



DoloMatrix International Limited

ABN 90 009 140 550

ASX ANNOUNCEMENT

Thursday 15 December 2011

**DOLOMATRIX INTERNATIONAL LIMITED (ASX: DMX) PROPOSED
SALE OF OPERATIONS FOR \$58 MILLION**

DoloMatrix International Limited (**DoloMatrix** or **the Company**) is pleased to announce that it has entered into a Share Sale Agreement and Asset Sale Agreement (together **the Sale Agreements**) with Tox Free Solutions Limited (**Tox**), to sell 100% of the assets and business of DoloMatrix for \$58 million, subject to adjustments on completion (**Asset Sale**). The Asset Sale is subject to satisfaction of a number of conditions precedent, including shareholder approval by way of an ordinary resolution for the purposes of Chapter 11 of the ASX Listing Rules. A summary of the Sale Agreements is provided in the Annexure to this announcement.

Subject to the satisfaction of certain conditions precedent and following the completion of the Asset Sale, the Directors intend to distribute approximately \$0.39 per share by way of an equal access return of capital to all DoloMatrix shareholders (**Capital Return**) and, to the extent it can, a fully-franked interim dividend. It is expected that the dividend portion of the distribution is unlikely to exceed \$0.01 per share. The Capital Return also requires shareholder approval by way of an ordinary resolution for the purposes of Part 2J.1 of the Corporations Act. The Asset Sale and Capital Return are collectively referred to as the **Proposed Transaction**.

DoloMatrix Chairman Iain Thompson said the Directors unanimously recommended that shareholders vote in favour of all resolutions required to approve the Proposed Transaction, subject to no superior proposal emerging.

"The Board believes that the proposed transaction is in the best interests of shareholders. It is a cash offer and provides liquidity at a significant premium to the current trading price and volume weighted average trading prices over the last twelve months."

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Assuming a distribution of \$0.39 per share is paid there would be a premium of:

- 50.0% to the ASX closing share price of \$0.26 on 14 December 2011;
- 55.0% to the volume weighted average share price (VWAP) of \$0.2516 in the three months up to and including 14 December 2011;
- 72.8% to the VWAP of \$0.2257 in the six months up to and including 14 December 2011; and
- 71.8% to the VWAP of \$0.2270 in the twelve months up to and including 14 December 2011.

At the conclusion of the Proposed Transaction, DoloMatrix shareholders will own shares in a listed company that has sufficient cash reserves to fund its operations for a sufficient period of time prior to either being used as a listed vehicle for other purposes or a wind up of the Company. Note that it is ASX policy not to allow cash boxes to remain listed for over 6 months.

The Proposed Transaction is subject to certain conditions including:

- **Shareholder Approval:** Shareholder approval by ordinary resolution of the Asset Sale and Capital Return, in accordance with the requirements of the ASX Listing Rules and the Corporations Act (note that the resolutions to approve the Asset Sale and Capital Return shall be inter-conditional, such that if the Capital Return is not approved by DoloMatrix shareholders then the Asset Sale will not take place, and vice versa);
- **No Material Adverse Change:** No material adverse change in the assets, liabilities, financial performance and position, profitability or prospects of the Company; and
- Other conditions precedent as summarised in the Annexure to this announcement.

Exclusivity and Break Fees

Under the Sale Agreements, DoloMatrix has agreed to certain limitations on its ability to initiate or respond to any competing proposal to the Asset Sale, as well as to pay a break fee of \$500,000 to Tox in certain circumstances. Tox has also agreed to pay a break fee of \$500,000 to DoloMatrix in certain circumstances. The exclusivity and break fee provisions of the Sale Agreements are summarised in the Annexure to this announcement.

Independent Expert

The Board of DoloMatrix has appointed Lonergan Edwards and Associates Limited to prepare an Independent Expert's report on whether the Proposed Transaction is fair and reasonable and in the best interests of DoloMatrix shareholders. The Independent Expert's report will be included in the Notice of Meeting and Explanatory Memorandum.

Directors' recommendation and voting intentions

The Directors unanimously recommend that shareholders vote in favour of all resolutions required to approve the Proposed Transaction, subject to no superior proposal emerging. Subject to those conditions, all of the Directors intend to vote in favour of all resolutions required to approve the Proposed Transaction for the DoloMatrix shares they own.

Shareholder voting intentions

Both Weston Aluminium Pty Limited (**Weston**) and CVC Limited (**CVC**) are shareholders in DoloMatrix and each holds a relevant interest in excess of 10 per cent of the Company. Each of Weston and CVC has a nominee on the DoloMatrix Board. Both shareholders have indicated to the Board that it is their present intention to vote in favour of all resolutions required to approve the Proposed Transaction, subject to no superior proposal emerging. Weston and CVC have authorised DoloMatrix to make this statement of their intentions in relation to the Proposed Transaction in this announcement.

Shareholder information

DoloMatrix will shortly issue a Notice of Meeting to seek shareholder approval for the Proposed Transaction. At this stage it is anticipated that the shareholder meeting will occur in late January.

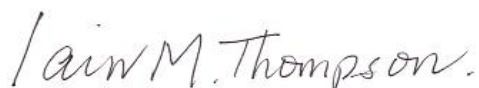
The Notice of Meeting will include an Explanatory Memorandum to provide shareholders with an assessment of the Proposed Transaction, the Independent Expert's Report and the reasons for the Directors' recommendation.

In the meantime, the Board of DoloMatrix will advise the market of material developments in accordance with its disclosure obligations.

Further information

The Directors have engaged KPMG Corporate Finance as financial adviser and Addison's as legal adviser to the Proposed Transaction and any other proposals that may be put to shareholders.

DoloMatrix shareholders should consult their stockbroker, accountant, tax, financial or other professional adviser about the impact of the Proposed Transaction on their particular investment objectives.



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ABOUT DMX

DMX leads the market with superior technologies for the destruction of environmentally hazardous wastes, remediation technologies, resource recovery for fluorescent and halogen lamps, discarded metal and plastic packaging. DMX also offers specialist, environmental and hazardous waste consultancy, recycling and chemical handling services to Industry and Government.

ANNEXURE – Summary of the Sale Agreements

Provision	Description
Parties	DoloMatrix International Limited (DoloMatrix) Tox Free Solutions Limited (Tox)
What is being sold	<p>DoloMatrix has by Share Sale Agreement agreed to sell all shares (the Shares) in all its active subsidiaries (including the 50% shareholding in DoloMatrix Asia Limited and Entech China Limited held within the DoloMatrix group of companies - the DoloMatrix Group) (the Sale Subsidiaries) and by Asset Sale Agreement agreed to sell substantially all its other assets (Parent Company Assets). DoloMatrix as an entity does not operate a business and the Parent Company Assets include patents and furniture and fixtures.</p> <p>On completion of the Sale Agreements (Completion) and the proposed Capital Return, it is intended that DoloMatrix will only hold enough cash to pay expenses and debts and to either wind up or be used as a vehicle for a back door listing.</p>
Conditions Precedent	<p>Completion is conditional on a number of conditions precedent, being:</p> <ul style="list-style-type: none"> • approval by ordinary resolution by members of DoloMatrix to the sales (Shareholder Approval); • no legal restraint imposed on the transaction by a regulatory authority or any other party (No Restraint); • consent or approval of any regulatory authorities and contractual third parties as required (Consents); • no material adverse change to the DoloMatrix Group, taken as a whole; • provision of releases of encumbrances over the Shares and the assets in the Sale Subsidiaries; • Completion of both Sale Agreements; and • payout of intercompany debts between DoloMatrix and the Sale Subsidiaries. <p>Note that the conditions precedent in the Asset Sale Agreement and the Share Sale Agreement are interdependent.</p> <p>The parties are required to use reasonable endeavours to procure the fulfilment of the conditions precedent. Tox may waive the conditions precedent except for those relating to the Shareholder Approval, Consents and No Restraint. The Directors of the Seller are required to recommend Shareholder Approval and to not qualify or change that recommendation unless, on advice, the directors believe their duties require otherwise. Even if the Directors of DoloMatrix recommend against Shareholder Approval, DoloMatrix is still required to convene the meeting of</p>

Provision	Description
	shareholders to allow a vote on the resolution to be conducted.
Purchase Price	Total Purchase Price is \$58 million (\$57,900,000 for the Shares and \$100,000 for the Parent Company Assets).
Adjustments	<p>Working capital adjustments</p> <p>An adjustment may be made approximately one month after Completion of the Sale Agreements based on movement in working capital.</p> <p>If the amount of DoloMatrix working capital exceeds an agreed estimate of anticipated working capital plus 10% (Upper Limit), Tox will pay DoloMatrix the amount by which the actual working capital at Completion exceeds the Upper Limit. If working capital is lower than the estimate minus 10% (Lower Limit), DoloMatrix must pay Tox the difference between the Lower Limit and the actual working capital at Completion.</p> <p>The actual working capital at Completion will be included in the Completion Balance Sheet (CBS), to be prepared by Tox and agreed by the parties following Completion. The CBS must be prepared in accordance with the principles applied in preparation of DoloMatrix's 30 June 2011 financial statements (including with respect to the treatment of income tax, receivables and inter-company loans).</p> <p>Working capital is the aggregate of trade debtors and receivables, prepayments, inventories and WIP less the aggregate of trade creditors and payables, provisions for annual leave, long service leave and waste disposal.</p>
Employees	All except five employees are employed by the Sale Subsidiaries. Tox will bear the obligation to employ those five persons or the cost of their entitlements and redundancies.
Pre-Completion constraints	Usual pre-Completion restraints requiring that the businesses are conducted in the ordinary course.
Termination	<p>Tox has a right to terminate if, for instance, DoloMatrix fails to maintain the goodwill of its business or the assets prior to Completion, or is in breach of a material warranty, or if conditions precedent are not satisfied in time.</p> <p>DoloMatrix has a right to terminate where conditions precedent are not satisfied in time or Tox fails to complete after receipt of a notice to complete.</p>
Warranties	<p>DoloMatrix provides limited warranties, with respect to its corporate power to enter into the transaction, solvency and ownership of the Shares and Parent Company Assets.</p> <p>Tox similarly provides limited warranties with respect to its solvency and capacity to enter into the transaction.</p>

ANNEXURE – Summary of Exclusivity and Break Fee provisions

Payment of Break Fee by DoloMatrix

If:

- (a) the conditions precedent are satisfied and Completion does not occur on the date provided in the agreement due to an act or omission of DoloMatrix; or
- (b) the proposed resolution to approve the sale of the Shares and Parent Company Assets fails; or
- (c) Completion does not occur due to a Competing Proposal being announced or put to the DoloMatrix Board, and either:
 - (i) the proponent of the Competing Proposal acquires at least 50% of the shares in DoloMatrix or 50% of the shares of any subsidiary of DoloMatrix; or
 - (ii) the Competing Proposal is publicly recommended by the DoloMatrix Board,

and the Sale Agreements are terminated, then DoloMatrix will, on written demand by Tox stating the circumstances which gave rise to the payment, pay the amount of \$500,000 within 5 business days of receipt of that demand, in full and final satisfaction of all claims by Tox against DoloMatrix arising out of or in respect of the above, as relevant.

Payment of Break Fee by Tox

If the conditions precedent (not including Shareholder Approval) are satisfied and Completion does not occur on the date provided in the Sale Agreements due to an act or omission of Tox then Tox will, on written demand by DoloMatrix stating the circumstances which gave rise to the payment, pay the break fee amount of \$500,000, in immediately available funds and within 5 business days of receipt of that demand, in full and final satisfaction of all claims by DoloMatrix against Tox arising out of or in respect of that breach.

Notification

Each of DoloMatrix and Tox must immediately notify the other in writing if it becomes aware of the existence or occurrence of any event or circumstance which would give rise to a break fee and such notice must include full particulars of the relevant event or circumstance.

Notice of unsolicited approach

- (a) Prior to Completion, DoloMatrix must promptly notify Tox:
 - (i) of any approach or attempt to initiate, resume or continue discussions or negotiations with DoloMatrix which may reasonably be expected to lead to a Competing Proposal; and

- (ii) of any request for information relating to DoloMatrix or the DoloMatrix Group or any of their businesses or operations or any request for access to the books or records of DoloMatrix or the DoloMatrix Group, other than requests occurring in the ordinary course of business,

provided that DoloMatrix will not be required to comply with this provision if the DoloMatrix Board has determined in good faith, after receiving legal advice from its external advisers, that taking these actions would be reasonably likely to constitute a breach of the DoloMatrix Board's fiduciary or statutory obligations.

- (b) A notification under paragraph (a) above must be accompanied by all relevant details of the relevant event, and the key terms and conditions of any Competing Proposal or proposed Competing Proposal (to the extent known) and must be provided no later than 2 Business Days from receipt of the approach, request, Competing Proposal or proposed Competing Proposal.

No talk and no due diligence

DoloMatrix must not, and must ensure that each of its subsidiaries does not, except with the prior written consent of Tox:

- (a) participate in any discussions or negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
- (b) provide any information to a third party (who has made an unsolicited approach to DoloMatrix) for the purposes of enabling that party to make a Competing Proposal; or
- (c) communicate any intention to do any of the things listed in paragraphs (a) and (b),

provided that DoloMatrix will not be required to comply with the provisions of paragraphs (a), (b) or (c) (to the extent that it relates to paragraph (a) and (b)) if the DoloMatrix Board has determined in good faith, after receiving legal advice from its external advisers, that taking these actions would be reasonably likely to constitute a breach of the DoloMatrix Board's fiduciary or statutory obligations.

No shop

Prior to Completion, DoloMatrix must not, and must ensure that its subsidiaries do not, except with the prior consent of Tox:

- (a) directly or indirectly solicit, encourage or invite any enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, any Competing Proposal;
- (b) initiate any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Proposal; or

- (c) communicate to any person other than Tox an intention to do any of the things referred to in paragraphs (a) and (b) above.

Tox's right of last offer

Prior to Completion, if DoloMatrix notifies Tox of a Competing Proposal and of its intention to enter into an agreement, commitment, arrangement or understanding in respect of that Competing Proposal:

- (a) Tox will have the right, but not the obligation, at any time during the period of 3 Business Days following receipt of such notice, to make an offer to DoloMatrix that delivers a benefit to DoloMatrix 's shareholders that is at least equal to that of the Competing Proposal (**Counterproposal**);
- (b) if Tox makes a Counterproposal, DoloMatrix and the DoloMatrix Board must consider it in good faith; and
- (c) if the DoloMatrix Board, acting reasonably, considers that the Counterproposal would provide a benefit to DoloMatrix 's shareholders that is at least equal to that of the Competing Proposal, then DoloMatrix and Tox must use reasonable endeavours to agree to amendments to the Sale Agreements that are reasonably necessary to reflect the Counterproposal and to enter into an amended agreement to give effect to those amendments and to implement the Counterproposal as soon as reasonably practicable,

provided that DoloMatrix will not be required to comply with this provision if the DoloMatrix Board has determined in good faith, after receiving legal advice from its external advisers, that taking these actions would be reasonably likely to constitute a breach of the DoloMatrix Board's fiduciary or statutory obligations.

Note that each successive material modification of a Competing Proposal will constitute a new Competing Proposal.

Definition of Competing Proposal

For the purposes of this summary (and in the Share Sale Agreement) **Competing Proposal** means any proposed transaction or arrangement (including any takeover bid, scheme of arrangement, share or asset sale, capital reduction or buy back, joint venture or dual listed company structure) under which a person other than Tox or any of its associates would, subject to satisfaction of conditions:

- (a) acquire control (as defined in section 50AA of the Corporations Act) of DoloMatrix or any of its subsidiaries;
- (b) become the holder of a Relevant Interest (as defined in the Corporations Act) in more than 20% of the shares in DoloMatrix;
- (c) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of the assets or business of DoloMatrix or its subsidiaries;

- (d) otherwise acquire or merge with DoloMatrix; or
- (e) enter into any agreement or understanding requiring the DoloMatrix Board to recommend a proposal referred to in paragraphs (a) to (d).