



Strategic Acquisition to Enhance Hazardous Waste Strategy

15 December 2011



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Executive Summary

Executive Summary

Acquisition Overview

- Toxfree has entered into a binding acquisition agreement for the purchase of Chemsal, BCD Technologies, Entech Industries and Waste Audit from DoloMatrix International Limited, for \$58.0 million in cash
- The acquired businesses primarily specialise in hazardous waste collection, recycling and destruction services
- Acquisition is conditional on shareholder approval by DoloMatrix shareholders
- Directors of DoloMatrix have recommended that DoloMatrix shareholders vote in favour of the acquisition, in the absence of a superior proposal, and intend to do so with respect to their own holdings
- Acquisition agreement contains customary exclusivity provisions including no-talk, no-shop, no due diligence and break fee arrangements

Strategic Rationale

- Attractive and expanding segment with high industry margins and barriers to entry
- Treatment and warehousing facilities that are well located in relation to Toxfree's operations, with the potential for expansion and upgrade
- Acquisition will enable an expansion of Toxfree's customer base and service offering to existing client base
- Highly experienced employee base that will add significant value to Toxfree's intellectual property and capabilities in hazardous waste
- Acquired technologies will complement Toxfree's existing hazardous waste treatment technologies
- Attractive financial profile with potential for cost synergies



Executive Summary

Expected Financial Impact	<ul style="list-style-type: none">• Expect 11% EPS accretion on a full year FY2012 pro forma adjusted basis (based on broker consensus estimates for Toxfree)• Significant increase in revenues and higher EBITDA margin• Pro forma gearing of 42% (Net Debt / Equity)
Acquisition Funding	<ul style="list-style-type: none">• Acquisition funded by a combination of \$27 million institutional placement ⁽¹⁾ with \$40 million in debt• Toxfree has entered into a new senior debt facility with ANZ which will be fully drawn• Toxfree will have surplus cash of \$5.2 million above the acquisition cost (excluding any proceeds from the SPP) to be used for general working capital purposes• Toxfree will also offer a Share Purchase Plan (SPP) to shareholders with proceeds employed for general working capital purposes
Outlook (excluding acquisition)	<ul style="list-style-type: none">• Toxfree is experiencing strong growth in revenue and earnings in the current period and is trading in line with market expectations for the full year



Notes

1. Represents gross equity raising proceeds excluding SPP



Business Overview



Business Summary

Specialists in Hazardous waste collection, recycling and destruction

Function	Brands	Description	FY11 ¹ Revenue	FY11 EBITDA ²	Margin % ³
Chemical Collection and Recycling	 Chemisal	<ul style="list-style-type: none"> Chemisal specialises in the recycling, reuse and treatment of packaged chemical wastes 	\$21.4m	\$6.7m	31%
Waste Destruction	  Dolocrete®	<ul style="list-style-type: none"> BCD Technology provides services in the destruction of PCBs, pesticides and other organic pollutants SRL Plasma's primary focus is the PLASCON plasma arc waste destruction process Dolocrete is a proprietary technology used for waste solidification and stabilisation 	\$9.6m	\$4.6m	47%
Consulting and Project Business	 	<ul style="list-style-type: none"> Entech Industries is a specialised environmental services company with a focus on environmental chemistry and waste management Waste Audit is a consultancy business conducting waste audits 	\$2.8m	\$0.5m	17%

Source DoloMatrix



Notes

1. External sales revenue
2. Before corporate costs
3. Percentages subject to rounding

Chemsal

Hazardous chemical waste collection, disposal and recycling

Description	<ul style="list-style-type: none">• Specialist Hazardous Chemical Waste collection, transport, storage and disposal business• Operating since 1981
Services	<ul style="list-style-type: none">• Chemsal provides a collection and disposal/recycling service for a wide range of hazardous and non-hazardous chemical waste types. These include flammables, corrosives, toxic chemicals, oxidisers and reactives• Chemsal offers hazardous waste collection and disposal, resource recovery, recycling, chemical treatment, chemical fixation, lamp recycling, surplus chemical trading, laboratory relocations and decontamination services
Sectors	<ul style="list-style-type: none">• All market sectors produce Hazardous Waste with the main sectors being the Resource sector, Government, Utilities, Defence and Manufacturing
Locations	<ul style="list-style-type: none">• Laverton North, Victoria• St. Marys, NSW• Gillman, South Australia



BCD Technologies

Hazardous waste treatment and destruction

Description	<ul style="list-style-type: none">• Operating since 1985 primarily assisting the Australian government and industry in the management and destruction of persistent organic pollutants• DoloMatrix acquired the business in 2006
Services	<ul style="list-style-type: none">• BCD Technologies operates the safe destruction of persistent organic pollutants, principally PCBs and pesticides. PCBs and reclaimed oil are stored on-site in either bulk systems or drums. PCBs may also be received, stored and treated while contained in transformers• BCD Technologies utilises the patented, PLASCON[®], high temperature plasma technology to destroy a wide range of pesticides such as DDT, Dieldrin, Aldrin and Chlordane.
Sectors	<ul style="list-style-type: none">• Resource, Government, Utilities, Defence, Manufacturing
Locations	<ul style="list-style-type: none">• Narangba, Queensland



Strategic Rationale



Toxfree Corporate Strategy



Strategic Rationale

Creation of the Leading Integrated Hazardous Waste Business in Australia

- A highly strategic and complementary acquisition for Toxfree
 - Chemsal and BCD Technologies operate in an attractive and expanding segment benefiting from a structural shift away from landfill disposal towards environmentally sustainable waste treatment and resource recovery
 - Treatment and warehousing facilities that are well located in relation to Toxfree's existing operations, with the potential for expansion and upgrade
 - BCD Technologies' Narangba (QLD) waste destruction facility will complement Toxfree's existing hazardous waste business in Brisbane, creating a new regional hub for Toxfree
 - Chemsal's St Mary's (NSW) and Laverton North (VIC) facilities will significantly enhance Toxfree's existing presence in Sydney and Melbourne markets
 - Acquisition will enable an expansion of Toxfree's customer base and service offering to existing client base
- Acquisition is financially compelling
 - Profitable business with strong operating margins
 - Potential for cost savings and value add to systems and processes
 - 11% EPS accretive to Toxfree in FY2012 ¹

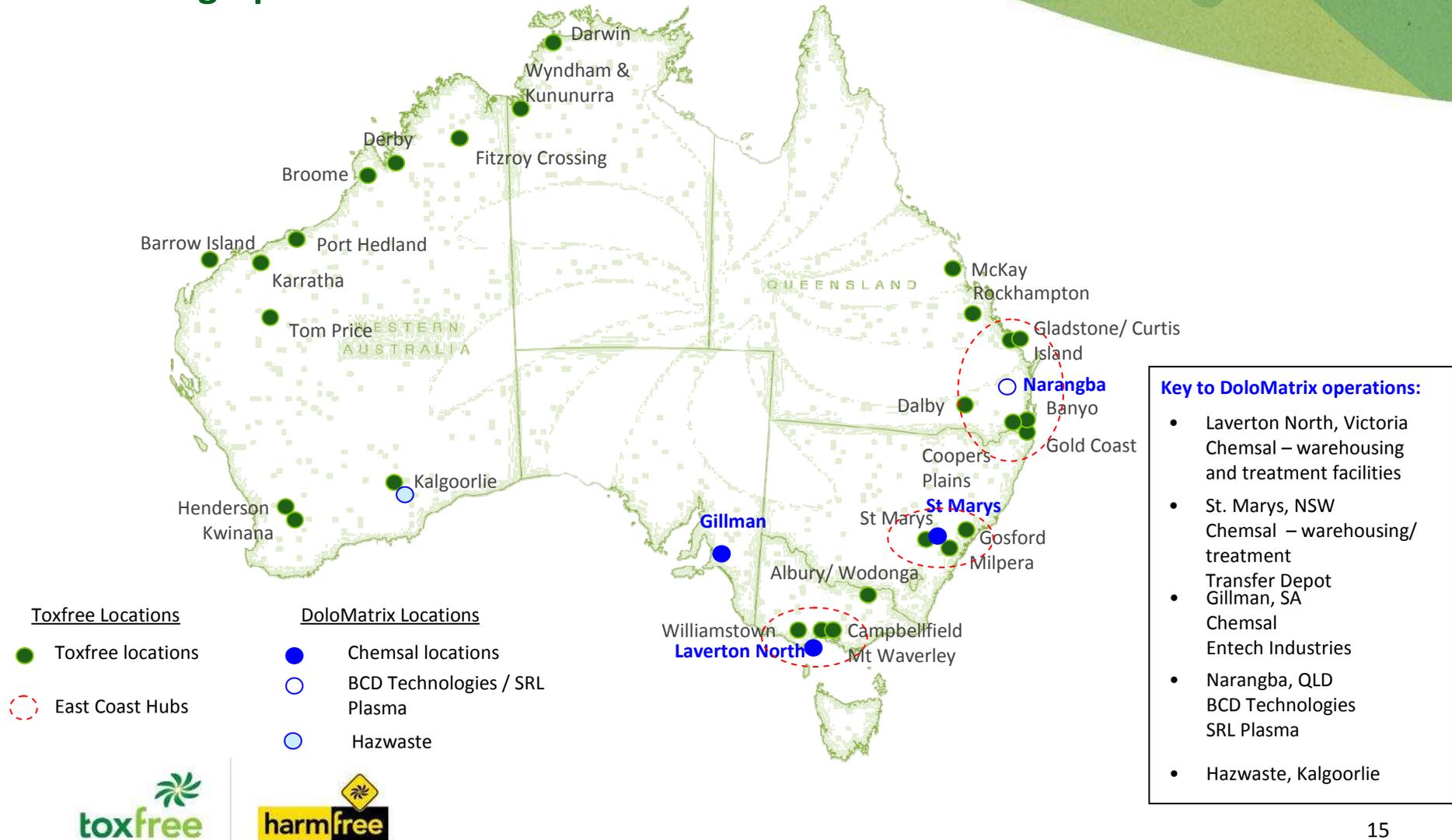


Notes

1. Full year pro forma adjusted basis before expensed transaction costs and amortisation of acquired intangibles; assumes: realisation of certain head office costs; no revenue or operational cost benefits; broker consensus for Toxfree

Complementary National Network

Geographical fit that enhances Toxfree's national network



Increased Exposure to Hazardous Waste

Attractive segment with higher margins and lower competitive intensity

	Industry Revenue (\$'Bn)	Competitive Intensity	Industry Profit -ex tax (\$'m)	Industry Attractiveness	Toxfree Share %	DoloMatrix Share %
Commercial	3	Medium – High	300	Medium	0	0
Construction	2.3	High	112	Low	0	0
Municipal	2	High	136	Low	<1%	0
Industrial	1.7	Low – Medium	198	Med High	<5%	0
Hazardous	1.0	Low	120	High	5 – 10%	5 – 10%
Total	10		866		<2%	<1%

Company estimates based on information extracted from IBIS – Waste Disposal Services in Australia 2009





Overview of Combined Group



Overview of Combined Group

Complementary to Core Offering



FY2011 Pro Forma:



Notes

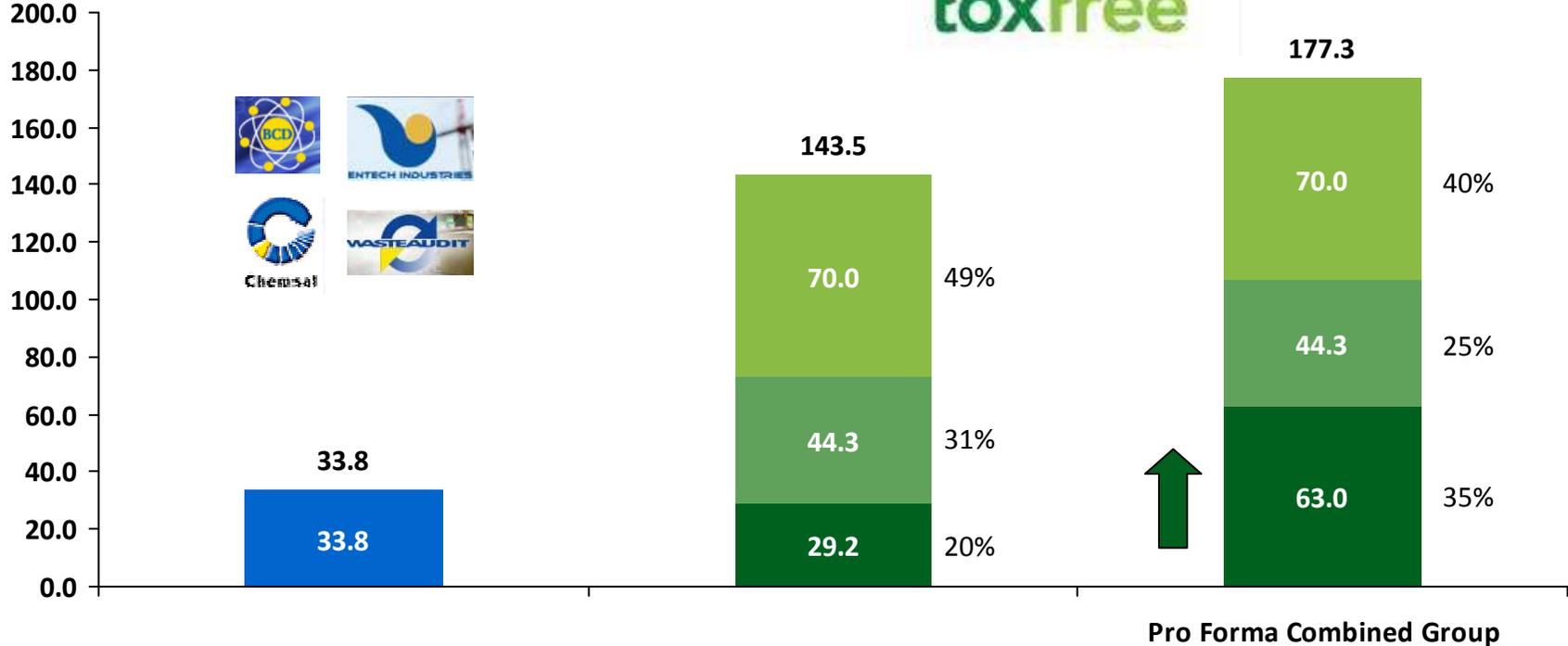
1. FY2011 Pro Forma basis; Hazardous Waste includes Liquid Waste, and 100% of Chemisal, BCDT, Entech and Waste Audit

Combined Group Revenues

Material Increase in Hazardous Services

Pro-forma FY11 Revenue

A\$m



■ Hazardous Waste Services
 ■ Solid Waste Services
 ■ Industrial Services



Notes
1. Percentages subject to rounding

Integration

- Toxfree has an experienced management team and systems to manage integration
- Key operational management of DoloMatrix subsidiaries to continue employment with Toxfree in the new entity
- 100 day integration plan developed including dedicated resources to manage integration
- Synergies and costs savings to be developed as part of 100 day integration plan





Financial Impact



Financial Impact

- Expecting 11% adjusted EPS accretion in FY12 on a full year pro forma basis (based on broker consensus estimates for Toxfree)
- Positive impact on EBITDA margins
- Continued balance sheet strength
 - Pro forma Net Debt / Equity 42% ⁽¹⁾
 - Pro forma Net Debt / FY11 EBITDA 1.3x ^{(1) (2)}



Note

1. Pro forma net debt is based on Toxfree balance sheet as at 30 June 2011 adjusted for Waste Solutions NT acquisition; acquisition funding excludes any proceeds from SPP
2. Pro forma FY2011 EBITDA is based on normalised EBITDA for the 12 months to 30 June 2011 for Toxfree (\$32.8m) and DoloMatrix (\$9.3m); does not include any potential corporate cost savings

Overview of Combined Group

Pro-forma Balance Sheet

A\$m	Tox FY11 ⁽¹⁾	Acquisition ⁽²⁾	Funding ⁽³⁾	Pro Forma Balance Sheet
Cash	10.8	-	5.2 ⁽⁴⁾	16.0
Goodwill & Intangibles	44.2	36.2	-	80.4
Other Assets	108.6	29.7	-	138.3
Total Assets	163.6	65.9	5.2	234.7
Debt	32.4	-	39.7 ⁽⁵⁾	72.1
Other Liabilities	21.0	7.1	-	28.1
Provisions	-	-	-	-
Total Liabilities	53.4	7.1	39.7	100.2
Total Equity	110.2	(1.5) ⁽⁶⁾	25.9 ⁽⁷⁾	134.5

Notes

1. Financial position as at 30 June 2011 adjusted for Waste Solutions NT acquisition completed on 1 July 2011
2. Financial position as at 30 June 2011 on a cash and debt free basis in accordance with transaction terms
3. Acquisition funding on the basis of \$58.0m acquisition price on a debt and cash free basis plus estimated transaction costs
4. Additional cash raised above the acquisition price and transaction expenses
5. Represents debt drawdown net of facility line fee
6. Represents acquisition costs which will be expensed
7. Represents net equity raising proceeds (post equity raising fees) and excludes SPP
8. Numbers may not add due to rounding



Operational Update

- Trading year to date has been positive and the group is tracking to market expectations
- Major contracts performing well
- Cash flow conversion has been good
- Recently announced acquisition of Mackay Maintenance Services will further complement Toxfree's industrial services to the resource sector
- Waste Solutions and Pilbara Waste operational integration complete
- Tender activity has been high
- Recent award of APLNG Contract in Gladstone and Origin Contract in the Surat Basin have commenced



Funding



Funding

- Purchase price paid to DoloMatrix of \$58.0 million
 - Transaction costs (including stamp duty on purchase) of \$2.7 million ⁽¹⁾
- Toxfree has secured \$40.0 million bank financing with ANZ
 - Expects to draw down full amount
- Toxfree to undertake fully underwritten \$27.0 million institutional placement
 - Toxfree also plans to offer eligible shareholders an opportunity to participate in a Share Placement Plan (SPP) at the same price as the institutional placement

Sources	A\$m	Uses	A\$m
Equity Placement – Net Proceeds	25.9 ⁽²⁾	Acquisition Price	58.0
Debt	40.0	Transaction Costs	2.7 ⁽¹⁾
		Funding for working capital purposes	5.2 ⁽³⁾
Total	65.9	Total	65.9



Notes

1. Includes advisory fees, debt fees and stamp duty costs
2. Represents net equity raising proceeds (post equity raising fees) and excludes SPP
3. Excludes any proceeds from SPP

Equity Raising Summary

Equity Raising Details

Placement Size	\$27 million
Placement Pricing	Bookbuild from \$1.91 per share 7.7% discount to the 5 day VWAP
Shares to be Issued	Up to 14.1m shares (“New Shares”)
Purpose	To partly fund the Acquisition and for general working capital purposes
Syndicate	Morgan Stanley is acting as Sole Bookrunner and Joint Lead Manager and Evans & Partners is acting as Joint Lead Manager on the institutional placement
SPP	Eligible shareholders in Australia and New Zealand will have the opportunity to subscribe for Toxfree shares pursuant to a non-underwritten Share Placement Plan (SPP) for general working capital purposes <ul style="list-style-type: none">• Pricing to be the same as the Institutional Placement• Up to \$10,000 per eligible shareholder• Directors reserve the right to scale back



Equity Raising Timetable

Key Event	Date
SPP Record Date	Wednesday 14 December 2011
Institutional Bookbuild	Thursday 15 December 2011
Placement Settlement Date	Wednesday 21 December 2011
Allotment and Trading of Placement Shares	Thursday 22 December 2011
SPP	Details, including timetable, of the SPP will be sent to shareholders in the near future

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Key Risk Factors

Reliance on key customers

Toxfree's businesses rely on a number of business relationships and contracted revenue with clients. If these clients amend or terminate the relationship, this may have an adverse effect on the financial performance and/or financial position of Toxfree. In addition, Toxfree may generate its revenue from the provision of services to customers under other agreements. There is potential that Toxfree will not receive payments for the provision of its services if a customer becomes insolvent or fails to provide payment in accordance with its agreement with Toxfree.

Major shareholder risk

Toxfree currently has a number of substantial shareholders on its share register. There is a risk that these shareholders or other large shareholders may sell their shares at a future date. This could cause the price of Toxfree shares to decline.

Operating risks

In the performance of its business, Toxfree may be subject to conditions beyond Toxfree's control that can reduce sales of its services and/or increase costs of both current and future operations. These conditions include, but are not limited to: changes in legislative requirements, abnormal or severe weather or climatic conditions, natural disasters, unexpected maintenance or technical problems, key equipment failures, new technology failures and industrial disruption. An inability to secure ongoing supply of such goods and services at prices assumed within production targets could potentially impact the results of Toxfree's operations.

Economic conditions

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, national and international economic conditions and employment rates amongst others are outside Toxfree's control and have the potential to have an adverse impact on Tox Free and its operations.

Outsourcing risk

The level of activity undertaken by Toxfree depends to a large extent on the continuation of the current trend towards the outsourcing of non-core functions by potential clients. If this trend does not continue or reverses, it may impact Toxfree's prospects for growth.



Key Risk Factors (cont)

Tax risks

Any change to the current rate of company income tax in Australia will impact on financial performance and cash flows, ability to pay dividends and Toxfree's Share price which could in turn impact shareholder returns. Any changes to the current rates of income tax apply to individuals and trusts will similarly impact on shareholder returns.

Capital and operating costs

Toxfree's forecasts are based on the best available information at the time, and certain assumptions in relation to the level of capital expenditure required to maintain their assets. Any significant unforeseen increases in the capital and operating costs associated with Toxfree's operations would impact Toxfree's future cash flow and profitability. Capital and operating costs for Western Australian operations have increased in recent years due to increased labour and contractor costs.

Environmental risks

Extensive Federal, State and local environmental laws and regulations in Australia affect the activities and operations of Toxfree. The laws and regulations set standards which regulate certain aspects of health and environmental quality (including damage caused by previous owners of property acquired by Toxfree), provide penalties or other remedies for any violation of standards and, in certain circumstances, impose obligations to undertake remedial action in current locations where business is conducted. Toxfree will be subject to all the hazards and risks normally incidental to the waste, manufacturing and the industrial solutions industries. Toxfree will be responsible for past and future environmental liabilities relating to both Toxfree and DoloMatrix, including liabilities presently unforeseen or unquantifiable. Compliance or non-compliance with environmental laws or regulations may require Toxfree to incur significant costs and may have a significant material impact on Toxfree's reputation and capability to secure additional work, impacting its financial performance and cash flows. Toxfree minimises these risks by having processes in place to manage compliance with environmental laws and regulations in Australia.

Reliance on key personnel

The responsibility of overseeing day-to-day operations the strategic management of Toxfree is currently, and after the acquisition, will be concentrated amongst a small number of key employees. While it is not currently anticipated, one or any number of these key employees may cease employment with Toxfree. The loss of any such key employees of Toxfree could have the potential to have a detrimental impact on Toxfree until the skills that are lost are adequately replaced. There is also a risk that key personnel of DoloMatrix are unable to be retained by Toxfree or successfully replaced.

Key Risk Factors (cont)

Occupational health and safety

Tox Free manages certain risks associated with the occupational health and safety of its employees. Toxfree takes out insurance to cover these risks within certain parameters, however it is possible for injuries and/or incidents to occur which may result in expenses in excess of the amount insured or provided for with a resultant impact on Toxfree's earnings.

Industrial disputes

Industrial disputes may arise from claims for higher wages and/or better working conditions in the industry in which Toxfree operates. This could disrupt operations and impact earnings.

Debt facilities

Whilst it is not currently anticipated, should Toxfree not be able to satisfy the conditions of draw down under its debt facilities with ANZ, Toxfree will need to source funding from alternative sources.

Stock market fluctuations

There are risks associated with any investment in a company listed on the ASX. The value of shares may rise above or below the current share price depending on the financial and operating performance of Toxfree and external factors over which Toxfree and the Directors have no control. These external factors include: economic conditions in Australia and overseas which may have a negative impact on equity capital markets; changing investor sentiment in the local and international stock markets; changes in domestic or international fiscal, monetary, regulatory and other government policies and developments and general conditions in the markets in which Toxfree proposes to operate and which may impact on the future value and pricing of shares.

Liquidity and realisation risk

There may be few or many potential buyers or sellers of Toxfree Shares on the ASX at any time. This may affect the volatility of the market price of Toxfree's Shares. It may also affect the prevailing market price at which shareholders are able to sell their Toxfree Shares that is less or more than the implied share price.

Regulatory risks

Tox Free is exposed to any changes in the regulatory conditions under which it operates in Australia. Such regulatory changes can include, for instance, changes in: taxation laws and policies, accounting laws, policies, standards and practises, environmental laws and regulations that may impact upon the operations and processes of Toxfree, and employment laws and regulations, including laws and regulations relating to occupational health and safety.



Key Risk Factors (cont)

Customer preference

Toxfree's products and services are subject to changes in customers' preferences, and therefore market share and pricing competitiveness may vary depending on the popularity of Toxfree's products and services.

Sustainability of growth and margins

Tox Free has achieved strong growth in revenue and profits. The sustainability of this growth and the level of profit margins from operations are dependent on a number of factors outside of Toxfree's control.

Industry margins in the sectors in which Toxfree operates are likely to be subject to continuing but varying margin pressures. There is no assurance that the historical performance of Toxfree is indicative of future operating results. However, Toxfree's business strategies and its diversification across a range of sectors assist in reducing the short term pressures that can occur as new entrants attempt to secure positions in an individual industry sector.

Competition

A number of entities compete with Toxfree in the industrial services and hazardous waste industries, and while Toxfree is the largest supplier of some specific services, in overall size, some of these competitors may have or develop competitive advantages over Toxfree and may be larger on an international or regional basis and have greater access to capital and other resources.

The market share of Toxfree's competitors may increase or decrease as a result of various factors such as securing major new contracts, developing new technologies and adopting pricing strategies specifically designed to gain market share. These competitive actions may reduce the prices Toxfree is able to charge for its services and products or reduce Toxfree's activity levels, both of which would negatively impact the financial performance of Toxfree and could materially affect Toxfree's financial performance or cash flows.

Acquisition completion risk

The acquisition is subject to approval by DoloMatrix shareholders. If DoloMatrix shareholders do not approve the acquisition, then the acquisition will not proceed and Tox Free will need to consider further options in relation to its business strategy. There is also a risk that a third party could make a competing proposal to DoloMatrix prior to DoloMatrix shareholders having voted on the acquisition. If DoloMatrix intends to enter into any arrangement with respect to any competing proposal, Tox Free will have certain rights to make a counter-proposal. If the DoloMatrix Board considers the competing proposal to be superior to the terms of Tox Free's counter-proposal, the DoloMatrix Board has the option of recommending that its shareholders vote against the acquisition, which could affect the chances of the acquisition receiving DoloMatrix shareholder approval.

If the acquisition does not proceed, the money raised under the institutional placement will be used for growth and general working capital purposes or returned to shareholders in an effective manner.



For More Information

Steve Gostlow
Managing Director

Email: s.gostlow@toxfree.com.au

Tel: +61 8 6216 7000

Mob: +61 (0) 419 197 155

Jason Dixon
Executive General Manager – Corporate

Email: j.dixon@toxfree.com.au

Tel: +61 3 9541 4700

Mob: + 61 (0) 419 310 792

