inc. collects, shreds, and markets tyres to be used as alternative fuel. The company's products are also for use in civil engineering applications and in combining with recycled plastics to be used as a feedstock. In addition, GreenMan's products can be further modified into specialty materials such as rubberized asphalt.
Shenzhen Dongjiang Environ.	China	Shenzhen Dongjiang Environmental Company Limited, through its subsidiaries, collects, detoxifies, and recycles industrial wastes and sells recycled products. The company also provides and implements EP (Environmental Protection) construction services and EP-related consultation services. In addition, Shenzhen Dongjiang develops EP-related products.
Korea Zinc Co. Limited	Korea	Korea Zinc Co., Ltd. specializes in non-ferrous metal smelting industry. The company manufactures zinc ingots, electrolytic gold, silver, lead, sulphuric acid, and copper. Korea Zinc provides its products to domestic and overseas markets.
Oriental Metals Limited	China	Oriental Metals Limited, through its subsidiaries, trades nonferrous metals. The company also manufactures and distributes aluminium and copper products.

Source: Bloomberg LLP and KPMG



Appendix 4 –Comparable transaction analysis

We note that significant financial information is unavailable in relation to historic acquisition multiples of recycling companies, as these acquisitions have generally involved small, private companies. The following table illustrates the implied multiples achieved in acquisitions involving companies whose operations may be considered comparable to Hugo Neu, or for companies whose performance drivers may be considered aligned to the key performance drivers of Hugo Neu:

Table 24: Comparable company transactions

Announ date	Target company name	Acquirer name	Target's operations	Announced value (US\$m)	EBITDA Multiple	EBIT Multiple
19 Feb. 2001	Aceralia Corp Siderurgica SA	Usinor SA	Steel manufacturing and processing.	2,110.99	4.25	7.68
26 May 2003	Swiss Steel AG	Sbge Stahl Holding AG	Production and processing of steel (high-grade, recyclable, construction, polished)	114.69	4.49	19.52
6 Dec. 2002	Firth Rixson Plc.	The Carlyle Group	Manufacturing of forged, rolled and cast components in steel, nickel and titanium alloys.	158.86	5.28	12.71
14 Jan. 2003	Kyoto Die-Casting Co. Limited	Ahresty Corp.	Manufacture aluminum, zinc die-cast products and molded plastic products.	29.77	7.65	
29 Jan. 2001	Tocalo Co. Limited	Jafeo Sig.	Metal surface treatment processing such as flame spray processing, TD (toyoda diffusion) processing, "ZAC" coating and PTA (Plasma Transferred Arc) processing with other metals and ceramics.	57.56	6.07	10.02
25 Feb. 2000	Huettenwerk Kayser AG	Norddeutsche Affinerie AG.	Manufactures electrolytic ingots and cathodes, refined copper, blended tin, Rhein-Rod rolled wire, and byproducts such as nickel sulphate, zinc oxide, and precious metals.	33.26	7.82	
<i>Mean</i>					5.93	12.48
<i>Median</i>					5.68	11.37
<i>Min</i>					4.25	7.68
<i>Max</i>					7.82	19.52

Source: Bloomberg LLP and KPMG



Appendix 5 – Overview of valuation methodologies

Capitalisation of Earnings

An earnings based approach estimates a sustainable level of future earnings for a business (“maintainable earnings”) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”), Earnings Before Interest and Taxation (“EBIT”) and Net Profit After Taxation (“NPAT”).

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of continued development or when significant changes occur in the operating environment and when the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect multiples reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

Net assets or cost based methodology

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the “book” net asset value, to give a P/BV, which can then be compared to that of similar transactions or quoted companies.



A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (eg. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (eg. through measures such as levels of tangible asset backing).

Discounted Cash Flow ("DCF") methodology

Value is future oriented and accordingly the theoretically correct manner to assess value is to consider future earnings potential of a business. Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date and added to the net present value of the cash flow stream to give an overall value for the business.

In a DCF valuation, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

Discount rate

The rate at which the future cash flows are discounted (the "Discount Rate") should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate typically employed is the Weighted Average Cost of Capital of the business, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an enterprise value for the business. Alternatively, in certain circumstances, it is more appropriate to apply an equity approach, which takes the business' cost of equity and applies it to leveraged cash flows to determine an equity value for the business.

Terminal value

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. The "constant growth model", which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity, is a common method. The terminal value calculation should be cross-checked for reasonableness against implied exit multiples.

Industry specific methodology

Depending on the industry in which the business operates, an industry specific approach may be appropriate in assessing value. Industry specific methodologies typically involve the application of a 'rule of thumb', which is accepted within the industry as an appropriate basis for benchmarking value.



Industry specific methodologies typically involve the application of a multiplier to an operating metric such as revenue, customer numbers or funds under management.

The multiplier applied is determined with reference to common perception in the market, which is supported through empirical evidence from recently completed transactions.

An industry specific methodology is most appropriate as a cross-check of the value determined by applying one of the above methodologies as a primary methodology.

Enterprise or Equity Value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. Revenue, EBITDA, EBIT) or unleveraged free cash flow.

An Equity Value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. Net Profit after Taxation) or free cash flow, post debt servicing.

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This Appendix should be read in conjunction with Section 6. In particular, all disclaimers, notes and detail in Section 6 should be given detailed attention.

1.1. Hugo Neu financial information

1.1.1. Pro-forma adjustments to the pro-forma consolidated Statements of Financial Performance

The pro-forma consolidated Statements of Financial Performance presented in Sections 6.5.2 and 6.7 include the following pro-forma adjustments:

Period ended A\$ million	31 Aug 02 12 months ¹	31 Aug 03 12 months ²	31 Aug 04 12 months ²	31 Dec 04 12 months ²	31 Mar 05 3 months ²
EBITDA¹	34.2	64.5	138.3	173.9	28.6
Corporate costs ^a	(7.7)	(10.3)	(6.5)	(3.3)	0.1
Hugo Neu East ASR accrual ^b	---	---	(3.6)	5.0	0.9
Hugo Neu East equalisation payments ^c	---	---	---	3.3	0.3
Non-recurring environmental expense ^d	2.3	---	---	---	---
Reversal of over accrued operating expense ^e	---	---	---	(1.2)	---
Inventory valuation ^f	2.1	3.3	7.4	0.4	0.5
Bonus adjustment ^g	---	---	1.8	2.9	1.0
Other adjustments ^h	0.5	0.2	(0.3)	1.1	1.0
Total adjustments	(2.8)	(6.8)	(1.2)	8.2	3.8
Adjusted EBITDA as per Section 6	31.4	57.7	137.1	182.1	32.4

Notes:

1. EBITDA represents the unadjusted EBITDA extracted from the Carved-out Financial Statements for the relevant period
2. Financial information converted from US dollars to Australian dollars at a constant A\$/US\$ exchange rate of 0.7365, being the average A\$/US\$ exchange rate used by Sims Group for the year ended 31 December 2004
3. Financial information converted from US dollars to Australian dollars at an A\$/US\$ exchange rate of 0.7786, being the average A\$/US\$ exchange rate used by Sims Group for the three months ended 31 March 2005

Explanation of adjustments

- a. Corporate costs adjustment relates to additional costs that will be incurred by Hugo Neu. Historically, Hugo Neu was supported by a corporate head office that reported outside of the entities that will be acquired by New Sims Group. These expenses were partially re-charged to Hugo Neu. The adjustment reflects the difference between the amount historically re-charged by the corporate office and what the actual expenses incurred were in the relevant period.

Historically, Hugo Neu Corporation charged Hugo Neu a management fee based on approximately 1% of export sales net of any third party commissions. The pro-forma adjustments are relatively higher for the years ended 31 August 2002 and 2003 due to the absence of any charge to the Hugo Neu Global Trade operations until 1 January 2004 and lower sales volumes during these periods, resulting in lower fees earned by Hugo Neu Corporation compared to actual corporate costs incurred by supporting Hugo Neu.
- b. Hugo Neu East ASR accrual represents an adjustment to ASR disposal costs incurred in the relevant period. These costs had been under accrued in the period in which they were incurred which understated ASR disposal costs in the year ended 31 August 2004 and overstated ASR disposal costs in the year ended 31 December 2004 and the three months ended 31 March 2005 due to the stockpiling of ASR during the year ended 31 August 2004 and its subsequent disposal.
- c. Hugo Neu East equalisation payment represents an adjustment arising from a joint venture practice to equalise the price per tonne that is received for the operations in the northeast of the US. This adjustment is normally recorded as part of the preparation of the year end financial statements but for the four months to 31 December 2004 and for the three months ended 31 March 2005 had not been reflected.
- d. Non-recurring environmental expense represents the reversal of an expense incurred in the year ended 31 August 2002 as part of a multi-year clean-up of the Terminal Island facility at Port of Los Angeles, which expense is considered to be abnormal.
- e. A provision was recorded in relation to an operating expense at Hugo Neu West. During December 2004, it was determined that the provision was no longer required and therefore the provision was reversed to the Statement of Financial Performance. This adjustment represents the reversal of the provision write back.
- f. Inventory valuation represents an adjustment to value inventory on the FIFO method which is consistent with New Sims Group's accounting policy.
- g. The bonus plan Hugo Neu historically operated was fundamentally changed to cap bonus payments from 1 September 2004. An adjustment has been made to the results for the year ended 31 August 2004 and year ended 31 December 2004 to reflect the capped bonus plan. The change to capped bonus plan was brought about as a result of the high earnings in the year ended 31 August 2004. As a result, the new capped plan has only been adjusted from the beginning of the year ended 31 August 2004 and for the year ended 31 December 2004.

Generally, an estimate of bonus accruals is recorded each month and is reconciled as part of the preparation of the year end financial statements. For the three months to 31 March 2005, these bonus accruals had been over accrued and the adjustment in this period relates to this over accrual.
- h. Other adjustments represent an accumulation of items relating to the harmonisation of accounting policies between Hugo Neu and New Sims Group.

1.1.2. Pro-forma consolidated Statement of Financial Position

Set out below is a detailed reconciliation of the pro-forma consolidated Statement of Financial Position for Hugo Neu at 31 August 2004 presented in Section 6.5.4:

A\$ million	Carved-out ¹	Adjustments Pro-forma	Hugo Neu Standalone Pro-forma
Current assets			
Cash assets	42.5	(35.7)	6.8
Receivables	122.2	(7.8)	114.4
Inventories	100.3	7.8	108.1
Other	8.2	---	8.2
Total current assets	273.2	(35.7)	237.5
Non-current assets			
Property, plant and equipment	113.9	---	113.9
Intangible assets	1.7	79.7	81.4
Other	1.1	2.1	3.2
Total non-current assets	116.7	81.8	198.5
Total assets	389.9	46.1	436.0
Current liabilities			
Payables	29.9	5.7	35.6
Other	33.7	---	33.7
Total current liabilities	63.6	5.7	69.3
Non-current liabilities			
Interest bearing liabilities	10.7	198.1	208.8
Payables	31.1	(31.1)	---
Total non-current liabilities	41.8	167.0	208.8
Total liabilities	105.4	172.7	278.1
Net assets	284.5	(126.6)	157.9
Equity			
Contributed equity	284.5	(126.6)	157.9
Total equity	284.5	(126.6)	157.9

Notes:

1. Based on the Carved-out Financial Statements for the year ended 31 August 2004
2. The financial information in the above table is converted from US dollars to Australian dollars at an A\$/US\$ exchange rate of 0.7011 as at 31 August 2004, being the spot rate as used by Sims Group as at that date

The following adjustments have been made to the Carved-out Financial Statements to reflect the pro-forma consolidated Statement of Financial Position that will be acquired by New Sims Group.

Schnitzer Transaction adjustments

- payment of A\$74.7 million to Schnitzer Steel Industries under the Schnitzer Agreement;
- payment of acquisition expenses of A\$5.0 million;
- payment of A\$2.1 million for debt financing facility fees;
- settlement of intercompany amounts due to and from Schnitzer Steel Industries joint venture entities as required by the Schnitzer Agreement. The adjustment represents the net amount payable to Schnitzer Steel Industries being a receivable of A\$7.5 million and a payable of A\$31.1 million;

Profit and distribution adjustments

- other agreed payments and distributions of A\$92.8 million to Hugo Neu Corporation based on the Contribution Agreement;
- distribution of profit during the year ended 31 August 2004 of A\$35.7 million;

Accounting policy adjustments

- reduction in receivable to record a provision for quality and weight adjustment of A\$0.3 million;
- increase in inventory by A\$7.8 million to restate to FIFO valuation; and
- increase in payables by A\$5.7 million, representing the accrual for bonus expense and ASR.

Reconciliation of the pro-forma consolidated Statement of Financial Position at 31 December 2004

Set out below is a detailed reconciliation of the pro-forma consolidated Statement of Financial Position for Hugo Neu at 31 December 2004 presented in Section 6.5.4:

A\$ million	Carved-out ¹	Adjustments Pro-forma	Hugo Neu Standalone Pro-forma
Current assets			
Cash assets	43.4	(22.3)	21.1
Receivables	132.6	(56.0)	76.6
Inventories	124.4	0.1	124.5
Other	9.4	—	9.4
Total current assets	309.8	(78.2)	231.6
Non-current assets			
Property, plant and equipment	117.6	—	117.6
Intangible assets	1.5	71.8	73.3
Other	0.8	1.9	2.7
Total non-current assets	119.9	73.7	193.6
Total assets	429.7	(4.5)	425.2
Current liabilities			
Payables	46.0	2.5	48.5
Other	12.0	—	12.0
Total current liabilities	58.0	2.5	60.5
Non-current liabilities			
Payables	38.0	(38.0)	—
Interest bearing liabilities	65.2	157.1	222.3
Total non-current liabilities	103.2	119.1	222.3
Total liabilities	161.2	121.6	282.8
Net assets	268.5	(126.1)	142.4
Equity			
Contributed equity	268.5	(126.1)	142.4
Total equity	268.5	(126.1)	142.4

Notes:

1. Based on the Carved-out Financial Statements for the year ended 31 December 2004
2. The financial information in the above table is converted from US dollars to Australian dollars at an A\$/US\$ exchange rate of 0.7787 as at 31 December 2004, being the spot rate as used by Sims Group as at that date

The following adjustments have been made to the Carved-out Financial Statements to reflect the pro-forma Statement of Financial Position that will be acquired by New Sims Group:

Schnitzer Transaction adjustments

- payment of A\$67.3 million to Schnitzer Steel Industries under the Schnitzer Agreement;
- payment of acquisition expenses of A\$4.5 million;
- payment of A\$1.9 million for debt financing facility fees;
- settlement of intercompany amounts due to and from Schnitzer Steel Industries joint venture entities as required by the Schnitzer Agreement. The adjustment represents the net amount payable to Schnitzer Steel Industries being a receivable of A\$59.8 million and payable of A\$38.0 million;

Profit and distribution adjustments

- other agreed payments and distributions of A\$83.5 million to Hugo Neu Corporation based on the Contribution Agreement;
- distribution of profit for the four months to 31 December 2004 of A\$44.0 million;

Accounting policy adjustments

- net increase in accounts receivable of A\$3.8 million which represents the net effect of a decrease of A\$0.3 million for quality and weight provision and an increase of A\$3.1 million to record amounts due from Schnitzer Steel Industries and A\$1.0 million in relation to an unrecorded sale;
- increase in inventory by A\$0.1 million which represents the net effect of a decrease A\$0.3 million to reverse an overcapitalisation of costs to inventory and an increase by A\$0.4 million to restate inventory to FIFO method;
- increase in payables by A\$2.5 million representing the net effect of the following adjustment:
 - accrual for bonuses of A\$2.7 million to record the bonus expense for the year based on the capped bonus plan;
 - under accrual of certain bonuses of A\$0.2 million outside the capped bonus plan;
 - accrual for ASR of A\$0.4 million to reflect ASR disposal costs in the period incurred; and
 - reversal of deferred revenue of A\$0.8 million that has been replaced by a provision for quality and weight adjustment.

1.1.3. Goodwill generated from the transaction under AIFRS

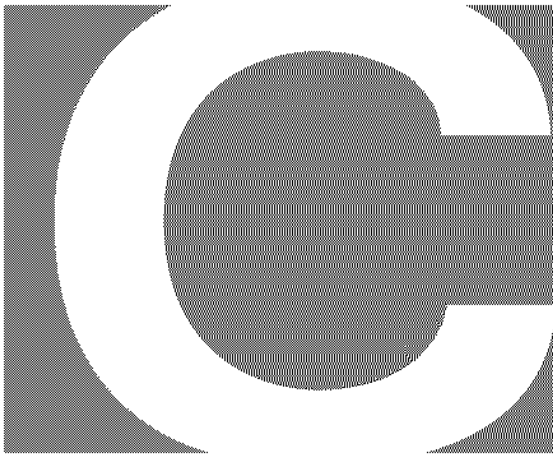
Detailed below is a reconciliation of the goodwill that is generated under AIFRS as presented in the pro-forma Statement of Financial Position for New Sims Group as at 31 December 2004 in Section 6.6.4:

Goodwill generated on acquisition of Hugo Neu under AIFRS	A\$ million
Consideration ¹	471.9
Less: net assets of Hugo Neu	(142.4)
Add back: existing goodwill of Hugo Neu	73.3
Less: fair value adjustments	(47.9)
Goodwill generated under AIFRS	355.0

Note:

1. Comprised of consideration of approximately A\$460.9 million for the purchase of the equity interests in Hugo Neu plus transaction costs of A\$11.0 million

Goodwill recorded in the pro-forma consolidated accounts of New Sims Group	A\$ million
Goodwill generated under AIFRS from acquisition of Hugo Neu	355.0
Sims Groups existing goodwill	107.0
Goodwill generated under AIFRS	462.0



Merger Implementation Deed

Hugo Neu Corporation,

Hugo Neu Steel Products, Inc., and

Flynn-Learner

Sims Group Limited

Sims Co Limited

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Date 24 June 2005

Parties **Sims Group Limited**
ACN 008 634 526 (**Sims**)

Hugo Neu Corporation (HNC)
Hugo Neu Steel Products, Inc. (HNSP)
Flynn-Learner (FL)

Sims Co Limited
ACN 114 838 630 (**Newco**)

Recitals

- A Newco intends to acquire all of the ordinary shares in Sims by means of a scheme of arrangement between Sims and its shareholders under Part 5.1 of the Act.
- B Newco intends to acquire the HNC Newco Group which carries on metal recycling and other recycling businesses upon the implementation of the scheme of arrangement pursuant to the Contribution Agreement.
- C Newco intends to issue the Neu Shares to the HNC Parties in consideration for the HNC Newco Group pursuant to the Contribution Agreement.
- D The HNC Parties have agreed with Newco not to sell any of the Neu Shares for a period of 18 months from the date of issue in certain circumstances under the Standstill and Lock-Up Deed ('**Lock-Up**').
- E Sims and Newco will implement the scheme of arrangement in good faith on the terms of this Deed.
- F Sims and Newco have agreed with the HNC Parties to seek the Regulatory Consents and, subject to obtaining those consents, obtain such approvals from Sims Shareholders which are necessary for Sims to implement the scheme of arrangement, for Newco to acquire the HNC Newco Group and for Newco to issue the Neu Shares and enter into the Lock-Up, on the terms of this Deed.
- G The HNC Parties have agreed to provide assistance to Sims and Newco in proposing the scheme of arrangement and seeking shareholder approval under section 611 (Item 7) of the Act, on the terms of this Deed.

Operative provisions

1 Definitions and Interpretation

1.1 Definitions

In this Deed, unless the context otherwise requires:

Accounting Principles means the Agreed Accounting Principles except for the pro-forma adjustments.

Act means the *Corporations Act* 2001.

Affiliate means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person.

Agreed Accounting Principles has the meaning given to that term in the Contribution Agreement, but for the purposes of the definition of 'Accounting Principles' and clause 7.3(h) means only the document attached as Schedule 2.3 to the Contribution Agreement titled 'Company Accounting Principles for the Preparation of Financial Statements at August 31, 2004 and December 31, 2004'.

Announcement means the agreed form of announcement set out in Annexure 2.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited (ACN 008 624 691).

Best Efforts means the efforts that a prudent Person desirous of achieving an objective would use in similar circumstances to achieve that objective as expeditiously as possible. The fact that the objective is not actually accomplished is not determinative of the fact that the obligated Person did not in fact utilize its Best Efforts in attempting to accomplish the objective.

Business has the meaning given to that term in the Contribution Agreement.

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney.

Condition Consultation Period means the shorter of:

- (a) 20 Business Days after each party becomes aware that clause 3.5(a)(i), (ii) or (iii) is triggered; and

(b) the period commencing at the time that each party becomes aware that clause 3.5(a)(i), (ii) or (iii) is triggered and ending at 8.00am on the Second Court Order Date.

Confidential Information means Sims Confidential Information or HNC Confidential Information as the context requires.

Contribution Agreement means the Contribution Agreement among Newco, Sims, the HNC Parties and HNC Newco LLC, dated on or about the date of this Deed.

Contribution Agreement Conditions means the conditions in Articles 7 and 8 of the Contribution Agreement the satisfaction or waiver of which is to occur on or before the Implementation Date.

Control means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of voting securities or otherwise.

Cost Reimbursement Amount has the meaning given to that term in clause 12.1(a).

Court means the Supreme Court of New South Wales.

Deed Poll means the deed poll to be executed by Newco under which Newco covenants in favour of Sims Shareholders to perform its obligations under this Deed and the Scheme.

Defaulting Party has the meaning given to that term in clause 7.9(a).

Despatch Date means the day that the Scheme Booklet is despatched to Sims Shareholders.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Act, of the Court order made under section 411(4)(b) of the Act in relation to the Scheme, as the context requires.

Effective Date means the date on which the Scheme becomes Effective.

Eligible Scheme Shareholder means a Scheme Shareholder other than an Ineligible Overseas Shareholder.

EGM Resolutions means:

- (a) the Sims Chapter 6 Resolutions;
- (b) the Sims Name Change Resolutions; and
- (c) any resolutions proposed in accordance with clause 3.7(b)(ii)(C).

Extraordinary General Meeting means the extraordinary general meeting of Sims to be held immediately after the Scheme Meeting to approve the Sims Chapter 6 Resolutions and the other EGM Resolutions.

First Court Order Date means the date the Court hears the application to order the convening of the Scheme Meeting under section 411(1) of the Act.

Government Agency means:

- (a) a government, whether foreign, federal, state, territorial or local;
- (b) a department, office or minister of a government (whether foreign, federal, state, territorial or local) acting in that capacity; or
- (c) a commission, delegate, instrumentality, agency, board, or other government, semi-government, judicial, administrative, monetary or fiscal authority, whether statutory or not and whether foreign, federal, state, territorial or local;

and includes ASX, ASIC and the Takeovers Panel.

HNC Confidential Information means any commercial or technical information of HNC or any Affiliate of HNC disclosed or otherwise supplied by or on behalf of any such Person to Sims or its Affiliates or any of their directors, officers, employees, consultants, advisers or associates, and in whatever form or medium, and includes notes, records and copies of such information made by Sims or any Related Body Corporate of Sims or any of their directors, officers, employees, consultants, advisers or associates, but excludes:

- (a) information which is in the public domain (other than as a result of a breach of this Deed by Sims or Newco); and
- (b) the HNC Information.

HNC Financial Information means the following information provided by the HNC Parties to Sims and Newco:

- (a) unaudited combined pro-forma balance sheet of the Business as at 31 August 2002 and related unaudited combined pro-forma statement of income for the 12 months then ended;
- (b) unaudited combined pro-forma balance sheet of the Business as at 31 August 2003 and related unaudited combined pro-forma statement of income and cash flow for the 12 months then ended;

- (c) unaudited combined pro-forma balance sheet of the Business as at 31 August 2004 and related unaudited combined pro-forma statement of income and cash flow for the 12 months then ended;
- (d) unaudited combined pro-forma balance sheet of the Business as at 31 December 2004 and related unaudited combined pro-forma statement of income for the four months then ended;
- (e) unaudited combined pro-forma statement of income and cash flow of the Business for the 12 months ended 31 December 2004;
- (f) unaudited combined pro-forma balance sheet of the Business as at 31 December 2003 and related unaudited combined pro-forma statement of income for the four months then ended; and
- (g) unaudited combined pro-forma balance sheet of the Business as at 31 March 2005 and related unaudited combined pro-forma statement of income for the three months ended 31 March 2005,

a copy of which has been initialled for the purposes of identification by the parties.

HNC Group means HNC and each of its Affiliates.

HNC Indemnified Parties has the meaning given to that term in clause 3.8.

HNC Independent Director has the meaning given to that term in clause 6.2(a)(i).

HNC Newco LLC means Hugo Neu Co., LLC, a Delaware limited liability company.

HNC Newco Group means HNC Newco LLC and the Transferred Subsidiaries.

HNC Party means any of HNC, HNSP and FL.

HNC Information means the information which HNC provides to Sims, verifies and consents to for inclusion in the Scheme Booklet in accordance with clause 3.7(c) but specifically excludes any of the information described in clause 3.7(d)(v) and the verification materials described in clause 3.7(c)(ii).

HNC Warranties means the warranties by the HNC Parties set out in clause 7.3.

Implementation Date means the third Business Day following the Scheme Record Date.

Impugned Amount has the meaning given to that term in clause 12.2.

Independent Expert means an appropriately qualified expert selected by the Sims Board to prepare the Independent Expert's Report.

Independent Expert's Report means the report prepared by the Independent Expert under clause 3.7(i).

Ineligible Overseas Shareholder means a Scheme Shareholder whose address as shown in the Register at the Scheme Record Date is in a jurisdiction other than Australia or its external territories, or the United Kingdom, except where Newco is reasonably satisfied that the issue in that jurisdiction of Newco Shares to that Scheme Shareholder is neither prohibited, nor unduly onerous nor unduly impracticable.

Insolvency Event means in relation to a Person:

- (a) **insolvency official:** 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) **arrangements:** the entry by the Person into a compromise or arrangement with its creditors generally;
- (c) **winding up:** 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) **suspends payment:** the Person suspends or threatens to suspend payment of its debts generally;
- (e) **ceasing business:** the Person ceases or threatens to cease to carry on business; or
- (f) **insolvency:** the Person is or becomes unable to pay its debts when they fall due within the meaning of the Act or is otherwise presumed insolvent under the Act.

Issue Conditions means the conditions in clause 3.1A.

Listing Rules means the official listing rules of ASX as amended from time to time.

Losses has the meaning given to that term in clause 3.8.

LTI Plan means the executive long term incentive plan of Sims as approved by Sims Shareholders at the annual general meeting of Sims held on 19 November 2004.

Neu Shares has the meaning given to that term in the Contribution Agreement.

Newco Indemnified Parties has the meaning given to that term in clause 7.2(b).

Newco Option means an option to subscribe for one Newco Share, having the same rights as an Option.

Newco Register means the share register of Newco.

Newco Shares means fully paid ordinary shares in Newco together with all rights attaching thereto.

Option means an option to subscribe for one Sims Share in accordance with the terms of the Long Term Incentive Agreement between Sims and the Optionholder dated 28 February 2005.

Optionholder means Jeremy Sutcliffe.

Out-of-pocket Expenses means the reasonable out-of-pocket expenses incurred by the HNC Parties since 1 November 2004, in connection with the transactions contemplated by this Deed and the Contribution Agreement.

Person refers to an individual or an entity, including a corporation, share company, limited liability company, partnership, trust, association, Government Agency or any other body with legal personality separate from its equityholders or members.

Proposal means a proposed transaction or formal offer which, if accepted or completed, would result in:

- (a) a Person directly or indirectly acquiring an interest in the whole or a substantial or material part of the business or assets of Sims or any of its Subsidiaries (taken as a whole), including by way of a takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of shares, joint venture or any other means;
- (b) a Person acquiring control of Sims within the meaning of section 50AA of the Act;
- (c) the issuance by Sims of a material amount of its share capital as consideration for the assets or share capital of another Person;

(d) Sims effecting or implementing any reorganisation, recapitalisation or dissolution; or

(e) a Person acquiring, or merging or amalgamating (including by reverse takeover bid or dual listed company structure) with Sims;

but does not include the Scheme.

PS60 means Policy Statement 60 issued by ASIC on 4 August 1999.

PS 74 means Policy Statement 74 issued by ASIC on 8 December 1993 (as amended).

PS 142 means Policy Statement 142 issued by ASIC on 4 November 1999 (as amended).

Receiving Party has the meaning given to that term in clause 1.3.

Recipient has the meaning given to that term in clause 12.5(c).

Register means the share register of Sims.

Registered Address means in relation to a Sims Shareholder, the address shown in the Register.

Regulatory Consents means the approvals, confirmations, waivers, modifications, exemptions and consents from ASX and ASIC described in Schedule 1.

Related Body Corporate has the meaning given in section 50 of the Act.

Related Parties means, in relation to a party, its shareholders, its Related Bodies Corporate, and each of the officers, employees, contractors, representatives, agents, advisers, and financiers of the party (or of any of its Related Bodies Corporate).

Sale Agent means the Person nominated by Newco to sell the Newco Shares that are attributable to the Ineligible Overseas Shareholders under the terms of the Scheme.

Scheme means the scheme of arrangement under Part 5.1 of the Act between Sims and Scheme Shareholders as described in clause 4.1 and clause 4.2.

Scheme Booklet means the document containing the information described in clause 3.7(d) to be despatched to Sims Shareholders.

Scheme Conditions means the conditions in clause 3.1.

Scheme Consideration means one Newco Share for each Scheme Share.

Scheme Meeting means the Sims Shareholders' meeting ordered by the Court to be convened under section 411(1) of the Act.

Scheme Record Date means 5.00pm on the fifth Business Day after the Effective Date.

Scheme Shareholder means a holder of Scheme Shares as at the Scheme Record Date.

Scheme Shares means all Sims Shares as at the Scheme Record Date.

Second Court Order Date means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Act approving the Scheme or, where the hearing of such application is adjourned, the first day of hearing of such adjourned application.

Sims Board means the board of directors of Sims as constituted from time to time (or any committee of the board of directors of Sims constituted to handle the Scheme on behalf of Sims).

Sims Confidential Information means any commercial or technical information of Sims or any Related Body Corporate of Sims disclosed or otherwise supplied by or on behalf of any such Person to HNC or its Affiliates or any of their directors, officers, employees, consultants, advisers or associates, and in whatever form or medium, and includes notes, records and copies of such information made by HNC or any Affiliates of HNC or any of their directors, officers, employees, consultants, advisers or associates, but excludes:

- (a) information which is in the public domain (other than as a result of a breach of this Deed by any HNC Party); and
- (b) the Sims Scheme Information.

Sims Chapter 6 Resolutions means resolutions of Sims Shareholders under section 611, item 7 of the Act as modified by ASIC in the manner described in Schedule 1 for the approval of:

- (a) the issue by Newco of the Neu Shares to the HNC Parties under the Contribution Agreement; and
- (b) the acquisition by Newco of a relevant interest by Sims Newco in the Neu Shares by virtue of the Lock-Up,

at the Extraordinary General Meeting conditional upon the approval of the Scheme Resolution by the majorities required under section 411(4)(a)(ii) of the Act.

Sims Group means Sims and each of its Subsidiaries.

Sims Indemnified Parties has the meaning given to that term in clause 7.4.

Sims Name Change Resolution means a resolution of Sims Shareholders under section 157 of the Act for the approval of the change the name of Sims to Sims Group Australia Holdings Limited conditional upon the approval of the Scheme by the majorities required under section 411(4)(a)(ii) of the Act and the Scheme becoming Effective.

Sims Prescribed Occurrence means the occurrence of any of the following on or after the date of this Deed:

- (a) Sims converting all or any of its shares into a larger or smaller number of shares;
- (b) Sims or a Subsidiary of Sims (other than a Subsidiary wholly owned by the Sims Group) resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Sims or a Subsidiary of Sims (other than a Subsidiary wholly owned by the Sims Group):
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Act;
- (d) Sims or a subsidiary of Sims (other than a Subsidiary wholly owned by the Sims Group) declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members, other than a final dividend of \$0.70 per Sims Share and a special dividend in respect of distributable earnings for the six month period to 30 June 2005, both dividends franked to the greatest extent possible;
- (e) Sims or a Subsidiary of Sims issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option other than under its employee share plans or to Sims or a Subsidiary of Sims wholly owned by the Sims Group or the issue by Sims E-Recycling Pty Limited of 10% of its issued shares (on a fully diluted basis provided that those shares are not convertible into shares in any other member of the Sims Group or Newco) to Collex Pty Limited or a related body corporate;

- (f) Sims or a Subsidiary of Sims issuing or agreeing to issue, securities or other instruments convertible into shares or debt securities, other than to Sims or a Subsidiary of Sims wholly owned by the Sims Group;
- (g) Sims or a Subsidiary of Sims making any change or amendment to its constitution, other than Newco adopting a constitution in a form satisfactory to the HNC Parties acting reasonably and approved by ASX for the purpose of it seeking to be admitted to the official list of ASX;
- (h) Sims or a Subsidiary of Sims:
 - (i) acquiring or disposing of;
 - (ii) agreeing to acquire or dispose of; or
 - (iii) offering, proposing, announcing a bid or tendering for,
 any securities, business, assets, interests in a joint venture, entity or undertaking, the value of which exceeds \$30,000,000;
- (i) Sims or a Subsidiary of Sims creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of the Sims Group's business or property (taken as a whole) other than in relation to any indebtedness entered into for the purposes of or in connection with the transactions contemplated by the Scheme and the Contribution Agreement;
- (j) an Insolvency Event occurring in relation to Sims or any of the following Subsidiaries of Sims:
 - (i) Sims Aluminium Pty Limited;
 - (ii) Simsmetal Holdings Pty Limited;
 - (iii) Simsmetal Services Pty Limited;
 - (iv) Sims Manufacturing Pty Limited;
 - (v) Sims Industrial Pty Limited;
 - (vi) Sims Tyrecycle Pty Ltd;
 - (vii) Sims Group UK Intermediate Holdings Limited;
 - (viii) Simsmetal Industries Limited;
 - (ix) Sims Group UK Limited;
 - (x) Sims Group UK Holdings Limited;
 - (xi) Mirec Limited;
 - (xii) Sims Group USA Corp;
 - (xiii) Sims Group Canada Limited;

(xiv) Mirec BV; or

(xv) Mirec AB;

- (k) the Sims Group, as a whole, materially increasing its level of financial indebtedness (including financial liabilities incurred under finance leases), other than any indebtedness entered into for the purposes of or in connection with the transactions contemplated by the Scheme and the Contribution Agreement,

provided that a Sims Prescribed Occurrence will not include a matter:

- (i) required to be done or procured by Sims pursuant to, or which is otherwise contemplated by, this Deed, the Contribution Agreement or the Scheme;
- (ii) the undertaking of which HNC has approved in writing.

Sims Scheme Resolution means an unconditional resolution of Sims Shareholders under Part 5.1 of the Act for the unconditional approval of the Scheme at the Scheme Meeting.

Sims Information means information required to be included in the Scheme Booklet under the Act, PS60, PS 142, PS 74 and the Listing Rules in connection with the Scheme and the EGM Resolutions other than the HNC Information.

Sims Share Registry means the share registrar of Sims for the Scheme.

Sims Shareholder means each Person who is registered in the Register as a holder of Sims Shares.

Sims Shares means issued fully paid ordinary shares in Sims.

Sims Warranties means the warranties by Sims set out in clause 7.1.

Subsidiaries has the meaning given to that term in section 46 of the Act.

Sunset Date means 11.59pm on 31 December 2005 or such other date and time agreed in writing between HNC, Newco and Sims.

Superior Proposal means a Proposal which meets all of the following criteria:

- (a) it is bona fide and was not solicited by Sims;
- (b) it is proposed in writing by or on behalf of a Person who Sims considers is of reputable commercial standing;

- (c) in the good faith determination of the Sims Board after consultation with Sim's advisers it is reasonably capable of being completed, taking into account all aspects of such Proposal and the Person making such Proposal;
- (d) in the good faith determination of the Sims Board (based on the written opinions, with only customary qualifications, of Sim's advisers) it would, if consummated in accordance with its terms, result in a transaction more favourable from a financial point of view to the Scheme Shareholders than the transactions contemplated in the Scheme and the Contribution Agreement or any HNC counterproposal (if any), as the case may be, taking into account all the terms and conditions of such Proposal;
- (e) the Sims Board acting in good faith obtains a written opinion from Queen's Counsel or Senior Counsel practising in the field of corporate law in Australia to the effect that the directors of Sims must cause Sims to undertake any act or acts with respect to such Proposal in order to properly discharge their fiduciary or statutory duties or to avoid a contravention of law.

Timetable means the indicative timetable at Annexure 1.

Transferred Subsidiaries has the meaning given to it under the Contribution Agreement.

Warranties means the Sims Warranties and the HNC Warranties.

1.2 Interpretation

In this Deed:

- (a) unless the context otherwise requires, a reference:
 - (i) to the singular includes the plural and vice versa;
 - (ii) to a gender includes all genders;
 - (iii) to a document (including this Deed) is a reference to that document (including any Schedules and Annexures) as amended, consolidated, supplemented, novated or replaced;
 - (iv) to an agreement includes any deed, agreement or legally enforceable arrangement or understanding in writing;

- (v) to parties means the parties to this Deed and to a party means a party to this Deed;
- (vi) to a Person (including a party) includes the Person's successors, permitted assigns, substitutes, executors and administrators;
- (vii) to a law:
 - (A) includes a reference to any constitutional provision, subordinate legislation, treaty, decree, convention, statute, regulation, rule, ordinance, proclamation, by-law, judgment, rule of common law or equity or rule of any applicable stock exchange;
 - (B) is a reference to that law as amended, consolidated, supplemented or replaced or modified by a Government Agency; and
 - (C) is a reference to any regulation, rule, ordinance, proclamation, by-law or judgment made under that law;
- (viii) to proceedings includes litigation and arbitration;
- (ix) to a judgment includes an order, injunction, decree, determination or award of any court or tribunal;
- (x) to time is a reference to Sydney time; and
- (xi) to '\$' or 'dollar' is to Australian currency, except that the currency of the HNC Financial Information is in US dollars;
- (b) headings are for convenience only and are ignored in interpreting this Deed;
- (c) if a period of time is specified and dates from, after or before, a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (d) if a payment or other act must (but for this clause) be made or done on a day which is not a Business Day, then it must be made or done on the next Business Day;
- (e) the word 'including' or 'includes' means 'including but not limited to' or 'including without limitation'; and
- (f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

1.3 Payments

Unless otherwise expressly provided in this Deed, where an amount is required to be paid to a party (the '**Receiving Party**') by another party under this Deed, that amount shall be paid:

- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and
- (b) without deduction, withholding or set-off.

2 Agreement to proceed

2.1 General

- (a) Sims and Newco must do all things necessary to implement the Scheme, including:
 - (i) obtain the Regulatory Consents;
 - (ii) implement the Scheme subject to obtaining the Regulatory Consents and the satisfaction or waiver of the other Scheme Conditions;
 - (iii) issue the Neu Shares to the HNC Parties and to acquire the HNC Newco Group in accordance with the Contribution Agreement subject to:
 - (A) obtaining the Regulatory Consents;
 - (B) the satisfaction or waiver of the other Issue Conditions;as soon as is reasonably practicable, upon and subject to the terms of this Deed and substantially in accordance with the Timetable.
- (b) The HNC Parties agree to assist Sims by providing the HNC Information and providing such other assistance on and subject to the terms and conditions of this Deed.

2.2 Board Approval

Prior to announcement of the transaction under clause 8 and prior to the initial despatch of the Scheme Booklet, Sims shall procure that the Sims Board, by the vote of all directors, determine that, in the absence of a Superior Proposal:

- (a) the Scheme is in the best interest of Sims and the Sims Shareholders;
- (b) the transactions contemplated in the Contribution Agreement and the subject of the Sims Chapter 6 Resolutions are fair and reasonable when considered in the context of the interests of Sims Shareholders; and
- (c) the announcement of the transaction under clause 8 contain a statement that the Sims Board unanimously recommends that Sims Shareholders vote in favour of the Scheme and any other resolution submitted to Sims Shareholders for their approval in connection with the Scheme and the transactions contemplated in the Contribution Agreement, including the EGM Resolutions to be considered at the Extraordinary General Meeting, in the absence of a Superior Proposal.

3 Conditions and pre-implementation steps

3.1 Scheme Conditions

The transfer of the Scheme Shares and Newco's obligations under clause 4 are subject to each of the following conditions being satisfied or waived:

- (a) (**Regulatory Consents**)
 - (i) (**General**) All Regulatory Consents having been obtained by Sims and Newco (as the case may be) and not withdrawn or revoked by 8.00am on the Second Court Order Date and any other approvals, waivers, modifications, exemptions or consents which Sims and HNC agree are necessary or desirable to obtain from any Government Agency or judicial authority, or statutory body (including ASIC and ASX) to implement or in connection with the Scheme and the Contribution Agreement, including to issue the Neu Shares and carry out the other transactions contemplated therein having been obtained by Sims and Newco (as the case may be) and not withdrawn or revoked by 8.00am on the Second Court Order Date;
 - (ii) (**FIRB**) before 8.00am on the Second Court Order Date, either

- (A) the Treasurer advises Newco in writing that there is no objection under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) or under the Australian Federal Government's foreign investment policy to the proposed acquisition of Sims Shares under the Scheme and such advice has not been withdrawn or revoked before 8.00am on the Second Court Order Date; or
- (B) the Treasurer becomes precluded from making an order under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in respect of the proposed acquisition of Sims Shares under the Scheme;
- (b) **(No Sims Prescribed Occurrence)** No Sims Prescribed Occurrence having occurred on or prior to 8.00am on the Second Court Order Date;
- (c) **(No prohibitive orders or determinations)** Subject to clause 3.3, no court or Government Agency having issued an order, decree or ruling or taken any action enjoining, restraining or otherwise prohibiting the implementation of the Scheme and no such order, decree, ruling, other action or prohibition shall be in effect at 8.00am on the Second Court Order Date;
- (d) **(Shareholder approval)** Sims Shareholders approving the Scheme Resolution at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Act before 8.00am on the Second Court Order Date;
- (e) **(Court approval)** The Court approving the Scheme in accordance with section 411(4)(b) of the Act;
- (f) **(Sims Warranties)** The Sims Warranties being true and correct in all material respects on the date of this Deed and as at 8.00am on the Second Court Order Date;
- (g) **(HNC Warranties)** The HNC Warranties being true and correct in all material respects on the date of this Deed and as at 8.00am on the Second Court Order Date; and
- (h) **(Quotation of Newco Shares)** The Newco Shares to be issued to Scheme Shareholders under the Scheme and to the HNC Parties under the Contribution Agreement have been approved for official quotation on ASX, which approval may be conditional on the Scheme becoming

Effective and the issue of the Newco Shares, before 8.00am on the Second Court Order Date.

3.1A Issue Conditions

The issue by Newco of the New Shares to the HNC Parties and the acquisition by Newco of the HNC Newco Group under the Contribution Agreement are subject to each of the following conditions being satisfied or waived:

- (a) **(Scheme Conditions)** the satisfaction or waiver of the Scheme Conditions in accordance with the terms of this Deed;
- (b) **(Shareholder approval)** Sims Shareholders approving the Sims Chapter 6 Resolutions at the Extraordinary General Meeting; and
- (c) **(Contribution Agreement Conditions)** the satisfaction or waiver of the Contribution Agreement Conditions in accordance with the terms of the Contribution Agreement.

3.2 Satisfaction of Condition

For the purposes of the condition in clause 3.1(c), the parties agree that the occurrence of one of the following events shall not, of itself, prevent the satisfaction of that condition:

- (a) ASIC not issuing an 'indication of intent' letter under section 411(17)(b) of the Act;
- (b) ASIC appearing as amicus curiae at the Court on the First Court Order Date and/or the Second Court Order Date; and
- (c) ASIC objecting to the Scheme under Part 5.1 of the Act on the First Court Order Date and/or the Second Court Order Date.

3.3 Best Efforts

- (a) Each party must use its Best Efforts to procure that:
 - (i) each of the conditions in clause 3.1 and 3.1A(b) is satisfied as expeditiously as possible and in any event on or before the date specified in the relevant condition (which in the case of the HNC Parties shall be limited to their Best Efforts to procure that clause 3.1(g) is so satisfied), including providing all reasonable assistance to the other parties as is necessary to satisfy such conditions; and
 - (ii) there is no occurrence within the control of Sims, Newco or any HNC

Party (as the context requires) or their Subsidiaries that would prevent the conditions in clause 3.1 or clause 3.1A from being satisfied.

- (b) Each party must promptly notify the other parties:
- (i) of the steps it has taken and of its progress towards satisfaction of the conditions in clause 3.1 and clause 3.1A; and
 - (ii) after it becomes aware that any condition in clause 3.1 and clause 3.1A has been satisfied or has become incapable of being satisfied.

3.4 Waiver of conditions

- (a) The conditions in clauses 3.1A(b), 3.1 (a), (c), (d), (e) and (h) are for the joint benefit of Sims and the HNC Parties and may only be waived jointly by them.
- (b) The condition in clause 3.1 (g) is for the sole benefit of Sims and may only be waived by Sims.
- (c) The conditions in clauses 3.1 (b) and (f) are for the sole benefit of the HNC Parties and may only be waived by the HNC Parties.
- (d) If the party who has the benefit of a condition in clause 3.1 or clause 3.1A waives a breach or non-fulfilment of the condition on one or more terms, and the other parties agree to those terms, then those terms will apply. If the other parties do not agree to the terms of any waiver, the relevant condition will not be waived.

3.5 Failure of a condition

- (a) If:
- (i) a condition in clause 3.1 or clause 3.1A(b) is not satisfied or waived by the date specified in this Deed for its satisfaction;
 - (ii) a condition in clause 3.1 is not waived and becomes incapable of being satisfied by the date specified in this Deed for its satisfaction; or
 - (iii) the Scheme does not become Effective by the Sunset Date,

then the parties must consult in good faith with a view to determining whether the Scheme and the transactions contemplated under the Contribution Agreement may

proceed by way of alternative means or methods or whether to extend the relevant time for the satisfaction of that condition or the Sunset Date.

- (b) If the parties are unable to reach agreement under clause 3.5(a) within the Condition Consultation Period, then unless the condition is waived (and subject always to clause 3.5(c)):
- (i) in relation to any condition in clauses 3.1 (a), (c), (d), (e) and (h) (but not clause 3.1A), any party may terminate this Deed at any time with immediate effect by written notice to the other parties;
 - (ii) in relation to any condition in clause 3.1(g) Sims may terminate this Deed at any time with immediate effect by written notice to the HNC Parties; and
 - (iii) in relation to any condition in clauses 3.1(b) and (f) the HNC Parties may terminate this Deed at any time with immediate effect by written notice to Sims.
- (c) A party will not be entitled to terminate this Deed pursuant to clause 3.5(b) if the relevant condition has not been satisfied (or has become incapable of being satisfied) by the date specified in this Deed for its satisfaction as a result of:
- (i) a breach of this Deed by that party; or
 - (ii) a deliberate act or omission by that party or their respective Subsidiaries or any of their respective employees or officers.

- (d) Nothing in this clause 3.5 affects or prejudices the operation of clause 5.1.

3.6 Notice of changes

The parties must promptly notify each other of any change or event causing, or which, so far as can reasonably be foreseen, would cause:

- (a) a Sims Warranty or a HNC Warranty to be breached;
- (b) a breach or non-fulfilment of any of the conditions in clause 3.1; or
- (c) a breach of this Deed.

3.7 Steps up to the Implementation Date

Without limiting clauses 3.1 to 3.3 and substantially in accordance with the Timetable:

- (a) **(Regulatory Consents)** Sims and Newco (as the case requires) must:
- (i) promptly apply for all relevant Regulatory Consents and provide the other parties with advance drafts for comment and a final copy of all those applications;
 - (ii) take all the procedural steps for which it is or they are responsible to obtain the Regulatory Consents;
 - (iii) respond to requests for information in respect of the Regulatory Consents sought at the earliest practicable time and the HNC Parties must provide Sims and Newco with such assistance as they reasonably request in order for Sims and Newco to make that response;
 - (iv) provide the other parties with all information reasonably requested in connection with the applications for Regulatory Consents; and
 - (v) so far as it is or they are able, allow the other and its representatives the opportunity to be present at any meetings with any Government Agency in respect of the Regulatory Consents sought;
- (b) **(Scheme Shareholders Meetings)** Subject to obtaining the Regulatory Consents, Sims must:
- (i) convene the Scheme Meeting in accordance with the Court's orders to seek the approval by Sims Shareholders of the Sims Scheme Resolution under section 411(4)(a)(ii) of the Act;
 - (ii) convene the Extraordinary General Meeting on the same date as the Scheme Meeting at a time immediately following the Scheme Meeting to seek the approval by Sims Shareholders of:
 - (A) the Sims Chapter 6 Resolutions under section 611 (Item 7) of the Act;
 - (B) the Sims Name Change Resolution under section 157 of the Act; and
 - (C) any other resolutions which Sims considers, acting reasonably, to be necessary or desirable to obtain in connection with the Scheme and the Contribution Agreement;
- (c) **(HNC Information)** HNC must:
- (i) promptly prepare and provide to Sims for inclusion in the Scheme Booklet such information regarding HNC and the HNC Newco Group which Sims reasonably requires in order to permit Sims to comply with the disclosure requirements of the Act, PS60, PS 142, PS 74 and the Listing Rules in preparing and issuing the Scheme Booklet in relation to the Scheme and the Sims Chapter 6 Resolutions;
 - (ii) verify such information to the extent it appears in the Scheme Booklet and deliver to Sims a complete copy of those verification materials; and
 - (iii) subject to HNC being satisfied with such form and context, consent to the form and context in which such information appears in the Scheme Booklet;
- (d) **(Preparation of Scheme Booklet)** Sims must prepare the Scheme Booklet in accordance with all applicable laws in relation to the Scheme and EGM Resolutions including the Act, PS60, PS 142, PS 74 and the Listing Rules. The Scheme Booklet must include, amongst other things, details of:
- (i) the Scheme;
 - (ii) the Sims Information;
 - (iii) the HNC Information;
 - (iv) the combined Sims Group and HNC Newco Group;
 - (v) the following financial information:
 - (A) extracts from Sim's audited financial statements for the 2002, 2003 and 2004 financial years as well as the pro-forma financial statements for the 12 months to 31 December 2004;
 - (B) in respect of the Business:
 - (1) extracts of the last 3 years (that is, the years ending 31 August 2002, 31 August 2003 and 31 August 2004) pro-forma consolidated statements of financial performance as well as the pro-forma 12 months to 31 December 2004;
 - (2) extracts of the consolidated pro-forma statement of financial

- position as at 31 August 2004 and 31 December 2004;
- (3) extracts of the pro-forma consolidated statement of cash flows for the years ended 31 August 2003 and 31 August 2004 as well as the pro-forma 12 months to 31 December 2004;
- (C) pro-forma consolidated statements of financial performance, financial position and cash flows for the combined Sims Group and HNC Newco Group for the 12 months to 31 December 2004; and
- (D) extracts from the unaudited management accounts for the period from 1 January 2005 to 31 March 2005 for both Sims Group and the Business.
- (vi) the Deed Poll;
- (vii) the Independent Expert's Report;
- (viii) notice of the Scheme Meeting;
- (ix) a proxy form for the Scheme Meeting;
- (x) notice of the Extraordinary General Meeting; and
- (xi) a proxy form for the Extraordinary General Meeting.
- Sims must consult with HNC and give HNC and its representatives a reasonable opportunity to provide input on drafts of the Scheme Booklet and its content and presentation and consider that input in good faith for the purpose of amending those drafts, and obtain HNC's consent for the form and context in which the HNC Information is included in the Scheme Booklet. The Scheme Booklet, in the form initially despatched to Sims Shareholders, must include a statement that the Sims Board unanimously recommends that Sims Shareholders vote in favour of the Scheme and any other resolution submitted to Sims Shareholders for their approval in connection with the Scheme and the transactions contemplated in the Contribution Agreement, including the EGM Resolutions to be considered at the Extraordinary General Meeting, in the absence of a Superior Proposal. Sims shall be responsible for all of the information contained and included in the Scheme Booklet other than the HNC Information included in the Scheme Booklet to which HNC has consented under clause 3.7(c).
- (e) **(No change of Sims Board recommendation for the Scheme)** On and from the date of this Deed, Sims must ensure that, in the absence of a Superior Proposal, the majority of the Sims Board does not change or withdraw its recommendation under clause 2.2;
- (f) **(Certificate)** Sims, Newco and HNC must provide the Court at the hearing on the proposed Second Court Order Date with a certificate confirming that all the conditions in clause 3.1 have been satisfied or waived in accordance with the terms of this Deed;
- (g) **(Sims new information)** Sims must provide to Sims Shareholders any further or new information which may arise after lodgment of the draft Scheme Booklet with the ASIC and prior to the Scheme Meeting which may be necessary to ensure that the information contained in the Scheme Booklet is not false, misleading or deceptive in any material respect;
- (h) **(HNC new information)** HNC must provide Sims with any further or new information about the HNC Newco Group which may arise after lodgment of the draft Scheme Booklet with the ASIC and prior to the Second Court Order Date which may be necessary to ensure that the HNC Information in the Scheme Booklet is not false, misleading or deceptive in any material respect;
- (i) **(Engage the Independent Expert)** Sims must engage the Independent Expert to prepare and provide an independent expert's report(s) for inclusion in the Scheme Booklet:
- (i) in accordance with Part 5.1 of the Act and stating its opinion on whether the Scheme is in the best interests of Sims Shareholders and setting out the reasons for that opinion; and
 - (ii) in accordance with section 611 (Item 7) of the Act (as modified by ASIC) and PS 74 and stating its opinion on whether the transactions the subject of the Contribution Agreement and the Sims Chapter 6 Resolutions are fair and reasonable when considered in the context of the interests of Sims Shareholders and setting out the reasons for that opinion,

and the parties must provide all reasonable assistance and information to the Independent Expert to enable it to prepare the Independent Expert's Report. Sims must consult with HNC and give HNC and its representatives a reasonable opportunity to provide input on factual matters contained in any advance drafts of the Independent Expert's Report;

- (j) **(Sims approval of draft for ASIC)** Sims must, as soon as practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a meeting of the Sims Board, or of a committee of the Sims Board appointed for the purpose, is convened to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Act;
- (k) **(HNC approval of draft for ASIC)** HNC must, as soon as practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a meeting of the appropriate decision-making organ of HNC is convened to consider approving those sections of that draft that contain all HNC Information as being in a form appropriate for provision to ASIC for review;
- (l) **(Sims liaison with ASIC)** Sims must, as soon as reasonably practicable after the date of this Deed:
 - (i) provide an advanced draft of the Scheme Booklet, in a form approved in accordance with clauses 3.7(j) and 3.7(k), to ASIC for its review and approval for the purposes of section 411(2) of the Act;
 - (ii) liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet; and
 - (iii) keep HNC informed of any matters raised by ASIC in relation to the Scheme Booklet and use all reasonable endeavours in co-operation with HNC to resolve any such matters;
- (m) **(Sims approval of Scheme Booklet)** Sims must, as soon as practicable after the conclusion of the review by ASIC of the Scheme Booklet procure that a meeting of the Sims Board, or of a committee of the Sims Board appointed for the purpose, is convened to consider approving the Scheme Booklet for despatch to the Sims Shareholders, subject to the approval of the Court;
- (n) **(HNC approval of Scheme Booklet)** HNC must, as soon as practicable after the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the appropriate decision-making organ of HNC is convened to consider approving those Sections of the Scheme Booklet that contain all HNC Information as being in a form appropriate for despatch to the Sims Shareholders, subject to approval of the Court;
- (o) **(Engage suitable senior counsel)** The parties must engage suitable senior counsel to represent them in all Court proceedings related to the Scheme;
- (p) **(Section 411(17)(b) statement)** Sims must apply to ASIC for a statement under section 411(17)(b) of the Act that ASIC has no objection to the Scheme;
- (q) **(Court documents)** Sims must consult with HNC in relation to the content of the documents required for the purpose of each of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, comments from HNC and its representatives on those documents;
- (r) **(Court direction)** Sims must apply to the Court for orders directing Sims to convene the Scheme Meeting;
- (s) **(Registration of Scheme Booklet)** Sims must request ASIC to register the Scheme Booklet in accordance with section 412(6) of the Act;
- (t) **(Deed Poll)** Newco must execute the Deed Poll before the Dispatch Date;
- (u) **(Court approval)** Sims must apply to the Court for orders approving the Scheme as approved by the majorities required under section 411(4)(a)(ii) of the Act at the Scheme Meeting;
- (v) **(Implementation of Scheme)** if the Court makes an order approving the Scheme, Sims must:
 - (i) promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Act, but in any event, by the close of business on the Business Day after the Court grants the orders referred to in clause 3.7(u);

- (iii) promptly close the Register as at the Scheme Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme;
- (iii) promptly provide all necessary information about the Scheme Shareholders to Newco which Newco reasonably requires to facilitate the provision by Newco of the Scheme Consideration;
- (iv) promptly register all transfers of Scheme Shares to Newco in accordance with the Scheme; and
- (v) promptly do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (w) **(Scheme Consideration)** If the Scheme becomes Effective, Newco must provide the Scheme Consideration in accordance with clause 4.2 and clause 6.4;
- (x) **(New Shares)** If each of the Issue Conditions is satisfied or waived, Newco must issue the New Shares to the HNC Parties in accordance with section 2.5(b) of the Contribution Agreement;
- (y) **(LTI Plan)** Sims must terminate the LTI Plan with effect from the Implementation Date; and
- (z) **(HNC Information)** Sims must not without the prior written consent of HNC use the HNC Information or any other information provided by the HNC Parties to Sims or Newco for any purposes other than those expressly contemplated by this Deed or the Scheme.

3.8 Indemnity for HNC Information

Sims and Sims Newco agree with the HNC Parties (in their own right and separately as trustee or nominee for its Affiliates and each director, officer and adviser of the HNC Parties or any of their Affiliates) to jointly and severally indemnify the HNC Parties and their Affiliates and their respective directors, officers and advisers and their Affiliates (the **'HNC Indemnified Parties'**) against all claims, liabilities, losses, obligations, charges, costs, expenses, damages, settlement costs, fines and penalties (including the fees, expenses and other charges of counsel) of whatever nature and however arising (collectively, **'Losses'**) which any HNC Indemnified Party suffers,

incurs or is liable for arising out of any claim, action, suit or proceedings brought by a third party against any HNC Party in relation to the HNC Information provided under clauses 3.7(c) and 3.7(h) except to the extent that it is finally determined by a Court of competent jurisdiction that any HNC Party is liable in respect of such third party claim, action, suit or proceedings.

3.9 Timetable

Each party must use its Best Efforts to perform its obligations (and procure its employees, officers and advisers to assist in that performance) substantially in accordance with the timetable in Annexure 1.

4 Scheme of Arrangement

4.1 Scheme

Sims will propose the Scheme under which all the Scheme Shares are transferred to Newco and Scheme Shareholders are entitled to receive the Scheme Consideration.

4.2 Scheme Consideration

In consideration of the Scheme Shareholders transferring their Sims Shares to Newco on the Implementation Date, Newco undertakes in Sims' favour (in its own right and separately as trustee or nominee for each Scheme Shareholder) that in accordance with the Timetable at Annexure 1:

- (a) Newco will issue to the Eligible Scheme Shareholders the Scheme Consideration for the Sims Shares held by the Eligible Scheme Shareholders; and
- (b) Newco will issue to the Sale Agent in accordance with Schedule 1 such number of Newco Shares as are attributable to Ineligible Overseas Shareholders as Scheme Consideration and procure that such Newco Shares are sold and the proceeds of sale paid to the Ineligible Overseas Shareholders in accordance with the Timetable at Annexure 1.

4.3 Sims Options

- (a) To the extent that any Options held by the Optionholder have not been exercised prior to the date of despatch of the Scheme Booklet, Sims will provide that Sims and the Optionholder will enter into an option

cancellation deed prior to the date of despatch of the Scheme Booklet in a form which is satisfactory to HNC acting reasonably and which, among other things, shall provide that with effect from the Scheme becoming Effective and subject to any ASX approval, modification or waivers under Listing Rule 6.23 having been obtained by Sims:

- (i) all outstanding Options of the Optionholder will be cancelled upon the Scheme becoming Effective; and
- (ii) Sims will make a capital payment to the Optionholder in respect of the cancelled Options upon the Scheme becoming Effective.

- (b) Sims acknowledges that as at the date of this Deed, Sims has 193,798 Options on issue which are held by the Optionholder.

5 Termination

5.1 Termination by notice

Without prejudice to any other rights of termination under this Deed, this Deed may be terminated by giving the other parties written notice at any time before 8.00am on the Second Court Order Date:

- (a) by Sims, if any HNC Party is in material breach of any of its obligations under this Deed provided that Sims has given notice to HNC setting out the relevant circumstances and stating an intention to terminate and the relevant circumstances have continued to exist seven Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Order Date) from the time such notice is received (with the time of receipt being determined in accordance with clause 14.3);
- (b) by HNC, if Sims or Newco is in material breach of any of its obligations under this Deed, provided that HNC has given notice to Sims setting out the relevant circumstances and stating an intention to terminate and the relevant circumstances have continued to exist seven Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Order Date) from the time such notice is received (with the time of receipt being determined in accordance with clause 14.3);
- (c) by HNC, for a material breach of a Sims Warranty;

- (d) by Sims, for a material breach of an HNC Warranty;

- (e) by HNC, if a majority of the Sims Board withdraws its recommendation in relation to the Scheme or the Sims Chapter 6 Resolutions at any time prior to the Second Court Order Date or recommends a Superior Proposal;

- (f) by a party, if a court or Government Agency has issued an order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme or the transactions contemplated in the Contribution Agreement and such action is final and cannot be appealed or the party, acting reasonably, believes there is no realistic prospects of a successful appeal;

- (g) by a party, in accordance with and pursuant to clause 3.5; or

- (h) by HNC, if the Sims Shareholders fail to pass the Sims Chapter 6 Resolutions at the Extraordinary General Meeting;

- (i) by a party, if the Scheme is not approved by the Court under section 411(4)(b) of the Act on or before the Sunset Date.

5.2 Effect of termination

- (a) If a party terminates this Deed under clause 3 or 5, this Deed, and the parties' rights and obligations under it, shall cease other than rights and obligations under this clause and clauses 7.2, 7.4, 8, 9, 11 and 12 which will continue to operate and bind the parties after termination in accordance with their terms.
- (b) Termination of this Deed under clause 3 or 5 does not prejudice the accrued rights of a party to take action in respect of a breach of this Deed occurring prior to such termination.

5.3 Automatic termination

This Deed will terminate automatically without the need for action by any party in the event that:

- (a) the Sims Shareholders fail to approve the Scheme by the necessary majorities under section 411(4)(a)(ii) of the Act at the Scheme Meeting;
- (b) after the parties have used their Best Efforts to resolve any issues raised by the Court in relation to the Scheme, the Court

refuses to grant an order convening the Scheme Meeting or approving the Scheme and either:

- (i) the parties fail to agree on conducting an appeal under clause 6.1 within 5 Business Days of the Court's decision; or
- (ii) the parties agree to conduct an appeal under clause 6.1 within 5 Business Days of the Court's decision but the appeal is unsuccessful; or

(c) if the Contribution Agreement is terminated in accordance with its terms.

6 Conduct up to Implementation

6.1 Conduct of appeals

If the Court refuses to grant an order convening any required Scheme Meeting or approving the Scheme, then Sims and HNC must consult with each other in good faith as to whether to appeal the Court's decision.

6.2 Appointing directors

(a) Subject to the satisfaction or waiver of the Issue Conditions, as soon as practicable after the issue of the Neu Shares, subject to appropriate consents to act being received, Newco must take all actions necessary to:

- (i) procure the appointment of two nominees of the HNC Parties to the board of Newco, one of whom is Mr John L Neu and the other being an independent director nominated by the HNC Parties, provided that the independent director nominated has been endorsed by the Newco nomination committee ('**HNC Independent Director**'); and
- (ii) procure the appointment of Mr John L Neu and the HNC Independent Director to the board of directors or other similar governing body of Hugo Newco LLC, with John Neu being appointed Vice Chairman of Hugo Newco LLC.

(b) Subject to the satisfaction or waiver of the Issue Conditions, Newco hereby agrees with the HNC Parties, and must procure and covenant in the Deed Poll that its directors will recommend the re-election of the HNC nominees appointed under clause 6.2(a) at the first annual general meeting of Newco

after the Effective Date (unless Newco obtains a written opinion from Queen's Counsel or Senior Counsel practising in the field of corporate law in Australia to the effect that the directors of Newco recommending such nominee for re-election as a director of Newco would be in breach of their fiduciary or statutory duties).

(c) The parties agree that the Newco constitution will contain a clause 19.6 in the form set out in Annexure 4, subject to any amendments requested by ASX.

(d) For the purposes of the appointment of the HNC Parties' nominees under clause 6.2(a)(i) (together, **the HNC Nominees**), Newco acknowledges, subject to a signed consent to act being received from each of the nominees, that:

- (i) the notification obligations of the HNC parties in respect of each of the nominees, as set out in clause 19.6(c) of the Newco constitution, are deemed to be satisfied; and
- (ii) the appointment of each of the nominees of the HNC Parties has been approved by the Newco nomination committee for the purposes of clause 19.6(e) of the Newco constitution.

6.3 Indemnification of HNC Nominees

Newco agrees that, prior to the despatch of the Scheme Booklet, it will ensure that the HNC Nominees have the benefit of:

- (a) the same director and officer's indemnity from Newco that all other Newco directors will enjoy; and
- (b) insurance under a director and officer's insurance policy (or equivalent) which is on terms no less favourable than the director and officer's insurance policy that applies to all other Newco directors.

6.4 Quotation of Sims Shares

If the Scheme is approved by the Court, Sims must take all reasonable steps to ensure that Sims Shares remain quoted on ASX, and Newco Shares commence trading on ASX, in accordance with the timetable in Annexure 1. For the purposes of the obligations contained in this clause 6.4, the parties expressly acknowledge that Sims' obligations are subject to the exercise by ASX of its powers and

discretions in relation to the timetable in Annexure 1.

6.5 Issue of Scheme Consideration and the Neu Shares

- (a) In satisfaction of its obligation to issue Newco Shares to Eligible Scheme Shareholders entitled to be issued Newco Shares under the Scheme, Newco must:
- (i) on the Implementation Date, issue the applicable number of Newco Shares to each Eligible Scheme Shareholder, which obligation will be satisfied by causing the name and Registered Address (as at the Scheme Record Date) of that Eligible Scheme Shareholder to be entered in the Newco Register as the holder of the Newco Shares issued to that Eligible Scheme Shareholder; and
 - (ii) on the Implementation Date, subject to the satisfaction or waiver of the Issue Conditions, subject to the terms of the Contribution Agreement, issue the Neu Shares to the HNC Parties in accordance with Section 2.5(b)(i) of the Contribution Agreement and provide an uncertificated holding statement to the HNC Parties in respect of the Neu Shares; and
 - (iii) within 7 Business Days after the Implementation Date, procure the despatch to that Eligible Scheme Shareholder (if their Newco Shares are held on the issuer sponsored subregister of Newco) by pre-paid post to their Registered Address (as at the Scheme Record Date), of an uncertificated holding statement in the name of that Eligible Scheme Shareholder relating to the number of Newco Shares issued to that Eligible Scheme Shareholder.
- (b) Newco undertakes in Sims' favour (in its own right and separately as trustee or nominee for each Eligible Scheme Shareholder) and in HNC's favour that on issue, each Newco Share (including each Neu Share) will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest in favour of Newco or any other Person.

6.6 Joint holders

In the case of Scheme Shares held in joint names, any uncertificated holding statements for Newco Shares to be issued to Scheme Shareholders will be issued in the names of the joint holders and will be forwarded to the holder whose name appears first in the Register at the Scheme Record Date.

6.7 Deferred settlement trading of Newco Shares

Newco will use its Best Efforts to procure that the Newco Shares will be quoted on the stock market conducted by ASX as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

7 Warranties

7.1 Sims Warranties

Sims and Newco each represent and warrant to the HNC Parties (in their own right and separately as trustee or nominee for its Affiliates and each director, officer and adviser of the HNC Parties or any of their Affiliates) at the date of this Deed and at 8.00am on the Second Court Order Date that:

- (a) it has taken all necessary corporate action to authorise its entry into this Deed and has taken or will take all necessary corporate action to authorise the performance of this Deed by it and to carry out the transactions contemplated by this Deed;
- (b) it has full corporate power to execute, deliver and perform its obligations under this Deed and to carry out the transactions contemplated by this Deed;
- (c) this Deed constitutes a legal, valid and binding obligation of it;
- (d) this Deed does not conflict with or result in the breach of or default under any provision of its constitution or any material term or provision of any writ, order or injunction, judgment, or law to which it or any of its Subsidiaries is a party or is subject or by which it or any of its Subsidiaries is bound;
- (e) it has obtained all necessary consents and approvals to enable it to enter into this Deed;
- (f) neither the execution or performance by it of this Deed nor any transaction

contemplated under this Deed will in any material respect breach or accelerate the obligations of it or of any of its Subsidiaries under any provision of:

- (i) any judgment; or
- (ii) any relevant constituent documents;
- (g) as at the date of this Deed, Sims has 91,086,086 Sims Shares on issue, and their respective rights and terms have been provided to the HNC Parties;
- (h) except as set out in Annexure 3, there are no options, warrants, conversion privileges, subscription or purchase rights or other rights outstanding as of the date of this Deed to purchase or otherwise acquire any authorised but unissued shares of Sims or any other securities of Sims, and there are no commitments, contracts, agreements, arrangements or understandings by Sims to issue any shares or other securities of Sims or which require Sims to repurchase, redeem or otherwise acquire any of its shares;
- (i) the Scheme Booklet excluding any HNC Information will not contain any statement which is materially false, misleading or deceptive (including because of any material omission from that statement) and will contain all information which is material to the making of a decision by Sims Shareholders whether or not to approve the Scheme, the Sims Chapter 6 Resolutions and the other EGM Resolutions;
- (j) Sims is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on Listing Rule 3.1A to withhold any information from disclosure, other than, as at the date of this Deed, the existence, status and other information concerning the transactions contemplated in this Deed, the Scheme and the Contribution Agreement.

7.2 Sims Indemnity

- (a) Sims and Newco agree with the HNC Parties (in their own right and separately as trustee or nominee for their Affiliates and each director, officer and adviser of the HNC Parties or any of their Affiliates) to jointly and severally indemnify each HNC Party and its Affiliates and their respective directors, officers and advisers and their Affiliates (the '**HNC Indemnified Parties**') against all Losses which any HNC Indemnified Party suffers, incurs or is liable for arising out of

any breach of any of the representations and warranties in clause 7.1.

- (b) Sims agrees with Newco (in its own right and separately as trustee or nominee for its Affiliates and each director, officer and adviser of Newco or any of its Affiliates) to indemnify Newco and its Affiliates and their respective directors, officers and advisers and their Affiliates (the '**Newco Indemnified Parties**') against all Losses which any Newco Indemnified Party suffers, incurs or is liable for arising out of any breach of any of the representations and warranties in clause 7.1.

7.3 HNC Party Warranties

Each HNC Party represents and warrants to Sims and Newco (in their own right and separately as trustee or nominee for their Affiliates and each director, officer and adviser of Sims and Newco or any of their Affiliates) at the date of this Deed and (except for the representations and warranties contained in clauses 7.3(d) and 7.3(f)), at 8.00am on the Second Court Order Date that:

- (a) it has taken all necessary corporate action to authorise its entry into this Deed and has taken or will take all necessary corporate action to authorise the performance of this Deed by it and to carry out the transactions contemplated by this Deed;
- (b) it has full corporate power to execute, deliver and perform its obligations under this Deed and to carry out the transactions contemplated by this Deed;
- (c) this Deed constitutes a legal, valid and binding obligation of it;
- (d) this Deed does not conflict with or result in the breach of or default under any provision of its constitution or any material term or provision of any writ, order or injunction, judgment, or law to which it or any of its Subsidiaries is a party or is subject or by which it or any of its Subsidiaries is bound;
- (e) it has obtained all necessary consents and approvals to enable it to enter into this Deed;
- (f) neither the execution or performance by it of this Deed nor any transaction contemplated under this Deed will in any material respect breach or accelerate the obligations of it or of any of its Subsidiaries under any provision of:
 - (i) any judgment; or

- (iii) any relevant constituent documents;
- (g) the HNC Information provided by or on behalf of the HNC Parties, will be provided in good faith and on the understanding that Sims and its directors and officers will rely on that information for the purposes of preparing the Scheme Booklet in accordance with clause 3.7(d);
- (h) the HNC Financial Information:
 - (i) fairly presents in all material respects the financial condition, results of operations, and cash flow of the Business as at the respective dates of and for the periods referred to in the definition of HNC Financial Information;
 - (ii) referred to in paragraphs (c) and (d) of the definition of HNC Financial Information has been prepared in accordance with the Agreed Accounting Principles, subject to normal recurring year-end adjustments and the absence of footnotes;
 - (iii) other than the information referred to in paragraphs (c) and (d), have been prepared in accordance with the Accounting Principles; and
 - (iv) has been prepared from and is in accordance with the books and records of the Business (or where applicable, the respective parts of the Business). The HNC Financial Information reflects the consistent application of Accounting Principles throughout the periods involved;
- (i) the HNC Information included in the Scheme Booklet will not contain any statement which is materially false, misleading or deceptive (including because of any material omission from that statement); and
- (j) it has no relevant interest in any Sims Shares (other than the Neu Shares).

7.4 HNC Party Indemnity

Subject to clause 7.11, each HNC Party agrees with Sims and Newco (in their own right and separately as trustee or nominee for their Affiliates and each director, officer and adviser of Sims and Newco or any of their Affiliates) to jointly and severally indemnify Sims, Newco and their Affiliates and their respective directors, officers and advisers and their Affiliates (the '**Sims Indemnified Parties**') against all Losses which any Sims Indemnified

Party suffers, incurs or is liable for arising out of any breach of any of the representations and warranties in clause 7.3.

7.5 Survival of warranties

Each Warranty:

- (a) is severable;
- (b) will survive termination of this Deed; and
- (c) is given with the intent that liability under it is not confined to breaches which are discovered before the date of termination of this Deed.

7.6 Survival of indemnities

Each indemnity in this Deed (including those in clauses 7.2 and 7.4):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this Deed; and
- (d) survives the termination of this Deed.

7.7 No other warranties or reliance

Other than the representations and warranties in the Contribution Agreement, each party:

- (a) acknowledges that no other party (nor any Person acting on that other party's behalf) has made any warranty, representation or other inducement to it to enter into this Deed, except for the Warranties; and
- (b) acknowledges and confirms that it does not enter into this Deed in reliance on any warranty, representation or other inducement by or on behalf of any other party, except for any Warranty.

7.8 Notification of breach

- (a) Sims must promptly notify the HNC Parties if at any time after the date of this Deed Sims becomes aware that a Sims Warranty has ceased to be true and must also provide the HNC Parties with reasonable details of that fact.
- (b) The HNC Parties must promptly notify Sims if at any time after the date of this Deed any HNC Party becomes aware that an HNC

Warranty has ceased to be true and must also provide Sims with reasonable details of that fact.

7.9 Limitations on claims

Despite the other provisions of this Deed, with respect to any matter governed by clause 7.2 or 7.4 or a party's liability for any other breach of this Deed, if:

- (a) a party in default (**'Defaulting Party'**) has duly complied with clause 3.6 or 7.8; and
- (b) the Scheme is implemented in accordance with its terms,

the Defaulting Party will have no liability for such breach under this clause 7 or otherwise under this Deed and no party shall bring any claim against the Defaulting Party for any such breach.

7.10 Release of officers and directors

Subject to section 199A of the Act (where applicable), no officer, director, adviser or employee of a party will be liable to a party for anything done, purported to be done or not done in connection with preparing and providing the information or documents provided under this Deed, to a party in good faith. Nothing in this clause excludes such officers, directors, advisers and employees from any liability which may arise from their willful misconduct (including a failure to disclose to any party any material information known to any such officer, director, adviser or employee) on the part of such a person. Each party receives and holds the benefit of this release, to the extent it relates to its officers, directors, advisers and employees, as agent for them.

7.11 Limitation of Liability

Sims and Newco (in their own right and separately as trustee or nominee for their Affiliates and each director, officer and adviser of Sims and Newco or any of their Affiliates) acknowledges and agrees that the HNC Parties will have no liability for a breach of the representation and warranty in clause 7.3(h) (including under clause 7.5) except to the extent that:

- (a) any of Sims, Newco and their Affiliates and their respective directors, officers and advisers and their Affiliates (**Sims Indemnified Parties**) suffers Losses arising

out of any claim, action, suit or proceedings brought by a third party against any Sims Indemnified Party as a result of the Scheme Booklet not complying with all applicable laws in relation to the Scheme and EGM Resolutions including the Act, PS60, PS 142, PS 74 and the Listing Rules; and

- (b) those Losses are attributable to a breach of the representation and warranty in clause 7.3(h) to the extent that it is finally determined by a Court of competent jurisdiction that any HNC Party is liable in respect of such breach.

8 Public announcements

8.1 Announcement of the Scheme

Subject to clause 8.4, immediately after the parties execute this Deed, they must issue a public announcement about the Scheme and the transactions contemplated in the Contribution Agreement substantially in the form set out in Annexure 2.

8.2 Public announcements and submissions

Subject to clause 8.4:

- (a) except as permitted under clause 8.1, no party may make a public announcement about this Deed, the Contribution Agreement, the Scheme Booklet or the Scheme unless:
 - (i) the other parties have approved the form of the announcement; or
 - (ii) subject to clause 8.3, the law or the Listing Rules requires an announcement to be made.
- (b) no party may make a submission for any Regulatory Consents under this Deed before reasonably consulting with the other parties.
- (c) the parties must use all reasonable endeavours to participate constructively in the consultation contemplated by clauses 8.2(a), 8.2(b) and 8.3 as soon as is practicable.

8.3 Required disclosure

Subject to clause 8.4, if the law or the Listing Rules require a party to make an announcement or disclosure about either the subject of this Deed, the Contribution

Agreement, the Scheme or the Scheme Booklet, that party may only do so after it has given the other parties prior notice (of at least one Business Day if possible whilst complying with all applicable laws and duties) and consulted with the other parties about the form and content of the announcement or disclosure.

8.4 Exceptions

Notwithstanding anything to the contrary contained in this Deed, each HNC Party and John L Neu shall be free to make any appropriate public comment with respect to this Deed or the Contemplated Transactions (as defined in the Contribution Agreement), (i) if Newco or Sims breaches any of its obligations under this Deed, the Contribution Agreement or any Ancillary Agreement (as defined in the Contribution Agreement) or a HNC Party alleges any breach by Newco or Sims hereunder, (ii) in response to any request for interviews from the press or any other media, or (iii) following any comments made by any Person that reflects negatively on the Contemplated Transactions or the Business (as those terms are defined in the Contribution Agreement); it being understood that the existence or terms of this clause 8.4 shall not be read as a waiver of any rights that Newco or any of its Affiliates may have under Section 13.3 of the Contribution Agreement or to any other non-contractual remedies (such as under the laws of defamation).

9 Confidentiality

9.1 Parties obligations

The parties agree that the Confidential Information is 'Confidential Information', as that term is defined in the Contribution Agreement, and the parties shall comply with Section 13.3 of the Contribution Agreement in respect of that Confidential Information.

9.2 Privacy Act

Each party acknowledges that the other parties have obligations under the *Privacy Act* 1988 in relation to personal information (defined as any information identifying or potentially identifying an individual) in its possession and forming part of the party's Confidential Information. All parties therefore undertake to comply with these obligations to the same extent and degree as the party from whom each has

obtained the information is bound to observe them.

10 Conduct of Court proceedings

Nothing in this Deed gives any party any right or power to make undertakings to the Court for or on behalf of any other party without that party's written consent.

11 Costs

- (a) Subject to clauses 11(b) and 12, each party must bear its own costs and expenses (including professional fees and stamp duty) incurred by it in connection with the negotiation, preparation and execution of this Deed and the implementation or attempted implementation of the Scheme.
- (b) Newco must pay all stamp duty and any related fines or penalties in respect of this Deed, the Deed Poil and the acquisition of the Scheme Shares in accordance with the Scheme.

12 Cost reimbursement

12.1 Cost reimbursement payable by Sims

- (a) Subject to satisfaction of clause 12.1(b), Sims must, on demand in accordance with clause 12.4, reimburse the HNC Parties for their Out-of-Pocket Expenses up to an amount equal to US\$3,000,000 ('**Cost Reimbursement Amount**'), if at any time before the Scheme Meeting a majority of the Sims Board makes a public statement or statements withdrawing its support or recommendation of the Scheme (unless, despite such occurrence, the Scheme becomes Effective and the 'Closing' of the Contribution Agreement occurs in accordance with its terms).
- (b) HNC must provide Sims with reasonable supporting documentation for the Out-of-Pocket Expenses for which the HNC Parties claim reimbursement under clause 12.1(a).

12.2 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any

part of a payment required to be made under clause 12.1 (**'Impugned Amount'**):

- (a) is unlawful;
 - (b) involves a breach of the duties of the Sims Board; or
 - (c) constitutes unacceptable circumstances under section 657A of the Act,
- then:
- (d) the obligation under clause 12.1 does not apply to the extent of the Impugned Amount; and
 - (e) if the HNC Parties have received the Impugned Amount, they must refund it to Sims within 10 Business Days of the final determination.

(b) Unless expressly included, the consideration for any supply under or in connection with this Deed does not include GST.

(c) To the extent that any supply made by a party to another party (**'Recipient'**) under or in connection with this Deed is a taxable supply, the Recipient must pay, in addition to the consideration to be provided under this Deed 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.

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

12.3 Acknowledgments

Each of Sims and the HNC Parties confirms that:

- (a) the HNC Parties will incur significant costs, expenses, outgoings and losses if the Scheme is not successful;
- (b) it has received legal advice on this Deed and the operation of this clause; and
- (c) it considers this clause to be fair and reasonable and that it is appropriate to agree to the terms in this clause 12 in order to secure the significant benefits to it (and its shareholders) resulting from the Scheme and the consummation of the Contribution Agreement.

12.4 Payment

Any payment of the Cost Reimbursement Amount required under this clause 12 must be made within 5 Business Days of receipt of a written demand for payment by the HNC Parties. The demand may only be made after the occurrence of an event referred to in clause 12.1.

12.5 GST

- (a) Any reference in this clause to a term defined or used in A New Tax System (Goods and Services Tax) Act 1999 is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.

13 Scheme and Deed Poll

13.1 Deed Poll

The parties agree that Newco will execute a Deed Poll in substantially the same form as set out in Annexure 5, subject to any amendments suggested by senior counsel retained by Sims in connection with the Scheme.

13.2 Scheme of arrangement

The parties agree that the terms of the Scheme are those set out in a form substantially similar to the form set out in Annexure 6, subject to any amendments suggested by senior counsel retained by Sims in connection with the Scheme.

14 General

14.1 Further acts

Each party will promptly do everything necessary, including executing and delivering all further documents required by law or reasonably requested by the other party, to implement this Deed and the Scheme.

14.2 Notices

Any notice under or in connection with this Deed must be:

- (a) dated;
- (b) in writing;

(c) addressed as shown below:

Sims and Newco

Address: Level 6, Sims Group House
41 McLaren Street
North Sydney, NSW
Australia 2001

Fax no: +(61) 2-9954-9680

Attention: Jeremy Sutcliffe

the HNC Parties

Address: C/o Hugo Neu Corporation
110 Fifth Avenue, 7th Floor
New York, New York 10011
United States of America

Fax no: 1 (212) 604-0722

Attention: John L. Neu

(or as otherwise notified by that party to the other parties from time to time);

(d) copied to **Paul, Weiss, Rifkind, Wharton & Garrison LLP** at the following address:

Address: 1285 Avenue of the Americas
New York, New York 10019-6064
United States of America

Fax no: 1 (212) 757-3990

Attention: Alfred D. Youngwood

Attention: Richard S. Borisoff

(e) copied to **Clayton Utz** at the following address:

Address: 1 O'Connell Street
Sydney, NSW
Australia 2000

Fax no: + (61) 2-8220-6700

Attention: Rod Halstead

(f) copied to **Baker & McKenzie** at the following address:

Address: Level 26,
50 Bridge Street
Sydney NSW 2000

Fax no: +(61) 2-9225-1595

Attention: Christopher Saxon; and

(g) signed by the party making the communication or by a person duly authorised by that party.

14.3 Service of notices

Without limiting any other means by which a party may be able to prove that a notice has been received by any other party, a notice will be considered to have been received:

- (a) if sent by hand, when left at the address of the receiving party;
- (b) if sent by pre-paid post, 3 Business Days after the date of posting (if posted within

Australia to an address in Australia) or upon receipt (if posted from one country to another);

(c) if sent by an internationally recognised courier service, 1 Business Day after the date of submission to the courier service (if posted within Australia to an address in Australia) or upon receipt (if posted from one country to another); or

(d) if sent by facsimile, on receipt by the sender of an acknowledgment or transmission report generated by the sender's machine indicating that the whole facsimile was sent to the receiving party's facsimile number,

but if a notice is served by hand, or is received by the receiving party's facsimile, on a day that is not a Business Day, or after 5.00pm on a Business Day, the notice will be considered to have been received by the receiving party at 9.00am on the next Business Day.

14.4 Amendments

Except as expressly provided to the contrary in this Deed, the parties may only vary this Deed by a document signed by or on behalf of each of them.

14.5 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this Deed without the other parties' prior written consent.

14.6 Invalid or unenforceable provisions

If a provision of this Deed is invalid or unenforceable in a jurisdiction:

- (a) it is to be read down or severed in that jurisdiction to the extent of the invalidity or unenforceability; and
- (b) that fact does not affect the validity or enforceability of that provision in another jurisdiction or the remaining provisions.

14.7 Remedies cumulative

Except as expressly provided to the contrary in this Deed, the rights, powers and remedies provided in this Deed are cumulative with, and not exclusive to, the rights, powers or remedies provided by law independently of this Deed.

14.8 Waiver

- (a) A waiver by a party of a provision of, or of a right under, this Deed is only binding on the party granting the waiver if the waiver is in writing and is signed by an authorised officer for the waiving party.
- (b) A waiver is effective only in the specific instance and for the specific purpose for which it is given.
- (c) A single or partial exercise of a right by a party does not preclude another exercise of that right or the exercise of another right.
- (d) The failure to exercise, or the delay in exercising, a right does not operate as a waiver or prevent the party so failing to exercise or delaying in the exercise of its right from later exercising its right.

14.9 Counterparts

The parties may execute this Deed in counterparts and all counterparts taken together constitute one document.

14.10 Entire agreement

To the extent permitted by law, in relation to the subject matter of this Deed, this Deed and the Contribution Agreement:

- (a) embody the entire understanding of the parties and constitutes the entire terms agreed on among the parties; and
- (b) supersede any prior agreement (whether or not in writing) between the parties.

14.11 Governing law

This Deed is governed by the laws of New South Wales. Each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales; and
- (b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

14.12 Service of process

Each party agrees that a document required to be served in proceedings about this Deed may be served:

- (a) by being delivered to or left at its address for service of notices under clause 14.2; or
- (b) in any other way permitted by law.

Executed as a deed

Signed by
Sims Group Limited
by a director and secretary/director:

Jeremy Sutcliffe

Ross Cunningham

Signed by
Hugo Neu Corporation
by a director and officer/director:

Donald W. Hamaker

John L. Neu

Signed by
Hugo Neu Steel Products, Inc.
by a director and officer/director:

Donald W. Hamaker

John L. Neu

Signed by
Flynn-Learner
by a director and officer/director:

Donald W. Hamaker

John L. Neu

Signed by
Sims Co Limited
by a director and secretary/director:

Jeremy Sutcliffe

Ross Cunningham

Schedule 1

ASX Listing Rule Waivers

Listing Rule	Relief Sought
LR 1.1, condition 8 (incorporating LR 1.3.5(a) and 1.3.5(c))	1. Confirmation from ASX that Listing Rule 1.1, condition 8 will be satisfied by the provision to ASX of the pro-forma financial information of Newco referred to in clause 3.7(d)(v). 2. Waiver of the requirements of Listing Rule 1.3.5(a) in relation to the requirement for Newco to provide ASX with accounts for the last three full financial years.
LR 1.1, condition 3	1. Confirmation from ASX of Sims intended use of an information memorandum rather than a prospectus. 2. Confirmation from ASX that the Scheme Booklet and additional statement (setting out information requirements of items 108 to 116 of Appendix 1A of the Listing Rules) will suffice for purposes of satisfying the requirements of the Listing Rules for an information memorandum.
LR 1.1, condition 1 and condition 2, LR 2.1, condition 1, LR 6.1, LR 14.4	Confirmation from ASX that the Newco provisions allowing the HNC Parties to nominate, and to the extent possible, remove two directors to the Newco board where their shareholding in Newco remains above 15% and one director for a shareholding between 5% and 15% are acceptable and do not require any waivers or the necessary waivers are provided.
Quotation of Vendor Shares	Confirmation from ASX that the Neu Shares can be quoted on ASX but carry a separate 'ticker' to the other Newco shares for so long as they carry restricted dividend rights in relation to the interim dividend of Sims Newco for the half year ended 31 December 2005 (i.e., until the date of the payment of that dividend).
LR 7.1 and 7.3	Waiver from ASX so that: * the approval by the Sims Shareholders of the Scheme at the Scheme Meeting will suffice as an approval under Listing Rule 7.1 by Newco for the issue of the Neu Shares; and * the information to be provided to Sims Shareholders in the Scheme Booklet regarding the Neu Shares suffices for the purpose of Listing Rule 7.3.
LR 7.2, exception 9(a) and LR 10.14	Confirmation sought from ASX that: * the information in the Scheme Booklet on the LTI Plan suffices for the purposes of the information required under LR 7.2, condition 9(a); and * the approval by the Sims Shareholders of the Scheme will suffice as the adoption by Newco of a new plan on identical terms as the existing Sims LTI Plan and approval for Mr Jeremy Sutcliffe and Mr Ross Cunningham to participate in the Newco LTI Plan (as described in the Scheme Booklet) for the purposes of LR 10.14.

Listing Rule	Relief Sought
LR 10.1 and LR 10.11	Confirmation from ASX that the exceptions in LR 10.3 and 10.12, exception 5 apply to the issue of the Neu Shares to the HNC Parties.
s. 611 item 7	Modification to permit Sims, at a general meeting of its shareholders, rather than Newco at a general meeting of its shareholders, to approve: (a) the issue of the Neu Shares; and (b) Newco obtaining a relevant interest in the Neu Shares.
s. 707	Modification to exempt the Neu Shares from the operation of s.707(3) and (4).
s. 259C	Exemption to permit Newco, which at the relevant time is a Subsidiary of Sims, to acquire the Scheme Shares under the Scheme.

Annexure 1

Indicative Timetable

This Annexure 1 has intentionally been left blank.

Sims Group Shareholders should refer to the Important Dates and Times section.

Annexure 2

Agreed Announcement

This Annexure 2 has intentionally been left blank.

The information contained in the announcement is contained in this Explanatory Booklet.

Annexure 3

Disclosure

This Annexure 3 has intentionally been left blank.

The information contained in this Annexure 3 is contained elsewhere in this Explanatory Booklet.

Annexure 4

Newco Constitution – HNC Parties’ Director Nomination Rights

This Annexure 4 has intentionally been left blank.

Information on the HNC Parties’ Director Nomination Rights is set out in Section 10.16.2.

Annexure 5

Deed Poll

This Annexure has intentionally been left blank.

The Deed Poll is set out in Appendix D.

Annexure 6

Scheme of Arrangement

This Annexure has intentionally been left blank.

The Scheme of Arrangement is set out in Appendix E.

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Deed Poll

by

Sims Co Limited

in favour of

Each Scheme Shareholder

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Deed Poll

Date 2 August 2005

Parties **Sims Co Limited**
ACN 114 838 630
(**Sims Newco**)

in favour of Each Scheme Shareholder

Recitals

- A Sims, Sims Newco and the HNC Parties are parties to a Merger Implementation Deed dated 24 June 2005 (the **Merger Implementation Deed**) in relation to the proposal and implementation of a scheme of arrangement under Part 5.1 of the *Corporations Act* (Cth) ('**Scheme**').
- B Under the Merger Implementation Deed, Sims Newco agrees to do all things necessary to implement the Scheme as soon as is reasonably practicable upon and subject to the terms of the Merger Implementation Deed.
- C Sims Newco is entering into this Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to perform its obligations under the Scheme.

Operative provisions

1 Definitions and Interpretation

1.1 Definitions

Terms defined in the Scheme, a copy of each of which is set out in Annexure 1 to this Deed Poll, have the same meanings in this Deed Poll unless the context requires otherwise. In addition:

1.2 Interpretation

The provisions of clause 1.2 of the Scheme form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this document' in that clause are references to 'this Deed Poll'.

2 Nature of Deed Poll

Sims Newco acknowledges that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms, despite that person not being a party to this Deed Poll.

3 Conditions Precedent and Termination

3.1 Conditions precedent

Sims Newco's obligations under clause 4 are subject to the Scheme coming into effect in accordance with section 411(10) of the Act.

3.2 Termination

The obligations of Sims Newco under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if the Merger Implementation Deed is terminated in accordance with its terms prior to the Effective Date for the Scheme.

3.3 Consequences of Termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Shareholders:

- (a) Sims Newco is released from its obligations to further perform this Deed Poll; and
- (b) Scheme Shareholders retain the rights they have against Sims Newco in respect of any breach of this Deed Poll by it which occurred before termination of this Deed Poll.

4 Compliance with Scheme Obligations

4.1 Payment of Scheme Consideration

Subject to clause 3, in consideration for the transfer to Sims Newco of each Scheme Share on the Implementation Date for the Scheme:

- (a) Sims Newco will issue to each Eligible Scheme Shareholder such number of Sims Newco Shares as are due to that Eligible Scheme Shareholder under the Scheme as Scheme Consideration; and
- (b) Sims Newco will issue to the Sale Agent in accordance with the Scheme such number of Sims Newco Shares as are attributable to Ineligible Overseas Shareholders under the Scheme as Scheme Consideration.

4.2 Provision of Consideration

- (a) In satisfaction of its obligation to issue Sims Newco Shares to an Eligible Scheme Shareholder entitled to be issued Sims Newco Shares under the Scheme, Sims Newco will:

- (i) 2 Business Days after the Implementation Date for the Scheme, cause the name and Registered Address (as at the Scheme Record Date) of that Eligible Scheme Shareholder to be entered into the Sims Newco Share Register as the holder of the Sims Newco Shares issued to that Eligible Scheme Shareholder; and
 - (ii) within seven Business Days after the Implementation Date, procure the dispatch to that Scheme Shareholder (if their Sims Newco Shares are held on the issuer sponsored subregister of Sims Newco by pre-paid post to their Registered Address (as the Scheme Record Date), of an uncertificated holding statement in the name of that Eligible Scheme Shareholder relating to the number of Sims Newco Shares issued to that Eligible Scheme Shareholder.
- (b) Sims Newco undertakes that:
- (i) the Sims Newco Shares issued as Scheme Consideration will rank equally in all respects with all existing Sims Newco Shares;
 - (ii) it will:
 - (A) by two Business Days after the date of the Scheme Meeting apply to ASX for quotation of all Sims Newco Shares issued as Scheme Consideration; and
 - (B) do everything reasonably necessary to ensure that trading in the Sims Newco Shares issued as Scheme Consideration commences by the first Business Day after the Implementation Date; and
 - (iii) on issue, each Sims Newco Share issued as Scheme Consideration will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4.3 Joint Holders

In the case of Scheme Shares held in joint names, any uncertificated holding statements for Sims Newco Shares to be issued to Scheme Shareholders will be issued in the names of the joint holders and be forwarded to the holder whose name appears first in the Register on the Scheme Record Date for the Scheme.

4.4 Deferred settlement trading of Sims Newco Shares

Sims Newco will use its best endeavours to procure that the Sims Newco Shares to be issued under the Scheme will be quoted on the stock market conducted by ASX as soon as practicable after the Effective Date for the Scheme, initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

4.5 Appointing directors

- (a) Subject to the satisfaction or waiver of the Issue Conditions, as soon as practicable after the issue of the Neu Shares, subject to appropriate consents to act being received, Newco must take all actions necessary to:
 - (i) procure the appointment of two nominees of the HNC Parties to the board of Sims Newco, one of whom is Mr John Neu and the other being an independent director nominated by the HNC Parties, provided that the independent director nominated has been endorsed by the Sims Newco nomination committee (**HNC Independent Director**); and
 - (ii) procure the appointment of Mr John Neu and the HNC Independent Director to the board of directors or other similar governing body of Hugo Neu Co., LLC, with John Neu being appointed Vice Chairman of Hugo Neu Co., LLC.
- (b) Subject to the Scheme becoming Effective, Sims Newco must procure that its directors will recommend the re-election of the HNC Party nominees appointed under clause 4.5(a) at the first annual general meeting of Sims Newco after the Effective Date (unless Sims Newco obtains a written opinion from Queen's Counsel or Senior Counsel practising in the field of corporate law in Australia to the effect that the directors of Sims Newco recommending such nominee for re-election as a director of Sims Newco would be in breach of their fiduciary or statutory duties).

4.6 Miscellaneous obligations

Subject to clause 3, Sims Newco will comply with the obligations contemplated of it under clauses 3.2, 4.2(b), 4.3, 5.2, 6 and 9.7 of the Scheme.

5 Representations and Warranties

Sims Newco represents and warrants that:

- (a) it is a company validly existing under the laws of Australia;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (d) this Deed Poll is valid and binding upon it; and
- (e) the Deed Poll does not conflict with, or result in the breach of or default under, any provision of its constitution or any material term or provision of any agreement or deed or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound.

6 Continuing obligations

This Deed Poll is irrevocable and remains in full force and effect until the earlier of:

- (a) Sims Newco having completely performed its obligations under this Deed Poll; and
- (b) termination of this Deed Poll under clause 3.

7 Further assurances

Sims Newco will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

8 Notices

Any notice, demand, consent or other communication (a Notice) given or made to Sims Newco under this Deed Poll:

- (a) must be in writing and signed by the sender or a person duly authorised by the sender;
- (b) must be delivered to Sims Newco by pre-paid post (if posted to an address in another country, by registered airmail) or by

hand or fax to the address or fax number below:

Address: Level 6, Sims Group House
41 McLaren Street
North Sydney, NSW
Australia 2060

Fax no.: +61 2 9954 9680
Attention: Jeremy Sutcliffe

Copied to Baker & McKenzie
Address: Level 27, 50 Bridge Street
Sydney NSW 2000

Fax no.: +61 2 9225 1595
Attention: Christopher Saxon

- (c) will be taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, three Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a Business Day in the place to which the Notice is sent or is later than 4.00pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

9 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by Sims Newco or by a Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

10 Remedies cumulative

The rights, powers and remedies of Sims Newco and of each Scheme Shareholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

11 Amendment

A provision of this Deed Poll may not be varied unless the amendment is agreed to by Sims and the HNC Parties, and the Court indicates that the amendment would not of itself preclude approval of the Scheme, in which event Sims Newco will enter into a further deed poll in favour of the Sims Shareholders giving effect to such amendment.

12 Stamp Duty

All stamp duty (including fines, penalties and interest) that may be payable on or in connection with this Deed Poll and any instrument executed under this Deed Poll must be borne by Sims Newco. Sims Newco must indemnify each Scheme Shareholder on demand against any liability for that stamp duty.

Executed as a deed poll in Sydney, Australia.

Signed by
Sims Co Limited

by a director and secretary/director:

13 Assignment

The rights and obligations of Sims Newco and of each Scheme Shareholder 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 without the prior written consent of Sims and the HNC Parties.

14 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Sims Newco submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with the matters concerning this Deed Poll.

Frank Moratti

Jeremy Sutcliffe

Annexure 1

Scheme of Arrangement

The Scheme of Arrangement is contained in Appendix E.

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Scheme of Arrangement

Sims Group Limited

The holders of fully paid ordinary shares in Sims Group Limited

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Scheme of Arrangement

Pursuant to section 411 of the Corporations Act 2001 (Cth)

Parties **Sims Group Limited**
ACN 008 634 526 (**Sims**) of
Level 6, 41 McClaren Street,
North Sydney, New South Wales,
Australia

**The holders of fully paid
ordinary shares in Sims
Group Limited**

Operative provisions

1 Definitions and Interpretation

1.1 Definitions

In this document, unless the context otherwise requires:

Act means the *Corporations Act 2001* (Cth).

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited (ACN 008 624 691).

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement and Transfer Corporation Pty Limited, ABN 49 008 504 532.

Conditions Precedent means the conditions precedent set out in clause 3.1.

Court means the Supreme Court of New South Wales.

Deed Poll means the deed poll dated 2 August 2005 executed by Sims Newco whereby Sims Newco has, amongst other things, covenanted in favour of Sims Shareholders to perform its obligations under the Scheme.

Dispatch Date means the day that the Scheme Booklet is despatched to Sims Shareholders.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Act, of the Court order made under section 411(4)(b) of the Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Eligible Scheme Shareholder means a Scheme Shareholder other than an Ineligible Overseas Shareholder.

Implementation Date means the third Business Day following the Scheme Record Date.

Ineligible Overseas Shareholder means a Scheme Shareholder whose address as shown in the Register at the Scheme Record Date is in a jurisdiction other than Australia or its external territories, or the United Kingdom, except where Sims Newco is reasonably satisfied that the issue in that jurisdiction of Sims Newco Shares to that Scheme Shareholder is neither prohibited, nor unduly onerous nor unduly impracticable.

Listing Rules means the official listing rules of ASX as amended from time to time.

Merger Implementation Deed means the Merger Implementation Deed dated 24 June 2005 between Sims, Sims Newco and the HNC Parties.

Register means the register of Sims Shareholders.

Registered Address means in relation to a Sims Shareholder, the address shown in the Register.

Related Body Corporate has the meaning given in section 50 of the Act.

Sale Agent means the person nominated by Sims Newco to sell the Sims Newco Shares that are attributable to the Ineligible Overseas Shareholders under the terms of the Scheme.

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under section 411(6) of the Act.

Scheme Booklet means the document despatched to Sims Shareholders and approved by the Court, including amongst other things this document, an explanatory statement in relation to the Scheme issued pursuant to section 412 of the Act and registered with ASIC, an independent expert's report, copies of each of the Merger Implementation Deed and the Deed Poll and a notice convening the Scheme Meeting (together with proxy forms).

Scheme Consideration has the meaning given in clause 5.1.

Scheme Meeting means the Sims Shareholders' meeting ordered by the Court to be convened under section 411(1) of the Act in relation to the Scheme.

Scheme Order means an order of the Court made for the purposes of section 411(4)(b) of the Act in relation to the Scheme.

Scheme Record Date means 5:00 pm on the fifth Business Day after the Effective Date.

Scheme Shareholder means a holder of Scheme Shares as at the Scheme Record Date.

Scheme Shares means all Sims Shares as at the Scheme Record Date.

Second Court Order Date means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Act approving the Scheme or, where the hearing of such application is adjourned, the first day of hearing of such adjourned application.

Sims Board means the board of directors of Sims.

Sims Newco means Sims Co Limited, ACN 114 838 630.

Sims Newco Register means the share register of Sims Newco.

Sims Newco Shares means fully paid ordinary shares in Sims Newco together with all rights attaching thereto.

Sims Newco Share Registry means Computershare Investor Services Pty Limited, ACN 078 279 277.

Sims Shareholder means each person who is registered in the Register as a holder of Sims Shares.

Sims Share Registry means Computershare Investor Services Pty Limited, ACN 078 279 277.

Sims Shares means issued fully paid ordinary shares in Sims.

1.2 Interpretation

In this document:

- (a) unless the context otherwise requires, a reference:
 - (i) to the singular includes the plural and vice versa;
 - (ii) to a gender includes all genders;

- (iii) to a document (including this document) is a reference to that document (including any Schedules and Annexures) as amended, consolidated, supplemented, novated or replaced;

- (iv) to a law:

- (A) includes a reference to any constitutional provision, subordinate legislation, treaty, decree, convention, statute, regulation, rule, ordinance, proclamation, by-law, judgment, rule of common law or equity or rule of any applicable stock exchange;

- (B) is a reference to that law as amended, consolidated, supplemented or replaced; and

- (C) is a reference to any regulation, rule, ordinance, proclamation, by-law or judgment made under that law;

- (v) to time is a reference to Sydney time;

- (b) headings are for convenience only and are ignored in interpreting this Agreement;

- (c) the word 'including' or 'includes' means 'including but not limited to' or 'including without limitation'; and

- (d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

2 Preliminary

2.1 Sims

- (a) Sims is a public company incorporated in Australia and registered in the Australian Capital Territory and is a company limited by shares. Its registered office is at Level 6, 41 McClaren Street, North Sydney, New South Wales, Australia.

- (b) Sims has been admitted to the official list of ASX and Sims Shares have been granted official quotation on the stock market conducted by ASX.

- (c) As at 1 August 2005, 91,476,668 Sims Shares were on issue.

2.2 Sims Newco

- (a) Sims Newco is a public company, incorporated in Australia and registered in Victoria and is a company limited by shares.

Its registered office is at Level 6,
41 McClaren Street, North Sydney,
New South Wales, Australia.

- (b) As at 1 August 2005, 1 Sims Newco Share was on issue.

2.3 Summary of the Scheme

- (a) If the Scheme becomes Effective then:
- (i) all the Scheme Shares will be transferred to Sims Newco, and Sims Newco will provide the Scheme Consideration to Scheme Shareholders in accordance with the provisions of the Scheme; and
 - (ii) Sims will enter the name and address of Sims Newco in the Register as the holder of the Scheme Shares.
- (b) Sims Newco has executed the Deed Poll in favour of the Scheme Shareholders, under which it has covenanted to perform the obligations contemplated of it under the Scheme.

3 Conditions Precedent

3.1 Conditions

The Scheme is conditional on each of the following conditions precedent:

- (a) as at 8:00 am on the Second Court Order Date, all of the conditions set out in clause 3.1 of the Merger Implementation Deed (other than clause 3.1(e)) have been satisfied or waived in accordance with the terms of the Merger Implementation Deed (other than clause 3.1(e));
- (b) the Scheme has been approved by the requisite majorities of Sims Shareholders in accordance with section 411(4)(a) of the Act at the Scheme Meeting;
- (c) the Court has approved the Scheme, with or without modification, under section 411(4)(b) of the Act; and
- (d) such other conditions made or required by the Court under section 411(6) of the Act in relation to the Scheme have been satisfied,

and the Scheme will be of no force or effect unless and until the Conditions Precedent are satisfied.

3.2 Certificate

At the hearing by the Court of the application for the Scheme Order, Sims, the HNC Parties and Sims Newco will each provide to the Court a certificate confirming whether or not all of the conditions set out in clause 3.1 (other than 3.1(e)) of the Merger Implementation Deed have been satisfied or waived in accordance with the terms of the Merger Implementation Deed.

4 Implementation of the Scheme

4.1 Lodgement

Sims must lodge with ASIC an office copy of the Scheme Order promptly after, and in any event by 5:00 pm on the first Business Day after the date on which the Court makes that order.

4.2 Transfer of Scheme Shares

On the Implementation Date, all of the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares) will be transferred to Sims Newco without the need for any further act by any Scheme Shareholder, by Sims effecting a valid transfer or transfers of the Scheme Shares to Sims Newco under section 1074D of the Act or, if that procedure is not available for any reason, by:

- (a) Sims delivering to Sims Newco duly completed and executed share transfer forms (which may be a master transfer of all or part of the Scheme Shares) to transfer all of the Scheme Shares to Sims Newco;
- (b) Sims Newco executing and delivering the share transfer forms to Sims; and
- (c) Sims entering the name and address of Sims Newco in the Register as the holder of all of the Scheme Shares.

4.3 Provision of Scheme Consideration

In consideration for the transfer to Sims Newco of each Scheme Share on the Implementation Date:

- (a) Sims Newco will issue to each Eligible Scheme Shareholder such number of Sims Newco Shares as are due to that Eligible Scheme Shareholder under clause 5 as Scheme Consideration; and
- (b) Sims Newco will issue to the Sale Agent in accordance with clause 5.2 such number of Sims Newco Shares as are attributable to Ineligible Overseas Shareholders under clause 5.2 as Scheme Consideration.

5 Scheme Consideration

5.1 Scheme Consideration

Subject to clause 5.2, the consideration in respect of the Scheme Shares held by a Scheme Shareholder at the Scheme Record Date comprises one Sims Newco Share in respect of each Scheme Share ('**Scheme Consideration**').

5.2 Ineligible Overseas Shareholders

Sims Newco will be under no obligation under the Scheme to issue, and will not issue, any Sims Newco Shares to an Ineligible Overseas Shareholder, and instead:

- (a) the Shares which would otherwise be required to be issued to the Ineligible Overseas Shareholder under the Scheme will be issued to the Sale Agent 2 Business Days after the Implementation Date;
- (b) Sims Newco will procure that, as soon as reasonably practicable (and in any event not more than 5 Business Days after the Implementation Date), the Sale Agent sells on the stock market conducted by ASX all of the Sims Newco Shares issued to the Sale Agent under clause 5.2(a) in such manner, at such price and on such other terms as the Sale Agent determines in good faith (and at the risk of the Ineligible Overseas Shareholder), and remits to Sims Newco the proceeds of sale (after deduction of any applicable brokerage and other selling costs, taxes and charges) (the '**Proceeds**'); and
- (c) Sims Newco will pay to the Ineligible Overseas Shareholder such fraction of the Proceeds as is equal to the number of Sims Newco Shares which would have been

issued to the Ineligible Overseas Shareholder but for the application of this clause 5.2, divided by the total number of Sims Newco Shares issued to the Sale Agent under this clause 5.2 in respect of all Ineligible Overseas Shareholders, promptly after the last sale of Sims Newco Shares by the Sale Agent,

in full satisfaction of Sims Newco's obligations to the Ineligible Overseas Shareholder under the Scheme in respect of the Scheme Consideration.

6 Provision of Scheme Consideration

6.1 Provision of Scrip Consideration

- (a) The Sims Newco Shares to be issued under the Scheme will be validly issued and fully paid and will rank *pari passu* in all respects with all other Sims Newco Shares then on issue.
- (b) The obligation of Sims Newco to issue Sims Newco Shares to an Eligible Scheme Shareholder entitled to be issued Sims Newco Shares under the Scheme will be satisfied by Sims Newco:
 - (i) within 2 Business Days after the Implementation Date, issuing the applicable number of Sims Newco Shares to each Eligible Scheme Shareholder (which obligation will be satisfied by causing the name and Registered Address (as at the Scheme Record Date) and causing the name of that Eligible Scheme Shareholder to be entered in the Sims Newco Register as the holder of the Sims Newco Shares issued to that Eligible Scheme Shareholder; and
 - (ii) within 7 Business Days after the Implementation Date, procuring the dispatch to that Eligible Scheme Shareholder (if their Sims Newco Shares are held on the issuer sponsored subregister of Sims Newco) by pre-paid post to their Register Address (as at the Scheme Record Date), of an uncertificated holding statement in the name of that Eligible Scheme Shareholder relating to the number of Sims Newco Shares issued to that Eligible Scheme Shareholder.
- (c) Each Scheme Shareholder to whom Sims Newco Shares are to be issued under the Scheme agrees:

- (i) to become a member of Sims Newco for the purposes of section 231 of the Act;
 - (ii) to have their name and address entered in the Sims Newco Register; and
 - (iii) to be bound by the constitution of Sims Newco as in force from time to time in respect of the Sims Newco Shares.
- (d) Except for a Scheme Shareholder's tax file number, any binding instruction or notification between a Scheme Shareholder and Sims relating to Scheme Shares at the Scheme Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from Sims) will from the Scheme Record Date be deemed (except to the extent determined otherwise by Sims Newco in its sole discretion) to be a similarly binding instruction or notification to, and accepted by Sims Newco, in respect of the Sims Newco Shares issued to the Scheme Shareholder until that instruction or notification is revoked or amended in writing addressed to Sims Newco at the Sims Newco Share Registry. Any such instructions or notifications accepted by Sims Newco will apply to and in respect of the issue of Sims Newco Shares as part of the Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.
- (e) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Sims Newco and each of its directors and officers, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any form of application required for Sims Newco Shares to be issued to that Scheme Shareholder pursuant to the Scheme.

6.2 Joint holders

In the case of Scheme Shares held in joint names any uncertificated holding statements for Sims Newco Shares to be issued to Scheme Shareholders as Scheme Consideration will be issued in the names of the joint holders and be forwarded to the holder whose name appears first in the Register at the Scheme Record Date.

7 Deferred settlement trading of Sims Newco Shares

Sims Newco will use its best endeavours to procure that the Sims Newco Shares issued as Scheme Consideration will be quoted on the stock market conducted by ASX as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

8 Dealings in Sims Shares

8.1 Dealings prior to Scheme Date

- (a) For the purpose of establishing the persons who are Scheme Shareholders, dealings in Sims Shares will only be recognised if:
- (i) 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 Sims Shares by the Scheme Record Date; and
 - (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Sims Share Registry by the Scheme Record Date.
- (b) Sims will register registrable transfers or transmission applications of the kind referred to in clause 8.1(a)(ii) by the Scheme Record Date. Sims will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Sims Shares received after the Scheme Record Date (other than the transfers under clause 4.2).

8.2 Dealings after Scheme Record Date

- (a) For the purpose of determining entitlements to the Scheme Consideration, Sims will, until the Scheme Consideration has been provided in accordance with the Scheme, maintain or procure the maintenance of the Register in accordance with this clause 8, and the Register will solely determine entitlements to the Scheme Consideration. Each entry on the Register at the Scheme Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlement to the Scheme Consideration.

- (b) From the Scheme Record Date, all certificates and holding statements for Scheme Shares existing at the Scheme Record Date will cease to have effect as documents of title in respect of those Scheme Shares, other than for the purpose of registering dealings in Sims Shares in accordance with clause 8.1.

8.3 Provision of information

On or before 9.00am on the Implementation Date, Sims must give to Sims Newco details of the names, Registered Addresses and holdings of Scheme Shares of every Scheme Shareholder as shown in the Register at the Scheme Record Date in such form as Sims Newco may reasonably require.

8.4 Quotation of Sims Shares

- (a) Sims must take all reasonable steps to ensure that Sims Shares remain quoted on ASX until the transfer of all the Scheme Shares to Sims Newco is completed.
- (b) If the Scheme becomes Effective, Sims must not seek to end the official quotation of Sims Shares on ASX, or otherwise seek to remove Sims from the official list of ASX prior to Completion.

9 General Scheme Provisions

9.1 Scheme alterations and conditions

If the Court proposes to approve the Scheme subject to any alterations or conditions, Sims may, by its counsel or solicitors but subject to the prior approval of Sims Newco and the HNC Parties, consent on behalf of all persons concerned to those alterations or conditions.

9.2 Covenants by Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of their Scheme Shares to Sims Newco, in accordance with the Scheme;
- (b) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from the Scheme;
- (c) without the need for any further act, irrevocably appoints Sims and each of the directors and officers of Sims, jointly and

severally, as the Scheme Shareholder's attorney and agent for the purpose of:

- (i) in the case of Scheme Shares in a CHESS Holding:
- (A) causing a message to be transmitted to ASTC in accordance with ASTC Settlement Rules so as to transfer the Scheme Shares held by the Scheme Shareholder from the CHESS subregister of Sims to the issuer sponsored subregister operated by Sims notwithstanding that, at the time of such transfer, Sims Newco has not provided the Scheme Consideration which is due under this Scheme to the Scheme Shareholders; and
- (B) completing and signing on behalf of Scheme Shareholders any required form of transfer of Scheme Shares; and
- (ii) in the case of Scheme Shares registered in the issuer sponsored subregister operated by the Sims Share Registry, completing and signing on behalf of Scheme Shareholders any required form of transfer; and
- (iii) in all cases, executing any document or doing any other act necessary or desirable to give full effect to the Scheme and the transactions contemplated by it; and
- (d) consents to Sims doing all things and executing all deeds, instruments, transfers and other documents as may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.

9.3 Status of Scheme Shares

- (a) Each Scheme Shareholder is deemed to have warranted to Sims Newco that all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Sims Newco under the Scheme will, as at the date of the transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and that they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Sims Newco under the Scheme.

(b) As at the Implementation Date, and pending registration by Sims of the name and address of Sims Newco in the Register as the holder of the Scheme Shares:

- (i) Sims Newco will be beneficially entitled to the Scheme Shares transferred to it under the Scheme; and
- (ii) each Scheme Shareholder irrevocably appoints Sims Newco as its sole proxy and, where appropriate, its corporate representative to attend shareholders' meetings of Sims, exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder and sign any shareholders' resolution of Sims, and the Scheme Shareholder may not itself attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative.

9.4 Effect of Scheme

The Scheme binds Sims and all Sims Shareholders (including those who do not attend the Scheme Meeting, those who do not vote at that meeting or those who vote against the Scheme at that meeting) from time to time and, to the extent of any inconsistency, overrides the constitution of Sims.

9.5 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Sims, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Sims registered office or at the Sims Share Registry.

9.6 Further assurances

Sims will do all things and execute all deeds, instruments, transfers and other documents as may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.

9.7 Stamp duty

Sims Newco will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to Sims Newco.

9.8 Proper law

The proper law of the Scheme is the law of New South Wales.

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SIMS GROUP LIMITED ABN 37 008 634 526

NOTICE OF COURT ORDERED MEETING OF HOLDERS OF FULLY PAID ORDINARY SHARES IN SIMS GROUP LIMITED

NOTICE IS HEREBY GIVEN, that by Order of the Supreme Court of New South Wales (**Court**), made on 2 August 2005 under section 411(1) of the *Corporations Act*, the Court has directed that a meeting of holders of fully paid ordinary shares in Sims Group Limited (**Sims Group**), be held at James Cook Ballroom, Hotel InterContinental, 117 Macquarie Street, Sydney, NSW on 8 September 2005 at 10.00am (Sydney time).

Purpose of meeting

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) to be made between Sims Group and Sims Group Shareholders (**Scheme**).

Resolution

The Scheme Meeting will be asked to consider and, if thought fit, to pass the following resolution:

'THAT subject to resolutions 1 and 3 being approved by the members of Sims Group at the Extraordinary General Meeting, that under, and in accordance with, section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed to be entered into between Sims Group and the holders of fully paid ordinary shares in Sims Group, as set out in the Explanatory Booklet (and in particular Appendix E) of which the notice convening this meeting forms part, is agreed to (with or without modification as approved by the Court).'

Explanatory Material

In the Explanatory Booklet is a copy of the proposed Scheme and a copy of the explanatory statement in relation to it which is required by section 412 of the *Corporations Act*.

Capitalised terms used in this notice of meeting (and not otherwise defined in it) have the meanings set out in the Glossary of Terms contained in the Explanatory Booklet of which this notice forms part.

The Court has appointed Mr Paul Mazoudier or, failing him, Mr Geoff Brunsdon to act as chairperson of the Scheme Meeting.

By order of the Board of
SIMS GROUP LIMITED



Frank Moratti
Secretary

2 August 2005

Notes:

1. **Required Majority** The resolution to approve the Scheme must be approved by:
 - (a) a majority in the numbers of Sims Group Shareholders present and voting (whether in person or by proxy, attorney or corporate representative) at the Scheme Meeting; and
 - (b) at least 75% of the total number of votes cast at the Scheme Meeting.
2. **Court Approval** In accordance with section 411(4)(b) of the *Corporations Act*, the Scheme must be approved by order of the Court. If the resolution set out in this notice of meeting is passed (with or without modification) in accordance with the requisite majorities set out above and the Scheme Conditions referred to in Section 10 of the Explanatory Booklet are satisfied or (where applicable) waived, Sims Group intends to apply to the Court for the necessary orders to give effect to the Scheme.
3. **Voting by poll** Voting at the meeting on the resolution set out in this notice of meeting will occur by poll only.
4. **Voting Entitlement** Only Sims Group Shareholders are entitled to vote at the Scheme Meeting. Persons recorded in the Register as Sims Group Shareholders as at 7.00pm on 6 September 2005 will be treated as Sims Group Shareholders for the purpose of the Scheme Meeting.
5. **How to Vote** Sims Group Shareholders can vote at the Scheme Meeting in one of the following ways:
 - (a) by attending the Scheme Meeting and voting in person;
 - (b) by appointing an attorney to attend and vote on their behalf;
 - (c) in the case of corporations, by appointing an authorised corporate representative to attend and vote on their behalf; and
 - (d) by appointing a proxy to attend and vote on their behalf, using the green proxy form accompanying the Explanatory Booklet or a corresponding additional or replacement form obtained from the Registry.
6. **Voting in person or by authorised corporate representative** Sims Group Shareholders or their authorised corporate representatives who plan to attend the Scheme Meeting are asked to bring with them their personalised green proxy form enclosed with the Explanatory Booklet and to arrive at the venue, allowing sufficient time to enable shareholdings to be checked against the Register and attendances noted.

In order to vote in person at the Scheme Meeting, a corporation that is a Sims Group Shareholder may appoint an individual to act as its representative. The appointment must comply with the requirements of section 250D of the *Corporations Act*. The representative should bring to the Scheme Meeting evidence of their appointment, including any authority under which it is signed.
7. **Voting by attorney** Attorneys must provide to Sims Group the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting. The power of attorney appointing the attorney must be duly executed and must specify the name of each Sims Group Shareholder, Sims Group and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one. The original or certified copy of the power of attorney must be provided to Sims Group in the same manner as proxy forms and must be received by the Registry by 10.00am on 6 September 2005.

8. **Voting by proxy** A Sims Group Shareholder entitled to attend and vote may appoint not more than two proxies to attend and vote instead of the Sims Group Shareholder. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the Sims Group Shareholder's voting rights. If proportions or numbers are not specified, each proxy may exercise half the Sims Group Shareholder's votes. A proxy need not be a Sims Group Shareholder. For the appointment of a proxy to be effective, the proxy form accompanying the Explanatory Booklet or a corresponding additional or replacement form obtained from Sims' Share Registry (together with any power of attorney or other authority under which the proxy form is signed or a copy of that power of attorney or authority certified as a true copy by statutory declaration) must be completed and received by the Registry by 10.00am on 6 September 2005.

Proxy forms received after this time will be invalid.

A proxy form can be returned by posting it in the envelope provided (reply paid for use in Australia only) or by delivering, posting or faxing it to:

Registry

Computershare Investor Services Pty Limited
In person: Level 3, 60 Carrington Street
Sydney, NSW 2000
Australia

By mail: GPO Box 242
Melbourne, Vic 8060
Australia

By fax: +61 2 8235 8220

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SIMS GROUP LIMITED ABN 37 008 634 526

NOTICE OF EXTRAORDINARY GENERAL MEETING OF HOLDERS OF FULLY PAID ORDINARY SHARES IN SIMS GROUP LIMITED

Notice is hereby given that a meeting of the holders of ordinary shares in Sims Group Limited (**Sims Group**) will be held at James Cook Ballroom, Hotel InterContinental, 117 Macquarie Street, Sydney, NSW, on 8 September 2005 at 11.00am (Sydney time), or as soon after that time as the Scheme Meeting has concluded or been adjourned.

Purpose of meeting

The purpose of the meeting is to consider and, if thought fit, to pass five resolutions proposed in connection with a scheme of arrangement proposed to be entered into between Sims Group and the holders of Sims Group's ordinary shares.

Resolutions

The meeting will be asked to consider and, if thought fit, to pass the following:

1. Hugo Neu Corporation – resolution in respect of section 611, item 7 of the Corporations Act

To consider and, if thought fit, pass the following resolution:

'That under section 611, item 7 of the Corporations Act (as modified by ASIC), and subject to the Scheme Resolution being approved by the members of Sims Group at the Scheme Meeting and resolution 3 being approved by the members of Sims Group at this Extraordinary General Meeting, the issue by Sims Co Limited of the Neu Shares to Hugo Neu Corporation (in its own right and in its capacity as nominee on behalf of Hugo Neu Steel Products, Inc. and Flynn-Learner) in accordance with the terms of the Contribution Agreement is approved.'

2. New Sims Group – resolution in respect of section 611, item 7 of the Corporations Act

To consider and, if thought fit, pass the following resolution:

'That under section 611, item 7 of the Corporations Act (as modified by ASIC), and subject to the Scheme Resolution being approved by the members of Sims Group at the Scheme Meeting and resolution 1 being approved by the members of Sims Group at this Extraordinary General Meeting, the acquisition by Sims Co Limited of a relevant interest in the Neu Shares which arises as a result of the operation of the relevant provisions in the Standstill and Lock-Up Deed is approved.'

3. Change of name resolution

To consider and, if thought fit, pass the following special resolution:

'That under section 157 of the Corporations Act, and subject to the Scheme Resolution being approved by the Sims Group Shareholders, the Scheme Order being made and resolution 1 being approved by the members of Sims Group at this Extraordinary General Meeting, the name of Sims Group be changed to Sims Group Australia Holdings Limited.'

4. Grant of equity performance rights to Mr Jeremy Sutcliffe – resolution in respect of Listing Rule 10.11

To consider and, if thought fit, pass the following resolution:

'That under Listing Rule 10.11 and subject to the Scheme Resolution being approved by the Sims Group Shareholders and resolutions 1 and 3 being approved by the members of Sims Group at the Extraordinary General Meeting, the grant by Sims Group of equity performance rights and the issue of any Sims Group Shares or New Sims Group Shares upon the exercise of those rights, as more particularly set out in Section 12 of the Explanatory Booklet of which this notice forms part, to Mr Jeremy Sutcliffe is approved.'

5. Non-Executive Directors' Fees – resolution in respect of Listing Rule 10.17

To consider and, if thought fit, pass the following resolution:

'That under Listing Rule 10.17, the maximum aggregate amount payable by Sims Group to non-executive Directors by way of Directors' fees be increased from A\$500,000 to A\$1,000,000 per annum.'

Resolutions (1) and (2) together are referred to as the **Share Issue Resolutions**.

Resolutions (3) to (5) together are referred to as the **EGM Resolutions**.

The resolutions in (1) and (2) must be approved by Sims Group Shareholders who hold at least 50% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).

The change of name resolution in (3) must be approved by Sims Group Shareholders who hold at least 75% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).

Resolution (4) must be approved by Sims Group Shareholders who hold at least 50% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).

Resolution (5) must be approved by Sims Group Shareholders who hold at least 50% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).

Explanatory material

Details of the proposed Share Issue Resolutions and the EGM Resolutions are included in the Explanatory Booklet of which this notice forms part, in particular in Section 12. Terms used in this notice have the same meaning as set out in the Glossary of Terms contained in the Explanatory Booklet.

Voting exclusion statement

Sims Group will disregard any votes cast on:

- (a) resolutions (1) or (2) by Hugo Neu Corporation, Hugo Neu Steel Products Inc., Flynn-Learner and New Sims Group and any associate (as that term is defined in Section 12 of the Corporations Act) of any one of them.
- (b) resolution (4) by Mr Jeremy Sutcliffe or an associate (as that term is defined in the note to Listing Rule 14.11) of Mr Jeremy Sutcliffe; and
- (c) resolution (5) by Mr Paul Mazoudier, Mr Geoffrey Brunson, Mr Charles Copeman and Mr Michael Feeney ('Non-Executive Directors') or an associate (as that term is defined in the note to Listing Rule 14.11) of any one of the Non-Executive Directors.

However, Sims Group need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board of
SIMS GROUP LIMITED



Frank Moratti
Secretary

2 August 2005

Notes:

1. **Required Majority** The Share Issue Resolution in paragraph (1) must be approved by Sims Group Shareholders who hold at least 50% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).
2. The Share Issue Resolution set out in paragraph (2) must be approved by Sims Group Shareholders who hold at least 50% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).
3. The change of name resolution set out in paragraph (3) must be approved by Sims Group Shareholders who hold at least 75% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).
4. The resolution in respect of Mr Sutcliffe's performance rights set out in paragraph (4) must be approved by Sims Group Shareholders who hold at least 50% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).
5. The resolution in respect of the total non-executive Director's fee cap set out in paragraph (5) must be approved by Sims Group Shareholders who hold at least 50% of the total number of Sims Group Shares voted at the meeting (in person or by proxy, attorney or corporate representative).
6. **Voting by poll** Voting at the meeting on the resolutions set out in this notice of meeting will occur by poll only.
7. **Voting Entitlement** Only Sims Group Shareholders are entitled to vote at the Extraordinary General Meeting. Persons recorded in the Register as Sims Group Shareholders as at 7.00pm on 6 September 2005 will be treated as Sims Group Shareholders for the purpose of the Extraordinary General Meeting.
8. **How to Vote** Sims Group Shareholders can vote at the Extraordinary General Meeting in one of the following ways:
 - (a) by attending the Extraordinary General Meeting and voting in person;
 - (b) by appointing an attorney to attend and vote on their behalf;
 - (c) in the case of corporations, by appointing an authorised corporate representative to attend and vote on their behalf; and
 - (d) by appointing a proxy to attend and vote on their behalf, using the blue proxy form accompanying the Explanatory Booklet or a corresponding additional or replacement form obtained from the Registry.
9. **Voting in person or by authorised corporate representative** Sims Group Shareholders or their authorised corporate representatives who plan to attend the Extraordinary General Meeting are asked to bring with them their personalised blue proxy form enclosed with the Explanatory Booklet and to arrive at the venue, allowing sufficient time to enable shareholdings to be checked against the Sims Share Register and attendances noted.

In order to vote in person at the Extraordinary General Meeting, a corporation that is a Sims Group Shareholder may appoint an individual to act as its representative. The appointment must comply with the requirements of section 250D of the *Corporations Act*. The representative should bring to the Extraordinary General Meeting evidence of their appointment, including any authority under which it is signed.
10. **Voting by attorney** Attorneys must provide to Sims Group the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Extraordinary General Meeting. The power of attorney appointing the attorney must be duly executed and must specify the name of each Sims Group Shareholder, Sims Group and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one. The original or certified copy of the power of attorney must be provided to Sims Group in the same manner as proxy forms and must be received by the Registry by 10.00am on 6 September 2005.

11. **Voting by proxy** A Sims Group Shareholder entitled to attend and vote may appoint not more than two proxies to attend and vote instead of the Sims Group Shareholder. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the Sims Group Shareholder's voting rights. If proportions or numbers are not specified, each proxy may exercise half the Sims Group Shareholder's votes. A proxy need not be a Sims Group Shareholder. For the appointment of a proxy to be effective, the blue proxy form accompanying the Explanatory Booklet or a corresponding additional or replacement form obtained from the Registry (together with any power of attorney or other authority under which the proxy form is signed or a copy of that power of attorney or authority certified as a true copy by statutory declaration) must be completed and received by Registry by 10.00am on 6 September 2005.

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Registry

Computershare Investor Services Pty Limited
In person: Level 3, 60 Carrington Street
Sydney, NSW 2000
Australia

By mail: GPO Box 242
Melbourne, Vic 8060
Australia

By fax: +61 2 8235 8220

Corporate Directory

Sims Group Limited

Sims Group House
Level 6, 41 McLaren Street
North Sydney NSW 2060
(GPO Box 4155, Sydney NSW 2001)
Tel: +61 2 9956 9100
Fax: +61 2 9954 9680

Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Sims Group Information Line

1300 132 977 (within Australia)
+61 3 9415 4249 (outside Australia)

Financial Adviser

UBS AG, Australia Branch
Level 25
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Legal Adviser

Baker & McKenzie
Level 27, 50 Bridge Street
Sydney NSW 2000

Investigating Accountant

PricewaterhouseCoopers Securities Ltd
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171



Hugo Neu West processing facility at Terminal Island at the Port of Los Angeles, California

Sims Group Limited Explanatory Booklet