



ASX ANNOUNCEMENT

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Strategic Acquisition and Capital Raising

21 March 2016

ASX Limited

Tox Free Solutions Limited (“Toxfree”) today announces that it has signed a binding agreement under which Toxfree will acquire 100% of the shares in Worth Corporation Pty Ltd (“Worth”) for \$70 million¹. Worth is a leading New South Wales-based liquid waste and industrial services business. Worth operates under the name Worth Recycling and was established in 1976.

Highlights:

- **Worth is a leading industrial waste treatment and industrial services company operating in Sydney, the Illawarra and the Hunter Valley, New South Wales**
- **The acquisition represents a major expansion of Toxfree’s presence in the New South Wales which is the largest waste market in Australia**
- **Worth operates:**
 - **liquid waste and industrial waste treatment plants in Windsor, Sydney**
 - **soil remediation and chemical immobilisation facility at St Marys, Sydney**
 - **liquid waste treatment facilities in the Illawarra, including onsite facilities at the Bluescope Pt Kembla site and the Tahmoor and Douglas Park coal mines**
 - **liquid waste and industrial services in the Hunter region, with a new significantly expanded site expected to commence operations in the near future**
- **Highly experienced management team who are expected to add significant value to Toxfree’s business**
- **Worth is expected to deliver full year pro forma EBITDA of \$12.9 million in FY2016²**
- **The acquisition is expected to deliver EPS accretion in FY2016 of 13% excluding synergies on a full year pro forma adjusted basis (based on broker estimates for Toxfree)³**
- **The acquisition is scheduled to complete on 31 March 2016, subject to satisfaction of conditions precedent**
- **The acquisition is payable 100% in cash and will be funded through a fully underwritten institutional placement for \$20.0 million and by drawing down on Toxfree’s committed syndicated debt facility**
- **Toxfree also intends to offer a Share Purchase Plan (SPP) to retail shareholders to raise a maximum of \$4.0 million at the same price as the institutional placement**

¹ The purchase price is determined on a cash, debt and income tax liability free basis and subject to working capital adjustments.

² On full year basis and excludes synergies, transaction costs and rebranding expenses.

³ Before synergies, transaction costs, rebranding expenses and amortisation of customer related intangibles.

Background on Worth

Worth operates in the industrial waste, soil remediation and industrial services markets and undertakes the collection, transportation, processing and recycling of liquids, sludge and contaminated soil as well as providing confined space services, industrial cleaning and non destructive digging. Worth operates EPA licenced liquid and soil remediation treatment facilities and owns and runs an EPA/DECCW licenced fleet of liquid and vacuum tankers, including heavy vacuum units.

Worth operates in the Sydney metropolitan region, the Illawarra and the Hunter Valley and specialises in:

- Transport and treatment of wastewaters, waste oils and other wash waters;
- Transport and treatment of drill muds;
- Treatment of contaminated soils;
- Industrial cleaning services;
- Non-destructive digging; and
- Wastewater recycling and reuse.

Worth designed, built and now operates two major industrial waste treatment plants, including:

- An EPA licenced depot and treatment plant at Windsor. The plant receives and processes oily sludge, slops oils, oily waters, drill muds and contaminated solids/sludge and wastewater emulsions and has a wastewater treatment capacity of one million litres per week.
- A waste oil and wastewater depot, EPA licensed, treatment plant at BlueScope Steel, Port Kembla. The plant receives and processes waste oils, sludges and wastewaters from steelmaking production as well as oily water wastes from outside sources. The plant has a wastewater treatment capacity of 2.5 million litres per week.

Over the last 3 years Worth developed a 15,000 m², EPA licensed, industrial waste and chemical immobilisation treatment facility at St Marys, which is approved for the treatment of up to 100,000 tonnes of hazardous waste including contaminated soils, drill muds, and packaged waste. The site has also been approved for further development, including a liquid waste treatment plant.

Worth also operates an industrial services depot in Kurri Kurri, Hunter Valley, on-site liquid treatment facilities at Tahmoor coal mine and truck depots.

The Worth business is centrally controlled from its head office in Sans Souci and comprises 130 employees, including 3 senior managers and 60 drivers.

Strategic Rationale

The acquisition represents a major expansion of Toxfree's presence in the New South Wales market, providing Toxfree with a significant position in the industrial waste market.

- Positions Toxfree as a major provider of waste treatment and industrial services in the largest and fastest growing market in Australia
- Ownership of strategic EPA licensed liquid treatment, soil remediation and chemical immobilisation facilities
- Diversifies Toxfree's industry and geographic exposure and customer base
- Greatly increases Toxfree's penetration of the NSW market
- Worth knowhow and technical capabilities can be leveraged throughout Toxfree's operations
- Opportunities to generate synergies from the alignment and rationalisation of facilities
- Highly experienced management team is expected to add significant depth to Toxfree's existing business

Steve Gostlow, Managing Director of Toxfree, commented, "Worth provides an ideal opportunity to firmly establish Toxfree in the New South Wales market. New South Wales is Australia's fastest growing economy with a pipeline of future opportunities. This acquisition will make Toxfree a truly national company and further diversifies our business across end-market segments, geographies and services."

"Worth's EPA licensed facilities create a perfect platform for growth. The facilities would be very difficult to replicate and will provide a strategic advantage in winning new business in both liquid and solid waste treatment."

"The integration of the Worth and Toxfree businesses in New South Wales will provide new opportunities for both Toxfree and Worth employees."

Transaction Summary

Toxfree has entered into a binding agreement to acquire 100% of the shares of Worth Corporation Pty Ltd for \$70.0 million, on a cash, debt and income tax liability free basis. The purchase price is subject to a post completion adjustment following the final determination of working capital.

Worth Corporation Pty Ltd owns 100% of the shares in Worth Recycling Australia Pty Ltd, which operates the business of Worth Recycling.

Completion of the transaction is scheduled to occur on 31 March 2016, subject to satisfaction of conditions precedent, including, but not limited to, the receipt of all necessary consents, waivers and approvals and the receipt of subscriptions by Toxfree under the institutional placement.

Financial Impact on Toxfree

The business is estimated to generate pro forma revenue of \$62.4 million and pro forma EBITDA of \$12.9 million in FY2016.

The acquisition is expected to have the following effect on Toxfree on a pro forma basis:

- Expect EPS accretion in FY2016 of 13% on a full year pro forma adjusted basis (based on broker consensus for Toxfree)⁴
- Significant increase in revenue and higher EBITDA margin
- Expect gearing post acquisition and equity raising of approximately 41% as at 30 June 2016

Following the acquisition, Toxfree will retain a strong balance sheet with additional head room under its syndicated debt facilities.

Transaction Funding

The acquisition will be funded by a combination of:

- Drawing down existing syndicated debt facilities,
- Proceeds from an underwritten equity placement, and
- Proceeds from an SPP.

The debt component of the transaction will be funded through Toxfree's existing syndicated debt facility from Australia and New Zealand Banking Group Limited and Westpac Banking Corporation Limited.

Toxfree has today launched a fully underwritten institutional placement to raise \$20.0 million to partly fund the acquisition. The placement will be undertaken by way of a fixed price offering at \$2.55 per share, representing a 4.4% discount to the 5 day VWAP, a 3.3% discount to the 1 day VWAP and a 1.9% discount to last close, and will result in a maximum issue of approximately 7.8 million new ordinary shares. The institutional placement is fully underwritten by Morgan Stanley.

Toxfree advises that the current trading halt in the Company's securities will remain in place pending the outcome of the above institutional placement.

In addition, Toxfree will offer an SPP at the same price as the institutional placement to raise a maximum of \$4.0 million. Toxfree will offer eligible shareholders with registered addresses in Australia or New Zealand as at 4.00pm Perth time on 18 March 2016 (the Record Date) an opportunity to participate in the SPP allowing them to acquire up to \$10,000 in new Toxfree shares. The SPP will be subject to a scale back at the discretion of Toxfree directors. Details of the SPP will be sent to shareholders in the near future.

Key Dates

SPP Record Date	Friday 18 March 2016
Institutional Bookbuild	Monday 21 March 2016
Placement Settlement Date	Thursday 24 March 2016
Allotment and trading of Placement shares	Tuesday 29 March 2016

⁴ Before synergies, transaction costs, rebranding expenses and amortisation of customer related intangibles.



Further information

Further information on the acquisition and capital raising will be lodged with ASX and included on Toxfree's website at toxfree.com.au.

Morgan Stanley is acting as Sole Underwriter, Sole Bookrunner and Joint Lead Manager and Evans & Partners is acting as Joint Lead Manager on the institutional placement. Acacia Partners is acting as Sole Financial Adviser and Clayton Utz as legal adviser on the acquisition.

For further information, please contact:

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About Tox Free Solutions Ltd (ASX code: TOX)

Tox Free Solutions Ltd (Toxfree) is one of the largest integrated waste management, industrial service and environmental businesses in Australia. The Company offers a full range of waste management services through its national network of licensed waste treatment facilities. In addition Toxfree are fast becoming the leaders in onsite industrial services, waste minimisation, resource recovery and total waste management services.

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