

Ferrum Steel Pty Ltd – Term Sheet

Date: 7 May 2025

Parties:

- **Purchaser:** Ferrum Steel Pty Ltd (to be formed) (or Nominee) (Purchaser)
- **Seller:** Walsh Steel Fabrication Pty Ltd (Seller)

This Term Sheet is non-binding except for clauses marked “Binding”.

TRANSACTION SUMMARY

No.	Term	Details
1.	Parties	<ul style="list-style-type: none"> a) Ferrum Steel Pty Ltd (to be formed) (or Nominee) (Purchaser) b) Walsh Steel Fabrication Pty Ltd (Seller).
2.	Transaction	<ul style="list-style-type: none"> ➤ Acquisition of 100% shares in Walsh Steel Fabrication Pty Ltd (Company). ➤ Binding: Exclusivity, confidentiality, and governing law clauses.
3.	Strategic Intent	<ul style="list-style-type: none"> ➤ Seller to remain in the business for 2 months post-settlement to assist transition. ➤ GM Transition: Seller will identify/internal candidates for GM role during due diligence.
4.	Consideration	<ul style="list-style-type: none"> ➤ Total Purchase Price: \$2,300,000 ➤ The Purchase Price assumes a cash-free, debt-free basis. ➤ Division 7A loans will be settled by Seller Pre-Closing or deducted from the Cash at Closing (clause 5). ➤ Stock Purchase: Stock to be included in Total Purchase Price (Estimated at \$135,000 stock) ➤ Cash at Closing: \$1,500,000 ➤ Deferred Warranty Holdback: \$800,000, payable in 12 monthly instalments from business cash flow, contingent on: <ul style="list-style-type: none"> ➤ No material breach of warranties. ➤ Revenue ≥ \$1,000,000 per quarter. ➤ Adjustments: <ul style="list-style-type: none"> - Net Debt Adjustment (clause 5). - Working Capital Adjustment (clause 6).

No.	Term	Details
5.	Net Debt Adjustment	<ul style="list-style-type: none"> ➤ Net Debt includes all outstanding Division 7A loans under the Income Tax Assessment Act 1936. ➤ Seller agrees to repay or extinguish all Division 7A loans prior to Closing, with any unpaid amounts reducing the Purchase Price dollar-for-dollar. ➤ Bank loans, tax liabilities, etc., adjusted for cash at closing. ➤ Final amount tied to EBITDA sustainability.
6.	Working Capital	<ul style="list-style-type: none"> ➤ Normalized Working Capital Peg: \$300,000 (average of 12 months). ➤ Adjustment for excess/shortfall. Include post-closing cash flow verification.
7.	Completion Accounts	<ul style="list-style-type: none"> ➤ Prepared within 45 days post-closing. ➤ Validate EBITDA, Net Debt, and Working Capital. ➤ Specific verification of Division 7A loan repayment: <ul style="list-style-type: none"> - Completion Accounts shall confirm the absence of Division 7A loans post-Closing. ➤ Binding: Dispute resolution process for adjustments.
8.	Transaction Docs	<ul style="list-style-type: none"> ➤ SPA (Share Purchase Agreement) ➤ Non-Compete Agreement (5 years, Australia-wide).
9.	Conduct of Business	<ul style="list-style-type: none"> ➤ Seller operates business in ordinary course until closing. ➤ Binding: No material changes without Purchaser consent.
10.	Due Diligence	<ul style="list-style-type: none"> ➤ Purchaser to review financials (P&L, Balance Sheet, Cash Flow), tax returns, contracts, and operations. ➤ Site visit required to assess GM candidates, equipment, and staff dynamics.
11.	Deferred Warranty Holdback	<ul style="list-style-type: none"> ➤ Holdback Amount: \$800,000 of the Purchase Price will be deferred and paid to the Seller in [12 monthly/24 quarterly] instalments from the business's free cash flow, commencing [3 months post-closing]. ➤ Conditions: <ul style="list-style-type: none"> - No unresolved Division 7A loan balances or associated tax assessments. - The Purchaser has not notified the Seller of any breach of warranties under the SPA. - The business achieves [minimum Revenue of \$1,000,000 per quarter] to fund the payments. ➤ Reduction for Claims: If a warranty breach occurs, the Purchaser may offset the claim amount against the deferred holdback.
12.	Data Room	<ul style="list-style-type: none"> ➤ Seller populates data room with financials, contracts, employee records, and compliance docs. ➤ Binding: Exclusivity tied to data room completion.

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13.	Advisers	<ul style="list-style-type: none"> ➤ Purchaser's Advisers: Lawpath - M&A Attorney, Lawpath/Grant Thornton - CPA ➤ Seller's Advisers: [TBC] _____.
14.	SPA Conditions	<ul style="list-style-type: none"> ➤ Satisfactory due diligence ➤ Debt financing secured ➤ No MAC (Material Adverse Change) ➤ Key employees retained ➤ GM transition plan agreed. ➤ No unresolved Division 7A loans or related tax liabilities exist as of Closing.
15.	SPA Liability	<ul style="list-style-type: none"> ➤ The \$800,000 deferred holdback will be reduced dollar-for-dollar by validated warranty claims. ➤ Survival period: 24 months for general warranties; 7 years for tax matters.
16.	SPA Restraints	<ul style="list-style-type: none"> ➤ Non-compete: 5 years, cascading ➤ Non-solicit: Unlimited geography ➤ Right to injunctive relief.
17.	Confidentiality	<ul style="list-style-type: none"> ➤ Governed by existing NDA ➤ Binding: Return/destroy data if deal lapses.
18.	Exclusivity	<ul style="list-style-type: none"> ➤ 90-day exclusivity post-data room completion ➤ Seller terminates all third-party talks ➤ Binding: Penalties for breach.
19.	Governing Law	<ul style="list-style-type: none"> ➤ Binding: Western Australia. Courts have exclusive jurisdiction.

Signing Page



Executed as a deed.

Executed by Ferrum Steel Pty Ltd (to be
formed) in accordance with section 127(1) of
the Corporations Act 2001 (Cth):



Ferrum Steel Pty Ltd - Sole Director/Company Secretary

Executed by Walsh Steel Fabrication Pty Ltd
(A.C.N. 603 072 402) in accordance with
section 127(1) of the Corporations Act 2001
(Cth):

 ASHLEIGH WALSH 23/6/25 DIRECTOR.
 Robert Paul Walsh 23/6/25 Managing Director

Walsh Steel Fabrication Pty Ltd - Sole Director/Company Secretary