toxfree

Results Presentation Financial Year 2016

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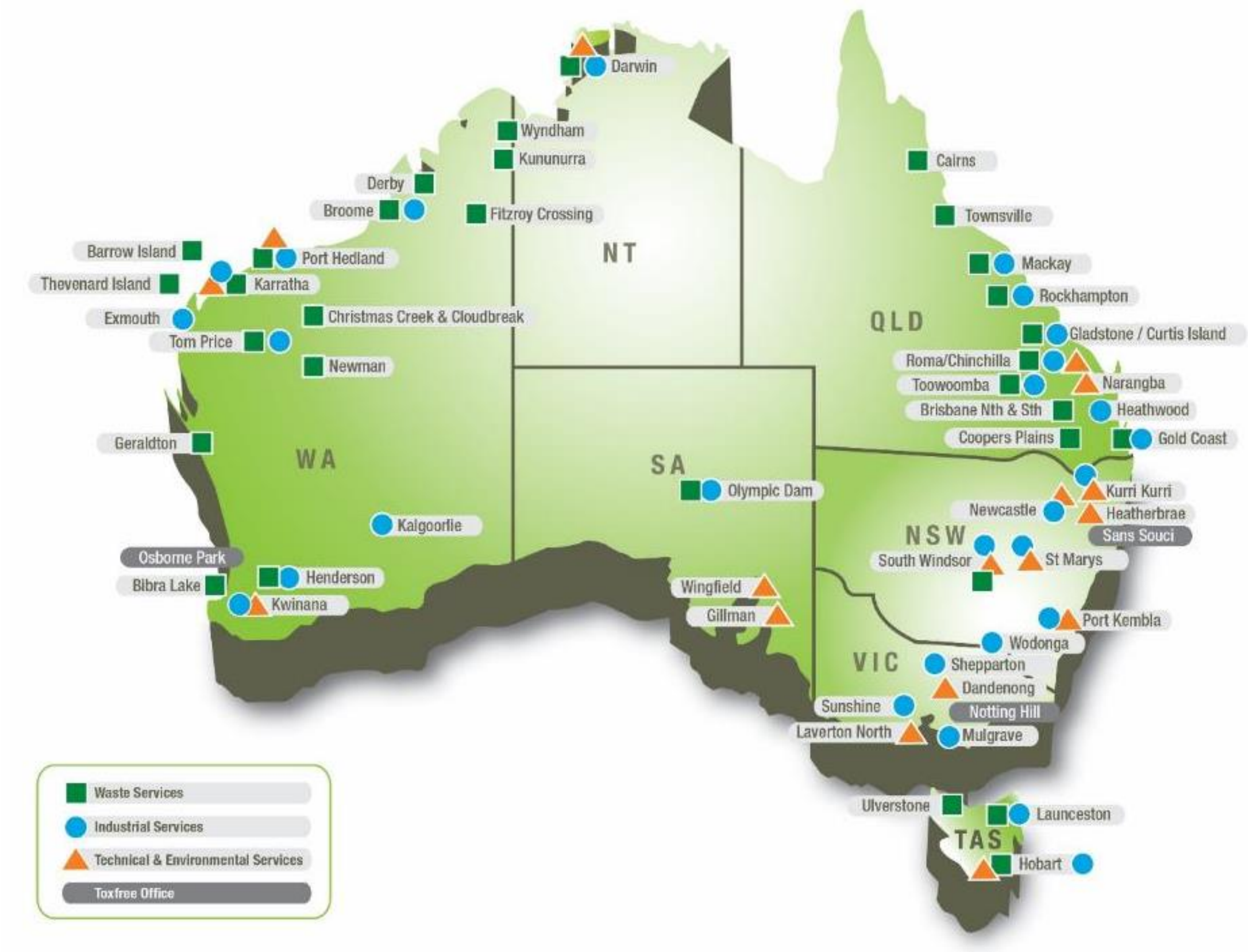
Agenda

Contents	
1	Toxfree overview
2	Corporate Strategy
3	FY16 Key Highlights
4	Safety and our people
5	FY16 Group Results
6	Outlook

Toxfree overview



- **One of the largest industrial services & waste management businesses in Australia**
- **Employer of over 1350 people nationally**
- **National network of strategically located waste treatment facilities throughout Australia**
- **Diverse range of industrial & waste services to all market sectors**

Corporate strategy

Toxfree is a waste specialist

Technical and Environmental Services

A Leader in Hazardous and Industrial Waste Management

- Targeting industrial, hazardous and difficult to treat waste materials
- Focus on innovation, best practice, low operating cost technologies, resource recovery solutions and landfill avoidance
- Unique and Strategic Licences throughout Australia
- High barriers to entry
- Servicing all industry sectors, households and government

Waste Services

Providing waste services in all industrial markets in Australia

- Total waste management solutions to industrial clients
- Total waste management in regional resource hubs – primarily in WA, QLD, Tas, SA and NT
- Municipal, Commercial and Industrial services in regional areas
- One stop shop

Industrial services

A Leader in provision of industrial services throughout Australia

- Producing assets
- Long term contracts
- Blue chip clients
- Ideally integrated with waste services
- Mining, Oil and Gas, Heavy Industry

Integrated services

'Based on our strategy Toxfree have estimated a target market of approximately $4Bn to 5Bn pa*'

*Source: insidewaste, Industry Report 2014-15 , IBIS – Waste Disposal Services in Australia 2012 and Toxfree estimates.

Corporate strategy – execution over the last 10 years

toxfree

Then

2005	2 Hazardous Waste Sites in WA, Revenue of $6M, 20 employees
2005- 2013	Expanded network of licensed hazardous and industrial waste facilities throughout Australia particularly with the acquisition of DMX in 2012
2007	Complementary addition of waste services and focus on total waste management solutions to our clients
2008	Expanded capability with complementary expansion into industrial services market nationally
2009	Tailored total waste solutions for our clients – one stop shop, all wastes, anytime, complementary industrial cleaning – large long term contracts
2013	Significant expansion in QLD and further diversification into commercial waste sector through acquisition of Wanless
2016	Significant expansion in NSW into industrial bulk liquid waste and chemical fixation through acquisition of Worth

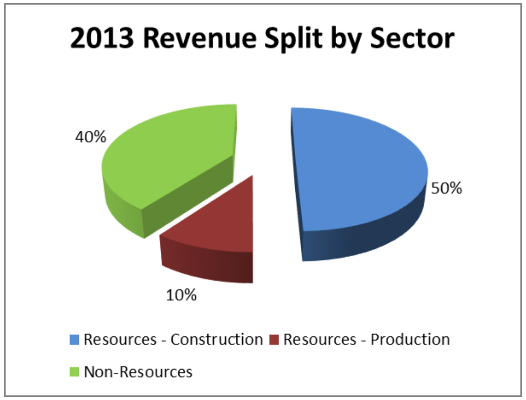
Today

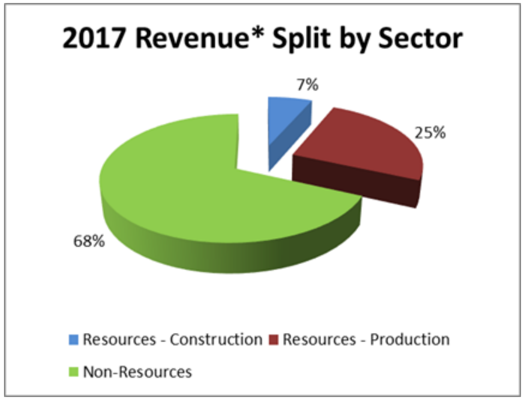
- Over 55 strategic operations throughout Australia
- 20,000 clients
- 1350 employees
- Total Waste Management in Australia to industrial customers
- Unique technologies
- Strategic licenses
- Significant IP
- Strong safety culture & performance

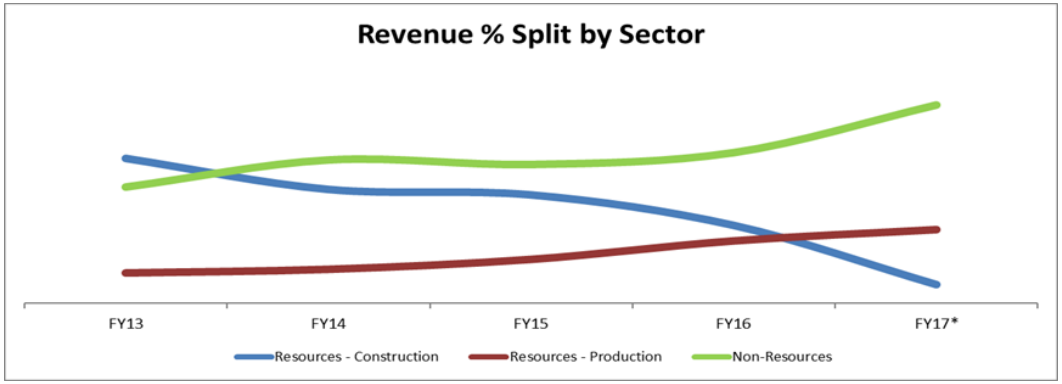
2016 & Beyond

- Further focus on treatment of additional waste streams
- New markets and geographies
- Increased market share – Large, long term contracts
- Targeted acquisitions that support our strategy
- ‘Can Do’ Culture safe.reliable.sustainable
- Toxfree – An industrial and problematic waste specialist

Diversification by sector - FY13 to FY17* (forecast)



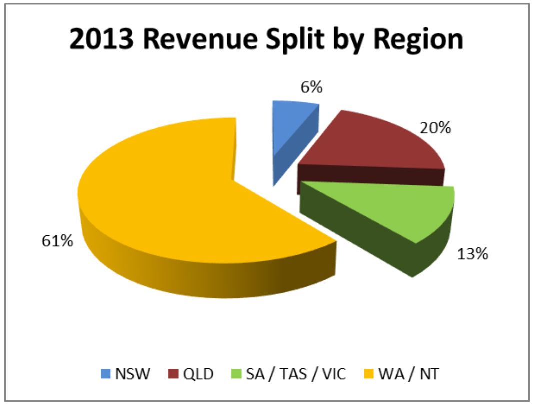


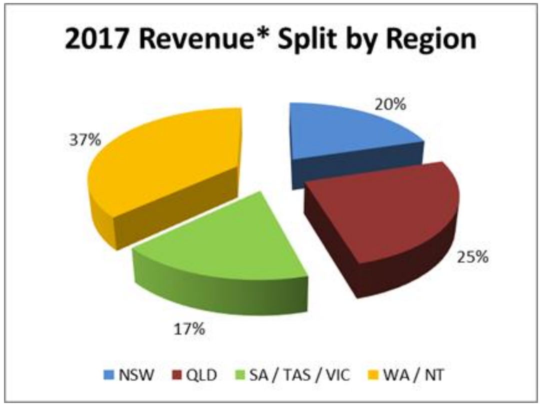


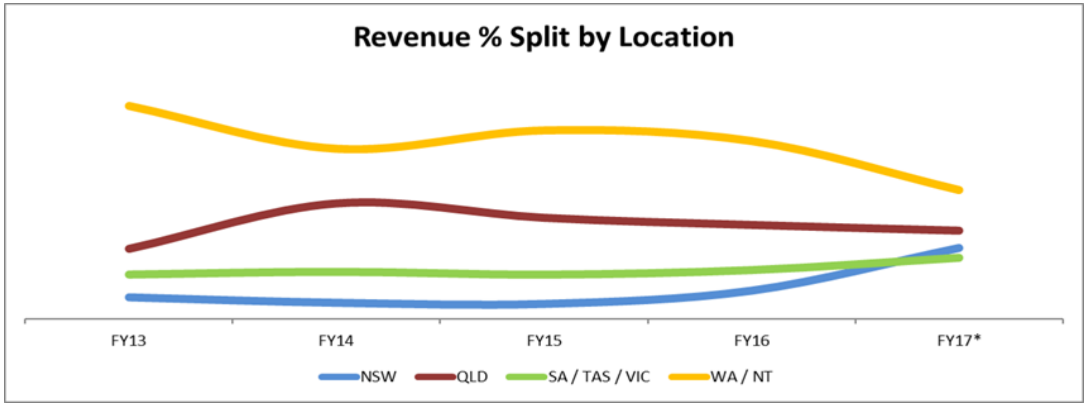
- Further diversification occurs in FY17 through addition of Worth Recycling, BHPB Olympic Dam contract and expected growth in east coast markets
- FY13 resource construction included Iron Ore, Coal, LNG upstream and downstream construction including CSG and related activities in the Pilbara, Broome, Darwin, Surat, Gladstone and Mackay regions
- Resource production clients grow as LNG and Iron Ore production increases in Australia

**FY17 forecasts are based on management estimates at time of publication of this report.*

Diversification by region - FY13 to FY17* (forecast)







- Regional diversification continues in FY17 through addition of Worth Recycling (NSW), BHPB Olympic Dam (SA) and expected growth in east coast markets

- WA continues to be an important region for Toxfree through growth in NW LNG and Iron Ore production.

**FY17 forecasts are based on management estimates at time of publication of this report.*

FY16 Key Highlights

Safety

- Zero Lost Time Injuries
- Reduction in Total Recordable Injury Frequency Rate of 18%

Financial

- Revenue down 3% on FY15 to $393.4M
- Underlying EBITDA* up 1% on FY15 to $72.9M
- Underlying NPAT* up 1% on FY15 to $23.3M
- Statutory NPAT down 41% on FY15 to $13.1M
- Dividend increased by 6% to 9.0 cents per share
- Net debt to equity of 37%
- Strong cash conversion - 99% of EBITDA*

Operations

- East Coast Waste Services EBIT up over 40% through growth in commercial waste volumes
- Industrial Services – strong performance in civil infrastructure and utilities on the east coast
- Technical and Environmental Services – Victoria and NSW regions perform solidly

** Non-IFRS financial information (refer slide 12 for further detail)*

Safety And Our People

- No lost time injuries, maintaining our Lost Time Injury Rate of zero.
- Total Recordable Injury Frequency Rate (TRIFR) of 6.7, an 18% reduction on our FY15 result.
- All Injury Frequency Rate (AIFR) of 24.5, a 43% reduction on our FY15 result.
- Our safety lead indicators continue to strengthen and have improved by 90% on our FY15 result.
- Recognised by Rio Tinto Iron Ore for our contribution with the Core Services Division who were the recipient of the Global CEO Award for Safety for the second year running.
- Achievement of 6 years lost time injury free on Gorgon Barrow Island.
- Implementation of a standardised asset maintenance system and commencement of in vehicle monitoring system using our ERP.
- Winner of the Diversity Award in the Australian Business Awards 2016.

FY16 – Group Result

- Strong earnings performance achieved - Underlying EBITDA* of $72.9 M.
- Underlying group EBITDA* margin of 18.5% improved on FY15 by 86 bps through improvement in operating efficiencies and cost reductions across the business.
- Strong cash flow – 99% of EBITDA*.
- Healthy balance sheet – net debt to equity of 37%.
- The Company's strategy, developed over 10 years ago, to continually diversify our services across all industry sectors continues to demonstrate success with growth in east coast operations offsetting decline in resource based construction volumes.
- Result supported by increased commercial waste volumes in Queensland, consistent performance from major production contracts, increased volumes of household hazardous wastes and industrial services to the civil infrastructure and municipal sector in Victoria.
- Strategic expansion into the NSW industrial services and hazardous waste treatment market through acquisition of Worth Recycling on 1 April 2016.
- Expansion of services into E-waste management and chemical cleaning broadening Toxfree's service offering.
- Award of 5 year BHPB Olympic Dam contract for both industrial services and waste management which commenced on 1 July 2016.

** Non-IFRS financial information (refer slide 12 for further detail)*

FY16 – Group Result

Group Results	FY16 ($'000)	FY15 ($'000)	% Change
Revenue	**393,380**	407,278	(3)%
EBITDA*	**72,875**	71,876	1%
Depreciation	**(31,594)**	(29,655)	7%
Amortisation	**(1,914)**	(2,073)	(8)%
EBIT*	**39,367**	40,148	(2)%
Finance expenses	**(6,154)**	(6,505)	(5)%
Profit before tax*	**33,213**	33,643	(1)%
Income tax expense*	**(9,957)**	(10,673)	(7)%
Underlying net profit after tax*	**23,256**	22,970	1%
Statutory net profit after tax	**13,054**	21,994	(41)%
Earnings per share (cents)*	**16.70**	17.00	(2)%
Dividend per share (cents)	**9.0**	8.5	6%
Weighted average number of shares (million)	**136.6**	133.8	2%

** Non-IFRS financial information (refer slide 12 for further detail)*

FY16 Normalisations

Exclusions	FY16 $'000
Acquisition, integration and rebranding costs	4,728
Impairment losses – Port Hedland	2,639
Asset write-offs – vacated sites	1,019
Redundancy and restructuring costs	4,425
Site closure costs	1,426
Reduction in contingent consideration	(1,067)
Income tax expense	(2,968)
Total costs after tax	**10,202**

Improved efficiency and cost reduction

- Major organisational restructure was completed during FY16.
- Successful implementation of Toxfree's ERP enabled the set up of centralised shared services model.
- Organisational structure was flattened and consolidated under three service lines.
- This resulted in one off restructuring and redundancy costs of $4.4M.

Acquisitions and rebranding costs

- Costs associated with the acquisition of Worth and PGM including advisory, legal, consulting, regulatory and rebranding costs.

Centres of excellence

- A complete review of all operating sites enabled the consolidation of a number of sites in similar locations. This resulted in some site closures in Qld and Victoria. The costs associated with the site closures of $1.4M have been normalised as well as a $1M asset write off of a non-relocatable site improvements.

Port Hedland specific impairment

- In an effort to reduce costs and increase competitiveness some of Port Hedland's services have been directed to our Karratha site and the Port Hedland facility was downsized. Subdued revenue in the near term resulted in a one off specific impairment of $2.6M being booked.

For Statutory purposes the above costs are allocated to the following segments; Technical and Environmental $4,964k; Waste Services $3,231k; Industrial Services $132k and Corporate $4,843 (FY15: $1,395).

FY16 – Technical & Environmental Services

	FY16	FY15	Variance
Revenue ($M)	**67.8**	53.4	27%
EBITDA* ($M)	**21.2**	19.9	7%
EBITDA* margin	**31%**	37%	(600)bps
EBIT* ($M)	**14.6**	14.6	0%
EBIT* margin	**22%**	27%	(500) Bps

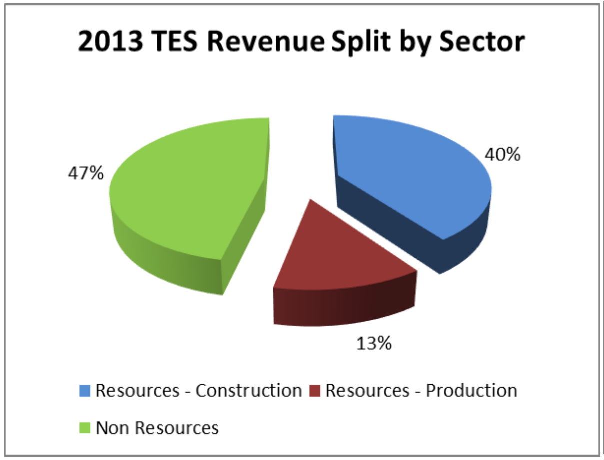
- 3 month contribution from Worth Recycling achieving $3.4M EBITDA.
- Change in business mix effects divisional margins through Worth contribution (Worth EBITDA margin of 21%).
- Implementation of NSW EPA Community Recycling Centres continues with 60 sites now in place with another 40 to be rolled out over the next 12 months.
- Redevelopment of Narangba facility to enable relocation and closure of Coopers Plains site.
- Earnings from east coast facilities increased by 28% on FY15 offsetting reduction in earnings from west coast facilities.
- Award of contract with WA Dept. of Premier and Cabinet for the cleanup of fire effected properties in Yarloop WA.
- Expansion into the rapidly growing e-waste sector in Victoria through acquisition of PGM refineries.
- Karratha Waste to Energy continues through approvals process – tracking approximately 6 months behind schedule.

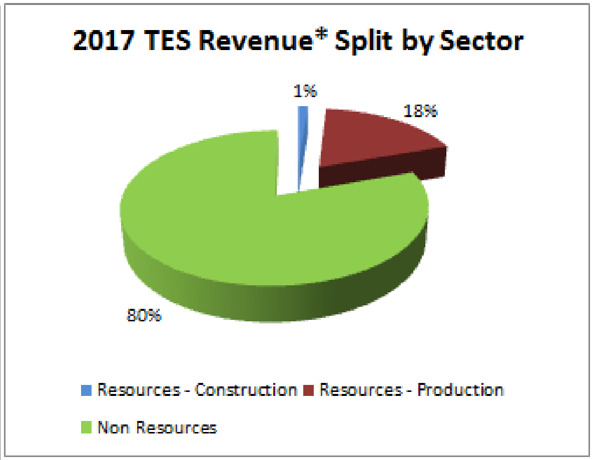
** Non-IFRS financial information (refer slide 12 for further detail)*

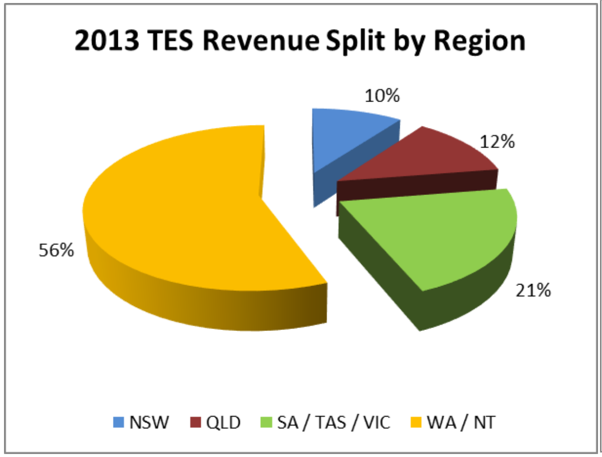
Acquisition of Worth Recycling

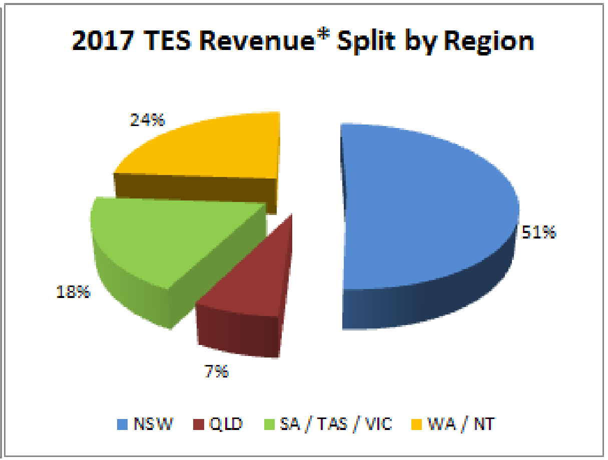
- $70M acquisition of Worth Recycling completed on 1 April 2016.
- Worth operates in the NSW liquid and solid waste and industrial services markets
    - Collects, transports, processes and recycles liquid, sludge and contaminated soil.
    - Provides confined space services, industrial cleaning and non destructive digging.
    - Operates EPA licensed liquid waste treatment facilities in Windsor and Pt Kembla and soil remediation and immobilisation treatment facilities in St Marys.
    - Fleet of liquid and vacuum tankers including heavy vacs with average fleet age of 5.3 years.
    - Operations in metropolitan Sydney, the Illawarra and the Hunter Valley.
    - Established 1976 and grown through investment in treatment facilities and fleet over time.
- Operational integration with Toxfree is complete and rebranding has commenced.
- Systems integration onto Toxfree's ERP is underway with completion expected 1 October 2016.
- Realisation of synergies continues to be a focus through use of Toxfree's centralized shared services and consolidation of operating sites within the same regions to improve efficiency and reduce costs.
- Earnings in the first three months under Toxfree's ownership have met expectations achieving $16m revenue and $3.4m EBITDA.
- Worth are tendering on a number of significant contaminated soil remediation projects with the NSW market.

TES diversification - FY13 to FY17* (forecast)









- Worth contribution to TES division in east coast markets
- Upstream oil and gas development declined significantly at the commencement of FY16
- LNG downstream volumes of hazardous and industrial waste increase in FY17 and beyond
- Household Hazardous and consumer based industrial wastes continue their growth in FY17

*FY17 forecasts are based on management estimates at time of publication of this report.

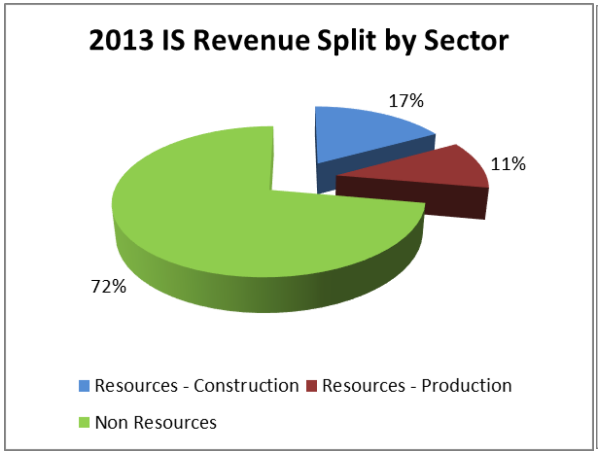
FY16 – Industrial Services

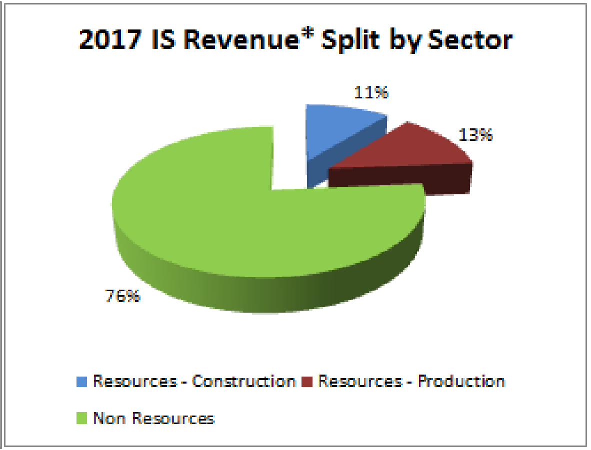
	FY16	FY15	Variance
Revenue ($M)	**93.5**	103.8	(10)%
EBITDA* ($M)	**16.8**	18.1	(7)%
EBITDA* margin	**18%**	17%	100bps
EBIT* ($M)	**9.0**	9.9	(9)%
EBIT* margin	**10%**	10%	0 bps

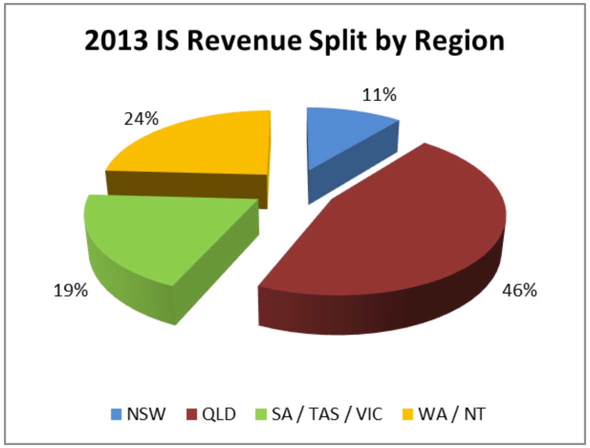
- Awarded 5 year contract for BHPB Olympic Dam for both industrial services and waste management.
- Scope of work for Wheatstone LNG project in Onslow, WA has continued to increase.
- Services to civil infrastructure, utilities and municipal sector in Victoria performed strongly.
- Expanded service offering through addition of chemical cleaning, particularly focused on LNG production sector.
- QAL contract extension for a further 3 years.
- Large tender pipeline.

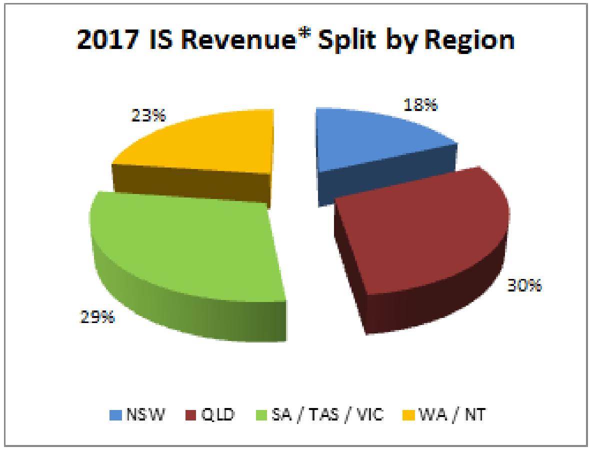
** Non-IFRS financial information (refer slide 12 for further detail)*

IS diversification - FY13 to FY17* (forecast)









- Full year Worth contribution to IS division in east coast markets
- Industrial services main services are to production assets, civil infrastructure and utilities
- BHPB Olympic Dam contract commenced 1 July 2016

*FY17 forecasts are based on management estimates at time of publication of this report.

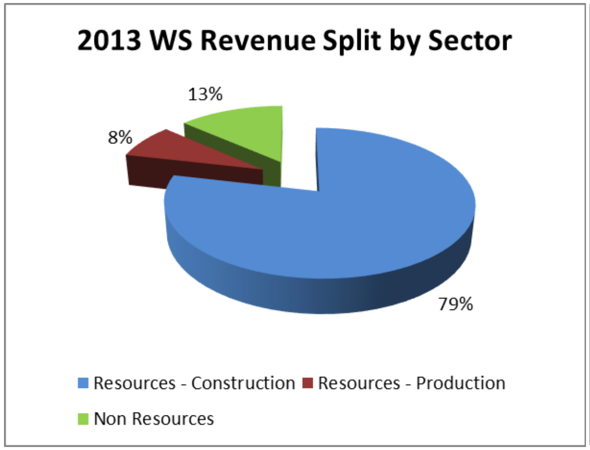
FY16 – Waste Services

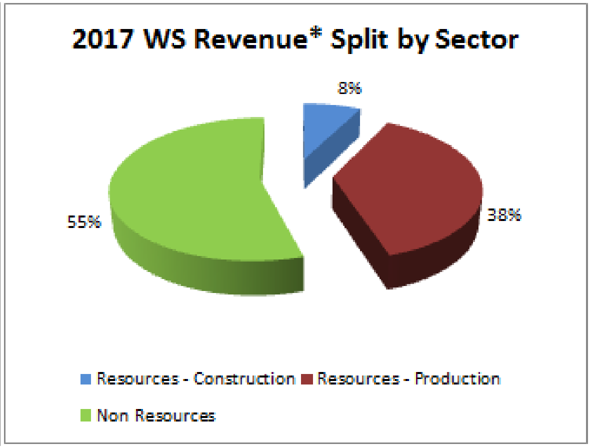
	FY16	FY15	Variance
Revenue ($M)	**232.1**	250.1	(7)%
EBITDA* ($M)	**59.2**	62.1	(5)%
EBITDA* margin	**26%**	25%	100 bps
EBIT* ($M)	**41.9**	45.0	(7)%
EBIT* margin	**18%**	18%	0 bps

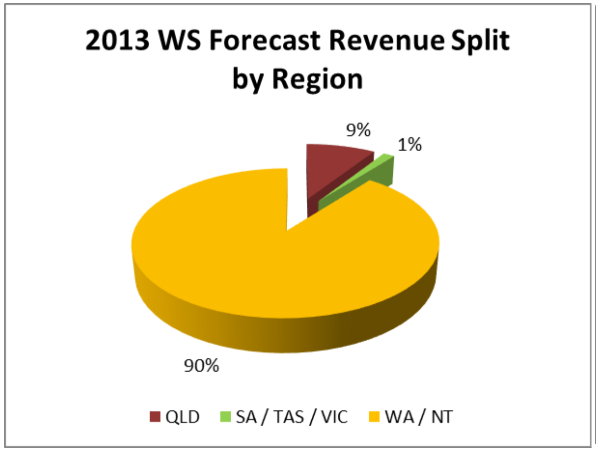
- Waste Services East Coast performing well through growth in Queensland commercial waste volumes.
- Pilbara - Services to Iron Ore production remain stable.
- Volumes of waste from Barrow Island declined as LNG production commenced in FY16 – Safety performance continues strongly with zero LTIs and zero TRIFR in the region.
- Depreciation increased through investment in new fleet to manage safety, improve service delivery and reduce R&M – Toxfree's average fleet age is 6 years.
- Consolidation of Mackay, Rockhampton, Roma, Toowoomba and Chinchilla operations to reduce costs and improve efficiencies.

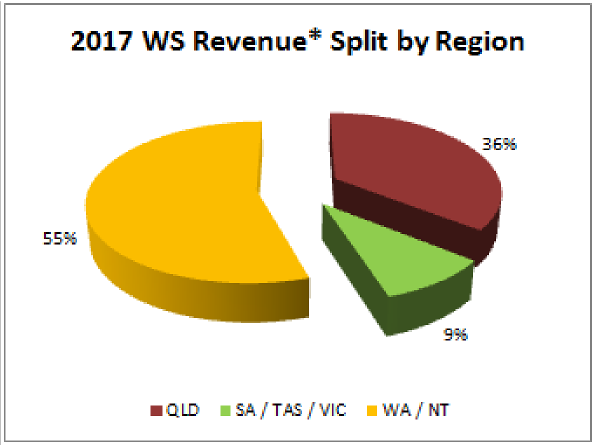
** Non-IFRS financial information (refer slide 12 for further detail)*

Waste Services diversification - FY13 to FY17* (forecast)









- Growth in east coast commercial and industrial sectors continue
- Resource based construction waste volumes from Iron Ore, LNG and related regions have declined significantly over recent years.
- LNG and Iron Ore move to production and remain a target sector for Toxfree
- Wanless was acquired 1 May 2013 – 2 month contribution to FY13

**FY17 forecasts are based on management estimates at time of publication of this report.*

Corporate

	FY16	FY15	Variance
EBITDA* ($M)	**(24.4)**	(28.1)	(13)%
EBIT* ($M)	**(26.1)**	(29.4)	(11)%
% EBITDA * to revenue	**6.2%**	6.9%	(700) bps

- Strong cash conversion - 99% of EBITDA*.
- Increased dividend of 9.0 cents per share reflects the strong balance sheet position of the Company.
- Reduction in corporate costs by 13% through major restructuring, leveraging ERP and reducing costs across the organization.
- Planned implementation of time and attendance, optical scanning software and in vehicle monitoring systems (IVMS) to further improve efficiencies in FY17.
- Net cash capital expenditure of $23.4M (excludes acquisitions).
- New banking facilities established to support growth strategy.

** Non-IFRS financial information (refer slide 12 for further detail)*

Group Cash Flow

	FY16 ($'000)	FY15 ($'000)	% Change
Gross operating cash flow	72,459	72,111	0.5%
Other revenue	561	370	52%
Net interest paid	(4,655)	(4,869)	(4)%
Income taxes paid	(8,985)	(6,329)	42%
Net operating cash flows	**59,380**	**61,283**	**(3)%**
Net purchases of PP&E	(23,382)	(39,278)	(40)%
Payments for acquisitions – net of cash acquired	(68,554)	(5,328)	1,186%
Net investing cash flows	**(91,936)**	**(44,606)**	**106%**
Net proceeds from borrowings/(repayment of borrowings)	33,048	(1,333)	2,579%
Payments for shares acquired by Employee Share Trust	(165)	(775)	(79)%
Dividends paid	(10,784)	(8,788)	23%
Dividends paid to non-controlling interests	(503)	(2,240)	(78)%
Net proceeds from the issue of share capital	23,203	-	100%
Net financing cash flows	**44,799**	**(13,136)**	**441%**
Net increase in cash	**12,243**	**3,541**	**246%**
Cash at the beginning of the half year	19,709	16,168	22%
Cash at the end of the half year	**31,952**	**19,709**	**62%**

Balance Sheet

	FY16 ($'000)	FY15 ($'000)	% Change
Cash	31,952	19,709	62%
Trade and other receivables	90,908	88,586	3%
Inventories	584	241	142%
Tax assets	11,414	7,954	44%
Property, plant and equipment	175,943	153,486	15%
Intangibles	180,173	151,388	19%
Total assets	**490,974**	**421,364**	**17%**
Trade and other payables	54,129	46,451	17%
Loans and borrowings	133,853	100,517	33%
Employee benefits	10,346	8,487	22%
Tax liabilities	8,143	6,908	18%
Provisions	6,477	6,402	1%
Derivatives	1,663	1,864	(11)%
Total liabilities	**214,611**	**170,629**	**26%**
Total equity	**276,363**	**250,735**	**10%**
NET DEBT TO EQUITY	**37%**	**32%**	**500bps**

Key drivers and barriers to entry

Commercial	• Increasing government landfill levies and disposal costs will divert waste from landfill and continue to drive recycling and treatment
Regulation	• Government regulation through product stewardship and regulatory initiatives is also driving the transition from landfill to recycling and recovery
Sustainability	• There is a global trend for more sustainable waste practices driven by public and corporate social responsibility
Consolidation	• Large clients are aggregating procurement and increasing numbers seek a "One Stop Shop" solution
Barriers	• IP, technologies, licenses, regulation and compliance, capex, talented and experienced workforce

Strategic Initiatives – FY17

Revenue	Efficiency	Technology
Business development – targeting large contracts with blue chip clients	Further reduction in overhead	Thermal treatment solutions for problematic waste streams
Cross selling – providing our customers a fully integrated service	Leverage and expand our ERP to improve productivity	Centres of excellence - using our IP and licenses in the most productive manner
Strategic acquisitions - that complement our strategy	Business optimisation	New complementary services and additional waste treatment capabilities
Expansion into new specialty waste streams	Recycle capital into higher returning services	New technologies for problematic waste streams

Outlook

- Improved conditions in east coast markets are expected to drive further growth from our east coast operations.
- Worth Recycling will contribute a full year of revenue and earnings in FY17 (3 months in FY16) further diversifying the business.
- BHPB Olympic Dam contract commenced on 1 July 2016.
- Contracts to production based clients within the iron ore and alumina sector are expected to remain stable.
- Strategic initiatives aimed at further diversifying our service by geography and waste type remain a focus.
- Further business development opportunities exist across Australia – large tender book.
- Volumes of waste from Barrow Island and other construction related projects are expected to decline over the near term as the facilities complete construction, however new LNG production facilities coming on line in the medium term provide opportunities for growth.
- Household hazardous waste volumes and e-waste volumes are expected to increase supported by regulatory framework and community sustainability.
- Currently Toxfree is forecasting underlying EBITDA* growth in a range from 5% to 10% on FY16.
- The available waste market is large and Toxfree is confident on continuing to build its market share through organic growth, contract award and strategic acquisition.

** Non-IFRS financial information (refer slide 12 for further detail)*

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Questions

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