TOX FREE SOLUTIONS LIMITED

ABN 27 058 596 124

toxfree

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM AND EXPLANATORY MEMORANDUM

DATE OF MEETING

24 November 2011

TIME OF MEETING

10.30 am (WST)

PLACE OF MEETING

Ocean Plaza 1 Room
Rendezvous Hotel
The Esplanade, Scarborough
Perth, Western Australia

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Tox Free Solutions Limited ("**Company**") will be held at 10.30am (WST) on 24 November 2011 at Ocean Plaza 1 Room, Rendezvous Hotel, The Esplanade, Scarborough, Perth, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 7.00pm (Sydney time) on 21 November 2011.

An Explanatory Memorandum containing information in relation to each of the resolutions to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following resolutions.

ORDINARY BUSINESS

2011 Accounts

To receive and consider the Directors' report and income statement for the year ended 30 June 2011, the balance sheet at that date, the Auditors' Report and the Directors' Declaration on the accounts.

NON-BINDING ORDINARY RESOLUTION 1: DIRECTORS' REMUNERATION REPORT

To receive and consider the Directors' Remuneration Report for the year ended 30 June 2011 and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution:**

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' Report for the financial year ended 30 June 2011 be adopted."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person described in sub-paragraphs (a) or (b) above may vote on this Resolution 1 if:

(c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and

(d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

ORDINARY RESOLUTION 2: RE-ELECTION OF MR BOB MCKINNON AS A DIRECTOR OF THE COMPANY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution:**

"That Mr Bob McKinnon, a director retiring by rotation in accordance with the Company's Constitution, is re-elected as a director of the Company."

Voting Prohibition Statement

A vote on this Resolution 2 must not be cast (in any capacity) by or on behalf of Mr McKinnon or any of his associates.

ORDINARY RESOLUTION 3: RE-ELECTION OF MR RICHARD ALLEN AS A DIRECTOR OF THE COMPANY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution:**

"That Mr Richard Allen, a director retiring by rotation in accordance with the Company's Constitution, is re-elected as a director of the Company."

Voting Prohibition Statement

A vote on this Resolution 3 must not be cast (in any capacity) by or on behalf of Mr Allen or any of his associates.

ORDINARY RESOLUTION 4: RATIFICATION OF PREVIOUS ISSUE OF SHARES

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution:**

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the issue and allotment of 3,832,904 Shares issued on the terms and conditions outlined in the Explanatory Memorandum."

ASX Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by any persons who participated in the issue and any associates of those persons. However, the Company need not disregard a vote on this Resolution 4 if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form, or if cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ORDINARY RESOLUTION 5: NON EXECUTIVE DIRECTORS' REMUNERATION

To consider and, if thought fit, to pass, with or without amendment, as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.17 and for all other purposes, Shareholders approve an increase in the maximum aggregate amount that may be paid to Non-Executive Directors for their services in each financial year from $ 300,000 to $ 700,000, which may be divided amongst those Directors in the manner determined by the Board of the Company from time to time."

ASX Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 5 by any Directors and any of their associates. However, the Company need not disregard a vote on this Resolution 5 if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution 5 if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution 5.

However, the above prohibition does not apply if:

(c) the proxy is the Chair of the meeting; and

(d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

ORDINARY RESOLUTION 6:
ADOPTION OF THE TOX FREE SOLUTIONS EXECUTIVE LONG-TERM INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution:**

"That the Tox Free Solutions Executive Long-Term Incentive Plan, the principal terms of which are summarised in the Explanatory Memorandum, and the issue of Performance Rights and/or Share Appreciation Rights under that plan, be approved by Shareholders for all purposes, including for the purpose of ASX Listing Rule 7.2 Exception 9 (as an exception to ASX Listing Rule 7.1)."

ASX Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 6 by any Directors (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company need not disregard a vote on this Resolution if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution 6 if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution 6.

However, the above prohibition does not apply if:

(c) the proxy is the Chair of the meeting; and

(d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

ORDINARY RESOLUTION 7:
ISSUE OF PERFORMANCE RIGHTS AND SHARE APPRECIATION RIGHTS TO MR STEPHEN GOSTLOW

Subject to the approval of Resolution 6, to consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution:**

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the allotment and issue of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow under the terms of the Tox Free Solutions Executive Long-Term Incentive Plan, as detailed in the Explanatory Memorandum."

ASX Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 7 by any Directors (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company need not disregard a vote on this Resolution if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution 7.

However, the above prohibition does not apply if:

(c) the proxy is the Chair of the meeting; and

(d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

ORDINARY RESOLUTION 8:
APPROVAL OF AMENDMENT TO TERMS OF EXISTING OPTIONS ISSUED UNDER THE TOX FREE SOLUTIONS EMPLOYEE SHARE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution:**

"That, for the purposes of ASX Listing Rule 6.23.4 and for all other purposes, Shareholders approve the amendment of the terms of all Options issued (but yet to be exercised) under the Tox Free Solutions Employee Share Option Plan, by inserting a new term as set out in the Explanatory Memorandum."

ASX Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 8 by any person who holds an Option that is the subject of the approval. However, the Company need not disregard a vote on this Resolution if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution 8 if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution 8.

However, the above prohibition does not apply if:

(c) the proxy is the Chair of the meeting; and

(d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

By Order of the Board

D M McARTHUR
Company Secretary

Dated: 13 October 2011

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

NON-BINDING ORDINARY RESOLUTION 1: DIRECTORS' REMUNERATION REPORT

General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 Annual General Meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of all of the directors of the Company ("**Spill Resolution**").

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene a general meeting ("Spill Meeting") within 90 days of the Company's 2012 Annual General Meeting. All of the Directors who were in office when the Company's 2012 Directors' report was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel or any Closely Related Party as your proxy to vote on this Resolution 1, *you must direct the proxy how they are to vote.* Where you do not direct the Chair, or another member of Key Management Personnel or any Closely Related Party on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

Recommendation

The non-executive directors recommend that Shareholders vote in favour of the resolution to approve the Remuneration Report. The executive directors whose remuneration has been disclosed in the Remuneration Report are interested in the outcome of this resolution and therefore do not consider it appropriate to make a recommendation to Shareholders.

ORDINARY RESOLUTION 2: RE-ELECTION OF MR BOB MCKINNON AS A DIRECTOR OF THE COMPANY

ASX Listing Rule 14.4 and clause 13.2 of the Company's Constitution provide that at every Annual General Meeting of the Company one-third of the Directors (other than alternate Directors and the Managing Director) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Mr Bob McKinnon, being a director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr McKinnon is set out in the Company's 2011 Annual Report.

Recommendation

The directors (other than Mr McKinnon because of his interest in this resolution) recommend that Shareholders vote in favour of Resolution 2.

EXPLANATORY MEMORANDUM CONT'D

ORDINARY RESOLUTION 3:
RE- ELECTION OF MR RICHARD ALLEN AS A DIRECTOR OF THE COMPANY

ASX Listing Rule 14.4 and clause 13.2 of the Company's Constitution provide that at every Annual General Meeting of the Company one-third of the Directors (other than alternate Directors and the Managing Director) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Mr Richard Allen, being a director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr Allen is set out in the Company's 2011 Annual Report.

Recommendation

The directors (other than Mr Allen because of his interest in this resolution) recommend that Shareholders vote in favour of Resolution 3.

ORDINARY RESOLUTION 4:
RATIFICATION OF PREVIOUS ISSUE OF SHARES

On 4 July 2011 the Company announced the completion of the acquisition of Waste Solutions (NT) Pty Ltd. The total consideration for the acquisition was $18 million, comprising $10 million cash and $8 million in fully paid ordinary shares in the Company. A total of 3,832,904 fully paid ordinary shares in the Company were issued in satisfaction of the $8 million share consideration.

Resolution 4 seeks Shareholder ratification for the issue of 3,832,904 shares at a deemed issue price of $2.087 per share.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

In accordance with the requirements of ASX Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Shares the subject of this Resolution 4:

(a) the number of Shares issued was 3,832,904;

(b) the issue price was a deemed price of $2.087 per share;

(c) the Shares issued were fully paid ordinary shares in the capital of the Company and rank pari passu with the Company's existing Shares; and

(d) the Shares were issued as part consideration for the acquisition of Waste Solutions (NT) Pty Ltd.

Recommendation

The directors believe that it is in the best interests of the Company to ratify the issue of ordinary shares described above and recommend that Shareholders vote in favour of Resolution 4.

ORDINARY RESOLUTION 5:
NON-EXECUTIVE DIRECTORS' REMUNERATION

Resolution 5 seeks to increase the total maximum level of fees that may be paid to Non-Executive directors from $300,000 to $700,000 per annum.

As the Company continues to grow, the Board requires the flexibility to increase the number of Board members on an as required basis, and to remunerate Non-Executive Directors at levels consistent with the Company's peers.

ORDINARY RESOLUTION 6:
ADOPTION OF THE TOX FREE SOLUTIONS EXECUTIVE LONG-TERM INCENTIVE PLAN

Resolution 6 seeks to adopt a new Tox Free Solutions Executive Long-Term Incentive Plan ("**Executive LTI Plan**") that provides the Board with the discretion to grant Performance Rights and/or Share Appreciation Rights to certain executives that will vest subject to the satisfaction of performance hurdles, as determined by the Board.

The Company has revisited its long term incentive ("**LTI**") arrangements to ensure that it continues to reward, retain and motivate senior executives in a manner aligned with Shareholders. After exploring a number of equity incentive vehicles, it was decided that an Executive LTI Plan delivering Performance Rights and/or Share Appreciation Rights would best serve the Company's objectives moving forward.

Under the new Executive LTI Plan, senior executives will be granted Performance Rights and/or Share Appreciation Rights. Vesting of any Performance Rights and/or Share Appreciation Rights granted under the Executive LTI Plan will be subject to the satisfaction of performance hurdles (outlined below).

Each Performance Right represents a right to be issued one Share at a future point in time. No exercise price will be payable and eligibility to receive Performance Rights under the Executive LTI Plan will be at the Board's discretion.

Each Share Appreciation Right represents a right to receive a payment equal to the positive difference between the Share price at grant and the Share price at vest. The total value of all Share Appreciation Rights on vesting date will be settled via the provision of Shares of an equivalent value. Economically, Share Appreciation Rights are similar to Options as they will only reward for Share price growth.

However, as the Share Appreciation Rights only ever payout the increase in value over the starting Share price (with this value settled in Shares based on the Share price at the time of vesting), they will always deliver significantly less Shares than an equivalent number of Options and are therefore much less dilutive to Shareholders. The Share price at start date and at vesting will be determined by reference to the 30-day value weighted average Share price ("**VWAP**") at the time of grant and vesting.

The following example demonstrates how Share Appreciation Rights are less dilutive than Options:

- 100,000 Share Appreciation Rights are granted.
- 30-day VWAP at the start date is $1.00.
- 30-day VWAP at the vest date is $2.50.
- At vest date (and provided all performance hurdles are satisfied), the 100,000 Share Appreciation Rights vest and the dollar value of the Share Appreciation Rights is $150,000 (100,000 Share Appreciation Rights x ($2.50 - $1.00)).
- The value of the Share Appreciation Rights is settled via an issue of 60,000 Shares ($150,000 / $2.50).
- Compare this to a scenario where 100,000 Options are issued. At vest date (and provided all performance hurdles are satisfied), the 100,000 Options would be settled via an issue of 100,000 Shares, provided the options are exercised in full.

The LTI quantum to be granted will be determined with reference to market practice and will be subject to approval by the Board. The LTI dollar value that senior executives will be entitled to receive is set at a fixed percentage of their annual fixed remuneration and ranges from 25% to 50% of fixed remuneration, depending on the participant's level and seniority. This level of LTI is in line with current market practice.

The Executive LTI Plan will enable the Company to make annual grants to senior executives so that LTIs form a key component of their total annual remuneration. This will better align the remuneration packages of the Company's senior executives with current market practice.

The Board believes that grants made under the Executive LTI Plan will serve a number of purposes, including:

- to act as a key retention tool; and
- to focus on future Shareholder value generation.

The Executive LTI Plan signifies a move towards a structure that will reward long-term sustainable Shareholder value generation. Performance will be assessed over a 3-year period and no vesting will occur until the end of the 3-year period.

Any grants made under the Executive LTI Plan will be subject to the satisfaction of challenging performance hurdles. Relative total shareholder return ("**Relative TSR**") and Absolute Earnings per Share ("**Absolute EPS**") targets have been chosen as appropriate performance measures and are commonly used by companies listed on the ASX. Both Relative TSR and Absolute EPS are forward-looking performance measures that drive continued and sustainable growth.

Relative TSR measures the return received by Shareholders from holding Shares in the Company over the 3-year performance period. Achievement of the Relative TSR target will reward senior executives when the Company outperforms its peers.

Absolute EPS measures the operating profit attributable to Shareholders per issued Share. Achievement of the Absolute EPS target will reward senior executives when the Company meets or exceeds the compounded annual growth target set by the Board.

No retesting will be permitted for either Relative TSR or Absolute EPS.

It is proposed that Performance Rights and/or Share Appreciation Rights will be issued to participants in accordance with the rules of the Executive LTI Plan. A summary of the principal terms of the Executive LTI Plan rules is set out in Annexure A to this Explanatory Memorandum.

No securities have yet been issued by the Company under the Executive LTI Plan.

It is currently proposed that, subject to Shareholder approval of the Executive LTI Plan, the Company will make grants of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow (Managing Director) in November 2011 under the terms of the Executive LTI Plan.

ASX Listing Rule issues

Shareholder approval is being sought to approve the issue of awards under the Executive LTI Plan so that the Company will satisfy ASX Listing Rule 7.2 Exception 9 (as an exception to ASX Listing Rule 7.1).

ASX Listing Rule 7.1 provides that without the approval of the holders of ordinary securities, an entity must not issue or agree to issue equity securities which amount to more than 15% of its issued share capital in any rolling 12 month period. However, ASX Listing Rule 7.2 sets out a number of exceptions to ASX Listing Rule 7.1. These exceptions include Exception 9 which is an issue under an employee incentive scheme if within 3 years before the date of issue the holders of ordinary securities have approved the issue of securities under the scheme as an exception to this rule.

Recommendation

The non-executive directors recommend that Shareholders vote in favour of the resolution to approve the Executive LTI Plan. The executive directors may be interested in the outcome of this Resolution 6 and therefore do not consider it appropriate to make a recommendation to Shareholders.

EXPLANATORY MEMORANDUM CONT'D

ORDINARY RESOLUTION 7:
ISSUE OF PERFORMANCE RIGHTS AND SHARE APPRECIATION RIGHTS TO MR STEPHEN GOSTLOW

Resolution 7 seeks approval to issue Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow under the Executive LTI Plan.

Mr Stephen Gostlow is the Managing Director of the Company. Mr Gostlow has previously been granted Options under the Employee Share Option Plan.

The structure of Mr Gostlow's remuneration package should be brought into line with market practice, so that LTI forms a key component of his total annual remuneration. A significant portion of his total annual remuneration should be placed at-risk to better align his interests with those of Shareholders, to encourage the production of long-term sustainable growth, and to assist with retention.

As such, the Board has resolved to introduce the Executive LTI Plan, under which Performance Rights and/or Share Appreciation Rights may be granted (as described below), in addition to the existing Employee Share Option Plan. The proposal to issue Performance Rights and Share Appreciation Rights to Mr Gostlow is aligned to Resolution 6.

Vehicle

It is proposed that Performance Rights and Share Appreciation Rights be issued to Mr Gostlow:

- Performance Rights are one of the most prevalent equity instruments used by companies in the market. Performance Rights are also simple in nature and are easily understood by employees as well as by Shareholders. By issuing Performance Rights, Mr Gostlow and Shareholders are better able to perceive the value obtained from Performance Rights (i.e. conversion of one Performance Right equates to one Share in the Company), resulting in better alignment with Shareholders' interests; and
- Share Appreciation Rights are growing in popularity due to changes in the Employee Share Scheme taxation rules resulting in taxation of Options becoming potentially problematic. Due to the economic similarity between Share Appreciation Rights and Options (in that they will only reward for Share price growth), issuing Share Appreciations Rights will continue to drive and reward Shareholder value generating behaviour without the downside of the current tax treatment of Options (eg. employees can end up paying tax on underwater Options).

Quantum

The appropriate LTI grant quantum to be issued to Mr Gostlow for the financial year ending 30 June 2012 ("**FY12**") has been determined with reference to current market practice. For FY12, the dollar value of the LTI grant will be determined as 50% of Mr Gostlow's FY12 base salary (ie. an LTI grant of $205,000 in value).

Half of the LTI grant to Mr Gostlow will be granted as Performance Rights and the other half will be granted as Share Appreciation Rights (ie. $102,500 worth of Performance Rights and $102,500 worth of Share Appreciation Rights).

Allocation methodology and number of instruments

In determining the number of Performance Rights and Share Appreciation Rights to be granted, the LTI quantum is divided by the fair value ("**FV**") of one Performance Right/Share Appreciation Right (as determined by an independent valuer) as follows:

Number of Performance Rights/Share Appreciation Rights to be granted	=	<u>LTI quantum $</u> FV of one Performance Right/Share Appreciation Right

Performance Rights Allocation

- 50% of the Performance Rights are measured against the Relative TSR hurdle – with the FV for reward allocation purposes determined to be $1.54 per Performance Right.
  - (102,500 x 50%) / $1.54 = 33,279 Performance Rights
- The remaining 50% of the Performance Rights are measured against the Absolute EPS hurdle – with the FV for allocation purposes determined to be $2.08 per Performance Right
  - (102,500 x 50%) / $2.08 = 24,639 Performance Rights

Therefore, the total number of Performance Rights to be granted = 57,918.

Share Appreciation Rights Allocation

- 50% of the Share Appreciation Rights are measured against the Relative TSR hurdle – with the FV for reward allocation purposes determined to be $0.46 per Share Appreciation Right.
  - (102,500 x 50%) / $0.46 = 111,413 Share Appreciation Rights
- The remaining 50% of the Share Appreciation Rights are measured against the Absolute EPS hurdle – with the FV for allocation purposes determined to be $0.58 per Share Appreciation Right
  - (102,500 x 50%) / $0.58 = 88,362 Share Appreciation Rights

Therefore, the total number of Share Appreciation Rights to be granted = 199,775.

Performance period

The FY12 LTI grant will be performance tested from 1 July 2011 through to 30 June 2014. Performance is tested over the whole 3-year period to ensure that sustainable Shareholder growth has been created. A 3-year performance and vesting period is typical of ASX listed companies.

Vesting conditions and performance hurdles

The FY12 LTI grant to be made to Mr Gostlow under the Executive LTI Plan will vest subject to satisfaction of Relative TSR (50% of the grant) and Absolute EPS (50% of the grant) hurdles. These performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting will still occur for that portion of the grant but not the other if the other hurdles are not met.

Relative TSR performance will be assessed against the performance of the ASX 300 excluding companies within the metals and mining, financial services, infrastructure, investment and property sectors.

The Relative TSR portion of the FY12 LTI grant will become performance-qualified as follows:

Relative TSR performance	Vesting outcome (for the Relative TSR portion of the grant)
Less than 50th percentile	Nil
At the 50th percentile	50% of the relevant grant will become performance-qualified
Between the 50th and 75th percentile	For each percentile over the 50th, an additional 2% of the relevant grant will become performance-qualified
At or above the 75th percentile	100% vesting

Absolute EPS performance will be assessed against compound annual growth rate targets set by the Board. The target set for FY12 LTI grant is 10% compound average growth rate.

The Absolute EPS portion of the FY12 LTI grant will become 100% performance-qualified if the compound average growth rate over the 3-year performance period is 10% or greater. Where the compound annual growth rate over the 3-year period does not reach 10% per annum, no vesting will occur under the Absolute EPS portion of the grant.

There will be no retesting of performance. Any Performance Rights and/or Share Appreciation Rights that fail to become exercisable due to a failure to satisfy the vesting conditions and performance hurdles will lapse and be forfeited.

ASX Listing Rule issues

For the purposes of the approval sought under ASX Listing Rule 10.14 and for all other purposes, the following information is provided to Shareholders in respect of the Performance Rights and Share Appreciation Rights:

- The Performance Rights and Share Appreciation Rights will be granted to Mr Stephen Gostlow (the Managing Director of the Company).
- Subject to Shareholder approval being obtained, the number of Performance Rights and Share Appreciation Rights granted to Mr Gostlow will be determined by the allocation methodology formula as outlined above, with a maximum of 57,918 Performance Rights and a maximum of 199,775 Share Appreciation Rights being available for grant to Mr Gostlow.
- No consideration is payable by Mr Gostlow at the time of grant of the Performance Rights or Share Appreciation Rights or upon the allocation of Shares to which he may become entitled to on the vesting of some or all of the Performance Rights and/or Share Appreciation Rights.
- The initial grant of Performance Rights and Share Appreciation Rights will be subject to the performance hurdles outlined above.
- No grants have been made under the Executive LTI Plan as at the date of this Explanatory Memorandum, and it is expected that none will be made until after the date of the 2011 Annual General Meeting.
- Full details of Mr Gostlow's holdings of Shares and Options are set out on in the Company's 2011 Annual Report.
- No loans will be made by the Company in connection with the acquisition of the Performance Rights or Share Appreciation Rights.
- It is expected that the Performance Rights and Share Appreciation Rights will be granted to Mr Gostlow as soon as practicable after Shareholder approval is received and in any event no later than 12 months from the date of the Annual General Meeting without obtaining further Shareholder approval.

Recommendation

The Board (excluding Mr Gostlow) recommends that Shareholders vote in favour of this Resolution 7 to approve the grant of Performance Rights and Share Appreciation Rights under the Executive LTI Plan to Mr Gostlow. Mr Gostlow is interested in the outcome of this resolution and therefore does not consider it appropriate to make a recommendation to Shareholders.

ORDINARY RESOLUTION 8:
APPROVAL OF AMENDMENT TO TERMS OF EXISTING OPTIONS ISSUED UNDER THE TOX FREE SOLUTIONS EMPLOYEE SHARE OPTION PLAN

Resolution 8 seeks to amend the terms of Options which have been issued under the Employee Share Option Plan but which have yet to be exercised. This Resolution does not seek approval for the issuing of further Options under the Employee Share Option Plan, nor does it seek to change the vesting conditions, the exercise price or the expiry date of the Options.

The amendment proposed is the introduction of a cashless exercise of Options mechanism. If accepted, such a mechanism will enable a participant in the Employee Share Option Plan, at their election, to exercise their vested Options not by way of payment of the applicable exercise price, but rather by choosing to receive the positive difference between the exercise price and the Share price at exercise in Shares, with the number of Shares allocated based on the Share price at exercise.

It is proposed that the Employee Share Option Plan rules will be amended, by way of Board resolution, to introduce the cashless exercise of options mechanism, which would allow any new Options issued under the Employee Share Option Plan to be exercised in a cashless manner, as described above. However, in order for that amendment to apply retrospectively to the terms of existing unexercised Options, Shareholder approval is required under ASX Listing Rule 6.23.4, as explained below.

The amendments will:

- not change the fundamental entitlements of Option holders;
- simply assist an Option holder from a cash flow perspective if they choose to exercise their Options in a cashless manner;

- leave an Option holder who chooses to exercise their Options in a cashless manner in the same economic position as if they had exercised all of their Options, paid the relevant total exercise price, and disposed of some of their Shares equal in value to that total exercise price; and
- result in less Shares being issued upon exercise of existing Options, to the benefit of Shareholders, with less dilution of their own shareholdings.

The following example demonstrates how the cashless exercise of existing Options would operate:

- 100,000 Options have vested and are to be exercised by a participant in the Employee Share Option Plan.
- Those Options were granted with an exercise price of $2.00.
- We assume that the Company's Share price is $2.50 as at the date of the exercise of those Options.
- If the participant was to exercise those Options as currently provided in the Employee Share Option Plan, then the participant will be required to pay a total exercise price of $200,000 (being $2.00 per Option multiplied by 100,000 Options) and 100,000 Shares will then be held by the Trustee on behalf of the participant. The net economic position for the participant based on the above is $50,000, being $250,000 worth of Shares less the total exercise price of $200,000.
- If the participant was able to exercise those same Options through a cashless exercise mechanism, then rather than paying the above total exercise price, upon exercise, the Trustee would simply hold 20,000 Shares on behalf of the participant. The net economic position for the participant is the same: $50,000, being 20,000 Shares multiplied by the Share price as at the date of exercise of those Options ($2.50). The key advantage for Shareholders being that only 20,000 Shares would be issued instead of 100,000 Shares, as per a standard exercised Option.

As at the date of this notice, the following options are on issue:

Number	Expiry Date	Exercise Price
1,108,500	1/11/11	$2.07
163,500	1/7/12	$1.40
375,000	1/7/12	$1.80
670,000	1/7/12	$2.20
755,000	1/11/12	$2.38
635,000	1/11/13	$2.74
20,000	15/1/14	$1.20
500,000	1/11/14	$2.50
20,000	15/1/15	$2.64
500,000	1/11/15	$2.75
500,000	1/11/16	$3.00

ASX Listing Rule issues

Shareholder approval is being sought to approve the amendment to the terms of Options already issued under the Employee Share Option Plan so that the Company will satisfy ASX Listing Rule 6.23.4.

ASX Listing Rule 6.23.4 provides that a change to the terms of the Options can only be made if holders of ordinary securities approve the change.

Recommendation

The non-executive directors recommend that Shareholders vote in favour of the resolution to approve the Executive LTI Plan. The executive directors may be interested in the outcome of this Resolution 8 and therefore do not consider it appropriate to make a recommendation to Shareholders.

ANNEXURE A – SUMMARY OF THE TOX FREE SOLUTIONS EXECUTIVE LONG-TERM INCENTIVE PLAN RULES

A summary of the Executive LTI Plan rules is set out below:

Eligibility:	The Executive LTI Plan is open to full time or part-time employees of the Company or its related entities (Group), directors of any member of the Group, and any other person who is declared by the Board to be eligible to participate in the Equity Incentive Plan.
Instruments:	The Executive LTI Plan will allow the Board to grant the following types of Awards: • Performance Rights (i.e. zero exercise priced options) – representing a right to acquire one Share; and/or • Share Appreciation Rights – representing a right to receive a future payment equal to the positive difference between the Initial Market Value, and the market value of a Share upon exercise of the Share Appreciation Right. The amount to be provided to the participant will be settled by the grant of Shares of an equivalent value. The market value of a Share will be determined by the weighted average closing sale price of Shares sold on the Australian Securities Exchange (**ASX**) over the last 30 trading days immediately before the relevant date.
Equity pool:	Up to 5% of the issued capital of the Company will be available for allocation under the Executive LTI Plan.
Allocation of Awards:	The allocation of Awards to employees eligible to participate in the Executive LTI Plan will be as determined by the Board in its absolute discretion, subject to any necessary Shareholder approvals.
Grant date:	The timing and frequency of the grant of Awards will be as determined by the Board in its absolute discretion.
Life of instruments:	Unless otherwise determined by the Board in its absolute discretion, Awards granted will have a maximum life of 5 years, such that if they are not exercised before the 5 year anniversary of their grant ("**Expiry Date**") they will lapse.
Transferability of Awards:	Awards will not be transferable, other than to a nominated party of a participant approved by the Board, or, on a participant's death, to the participant's legal personal representative.
Rights attaching to instruments:	Participants will have no voting or dividend rights until Awards are exercised and the participants hold Shares.
Vesting conditions and performance hurdles:	The vesting of Awards will be conditional on the satisfaction of any vesting conditions and/or performance hurdles which the Board has determined will attach to any Awards.
Exercise conditions:	The exercise of vested Awards will be conditional on the satisfaction of any exercise conditions which the Board has determined will attach to those Awards.
Vesting notification:	Awards will be deemed to have vested once it has been determined by the Board that any vesting conditions and/or performance hurdles have been met by particular participants, and where the Board has issued those participants with a vesting notification.
Delivery of Shares on exercise:	The Company will instruct the Trustee of the Trust to subscribe for, acquire and/or allocate the number of Shares for which a participant is entitled to upon the exercise of Awards, and the Trustee will hold those Shares on behalf of the participant. The Company may instruct the Trustee to subscribe for new Shares and/or acquire Shares on market to be held on a participant's behalf.
Lapsing conditions:	Any Awards that do not vest and become exercisable in accordance with the vesting conditions and/or performance hurdles will automatically lapse, unless otherwise determined by the Board. Awards will also lapse where, in the opinion of the Board, a participant has acted fraudulently, dishonestly, or wilfully breached their duties.

Cessation of employment or office:	Subject to the Board determining otherwise, where a participant ceases employment or office as a 'Good Leaver': • all vested Awards that have not been exercised will continue in force and remain exercisable, subject to the satisfaction of any applicable exercise conditions, until the Expiry Date; and • unvested Awards will vest where, in the Board's discretion, any applicable vesting conditions and/or performance hurdles have been satisfied, with that vesting to be on a pro rata basis over the relevant period. Subject to the Board determining otherwise, where a participant ceases employment or office as a 'Bad Leaver': • all vested Awards that have not been exercised will continue in force and remain exercisable, subject to the satisfaction of any applicable exercise conditions, until the Expiry Date; and • all unvested Awards will automatically be forfeited by the Participant in exchange for nominal consideration, unless the Board otherwise determines to permit some or all of the Awards to vest. A 'Bad Leaver' is defined as a participant whose employment or office ceases in the following circumstances: • the participant is dismissed from employment or office due to serious and wilful misconduct, material breach of the terms of any contract of employment or office, gross negligence, or other conduct justifying summary dismissal; • the participant resigns; • the participant ceases employment or office for any reason and acts in breach of any post-termination restrictions; or • the participant being ineligible to hold office for the purposes of Part 2D.6 of the Corporations Act. A 'Good Leaver' is defined as a participant whose employment or office ceases and who is not a Bad leaver, and includes where the cessation is due to death, permanent incapacity, redundancy, retirement or any other reason the Board determines.
Rights attaching to Shares:	All Shares issued, acquired or allocated to participants upon the exercise of an Award will rank equally with existing Shares on and from the date of acquisition. Where the Trustee holds Shares on behalf of a participant, the participant will continue to retain and benefit from full dividend rights, voting rights and the right to receive notices of meetings in accordance with the terms of the Executive LTI Plan.
Disposal restrictions on Shares:	Prior to the grant of any Awards, the Board may impose disposal restrictions on Shares issued, acquired or allocated to participants following the exercise of Awards, for example, through the Trust. During any Share disposal restriction period, participants will have full dividend and voting rights.
Withdrawal of Shares from the Trust:	Participants may withdraw some or all of their Shares from the Trust at any time, subject to any applicable disposal restrictions, by submitting a withdrawal notice to the Company. The Company cannot unreasonably withhold consent to the withdrawal of Plan Shares.
Trustee:	The rights, obligations and powers of the Trustee, and its relationship with the Company, are as set out in the rules of the Executive LTI Plan and the trust deed entered into between the Company and the Trustee.
Change of control:	A change of control occurs if: • a person becomes a legal or beneficial owner of 50% or more of the issued share capital of the Company; or • a person becomes entitled to acquire, hold or has an equitable interest in more than 50% of the issued share capital of the Company. In the event of a change of control occurring the Board will exercise its absolute discretion as to the manner in which unvested and vested Awards will be dealt with.
Bonus issues:	Subject to the ASX Listing Rules, if there is a bonus issue to the holders of Shares, then the number of Shares over which an Award is exercisable will be increased by the number of Shares which the holder of the Awards would have received if the Award had been exercised before the record date for the bonus issue.
Pro rata issues:	If there is a "pro rata issue" to the holders of Shares, then the Initial Market Value of each Share Appreciation Right will be reduced in accordance with the ASX Listing Rules.
Reconstruction:	In the event that, prior to the exercise of an Award, there is a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the Awards of participants, including the number of Awards that each participant is entitled to, and/or the Initial Market Value (in the case of Share Appreciation Rights), will be reconstructed in accordance with the ASX Listing Rules.
New issues:	Participants are not entitled to participate in any new issue of securities as a result of holding any Awards.
Buy-back:	The Company may buy-back Awards and/or Shares acquired upon exercise of Awards in accordance with the rules of the Executive LTI Plan.

PROXY FORM

APPOINTMENT OF PROXY

TOX FREE SOLUTIONS LIMITED

ACN 058 596 124

ANNUAL GENERAL MEETING

I/We

of

being a member of Tox Free Solutions Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 10.30am (WST) on 24 November 2011 at Ocean Plaza 1 Room, Rendezvous Hotel, The Esplanade, Scarborough, Perth, Western Australia, and at any adjournment thereof.

Important for Resolution 1: If the Chair of the Meeting or any member of the Key Management Personnel of the Company, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of a member of the Key Management Personnel of the Company, is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company or Closely Related Party of a member of the Key Management Personnel is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

Important for Resolutions 5, 6, 7 and 8: If the Chair of the Meeting or any member of the Key Management Personnel of the Company or a Closely Related Party of a member of the Key Management Personnel of the Company is your proxy and you have not directed the proxy to vote on Resolutions 5, 6, 7 and 8, the proxy will be prevented from casting your votes on Resolutions 5, 6, 7 and 8. If the Chair, another member of the Key Management Personnel of the Company or Closely Related Party of a member of the Key Management Personnel is your proxy, in order for your votes to be counted on Resolutions 5, 6, 7 and 8, you must direct your proxy how to vote on Resolutions 5, 6, 7 and 8.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

Voting on Business of the Annual General Meeting

	FOR	*AGAINST*	*ABSTAIN*
Resolution 1 – Directors' Remuneration Report			
Resolution 2 – Re-election of Mr Bob McKinnon as a Director of the Company			
Resolution 3 – Re-election of Mr Richard Allen as a Director of the Company			
Resolution 4 – Ratification of Previous Issue of Shares			
Resolution 5 – Non-Executive Directors' remuneration			
Resolution 6 – Adoption of the Tox Free Solutions Executive Long-Term Incentive Plan			
Resolution 7 – Issue of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow			
Resolution 8 – Approval of amendment to terms of existing Options issued under the Tox Free Solutions Employee Share Option Plan			

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is %

Signature of Member(s): **Date:**

Individual or Member 1	**Member 2**	**Member 3**
Sole Director/Company Secretary	**Director**	**Director/Company Secretary**

Contact Name: **Contact Ph (daytime):**

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

1. **(Changes to Proxy Voting):** New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

   (a) if proxy holders vote, they must cast all directed proxies as directed; and

   (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

2. **(Appointing a Proxy):** A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

3. **(Proxy vote if appointment specifies way to vote):** Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

   (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

   (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and

   (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

   (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

4. **(Transfer of non-chair proxy to chair in certain circumstances):** Section 250BC of the Corporations Act provides that, if:

   (e) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and

   (f) the appointed proxy is not the chair of the meeting; and

   (g) at the meeting, a poll is duly demanded on the resolution; and

   (h) either of the following applies:

   (i) the proxy is not recorded as attending the meeting;

   (ii) the proxy does not vote on the resolution,

   (i) the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

5. **(Signing Instructions):**

   (a) **(Individual):** Where the holding is in one name, the member must sign.

   (b) **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.

   (c) **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

   (d) **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

6. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

7. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   (a) post to PO Box 985, Nedlands WA 6009; or

   (b) facsimile to the Company on facsimile number (+61 8) 9389 8327; or

   (c) email to the Company at investor@toxfree.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy forms received later than this time will be invalid.

GLOSSARY

Annual General Meeting means the meeting of Shareholders convened by this Notice.

ASX means the Australian Securities Exchange.

ASX Listing Rules means the official listing rules of the ASX.

Board means the board of directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the *Corporations Regulations 2001 (Cth).*

Company means Tox Free Solutions Limited ABN 27 058 596 124.

Constitution means the constitution of the Company as amended from time to time.

Corporations Act means the *Corporations Act 2001 (Cth)* as amended from time to time.

Employee Share Option Plan means the Tox Free Solutions Employee Share Option Plan as amended from time to time.

Executive LTI Plan means the Tox Free Solutions Executive Long-Term Incentive Plan as amended from time to time.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice means the notice of Annual General Meeting of the Company accompanying this Explanatory memorandum.

Option means an entitlement granted to a participant in the Employee Share Option Plan to acquire one Share subject to the satisfaction of any performance criteria.

Performance Rights means an entitlement granted to a participant in the Executive LTI Plan to receive one Share subject to the satisfaction of any applicable vesting conditions, performance hurdles and/or exercise conditions.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

Resolutions means the resolutions contained in the Notice upon which Shareholders will vote.

Share Appreciation Rights means a right granted to a participant in the Executive LTI Plan to receive a future payment equal to the positive difference between the market value of a Share at the grant date or other time determined by the Board ("**Initial Market Value**"), and the market value of a Share upon exercise of the Share Appreciation Right.

Shareholder means any holder of Shares.

Shares means fully paid ordinary shares in the capital of the Company.

Trust mean means the "Tox Free Solutions Employee Share Trust", being an employee share trust established by the Company for the sole purpose of subscribing for or acquiring, delivering, allocating and holding Shares for the benefit of participants in employee equity plans established by the Company.

Trustee means the trustee of the Trust.

WST means Western Standard Time.

toxfree

www.toxfree.com.au

toxfree

ANNUAL REPORT

30 JUNE 2011

safe.reliable.sustainable

ABN 27 058 596 124


harm free

Contents

toxfree

Corporate Directory

Directors and Company Secretary

Robert McKinnon
Chairman

Douglas Wood
Non-Executive Director

Richard Allen
Non-Executive Director

Michael Humphris
Non-Executive Director

Stephen Gostlow
Managing Director

David McArthur
Company Secretary

Principal Registered Office in Australia

41 Stirling Highway
NEDLANDS WA 6009

PO Box 985
NEDLANDS WA 6909

Telephone: +61 8 9423 3200
Facsimile: +61 8 9389 8327

Share Register

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Telephone: +61 8 6382 4600
Facsimile: +61 8 6382 4601

Bankers

ANZ
Level 18, 20 Martin Place
SYDNEY NSW 2000

Securities Exchange

Tox Free Solutions Limited's shares are listed on the **Australian Securities Exchange (ASX)** – code **TOX**.
The home exchange in Perth.

www.toxfree.com.au

Review of Operations – Key Highlights

Highlight Strategic

- Expansion of services in new geographic regions leveraged to the resource sector:
  - Central Queensland expansion in Bowen Basin
  - Central and inland Pilbara expansion
- Long term contracts with Blue Chip clients – Successful implementation of contracts with Apache Energy, Boral Cement, Minara Resources, Rio Tinto Iron Ore and Toll Energy (Gorgon LNG)
- Tender pipeline - $100M tendered as at 1 July 2011 and pending

Highlight Financial

- Revenue increased 45% to $143.5M (FY10: $98.7M)
- EBITDA increased by 42% to $32.8M* (FY10: $23.0M)
- EBIT increased by 51% to $21.3M* (FY10: $14.1M)
- NPAT up 64% to $13.1M* (FY10: $7.9M)
- EPS up 54% to 14.23 cents* (FY10: 9.25 cents)
- Net debt reduced to $11.5M with net debt to equity of 11%
- Dividend increased to 3 cents per share
- Cash generated from operations of $28.0M, 85% of EBITDA

Highlight Sustainability & Our People

- Zero Lost Time Injuries
- Welcomed 130 new employees to the Group – Total of 568 employees as at 30 June 2011 within the Tox Free Solutions Limited ("Toxfree") group (the "Company" or "Group")
- Nominated for NSCA/GIO National Safety Awards of Excellence for the development of Australia's first formal National High Pressure Water jetting qualification
- Successfully achieved management system accreditation for our New South Wales and Victorian operations
- Developed national training package for all employees

Highlight Operations

- Major contracts with Apache, Boral Cement, Minara Resources, Rio Tinto, Toll Energy and Woodside all performed well, meeting customer expectations without major incident
- Improved performance from the central Queensland region through expansion in the Bowen basin
- Improved performance from New South Wales operations with improved EBIT margins and return on invested capital a highlight
- South Western and North Western Australian operations performing strongly
- Solid performance from municipal industrial services meeting budget expectations

*excludes Grass Valley bad debt write off of $1.2 M NPAT

Review of Operations – Financial Year 2011 Overview

Financial year 2011 was a very successful year for Toxfree as the Company continues to strive towards our vision of being Australia's leading waste management and industrial service Company. We welcomed an additional 130 employees, increased our earnings (EBITDA) by 42% and started three new waste management and industrial service contracts over the period, all without major incident or lost time injury.

This achievement could only be possible through the hard work and commitment from all of our employees and I thank them all for their contributions.

Revenue for the 2011 financial year was $143.5M an increase of 45% compared to the previous corresponding financial year (2010: $98.7M). Earnings (EBITDA) increased by 42% to $32.8M* (2010: $23.0M) before depreciation expense of $11.5M. EBIT increased by 51% to $21.3M* compared to the previous corresponding financial year (2010: $14.0M).

The net profit of the Group for the financial year ended 30 June 2011 increased by 64% to $ 13.1M* (2010: $7.9M) which includes income tax expense of $5.7M and share based payment expense of $1.6M (2010: $1.3M).

Focus on debtor's collection resulted in significantly improved cash flow. The group's debtor days outstanding are at 61 days at the year end with cash in bank of $14.5M and total debt of $26.0M. The Statement of Financial Position is in good order with net debt of $11.5M and net debt to equity of 11%. During the second half cash generated from operations improved considerably with 131% of EBITDA collected. The Company's Statement of Financial Position and cash position enables Toxfree to pursue further growth opportunities to support our corporate strategy.

The last 12 months was a key turning point for Toxfree as the Company started to see the rewards from the investment in corporate systems and human capital over the last couple of years. All of which are necessary to ensure the Company manages risk appropriately and is adequately resourced to continue with our growth profile.

A number of elements have been fundamental to not only improving our performance to date but will also be key points of focus for the Company moving forward. They include;

- Safety performance and culture – a commitment by the Company and our employees that we will manage our operations and provide services to our clients safely, without question or compromise,
- Operational excellence – providing reliable and sustainable services to our clients using the best equipment and competent, trained employees,
- Sustainability – the continued improvement in environmental performance in the management of our customers waste and the reduction of carbon emissions through best available treatment technologies,
- Business development – the pursuit of long term major contracts primarily to the resource sector,
- Sales - the continued organic growth from a proactive sales force
- Financial - ensuring financial systems and discipline are in place to manage cash flow and control debt to protect the Company and seize growth opportunities, and

*excludes Grass Valley bad debt write off of $1.2 M NPAT

- Continuous improvement – a commitment to continually strive to improve efficiency within the business, eliminate waste, improve margins and return on invested capital.

Included in the period was the write off of $1.2M after tax as a bad debt due to the liquidation of Grass Valley Formulators Pty Ltd (GVF). As announced to the market on 23 November 2010 Toxfree provided emergency response and waste treatment services to Grass Valley during financial year 2009. Grass Valley went into liquidation in October 2010 with outstanding payments totaling $2.5M. Toxfree is still in discussions with the liquidator of GVF and Department of Conservation and Environment regarding possible reimbursement for expenses from this job, however the Board deemed it prudent to write the full amount off during this reporting period.

The dispute arising from the upgrade of the high temperature incinerator with PCT Engineers (PCT) in 2007 has progressed with the Liquidators of PCT advising Toxfree will be reimbursed a portion of expenses incurred on this project. The amount expected for disbursement is $470K which will not cover the full amount of money owed to Toxfree from this project. This resulted in an impairment loss of $357K during the period.

These matters were historical one off events in financial years 2007 and 2009 and do not affect the group's earnings moving forward. Our risk management systems regarding the provision of emergency response services and project management have tightened significantly since this time and management is confident they will not be repeated.

Toxfree is well placed to continue to build upon the platform established over the last 12 months, having proven that the Company has the ability, and the experience, to continue with its growth profile. Toxfree's target markets are estimated at approximately $4 billion and the Company expects to continue to capture market share through focus on our corporate strategy.

The Board is also pleased to announce an increase in Company dividend to 3 cents per share, which will be fully franked. The 3 cent per share dividend represents a 21%* return of FY11 net profit.

*excludes Grass Valley bad debt write off of $1.2 M NPAT

To meet customer expectations with no incidents, no harm to people or the environment and no damage to property

Sustainability and Our People

Toxfree's business performance is grounded in a strong safety culture. We see safety as a core value and our leadership team, managers and front line staff continue to promote a safety culture where the safety of our employees and all stakeholders is an absolute given.

Toxfree are proud to advise there have been no Lost Time Injuries (LTI's) throughout the entire group this financial year and our Lost Time Injury Frequency Rate remains Zero and has trended downward consistently since 2005. We continue to remain vigilant about safety and environmental performance throughout our business and strive for continued reduction in risk across all of our business units.

The Company continues to implement the group's Quality, Environment, Safety and Training (QUEST) system across all of its operations. Our operations in New South Wales and Victoria all completed third party accreditation to AS/NZS: 4801, AS/NZS ISO: 9001 and AS/NZS ISO 14001 standards. Over the next 12 months the remainder of the company will complete accreditation.

Toxfree has been nominated for the 2011 NSCA/GIO National Safety Awards of Excellence, for the development and implementation of the High Pressure Water Operators Course, which is now included in the National Training register (Certificate II and III in High Pressure Water Jetting). These are the first formal, National High Pressure Water Jetting qualifications available anywhere in Australia for HP Operators.

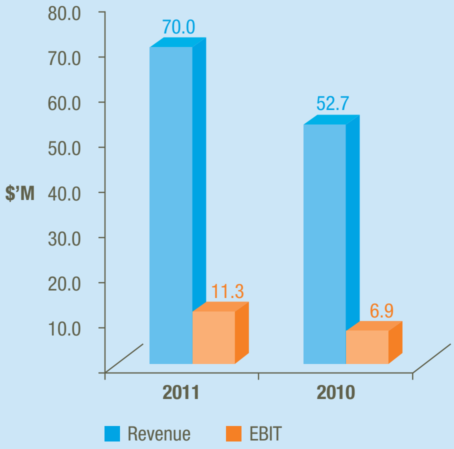
Toxfree is an equal opportunity employer and our people are the cornerstone of our business. We aim to create a positive and challenging work environment in which employees feel that they can realise their full potential and work as part of a committed professional team. We are proud of our employees and the skills, experience and commitment that they contribute to the organisation. During financial year 2012 Toxfree will continue with the roll out of our national training and leadership development program.

Toxfree is committed to engaging with Indigenous communities, understanding their culture, customs, practices, language and working in partnerships to support them in achieving their aspirations and the needs of their communities. The Company is committed to our indigenous employment program in an effort to foster a diverse and multicultural workforce.

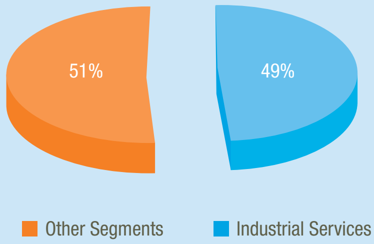
During the year the Company employed a part time Indigenous Liaison Officer to pursue the following initiatives:

- Community relationships development and maintenance
- Indigenous employment and training
- Identification and support to develop local Indigenous enterprises

Industrial Services



Divisional Revenue and EBIT



Divisional Revenue as % of Group Revenue

Overview

Toxfree's Industrial Services Division provides onsite waste collection and asset maintenance services to the oil and gas, mining, heavy manufacturing, civil infrastructure, municipal and utilities sectors. Services include; tank and drain cleaning, high pressure water jetting, vacuum loading and liquid and industrial waste collection.

The provision of industrial services is an extremely important part of the Group's integrated service offering. Not only are industrial services the main interface with our clients, they also harvest the waste that is subsequently managed through the Company's treatment facilities.

Toxfree is a leading provider of industrial services in Australia, through ensuring the employment of competent and trained personnel, a commitment to the safest work practices, safest equipment and mobile vehicle fleet.

Performance

Performance from our Industrial services division improved during the period with revenue up 33% to $70.0M, EBIT up 65% to $11.3M with EBIT margin improvement to 16%. This growth was mainly attributed to the addition of new contracts with Rio Tinto Iron Ore, Toll Energy, Boral Cement and Minara Resources. Our operations in Central Queensland and New South Wales also showed improvement in revenue, earnings and margins through provision of services to the resource sector.

Municipal industrial services provided in the major metropolitan cities on the east coast of Australia were steady with high utilisation of equipment. Sydney and Melbourne performed solidly; however further improvement is expected from our Brisbane operations. It was pleasing to see an improvement in operating margins and return on invested capital across the whole division.

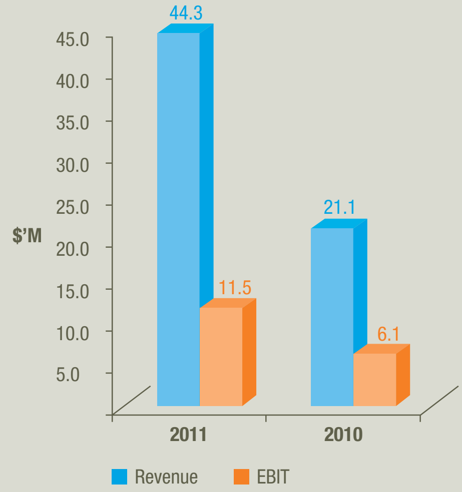
Following the initial financial impact from the Queensland floods earlier in 2011, the resulting recovery and cleanup in the second half resulted in a net positive to the Group.

The Operational team at Minara Resources performed exceptionally well over the period and the Company has been acknowledged by the client for our innovation in improving safety standards and cleaning efficiencies which has ultimately reduced downtime for our client.

Outlook

Resources are focused on further award of contracts to the oil and gas, mining and heavy manufacturing sector throughout Australia. The Company currently has in excess of $100M of contracts tendered and pending.

Solid Waste Management



Divisional Revenue and EBIT

Overview

Solid waste services are provided in regional areas of Australia as part of Toxfree's integrated industrial and total waste management service offering. Services are currently provided throughout the Kimberley, Pilbara and South West regions of Western Australia. Services have also commenced in the Northern Territory through the acquisition of Waste Solutions (NT) on 1 July 2011.

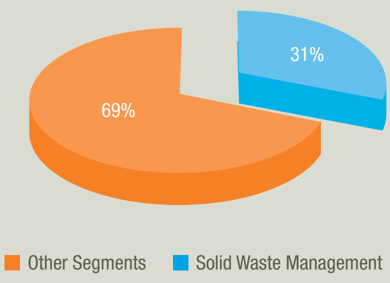
Solid Waste Management includes the collection, resource recovery, recycling and disposal of solid industrial, municipal and commercial wastes.

Performance

The solid waste division grew significantly during the period with revenue increasing by 110% to $44.3M and earnings (EBIT) by 88% to $11.5M. The operating margins within the division reduced to 26% due to the contribution of long term contracts to the Group, which are now contributing a larger portion to divisional earnings.

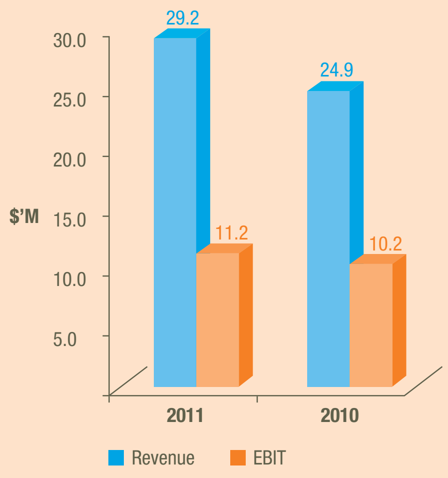
Toxfree's contract with Toll Energy to manage waste produced from the Gorgon LNG Project on Barrow Island has performed well with the efforts of our management team and front line staff being praised by our client. Toxfree has embraced an incident and injury free culture throughout its operations and is proud to have achieved over 600 days medical treatment injury (MTI) and lost time injury (LTI) free. As construction continues on this project, Toxfree expect further growth from this division.

The Kimberley region of Western Australia performed adequately during the period. The introduction of new vehicles in financial year 2012 is expected to continue to improve earnings. The growing resource sector in the

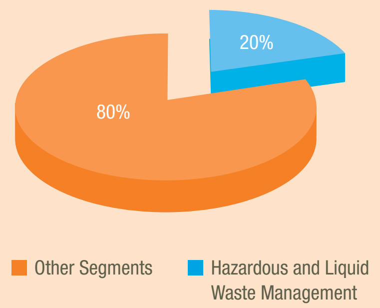


Divisional Revenue as % of Group Revenue

Hazardous and Liquid Waste Management



Divisional Revenue and EBIT



Divisional Revenue as % of Group Revenue

region is also expected to provide growth opportunities in the short to medium term.

Karratha operations performed well with Woodside, Rio Tinto, Mermaid Marine and Apache contracts performing to expectations. Toxfree will continue to focus on our service commitments to our clients and expect further growth from this region as a result.

Outlook

Continued growth is expected in the solid waste sector as Toxfree expands its service offering into new geographic areas of Australia predominately throughout the regional resource hubs of Australia. The acquisition of Waste Solutions (NT) on 1 July 2011 is an example of this strategy.

Toxfree expect to achieve organic growth as the resource sector expands in the region as well as growth from the introduction of additional services such as hazardous waste management and industrial services.

Overview

Toxfree has a national network of liquid and hazardous waste management facilities throughout Australia. Services are provided from our Kwinana, Henderson, Karratha, Port Hedland, Kalgoorlie, Sydney, Brisbane and Melbourne facilities. Toxfree uses a number of technologies to manage this waste stream including, thermal desorption, incineration, stabilisation and fixation, physiochemical treatment and reuse and recycling.

Performance

Overall, the volumes of hazardous waste processed increased during the period with revenue increasing by 16% to $16.6M. Margins reduced due to higher than expected processing costs in our Port Hedland and Karratha operations. During March, April and May the Pilbara region was impacted considerably by cyclone activity which resulted in unexpected increase in the amount of waste water and storm water to be treated from our operations. There were also additional consultancy expenses incurred from the planned upgrade of our Pilbara hazardous waste management facilities.

Toxfree's Brisbane facility continued to perform solidly during the period with above forecast profits being achieved. Brisbane has continued to build its market presence with expansion of services into the Surat and Bowen basin regions of South West Queensland.

Hazardous waste services at Toxfree's Kwinana facility were steady and in line with budget expectations.

Our operations at St Marys in Sydney improved with the management team turning this business around during the year. Further improvement is expected in financial year 2012.

Liquid waste revenues increased by 19% compared to the previous financial year. This was mainly through increased volumes of liquid waste received at our Brisbane and North West WA facilities.

Outlook

Through a combination of Toxfree's technologies, intellectual property, hazardous waste licenses, experience and site locations Australia wide, Toxfree is a leader in the management of hazardous waste in Australia.

During the year Toxfree purchased Intellectual Property for the production of Sodic Soil Amendment Agent (SSAA). The base raw material for SSAA is waste generated from the galvanising and glass manufacturing industry. This technology provides Toxfree with a competitive advantage in the management of waste from these industries and also provides Toxfree with the opportunity to implement the technology nationally.

As Toxfree expand our geographical service offering and capture further market share through long term contracts and organic growth of our operations, hazardous and liquid waste is expected to continue to provide strong revenue growth.

Upgrade of our Pilbara hazardous waste treatment facilities is expected to be completed within the second half of financial year 2012 which will improve treatment efficiencies and position the Company to keep up with expected demand for services from the region.

Review of Operations – Strategy and Outlook

Toxfree's growth strategy is threefold:

1. To be the leading provider of Hazardous and Industrial Waste Management Services Nationally,
2. To obtain long term industrial service and waste management contracts with Blue Chip clients throughout Australia, and
3. Provide a full range of waste management and industrial services in regional areas primarily linked to the resource sector

Overall the waste management industry is growing through a number of key drivers including:

- Increasing government levies, government regulation, the proposed carbon tax and increasing landfill disposal costs will continue to drive recycling and waste treatment as waste is diverted from landfill,
- Environmental sustainability is driving the transition from landfill disposal to further recycling, treatment and resource recovery of waste,
- Large companies are aggregating their procurement more and increasing numbers are seeking a "One Stop Shop" solution
- The waste management market is growing at approximately 5% pa

Toxfree believe by focusing on our corporate strategy the Company will continue to increase market share and group earnings. The Company is well positioned geographically to benefit from significant amount of capital expenditure in the resource sector. Toxfree expects to capture further market share across its divisions, through geographic expansion and potential acquisition of complementary businesses.

Entering financial year 2012 the Company is confident we can again provide a strong outlook for our shareholders and continue to deliver growth in our profitability.

The Company has cash reserves available and a strong Statement of Financial Position to continue its growth strategy.

We are committed to ensuring we provide the safest and best services to our clients. Through this commitment, Toxfree will strengthen long term relationships with clients.

The continuing success of the Company can only be achieved through the hard work and commitment of all Toxfree employees. On behalf of the Toxfree Board of Directors I would like to take this opportunity to thank all employees for their commitment.

Steve Gostlow | Managing Director

Unallocated Corporate EBIT

Overview

Toxfree has invested in our Management team and systems over the last couple of years. It is pleasing to see a return on this investment as evidenced in the growth of the business this financial year. Toxfree is providing services to some of the biggest blue chip companies in Australia, employs over 560 people and has managed our operations without major incident or lost time injury.

Our key management positions have now been filled, with the most recent appointment of the Company's Chief Operating Officer in December 2010.

One off expenses during the period included; legal and acquisition costs incurred with the acquisition of Waste Solutions (NT) and consultancy expenses through the establishment of a share trust so that any future share based payments may be tax deductible.

Directors' Report

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Tox Free Solutions Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

The following persons were directors of Tox Free Solutions Limited during the whole of the financial year and up to the date of this report:

Douglas Wood

Stephen Gostlow

Michael Humphris

Richard (Dick) Allen

Robert McKinnon was appointed as a Director and Chairman in July 2010 and continues in office at the date of this report.

Gerrard (Ged) Styles resigned in July 2010.

Principal Activities

During the year the principal continuing activities of the Group consisted of the provision of industrial services and waste management.

Dividends

Dividends paid to members during the financial year were as follows:

Ordinary shares

	Parent Entity	
	2011 $'000	2010 $'000
Final dividend for the year ended 30 June 2010 of 2 cents per fully paid share on 5 October 2010		
Fully franked based on tax rate @ 30% - 2 cents per share	1,836	-
	1,836	-
Dividends paid in cash during the year ended 30 June 2011 were as follows:		
Cash	1,836	-

Since the end of the financial year the Directors have paid a final ordinary dividend of 3 cents per fully paid share, fully franked, out of retained earnings at 30 June 2011.

The date of the payment was 21 September 2011.

Review of Operations

Information on the operations and financial position of the Group and its strategies and prospects is set out in the review of operations on pages 3 to 7 on this Annual Report.

Matters Subsequent to the end of the Financial Year

Acquisition of Waste Solutions (NT) Pty Ltd

The Board of Toxfree is pleased to announce the completion of due diligence and the settlement of the Waste Solutions (NT) Pty Ltd (**Waste Solutions**) acquisition on Friday 1 July 2011.

The purchase price for the Waste Solutions business is $18 million, comprising $10 million in cash and 3,832,904 fully paid ordinary shares in Toxfree. Half the shares are subject to 6 month voluntary escrow and the remaining half is subject to 12 months escrow.

Waste Solutions is a leading provider of total waste management services in the Northern Territory, of Australia. Services include solid waste management, liquid waste treatment and industrial and hazardous waste management. The Management team of Waste Solutions will remain in place for a minimum two year commitment.

Toxfree is the dominant waste management provider in the North West Region of Australia, providing industrial services, solid, liquid and hazardous waste management. The acquisition of Waste Solutions strengthens Toxfree's position in the growing resource regions of Australia and Toxfree expects to significantly grow the services offered in the Darwin region in the medium term through its expertise in servicing the resource sector.

Except for the event disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Acquisition of Pilbara Waste Pty Ltd

The board of Tox Free Solutions Ltd (Tox Free) announced on the 29th of September 2011 that it has entered into an agreement to acquire Pilbara Waste Pty Ltd based in Port Hedland, Western Australia. The acquisition is subject to due diligence with completion expected to occur within October 2011.

The purchase price for the Pilbara Waste business is $4.54 million in cash. In addition, Tox Free will assume the current vehicle finance leases to the value of $1 million. The value of Pilbara Waste fixed assets is approximately $3 million which are included in the sale price.

Tox Free is the dominant waste management provider in the North West Region providing industrial services, solid, liquid and hazardous waste management. Tox Free expects to grow the services offered in the Pilbara region in the medium term through its expertise in servicing the resource sector. The acquisition will further position Tox Free as a leading provider of industrial and waste management services in the region.

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Pilbara Waste Pty Ltd. In particular, the fair values of the assets and liabilities have not been finalised.

Likely Developments and Expected Results of Operations

The Group will continue to pursue its strategy of developing Australia's largest industrial services and waste management Company and increasing market share of its major business segments during the next financial year.

Some information around likely developments and expected results of operations have been included in the operations report.

Further information on likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group's operations are subject to significant environmental regulation and as such hold environmental licenses for the operation of its waste facilities throughout Australia. These licenses relate to the management of waste including; storage, treatment, transportation and disposal.

There have been no breaches of the Group's license conditions during the period.

Greenhouse gas and energy data reporting requirements

The company has undertaken an assessment of its annual greenhouse gas emissions and energy use and is satisfied that it is not currently subject to the reporting requirements under the National Greenhouse and Energy Reporting Act 2007.

The company will continue to measure its annual greenhouse gas emissions and energy use to determine if or when it may be required to report in the future.

Information on Directors

Robert McKinnon	Non-Executive Chairman 13 July 2010 – current Age – 61
Experience and expertise	Robert McKinnon is a Fellow of CPA Australia and a Fellow of Chartered Secretaries Australia. Robert has been a Managing Director of Fleetwood Corporation Limited and Austal Limited. He has a career spanning over 30 years in senior financial and general management positions.
Other current directorships	Non-Executive Director of Bank of Western Australia Limited Non-Executive Director of Brierty Limited Non-Executive Chairman of the Esperance Port Authority
Former directorships in the past 3 years	Nil
Special responsibilities	Chair of the Board
Interest in shares and options	Nil

Stephen (Steve) Gostlow	Managing Director 2005 – current Age – 38
Experience and expertise	Steve Gostlow is a qualified Environmental Scientist. Steve has over 15 years experience in the waste management industry. He has a background in waste treatment, waste technologies and regulatory compliance. Steve has been employed by Tox Free since 2002 and was appointed Managing Director in 2005.
Other current directorships	Nil
Former directorships in the past 3 years	Nil
Special responsibilities	Nil
Interest in shares and options	1,120,138 ordinary shares and has been granted 1,100,000 share options

Douglas Wood	Non-Executive Director 2008 – current Age – 67
Experience and expertise	Douglas Wood is a Chartered Accountant and a Fellow of the Taxation Institute of Australia. Doug has over 40 years' experience in the accounting and taxation profession and has been actively involved in the management of public companies for a number of years, fulfilling the roles of Chairman and managing director.
Other current directorships	Nil
Former directorships in the past 3 years	Nil
Special responsibilities	Chairman until 13 July 2010 Member of the Audit and Risk Management Committee Member of the Nominations and Remuneration Committee
Interest in shares and options	231,387 ordinary shares

Michael Humphris	Non-Executive Director 1998 – current Age – 61
Experience and expertise	Michael Humphris is a Chartered Accountant with over 30 years experience in the areas of business advice, corporate recovery and dispute resolution. He has extensive experience in business reconstructions, enhancing value for shareholders, divestments, mergers and acquisitions.
Other current directorships	Non-Executive Director of Murray Irrigation Ltd Period: 20 November 2007 – current Non-Executive Director of Virax Holdings Ltd Period: 16 January 2008 – current Non-Executive Director of Centro Retail Ltd Period: 01 October 2009 – current
Former directorships in the past 3 years	Non-Executive Director of CMA Corporation Ltd Period: 24 May 2010 – 15 December 2010
Special responsibilities	Chair of the Audit and Risk Management Committee Member of the Nominations and Remuneration Committee
Interest in shares and options	2,050,000 ordinary shares

Richard (Dick) Allen	Non-Executive Director 2005 – current Age – 61
Experience and expertise	Dick Allen is a Civil Engineer who has significant experience in management and leadership of public and private companies both nationally and internationally. Dick has operated businesses in the Middle East and Asia as well as Australia, with the bulk of his experience focused around upstream oil and gas exploration and development, environmental services and in more recent years the renewable energy sector.
Other current directorships	Director of Plantation Energy Limited Period: 9 August 2006 – current Non-executive Chairman of Mobilarm Limited Period: 13 October 2010 – current
Former directorships in the past 3 years	Nil
Special responsibilities	Member of the Audit and Risk Management Committee Chair of the Nominations and Remuneration Committee
Interest in shares and options	160,000 ordinary shares

Company Secretary

David McArthur, aged 53, is a Chartered Accountant with over 30 years of experience in the corporate management of publicly listed companies.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

Director	Full meetings of directors		Meetings of audit and risk management committee		Meetings of nominations and remuneration committee	
	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of meetings held whilst a director
Robert McKinnon	11	11	2	2	2	2
Steve Gostlow	11	11	-	-	-	-
Douglas Wood	10	11	2	2	2	2
Michael Humphris	11	11	2	2	2	2
Dick Allen	11	11	2	2	2	2

Remuneration Report – Audited

This remuneration report sets out remuneration information for Non-Executive Directors, Executive Directors and other Key Management Personnel (KMP) of the company.

During the year the Company comprehensively reviewed its remuneration framework. The Company also commenced planning to meet the proposed requirements of the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011.*

Overall the Company believes its remuneration policy and framework is designed to deliver strong alignment of interests between executives and the shareholder.

In order to meet the proposed obligations of the Corporations Law Amendments, the Remuneration Committee engaged Pricewaterhouse Coopers (PwC) to undertake a review of Executive and Non-Executive Remuneration against other similar industrial companies (by market capitalisation and annual revenue) listed on the ASX.

This information will be used to review and fine-tune Tox Free's Remuneration Framework so that the Company can continually improve the linking of executive and shareholder interests. Currently, a new long term incentive (LTI) scheme is being developed by PwC for the Remuneration Committee's review and provided that Shareholder approval is obtained at the 2011 AGM, it is anticipated that this LTI plan will be effective from 1 July 2011 to reward executives for performance outcomes achieved in the 2012 financial year onwards.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Directors and Executives Disclosed in this Report

Name	Position
Non-executive and Executive Directors	See page 10 above
Other Key Management Personnel	
Peter Goodwin	Chief Operating Officer
Michael Constable	Chief Financial Officer
Neil Armstrong	Executive General Manager – Technical Services
Jason Dixon	Executive General Manager – Corporate Risk
Graeme McTaggart	Executive General Manager – Human Resources

Changes since the end of the reporting period

There have been no changes to the Directors and Executives disclosed in this report since the end of the reporting period.

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on: non-executive director fees, executive remuneration (directors and other executives), and the over-arching executive remuneration framework and incentive plan policies.

Their objective is to ensure that remuneration policies and structures are fair and competitive, and aligned with the long-term interests of the company.

In doing this, the Remuneration Committee seeks advice from independent remuneration consultants. PwC has been engaged by the Board as remuneration advisors for FY12.

Principals used to determine the Nature and Amount of Remuneration

The Company has a Remuneration Policy that aims to provide remuneration that is fair and equitable in terms of external competitiveness. The policy is determined by the Board and administered by management at its discretion.

The policy relates an individual's remuneration to the individual's performance, the position in the relevant salary market, and the need for the organisation to retain and motivate the particular individual.

To give effect to this policy, the Company reviews available information that measures the remuneration levels in the various labour markets in which it competes.

Tox Free's remuneration policy uses a range of components to deliver market competitive remuneration. Our overall philosophy is to adopt, where possible, a 'Total Reward' methodology, which links remuneration to the performance of an individual.

The Total Reward methodology is designed to:

- Reward those who deliver highest relative performance;
- Link employee rewards to the generation of sustainable value for shareholders;
- Attract, recognise, motivate and retain high performers;
- Provide fair and consistent rewards, benefits and conditions;
- Provide rewards that are competitive within the markets in which Tox Free operates; and
- Align the interests of employees and other shareholders through employee ownership of Tox Free shares and securities.

Tox Free's Total Reward structure for executives consists of:

1. Fixed remuneration
2. Short Term Incentive, and
3. Long Term Incentive

The expectation of the Company is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

Non-Executive Remuneration Framework

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of PwC to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of non-executive directors, based on comparative roles in the external market. The Chair is not present at any discussions relating to determination of his own remuneration.

Non-Executive Directors' fees

The current base fees were last reviewed with effect from 1 July 2011. The Chair's remuneration is inclusive of committee fees while other non-executive directors who chair a committee receive an additional yearly fee of $5,000 per annum.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $350,000 per annum and was approved by shareholders at the annual general meeting on 7 October 2010.

	Board fees inc. superannuation $	Committee fees inc. superannuation $
Chair	125,000	5,000
Other non-executive directors	75,000	-

Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the directors' overall fee entitlements.

Executive Remuneration Framework

The objective of the Group's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

In consultation with PwC, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The framework provides a mix of fixed and variable pay, and a blend of short- and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

The executive pay and reward framework has three components:

1. Fixed remuneration, inclusive of superannuation and allowances, and
2. Short-term performance incentives, and
3. Long-term incentives through participation in the Employee Long Term Incentive Scheme.

The combination of these comprises an executive's total remuneration. The Remuneration Committee independently consulted the services of PwC in July 2011 to review the Executives' Total Remuneration against other ASX listed industrial services companies with similar market capitalisation. This information will be used to support and develop Executive Remuneration in future financial years to ensure continued alignment with financial and strategic objectives.

Fixed remuneration

Fixed remuneration is comprised of base pay and benefits, including superannuation and allowances. In determining an employee's fixed remuneration, external benchmarking is performed to ensure that fixed reward is comparable and competitive within the markets in which the Group operates. Individual performance, skills, expertise, and experience are also used to determine where the employee's fixed remuneration should sit within a market range. External remuneration consultants provide analysis and advice to ensure that base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay remains competitive. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increases included in any executives' contracts.

Executives receive benefits including, car allowances. Superannuation contributions required under the Australian superannuation guarantee legislation are made in addition to base pay.

Short-term incentives

Short-term incentives (STI) reward employees for their achievements and contribution to business success and organisation outcomes during the financial year (i.e. 12-month timeframe). STIs are a variable reward and are not guaranteed.

Each year, the Remuneration Committee considers the appropriate targets and key performance indicators (KPIs) to link the STI scheme and the level of payout if targets are met. This includes capping any maximum payout under the STI scheme and determining minimum levels of performance required to trigger payment of STI (i.e. setting maximum and target STI opportunities). In the 2011 financial year, the maximum incentive available to the Managing Director and Chief Operating Officer was 50% of base salary whilst for all other Executives the maximum incentive available was 40% of base salary.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.

The Remuneration Committee has also engaged PwC to review the STI scheme as part of the Company's review of Executives' Total Remuneration package. This review will cover quantitative and qualitative aspects of the STI scheme, with comparison being made to the Company's peers. The information obtained in this review will be used to assess and improve the STI scheme for future financial years.

Principles used to determine the nature and amount of STI for financial year 2011

For the year ended 30 June 2011, the KPIs linked to the STI scheme were based on group and individual objectives. Performance is based on a scorecard of 'financial', 'employee and safety', 'customer' and 'strategic' metrics which the Company believes are the best measures that link both the individuals' performance with the Company's performance. The scorecard is weighted 60% towards the financial metrics and 40% towards the non-financial metrics. The key financial metric used is profit after tax.

The Remuneration Committee is responsible for assessing whether the KPIs are met. To help make this assessment, the Committee receives detailed reports on performance from management which are verified by independent remuneration consultants.

The Remuneration Committee has the discretion to adjust STIs downwards in light of unexpected or unintended circumstances.

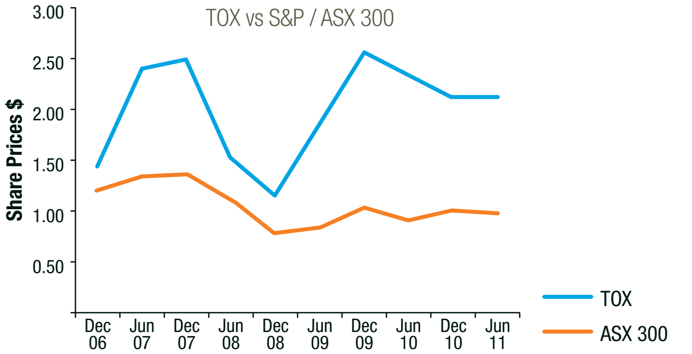
During FY11, the Company's performance was classed by the Remuneration Committee as exceptional. The following KPIs were used in this assessment:

- Net profit after tax – up 64% to $13.1M* (FY10: $7.9M)
- Earnings per share increased by 54% to 14.23 cents per share (FY10: 9.25 cents per share)
- Zero Lost Time Injuries

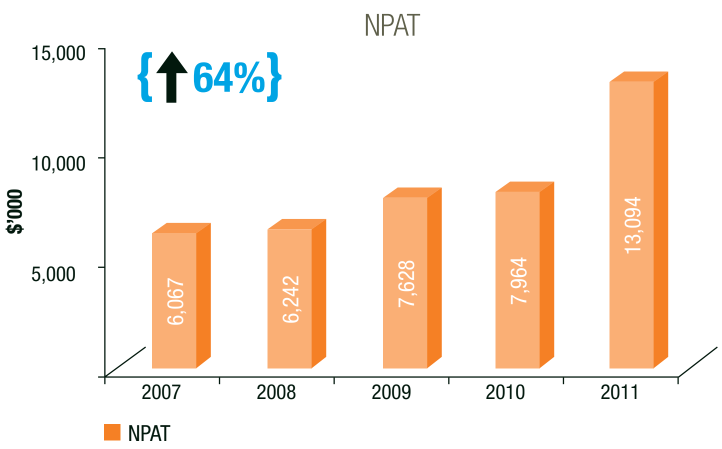
*Excludes GVF bad debt write off of $1.2M NPAT

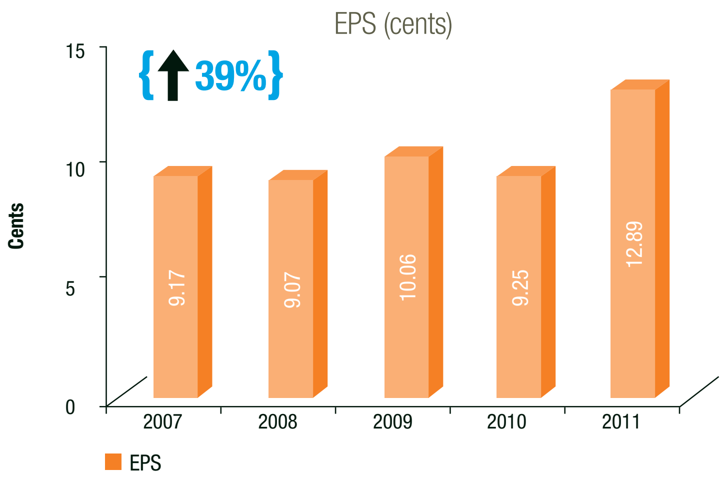
Company performance

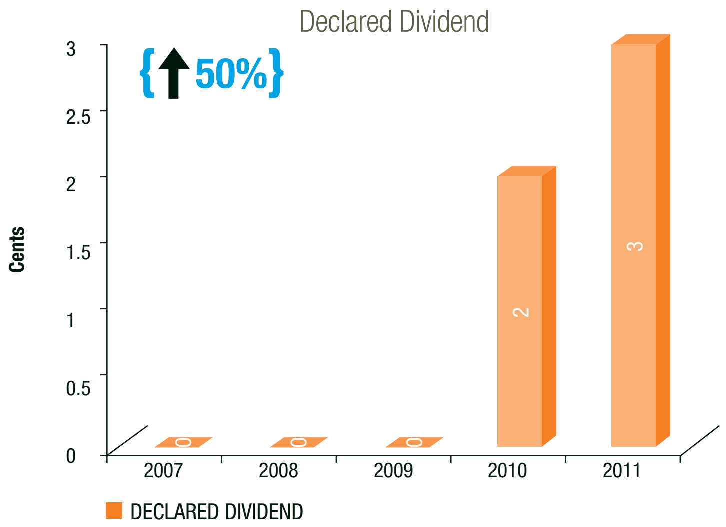
The chart below demonstrates how the Company's share price has performed relative to the S&P/ASX 300 index since 2007.



The below charts reflect the Company's Earnings Per Share (EPS), Net Profit After Tax (NPAT) and Dividends per share since FY2007. The year on year change from 2010 to 2011 is shown in percentage terms below.







Long-term incentives

LTI rewards help to drive management decisions to focus on the long term prosperity of Tox Free through the use of challenging Group performance hurdles. No value is derived from LTI rewards until the performance hurdles are achieved.

During FY11, the Remuneration Committee set up a Company Share Trust that will be used to issue further equity to employees in accordance with the LTI scheme. Employee Options are used by the Company to deliver the current LTI scheme. The issue of options to executive directors and employees was approved by shareholders at the 2009 Annual General Meeting. Under the plan, participants are granted options in three tranches which only vest if the employee is still employed by the Group at the end of the vesting period and earnings per share (EPS) growth has increased by greater than 10% per annum from the previous period. Once vested the options can be exercised up until the expiry date. The Company believes EPS is the most appropriate measure that aligns Company performance with shareholder interests. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the Plan for no consideration.

In the current year, 1,500,000 share options were granted under the plan to Mr. Peter Goodwin who was newly appointed as Chief Operating Officer – refer page 16 for more information. A performance hurdle of 10% earnings per share growth annually is required in order for the options to vest. Mr. Goodwin has over 20 years direct experience in the Waste Management Industry. In his previous role with Veolia Environmental Services, Peter was directly responsible for Veolia operations in three states, including New South Wales, Queensland, and Western Australia as well as Veolia's National Industrial Services business employing over 2000 staff. Peter has a Bachelor of Commerce and a Masters of Business Administration. The issue of options to Mr. Goodwin was provided as an incentive to attract Peter to the Company. The Company believes the issue of equity (through options) to Mr. Goodwin is the best way to incentivise Peter and align his interest with that of shareholders.

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible to one ordinary share which will be issued by the Company within 10 business days of receiving written notice to exercise, together with monies representing the price of the options.

The Remuneration Committee has engaged PwC to assist in the design and implementation of a new LTI scheme for future financial years.

Details of Remuneration | 30 June 2011

Name	Short term employee benefits			Post employment benefits	Long term benefits		Share based payments		
	Cash salary and fees*** $	Cash bonus $	Non-monetary benefits $	Superannuation $	Long service leave $	Termination benefits $	Options $	Total $	Options as % of remuneration
Non-Executive Directors									
Robert McKinnon	105,122	-	-	9,461	-	-	-	114,583	
Douglas Wood	68,807	-	-	6,193	-	-	-	75,000	
Michael Humphris	68,807	-	-	6,193	-	-	-	75,000	
Dick Allen	68,444	-	-	6,160	-	-	-	74,604	
Executive Directors									
Steve Gostlow	419,288	110,000	14,568	47,636	-	-	380,865^	972,357	39%
Key Management Personnel									
David McArthur	49,000	-	-	-	-	-	-	49,000	
Peter Goodwin*	351,923	-	30,933	19,073	-	-	578,978	980,907	59%
Michael Constable**	281,422	63,000	6,897	30,998	-	-	47,193	429,510	11%
Neil Armstrong**	230,741	60,000	9,785	26,167	-	-	59,018	385,711	15%
Jason Dixon**	218,715	57,000	4,110	24,814	-	-	59,018	363,657	16%
Graeme McTaggart**	115,131	-	-	9,701	-	-	-	124,832	
TOTAL	**1,977,400**	**290,000**	**66,293**	**186,396**	**-**	**-**	**1,125,072**	**3,645,161**	**31%**

* Appointed in December 2010
** Were not classified as Key Management Personnel in 2010
*** Includes motor vehicle allowance and sign on fee for Peter Goodwin
^ Share based payments reflect the value of options to be issued over the period from 1 September 2010 to 1 September 2013

Details of Remuneration | 30 June 2010

Name	Short term employee benefits			Post employment benefits	Long term benefits		Share based payments		
	Cash salary and fees*** $	Cash bonus $	Non-monetary benefits $	Superannuation $	Long service leave $	Termination benefits $	Options $	Total $	Options as % of remuneration
Non-Executive Directors									
Robert McKinnon*	-	-	-	-	-	-	-	-	
Douglas Wood	65,000	-	-	5,850	-	-	-	70,850	
Michael Humphris	48,000	-	-	4,320	-	-	-	52,320	
Dick Allen	48,000	-	-	11,430	-	-	-	59,430	
Wynn Rees**	36,000	-	-	-	-	-	-	36,000	
Executive Directors									
Steve Gostlow	276,423	82,500	32,581	33,255	-	-	481,622	906,381	53%
Gerrard (Ged) Styles	215,303	63,000	34,509	25,749	-	-	262,703	601,264	44%
Key Management Personnel									
David McArthur	36,000	-	-	-	-	-	-	36,000	
TOTAL	**724,726**	**145,500**	**67,090**	**80,604**	**-**	**-**	**744,325**	**1,762,245**	**42%**

*Appointed in July 2010 **Resigned March 2010

Details of Remuneration: Cash bonus and share based payment compensation benefits

For each cash bonus and grant of options included in the table on page 14, the percentage of available bonus or grant that was paid, or vested, in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future periods. The options vest at different stages of their life provided the vesting conditions are met – refer to note 24 for more information.
No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Bonus		Share-based compensation benefits (options)				
Name	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant yet to vest $
Steve Gostlow	80	20	2010	33	-	2012 2013	32,398 144,489
Peter Goodwin*	-	-	2010	-	-	2012 2013 2014	71,381 240,858 302,282
Michael Constable	75	25	2010	33	-	2012 2013	3,950 27,690
Neil Armstrong	75	25	2010	33	-	2012 2013	4,931 34,561
Jason Dixon	75	25	2010	33	-	2012 2013	4,931 34,561
Graeme McTaggart	-	-	-	-	-	-	-

*Was not eligible for an STI this financial year.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk – STI*		At risk – LTI**	
Name	2011	2010	2011	2010	2011	2010
Robert McKinnon	100%	-	-	-	-	-
Steve Gostlow	50%	38%	11%	9%	39%	53%
Douglas Wood	100%	100%	-	-	-	-
Michael Humphris	100%	100%	-	-	-	-
Dick Allen	100%	100%	-	-	-	-
David McArthur	100%	100%	-	-	-	-
Peter Goodwin	41%	-	-	-	59%	-
Michael Constable	74%	-	15%	-	11%	-
Neil Armstrong	69%	-	16%	-	15%	-
Jason Dixon	68%	-	16%	-	16%	-
Graeme McTaggart	100%	-	-	-	-	-

*STI – short term incentives **LTI – long term incentives

Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the officer or director.

Remuneration and other terms of employments for the Managing Director, Chief Financial Officer, Chief Operating Officer and other Key Management Personnel are also formalized in service agreements. Each of these agreements provides for performance-related short term incentives, other benefits including car allowances and participation, where eligible, in the ESOP. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party providing notice, subject to termination payments as detailed below.

Name	Term of agreement	Base salary excluding superannuation*	Termination benefit**
Steve Gostlow	Ongoing commencing November 2010	410,000	410,000
Peter Goodwin	Ongoing commencing December 2010	359,000	179,500
Michael Constable	Ongoing commencing July 2010	270,000	135,000
Neil Armstrong	Ongoing commencing July 2010	230,180	115,090
Jason Dixon	Ongoing commencing October 2010	230,000	115,000
Graeme McTaggart	Ongoing commencing March 2011	143,555	-

Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually by the Remuneration Committee

** Termination benefits are payable on early termination by the Company, other than for gross misconduct; unless otherwise indicated they are equal to base salary for the notice period.

Share Based Compensation

Share Options issued during the year

Details of options over ordinary shares in the Company provided, or to be provided, as remuneration to each Director of Tox Free is set out below. Further information on options is set out in note 24 to the financial statements:

2011

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
P Goodwin	1,500,000	578,978	-	-	-

Terms and conditions of the above grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Number	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date (cents)	Performance achieved	% vested
23/11/10	500,000	01/09/11	01/11/14	$2.50	77.5	TBD*	0%
23/11/10	500,000	01/09/12	01/11/15	$2.75	79.5	TBD	0%
23/11/10	500,000	01/09/13	01/11/16	$3.00	81.7	TBD	0%

*TBD = to be determined

2010

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
S Gostlow	1,100,000*	1,038,705	-	-	-
M Constable	400,000**	148,424	-	-	-
N Armstrong	500,000**	185,619	-	-	-
J Dixon	500,000**	185,619	-	-	-

* At the 2009 AGM of the Company the shareholders approved the grant by the Company of an entitlement of 1,100,000 options to Steve Gostlow. The detail of the options issued are provided in the table below

** Were not Key Management Personnel in 2010 so this disclosure is for comparative purposes only.

Terms and conditions of the above grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Number	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date (cents)	Performance achieved	% vested
S Gostlow							
28/10/09	366,000	01/09/10	01/11/11	$2.07	93.75	100%	100%
28/10/09	366,000	01/09/11	01/11/12	$2.38	94.50	TBD	0%
28/10/09	368,000	01/09/12	01/11/13	$2.74	95.21	TBD	0%
M Constable							
23/09/09	133,000	01/09/10	01/11/11	$2.07	27.31	100%	100%
23/09/09	133,000	01/09/11	01/11/12	$2.38	35.03	TBD	0%
23/09/09	134,000	01/09/12	01/11/13	$2.74	48.89	TBD	0%
N Armstrong							
23/09/09	166,000	01/09/10	01/11/11	$2.07	27.31	100%	100%
23/09/09	166,000	01/09/11	01/11/12	$2.38	35.03	TBD	0%
23/09/09	168,000	01/09/12	01/11/13	$2.74	48.89	TBD	0%
J Dixon							
23/09/09	166,000	01/09/10	01/11/11	$2.07	27.31	100%	100%
23/09/09	166,000	01/09/11	01/11/12	$2.38	35.03	TBD	0%
23/09/09	168,000	01/09/12	01/11/13	$2.74	48.89	TBD	0%

*TBD = to be determined

Shares provided on exercise of Options

The following ordinary shares in the Company were provided as a result of the exercise of remuneration options to Key Management Personnel of Tox Free Solutions Ltd during the year.

2011

Name	Number of shares	Amount paid per share
Michael Constable	30,000	$1.40
	40,000	$1.80
Neil Armstrong	25,000	$1.55
	30,000	$1.65
	45,000	$1.80

2010

Name	Number of shares	Amount paid per share
Steve Gostlow**	112,500	$1.04
	112,500	$1.08
	112,500	$1.12

**Options exercised by related party of Steve Gostlow

No amounts are unpaid on any shares issued on the exercise of options. The Company also has a policy preventing option holders from hedging unvested options.

This is the end of the Remuneration Report – Audited.

Loans to Directors and Executives

Information on loans to Directors and Executives, including amounts, interest rates and repayment terms are set out in note 23 to the financial statements.

Shares under Option

Unissued ordinary shares of Tox Free Solutions Limited under option at the date of this report are as follows:

Expiry date	Issue price of shares	Number under option	Comments
01/07/12	$1.40	163,500	
01/07/12	$1.80	375,000	
01/07/12	$2.20	670,000	
01/11/2011	$2.07	566,000	Director options*
01/11/2012	$2.38	566,000	Director options*
01/11/2013	$2.74	568,000	Director options*
01/11/2011	$2.07	542,500	**
01/11/2012	$2.38	590,000	**
01/11/2013	$2.74	635,000	**
15/01/2014	$1.20	20,000	
15/01/2015	$2.64	20,000	
01/11/2014	$2.50	500,000	**
01/11/2015	$2.75	500,000	**
01/11/2016	$3.00	500,000	**
		6,216,000	

*Refer to note on previous page **Includes KMP options

No option holder has any right under the options to participate in any other share issue of the Company.

Shares issued on the exercise of Options

The following ordinary shares of Tox Free Solutions Limited were issued during the year ended 30 June 2011 on the exercise of options granted under the Tox Free Solutions Limited ESOP. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
09/07/10	$1.55	87,500
09/08/10	$1.65	87,500
09/08/10	$1.40	1,500
09/08/10	$1.75	15,000
12/11/10	$1.40	35,000
12/11/10	$1.80	55,000
03/02/11	$1.90	15,000
03/02/11	$1.75	10,000
14/02/11	$1.90	15,000
14/02/11	$1.75	10,000
28/02/11	$1.55	50,000
28/02/11	$1.65	60,000
28/02/11	$1.80	90,000
28/02/11	$1.75	70,000
28/02/11	$1.90	95,000
01/03/11	$2.20	20,000
17/06/11	$1.80	40,000
		756,500

Insurance of Officers

During the financial year, Tox Free Solutions Limited paid a premium of $16,641 excluding GST (2010: $15,187 excluding GST) to insure the Directors and Secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against officers in their capacity as officers of the entity and other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During the financial year, the Company also paid a premium of $7,351 excluding GST (2010: $12,487 excluding GST) being for income protection insurance for executive directors.

Indemnification of Officers and Auditors

The Company has agreed to indemnify the Directors of the Company against all liabilities to another person (other than the Company) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving lack of good faith.

No agreements have been entered into to indemnify the Company's current auditors against any claims by third parties arising from their report on the Annual Financial Report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

Details of the amounts paid or payable to the auditor (BDO (Audit) WA Pty Ltd) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit and risk committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

	Consolidated	
	2011 $'000	2010 $'000
Audit and other assurance services		
Auditor's of the Company *BDO (Audit) WA Pty Ltd*		
Audit and review of financial reports	104	124
Total remuneration for audit and other assurance services	104	124
Non-audit and assurance services		
Tax compliance services including tax effect accounting calculations review	128	117
Total non-audit and assurance services	128	117
Other services		
Strategic planning and other consultancy services	28	6
Other	4	-
Total other services	32	6
Total remuneration	264	247

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

BDO (Audit) WA Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

ROBERT McKINNON | Chairman
Perth
30 September 2011

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2011

To the Board Members
Tox Free Solutions Ltd
Suite 1A
1050 Hay Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF TOX FREE SOLUTIONS LIMITED

As lead auditor of Tox Free Solutions Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tox Free Solutions Limited and the entities it controlled during the period.

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

The Board of Directors

Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

- Establishment of long term goals of the Company and strategic plans to achieve those goals
- Monitoring the achievement of these goals
- Review of management accounts and reports to monitor the progress of the Company
- Review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance
- Review and approval of the annual and interim financial reports
- Nominating and monitoring the external auditor
- Approving all significant business transactions
- Appointing and monitoring senior management
- All remuneration, development and succession issues
- Ensuring the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities

The board evaluates this policy on an ongoing basis.

Board Composition

The directors' report contains details of the directors' skills, experience and education. The board seeks to establish a board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

The Board comprises a non-executive Chairman, one executive director and three non-executive independent directors. Details of the directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by the majority of the shareholders.

Retirement and re-election of Directors

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

Independence of Directors

The Board has reviewed the position and association of each of the directors in office at the date of this report and considers that four directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The Board considers that Mr. Robert McKinnon, Mr. Michael Humphris, Mr. Richard Allen and Mr. Douglas Wood meet the criteria in Principle 2. They have no material business or contractual relationship with the Company, other than as directors, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

Independent Professional Advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Board Performance Review

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting period, however the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

Director Remuneration

Details of the Company's remuneration policies are included in the "Directors' and key management emoluments" section of the Directors' Report.

Non-executive directors will be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract.

Managing Business Risk

The Company maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting
- procedures and controls to manage financial exposures and operational risks
- the Company's business plan
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans
- insurance and risk management programs which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Managing Director (or in his absence the Chairman) and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

Internal Controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

Audit and Risk Management Committee

The role of the Audit and risk management committee is documented in a Charter which is approved by the Board of Directors. In accordance with this charter, all members of the Committee must be non-executive directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit and risk management committee for the Company at the date of this report were:

- Mr. R McKinnon
- Mr. R Allen
- Mr. M Humphris
- Mr. D Wood

The auditors and the managing director are invited to Audit and risk management committee meetings at the discretion of the Committee. The Committee met two times during the year.

The responsibilities of the Audit and risk management committee include:

- Reviewing the financial report and other financial information distributed externally;
- Monitoring corporate risk assessment processes;
- Reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Reviewing the nomination and performance of the auditor;
- Liaising with the external auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- Monitoring the establishment of an appropriate internal control framework and considering enhancements;
- Monitoring the establishment of appropriate ethical standards;
- Monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Australian Stock Exchange Listing Rules and all other regulatory requirements;
- Addressing any matters outstanding with auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Stock Exchange and financial institutions; and
- Improving the quality of the accounting function.

The Audit and risk management committee reviews the performance of the external auditors on an annual basis and meets with them during the year.

Remuneration and Nomination Committee

The remuneration and nomination committee consists of the following non-executive directors, all of whom are independent:

- Mr. R McKinnon
- Mr. R Allen
- Mr. M Humphris
- Mr. D Wood

Details of directors' attendance at remuneration and nomination committee meetings are set out in the directors' report on page 11.

The remuneration and nomination committee operates in accordance with its charter. The main responsibilities of the committee are:

- Review the size and composition of the board
- Review and advise the board on the range of skills available on the board and appropriate balance of skills for future board membership
- Review and consider succession planning for the Managing Director, the chairman and other directors and key executives
- Develop criteria and procedures for the identification of candidates for appointment as directors and apply the criteria and procedures to identify prospective candidates for appointment as a director and make recommendations to the board
- Make recommendations to the board regarding any directors who should not continue in office
- Nomination for approval by the board external experts
- Determine remuneration policies and remuneration of directors
- Determine remuneration and incentive policies of key executives
- Determine the Company recruitment, retention and termination policies and procedures for senior management
- Determine and review incentive schemes
- Determine and review superannuation arrangements of the Company
- Determine and review professional indemnity and liability insurance for directors and senior management

Ethical Standards

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Managing Director (or in his or her absence, the Chairman) as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

Trading in the Company's Securities by Directors and Employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company's Managing Director (or in his or her place the Chairman) must also be notified of any proposed transactions.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

Continuous Disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who, in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Company's continuous disclosure policy, including half-year audit reviewed accounts, year end audited accounts and an Annual Report;
- the Board ensures the Annual Report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry or electronically via the website;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

ASX Corporate Governance principles and recommendations not followed – "if not, why not" approach

Pursuant to the ASX Listing Rule 4.10.3, the Company advises that it follows all of the ASX corporate governance principles and recommendations (2nd edition).


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Financial Statements

Consolidated Statement of Comprehensive Income | For the year ended 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue	8	**143,556**	98,686
Cost of sales		**(93,541)**	(66,097)
Gross profit		**50,015**	32,589
Other income		**272**	866
Finance income	9	**354**	657
Occupancy expenses		**(3,084)**	(2,413)
Administrative expenses	10	**(27,979)**	(16,954)
Finance expenses	9	**(2,522)**	(2,918)
Profit before income tax		**17,056**	11,827
Income tax expense	11	**(5,191)**	(3,863)
Profit from continuing operations		**11,865**	7,964
Profit for the year		**11,865**	7,964
Total comprehensive income for the year attributable to the owners of Tox Free Solutions Limited		**11,865**	7,964
Earnings per share		**Cents**	Cents
Basic earnings per share	32	**12.89**	9.25
Diluted earnings per share	32	**12.48**	9.12

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position | As at 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
ASSETS			
Cash and cash equivalents	12a	**14,513**	17,893
Trade and other receivables	13	**35,741**	25,313
Inventories	14	**332**	434
Prepayments		**644**	331
Total current assets		**51,230**	43,971
Deferred tax assets	11	**2,997**	1,791
Property, plant and equipment	16	**65,166**	58,628
Intangibles	17	**29,905**	27,490
Total non-current assets		**98,068**	87,909
TOTAL ASSETS		**149,298**	131,880
Liabilities			
Trade and other payables	18	**14,886**	9,851
Loans and borrowings	19	**5,614**	17,630
Employee benefits	20	**2,768**	1,961
Current tax payable		**1,025**	204
Total current liabilities		**24,293**	29,646
Loans and borrowings	19	**20,483**	13,442
Employee benefits	20	**110**	93
Deferred tax liability	11	**2,172**	55
Total non-current liabilities		**22,765**	13,590
TOTAL LIABILITIES		**47,058**	43,236
NET ASSETS		**102,239**	88,644
EQUITY			
Share capital	21	**70,087**	68,113
Reserves	34	**5,195**	3,604
Retained earnings		**26,957**	16,927
TOTAL EQUITY		**102,239**	88,644

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows | For the year ended 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Cash receipts from customers		**134,107**	97,767
Cash paid to suppliers and employees		**(106,048)**	(73,691)
Cash generated from operations		**28,059**	24,076
Interest received		**355**	657
Interest paid		**(2,521)**	(2,918)
Income taxes paid		**(3,457)**	(4,197)
Net cash from/(used in) operating activities	12b	**22,436**	17,618
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		**274**	796
Acquisition of subsidiary / businesses net of cash acquired	7	**-**	(2,790)
Acquisition of intangible assets		**(1,199)**	-
Acquisition of property, plant and equipment		**(19,386)**	(21,768)
Net cash from/(used in) investing activities		**(20,312)**	(23,764)
Cash flows from financing activities			
Proceeds from the issue of share capital		**1,306**	25,855
Proceeds from borrowings		**10,980**	1,000
Repayment of borrowings		**(15,955)**	(7,393)
Dividends paid	22	**(1,836)**	-
Net cash from/(used in) financing activities		**(5,505)**	19,462
Net increase/(decrease) in cash and cash equivalents		**(3,381)**	13,318
Cash and cash equivalents at 1 July		**17,894**	4,576
Cash and cash equivalents at 30 June		**14,513**	17,894

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity | For the year ended 30 June 2011

	Notes	Contrib. equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2010		68,113	3,604	16,927	88,644
Total comprehensive income for the year		-	-	11,865	11,865
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	21	1,974	-	-	1,974
Employee share options (net of cancellations)	34	-	1,591	-	1,591
Dividends paid	22	-	-	(1,836)	(1,836)
Balance at 30 June 2011		70,087	5,195	26,957	102,239
Balance at 30 June 2009		42,041	2,297	8,963	53,301
Total comprehensive income for the year		-	-	7,964	7,964
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	21	26,072	-	-	26,072
Employee share options (net of cancellations)	34	-	1,307	-	1,307
Balance at 30 June 2010		68,113	3,604	16,927	88,644

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Table of Contents | Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements | for the year ended 30 June 2011

Note 1 | Reporting Entity

Tox Free Solutions Limited (the Company) is a Company domiciled in Australia. The address of the Company's registered office is 41 Stirling Highway Nedlands WA 6009. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group primarily is involved in the provision of industrial services and waste management.

Note 2 | Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards in their entirety.

The financial statements were approved by the Board of Directors on 30th September 2011.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis unless otherwise stated.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency for the rest of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Parent Entity Information

Financial information for Tox Free Solutions Limited as an individual entity is included in note 15.

(e) Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 7 – acquisitions of subsidiaries and business assets
Note 11 – income tax expense
Note 24 – measurement of share based payments
Note 25 – valuation of financial instruments
Note 28 – contingencies
Note 17 – impairment

(i) Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy set out in note 3(g). The recoverable amount of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 17 for details of these assumptions and the potential impact of changes to the assumptions.

Note 3 | Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial Instruments

(i) Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision of impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the carrying allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Accounting for finance income and expense is discussed in note 3(k).

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(iii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(c) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is also shown at cost.

Costs include expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day to day servicing of property, plant and equipment are recognised in profit and loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit and loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Class of Property, Plant and Equipment	Estimated Useful Life
Buildings	10 years
Leasehold Improvements	5 years
Plant and Equipement	3-10 years
Motor Vehicles	4-7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Intangible Assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit and loss. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the group's operating segments.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Business Licenses

Business licenses acquired as part of a business combination are recognized separately from goodwill. The business licenses are carried at their fair value at the date of acquisition less impairment losses. Business licenses have an indefinite useful life on the basis that they will continue to be renewed and future cash flows cannot be earned without them.

Business licenses are allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the group's operating segments.

(iii) Intellectual Property

Intellectual property has a finite useful life and are carried at cost plus future royalty payments less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of intellectual property over their estimated useful lives, which vary anywhere up to 20 years.

(e) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leases assets are not recognised on the Group's consolidated statement of financial position (see note 3(j)).

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories comprise consumables and fuels paid for and on hand at year end and are not for resale, rather for consumption in providing services.

(g) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit and loss.

(ii) Non-financial Assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill and business licenses acquired in a business combination, for the purpose of impairment testing, are allocated to cash generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(h) Employee Benefits

(i) Defined Contribution Plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long term Employee Benefits

The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. This discount rate is the yield at the reporting date on AA credit terms or Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. These obligations are included in provisions in the statement of financial position.

(iii) Termination Benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer is accepted, and the number of acceptances can be estimated reliably.

(iv) Short Term Benefits

Liabilities for employee benefits for wages, salaries, annual leave and personal leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on costs, such as workers compensation insurance and payroll tax.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. This liability is included in provisions in the statement of financial position.

(v) Share Based Payment Transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, expect for those that fail to vest due to market conditions not being met.

Where the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(i) Revenue

(i) Services

The Group recognizes service revenue in the following 4 categories.

- Liquid waste
- Hazardous waste
- Solid waste
- Industrial services

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and trade allowances. The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is generally recognized upon delivery of the waste treatment service or industrial service to the customer.

(ii) Interest Income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(j) Lease Payments

Payments made under operating leases are recognised in profit and loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Finance Income and Expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrued in profit and loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit and loss using the effective interest method.

(l) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted, or substantially enacted, by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Tax Consolidation

Tox Free Solutions Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Tox Free Solutions Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Tox Free Solutions Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding arrangement with the tax consolidated entities are recognised as accounts receivable from or payable to other entities in the Group.

(m) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(o) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

(p) New Standards and Interpretations not yet adopted

The following standards (over page), amendment to standards and interpretations have been identified as those which may impact the Group in the period of initial recognition. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

Revised AASB or Amendment	Nature of Change	Potential Impact on the Group's Financial Report	Application date for the Group
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.	The group is yet to assess its full impact.	1 July 2013
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for Government-related entities to disclose details of all transactions with the Government and other Government-related entities and clarifies and simplifies the definition of a related party.	The Group will apply these amendments retrospectively for the financial reporting period commencing 1 July 2011. There will be no impact on the Group's or Parent entity's financial statements.	1 July 2011
AASB 7 Financial Instruments: Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.	1 July 2011
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	Tox Free Solutions Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements.	No Impact
AASB 1054 Australian Additional Disclosures	Moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. Removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories).	When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.	1 July 2011
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosure of Transfers of Financial Assets	Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.	No significant impact	1 July 2011
AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]	Extends relief from preparing consolidated financial statements to not-for-profit entities wanting to apply the consolidation exemption in paragraph 10 of AASB 127 (or exemption from equity accounting or proportionate consolidation under equivalent paragraphs in AASB 128 and AASB 131) where the ultimate parent entity is also a not-for-profit entity (and therefore not producing consolidated financial statements that comply with IFRS).	No impact	1 July 2011
AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]	Extends relief from preparing consolidated financial statements to entities applying the Reduced Disclosure Requirements wanting to apply the consolidation exemption in paragraph 10 of AASB 127 (or exemption from equity accounting or proportionate consolidation under equivalent paragraphs in AASB 128 and AASB 131) where the ultimate parent entity prepares consolidated financial statements using the Reduced Disclosure requirements, rather than using full IFRS.	No impact	1 July 2013
AASB 10 Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee. Introduces the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated. Potential voting rights are only considered when determining of there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in possibly fewer instances of control. Additional guidance included to determine when decision making authority over an entity has been delegated by a principal to an agent. Factors to consider include: • Scope of decision making authority • Rights held by other parties, e.g. kick-out rights • Remuneration and whether commensurate with services provided Decision maker's exposure to variability of returns from other interests held in the investee.	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities. No impact. No impact. No impact.	1 July 2013

Revised AASB or Amendment (Contd.)	Nature of Change (Contd.)	Potential Impact on the Group's Financial Report (Contd.)	Application date for the Group (Contd.)
AASB 11 *Joint Arrangements*	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.	1 July 2013
AASB 12 *Disclosure of Interests in Other Entities*	Combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 13 *Fair Value Measurement*	Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	When this standard is adopted for the first time on 1 July 2012, additional disclosures will be required about fair values.	1 July 2013
AASB 119 *Employee Benefits*	Main changes include: • Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans • Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods • Subtle amendments to timing for recognition of liabilities for termination benefits • Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.	The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.	1 July 2013

(q) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as Goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

Acquisition-related costs are expensed as incurred. Previously, they were recognized as part of the cost of acquisition and therefore included in Goodwill.

Non-controlling interests in an acquiree are recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

If the Group recognizes previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to Goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

(r) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognized in the profit and loss over the period of borrowings using the effective interest method. Fees paid on the establishment of a facility are capitalized as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognized in other income or finance cost.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 4 | Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices/replacement value for similar items.

(b) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(d) Share Based Payment Transactions

The fair value of employee stock options is measured using the binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends and the risk free interest rate (based on Government bonds). Service and non-market performance conditions attached to the transaction are not taken into account in determining fair value

Note 5 | Financial Risk Management

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and risk management committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

There have been no changes from the way financial risk was managed in the prior financial year.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base has less of an influence on credit risk. There is no concentration of risk with one particular debtor within the Group and there is no concentration of risk geographically. No single debtor comprises greater than 10% of total debtors at the year end or at any stage during the year.

The board of directors has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered. The Group's review includes reference checks and external credit ratings when available. Customers that fail to meet the Group benchmark credit worthiness may transact with the Group only on a prepayment basis.

Key customers have been transacting with the Group for a long period of time and losses have occurred infrequently.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets (see note 25).

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The contractual maturities of financial liabilities are shown in note 25.

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates arising from borrowings and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Price Risk

The Group is not exposed to any material price risk.

Currency Risk

The Group is not exposed to currency risk as all sales, purchases and borrowings are denominated in the Australian dollar (AUD).

Interest rate Risk

The Group adopts a policy of ensuring that approximately 46% of its exposure to changes in interest rates on borrowings is on a fixed basis (see note 25).

(d) Capital Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as finance debt divided by EBITA for the past 12 months. During 2011, the Group's strategy was to maintain a gearing ratio of no greater than 2.5 times EBIT. This has changed from 2010 when the Group's strategy was to maintain a gearing ratio of no greater than 3 times EBITA. The gearing ratios at 30 June 2011 and 30 June 2010 (restated) were as follows:

		Consolidated	
	Notes	2011 $'000	2010 $'000
Finance Debt	19	26,097	31,072
EBIT		21,332	14,088
Gearing Ratio		1.22 times	2.20 times

Note 6 | Segment Information

(a) Description of Segments

There are no differences from the last annual financial statements in the basis of segmentation or on the basis of measurement of segment profit or loss. The Managing Director considers the business from a service perspective and has identified four reportable segments being:

- Liquid waste
- Hazardous waste
- Solid waste
- Industrial services

These services are currently provided in Australia only.

The Managing Director/Executive Team assesses the performance of the operating segments based on a measure of EBIT. Interest income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function which manages the cash position of the Group.

	Liquid Waste $'000	Hazardous Waste $'000	Solid Waste $'000	Industrial Services $'000	Total $'000
30 June 2011					
Total segment revenue	14,537	20,238	47,202	74,691	156,668
Inter segment revenue	1,982	3,607	2,859	4,665	13,113
Revenue from external customers	**12,556**	**16,631**	**44,343**	**70,026**	**143,556**
EBIT	**4,389**	**6,812**	**11,525**	**11,329**	**34,055**
Depreciation	1,781	1,387	2,627	5,354	11,149
30 June 2010					
Total segment revenue	14,586	15,309	21,747	55,147	106,789
Inter segment revenue	4,040	1,001	656	2,407	8,104
Revenue from external customers	**10,546**	**14,308**	**21,091**	**52,740**	**98,686**
EBIT	**3,800**	**6,431**	**6,136**	**6,883**	**23,250**
Depreciation	1,053	973	1,865	4,616	8,507
Segment assets					
30 June 2011	19,917	16,399	41,051	47,185	124,552
Unallocated assets	-	-	-	-	-
Total segment assets	19,917	16,399	41,051	47,185	124,552
Additions to non-current assets	3,121	2,906	7,051	6,290	19,368

	Liquid Waste (Contd.) $'000	Hazardous Waste (Contd.) $'000	Solid Waste (Contd.) $'000	Industrial Services (Contd.) $'000	Total (Contd.) $'000
30 June 2010	15,009	17,753	31,670	43,410	107,842
Unallocated assets	-	-	-	-	-
Total segment assets	**15,009**	**17,753**	**31,670**	**43,410**	**107,842**
Additions to non-current assets	2,630	4,216	9,354	6,610	22,810
Segment liabilities					
30 June 2011	1,315	2,165	6,811	15,984	26,275
Unallocated liabilities	-	-	-	-	-
Total segment liabilities	**1,315**	**2,165**	**6,811**	**15,984**	**26,275**
30 June 2010	1,179	1,657	2,582	14,398	19,816
Unallocated liabilities	-	-	-	-	-
Total segment liabilities	**1,179**	**1,657**	**2,582**	**14,398**	**19,816**

A reconciliation of adjusted EBIT to operating profit before income tax is provided as follows:

	Consolidated	
	2011 $'000	2010 $'000
EBIT	34,055	23,250
Finance costs (net)	(2,522)	(2,918)
Share options granted to directors and employees	(1,591)	(1,306)
Employee expenses	(6,771)	(4,007)
Business combination costs	(159)	(41)
Plant and equipment impairment losses	(827)	-
Expected recovery of impairment losses recognised as income	470	-
Bad debts written off	(1,755)	-
Other corporate costs	(3,844)	(3,151)
Profit before income tax from continuing operations	17,056	11,827

A reconciliation of segment assets to total assets is provided as follows:

	Consolidated	
	2011 $'000	2010 $'000
Segment assets	124,552	107,842
Unallocated assets:		
Cash and cash equivalents	14,513	17,894
Other receivables	2,230	200
Inventories	332	435
Prepayments	644	329
Deferred tax assets	2,997	1,791
Property, plant and equipment	4,030	3,389
Intagibles	-	-
Total assets per the Statement of Financial Position	149,298	131,880

A reconciliation of segment liabilities to total liabilities is provided as follows:

	Consolidated	
	2011 $'000	2010 $'000
Segment liabilities	26,275	19,816
Unallocated liabilities:		
Other payables	3,104	1,494
Loans and borrowings	11,605	19,612
Employee benefits	2,877	2,055
Current tax payable	1,025	204
Deferred tax liability	2,172	55
Total liabilities per the Statement of Financial Position	47,058	43,236

Note 7 | Acquisitions of Subsidiaries and Business Assets

Refer to the subsequent events note for information of business combinations post year end.

Prior Period

Envirochem Technologies Pty Ltd

On 1 May 2010 the Group acquired the business assets of Envirochem Technologies Pty Ltd (Envirochem) for $3,000,000 plus incidentals, less the cost of disposal of undisposed waste. 55,000 ordinary shares were also issue as part of the consideration.

Envirochem is a leading provider of chemical waste collection, treatment and disposal services in all major cities throughout the east coast of Australia including Tasmania. Envirochem operates a licensed hazardous waste management facility located in Melbourne, Victoria. The facility is licensed to treat a broad range of industrial and hazardous waste and has been in operation since 1993.

In the 2 months since acquisition to 30 June 2010 the Envirochem business contributed approximately $503K in revenue, $177K in EBIT and $153K in after tax profit to the Group result.

If the acquisition had occurred on the 1st of July 2009, Group consolidated revenues and profits before tax for the year ended 30 June 2010 would have been $101.3M and $12.3M respectively.

The acquisition has had the following effect on the Group's assets and liabilities:

	Carrying Amount $'000	Fair Value $'000
Property, plant and equipment	556	556
Net indentifiable assets and liabilities	**556**	**556**
Business licenses	-	2,576
Total purchase price	**556**	**3,132**
Components of purchase consideration		
Cash paid		3,000
Share capital issued - 55,000 shares @ $2.40		132
Total purchase consideration		**3,132**

	Fair Value $'000
Outflow of cash to acquire the business assets	
Cash consideration	3,000
Less: liabilities assumed	(271)
Add: expenses reimbursed	61
Outflow of cash	**2,790**

Refer to note 30 for business combinations subsequent to year end.

Note 8 | Revenue

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Services rendered		143,556	98,686

Note 9 | Finance Income and Expenses

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Recognised in profit and loss			
Interest income on bank deposits		354	657
Total finance income		354	657
Interest expense on finacial liabilities measured at amortised cost		(2,522)	(2,918)
Total finance expense		(2,522)	(2,918)
Net finance income and expense		(2,166)	(2,261)

Note 10 | Prodit for the Year

Profit for the year includes the following items:

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Gross profit for the year includes the following items			
Depreciation of non-current assets		10,867	8,509
Share based payment expense		-	51
Administrative expenses for the year includes the following items:			
Depreciation of non-current assets		643	463
Share based payment expense		1.591	1.255
Employee expenses		14,636	8,899
Impairment of receivables (Grass Valley Formulators)		1,755	-
Impairment of assets (net)		357	-
Insurances		845	399

Note 11 | Income Tax Expense

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Income tax expense			
Current tax		5,045	3,863
Deferred tax		912	-
Under/ (over) provision in prior years		(766)	-
Income tax expense from continuing operations		5,191	3,863
Deferred income tax expense/(revenue) included in income tax expense comprises:			
Decrease/ (increase) in deferred tax assets		(1,206)	-
(Decrease)/ increase in deferred tax liabilities		2,117	-
		912	-

	Consolidated	
	2011 $'000	2010 $'000
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit/ (loss) for the period	17,056	11,827
Tax ar Australian tax rate of 30%	5,116	3,548
Tax effect of amounts which are not deductable/(taxable) in calculating taxable income:		
Entertainment	19	11
Share based payments	462	320
Other	1	16
Investment allowance	-	(84)
	482	263
Adjustment for current tax of prior periods	(765)	-
Previously unrecognized deferred tax asset	(1,484)	-
Previously unrecognized timing differences now recouped to increase/ (reduce) current tax expense	1,842	51
	5,191	3,863
Amounts recognized directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognized in net profit or loss but directly debited or credited to equity:		
Current tax	-	-
Net deferred tax	-	-
	-	-
Deferred tax assets		
The balance comprises differences attribute to:		
Charged to profit and loss:		
Property, plant and equipment	319	536
Employee benefits	1,342	752
Others	1,127	251
Share issue costs	5	107
Borrowing costs	2	18
Charged to equity:		
Share issue costs	201	125
Closing Balance	2,997	1,791
Deferred tax assets to be recovered within 12 months	2,469	-
Deferred tax assets after 12 months	528	1,791
	2,997	1,791
Movements		
Opening balance	1,791	1,791
Charged/ (credited) to profit and loss	1,206	-
Charged/ (credited) to equity	-	-
Closing Balance	2,997	1,791
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities after 12 months	2,172	55
Movements		
Opening balance	55	55
Charged/ (credited) to profit and loss	2,117	-
Charged/ (credited) to equity	-	-
Closing balance	2,172	55

Note 12a | Cash and Cash Equivalents

	Consolidated	
	2011 $'000	2010 $'000
Bank balances	14,513	17,893
Cash and cash equivalents in the cash flow statement	14,513	17,893

Note 12b | Reconciliation of Cash Flows from Operating Activities

	Consolidated	
	2011 $'000	2010 $'000
Profit for the year	11,865	7,964
Adjustments for:		
Depreciation	11,510	8,973
Profit/ (loss) on sale of fixed assets	238	140
Impairment loss on plant and equipment	827	-
Equity settled share based payment transactions	1,591	1,306
Operating profit/ (loss) before changes in working capital and provisions	26,032	18,383
Change in trade and other receivables	(10,429)	(3,131)
Change in inventories	102	(292)
Change in prepayments	(315)	688
Change in trade and other payables and provisions	5,312	2,522
Change in tax assets and liabilities	1,734	(552)
Net cash from / (used in) operating activities	22,436	17,618

Non-Cash Investing and Financing Activities

	Consolidated	
	2011 $'000	2010 $'000
Acquisition of plant and equipment by means of finance leases	7,044	-
Share capital issued to AGR as part consideration for Intellectual Property	668	-
	7,712	-

Note 13 | Trade and Other Receivables

	Consolidated	
	2011 $'000	2010 $'000
Trade receivables	31,726	24,644
Provision for impairment of receivables	(372)	(699)
Other receivables	4,387	1,368
	35,741	25,313

Movement in the provision for impairment of receivables are as follows:

	Consolidated	
	2011 $'000	2010 $'000
At 1 July	(699)	(716)
Provision for impairment recognized during the year	(2,206)	-
Receivables written off during the year as uncollectable	2,533	17
Unused amount reversed	-	-
	(372)	(699)

Note 14 | Inventories

	Consolidated	
	2011 $'000	2010 $'000
Raw materials and consumables	332	434
	332	434

Note 15 | Parent Entity Financial Information

Parent Entity Information

The following details information related to the parent entity, Tox Free Solutions Limited, at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated	
	2011 $'000	2010 $'000
Current assets	21,899	19,383
Non-current assets	46,441	43,014
Total assets	68,340	62,397
Current liabilities	9,198	11,899
Non-current liabilities	16,427	5,853
Total liabilities	25,625	17,752
Contributed equity	70,087	68,015
Accumulated losses	(32,475)	(26,932)
Share based payment reserve	5,103	3,562
Total equity	42,715	44,645
(Loss) for the year	(3,708)	(5,068)
Other comprehensive (loss) for the year	-	-
Total comprehensive (loss) for the year	(3,708)	(5,068)

Included in the capital commitments in note 27 are commitments incurred by the Parent entity relating to the acquisition of fixed assets in 2011 for an amount of Nil (2010: $1,460,000).

The primary reason for the parent entity showing substantial accumulated losses compared to the substantial retained earnings of the consolidated group is the parent entity is predominantly a non-operational Company. The Company includes all of the corporate overheads of the business.

Note 16 | Property, Plant and Equipment

	Land and buildings $'000	Leasehold improvements $'000	Plant and equipment (inc vehicles) $'000	Total $'000
Cost or deemed cost				
Balance at 1 July 2010	8,463	104	84,970	93,537
Additions	1,483	27	17,876	19,386
Disposals and write (downs)/ ups	(9)	-	(1,459)	(1,468)
Transfers and reclassifications	-	-	-	-
Impairment	-	-	(827)	(827)
Balance at 30 June 2011	**9,937**	**131**	**100,560**	**110,628**
Balance at 1 July 2009	4,600	1,064	70,494	76,158
Additions	2,990	14	18,764	21,768
Disposals	-	-	(4,679)	(4,679)
Transfers and reclassifications	873	(974)	(255)	(356)
Acquisitions through business combinations	-	-	646	646
Balance at 30 June 2010	**8,463**	**104**	**84,970**	**93,537**
Accumulated depreciation				
Balance at 1 July 2010	685	-	34,224	34,911
Transfers and reclassifications	-	-	-	-
Depreciation for the year	486	13	11,011	11,510
Disposals and write (downs)/ ups	204	26	(1,187)	(957)
Balance at 30 June 2011	**1,375**	**39**	**44,048**	**45,462**
Balance at 1 July 2009	367	237	28,889	29,493
Acquisitions through business combinations	-	-	-	-
Transfers and reclassifications	173	(237)	(44)	(108)
Depreciation for the year	145	-	8,827	8,972
Disposals and write (downs)/ ups	-	-	(3,448)	(3,448)
Balance at 30 June 2010	**685**	**-**	**34,224**	**34,911**

	Land and buildings (Contd.) $'000	Leasehold improvements (Contd.) $'000	Plant and equipment (inc vehicles) (Contd.) $'000	Total (Contd.) $'000
Carrying amounts				
At 1 July 2010	7,779	104	50,745	58,628
Balance at 30 June 2011	**8,562**	**92**	**56,512**	**65,166**
At 1 July 2009	4,233	827	41,605	46,665
Balance at 30 June 2010	**7,779**	**104**	**50,745**	**58,628**

Leased Plant and Machinery

The Group leases some vehicles under a number of finance lease agreements and some leases provide the Group with the option to purchase the equipment at a beneficial price at the end of the lease term. The leased vehicles secure the lease obligations.

Security

At 30 June 2011 all of the property, plant and equipment is subject to a fixed and floating charge to secure bank debt.

Assets in the Course of Construction

The carrying amount of the assets disclosed above include the $2,687K (2008: $613K) in relation to property, plant and equipment which is in the course of construction.

Note 17 | Intangibles

	Consolidated	
	2011 $'000	2010 $'000
Goodwill		
Balance at 1 July	25,004	25,024
Acquisition through business combinations	-	-
Other adjustments	-	(20)
Balance at 30 June	25,004	25,004
Business licenses		
Balance at 1 July	2,486	-
Acquisition through business combinations	-	2,486
Other adjustments	90	-
Balance at 30 June	2,576	2,486
Intellectual property		
Balance at 1 July	-	-
Acquisitions during the year	2,325	-
Balance at 30 June	2,325	-
Total intangibles	29,905	27,490

As prescribed in *AASB 138,* goodwill and other separable identifiable intangibles are not amortised. Rather they are tested for indications of impairment on an annual basis. No impairment losses were recognized against intangibles during the financial year (2010: nil).

Impairment testing for intangibles with an indefinite useful life

Goodwill and business licenses are allocated to the Group's Cash Generating Units (CGUs) identified according to operating segments. A CGU must not be greater than an operating segment and an operating segment represents the lowest level within the Group at which separable identified intangibles are monitored for management purposes.

The aggregate carrying amount of goodwill and business licenses allocated to each operating segment is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Liquid waste	4,972	2,647
Hazardous waste	5,778	5,688
Solid waste	12,196	12,196
Industrial services	6,959	6,959
	29,905	27,490

Key assumptions used for value in use calculations

The recoverable amount of goodwill is based on its value in use. Value in use has been determined by discounting the future cash flows on future budgets approved by management covering a five year period generated from the continuing use of the unit and its potential termination value upon sale.

A growth rate of 5.5% pa has been used to determine future cash flows and a discount rate of 14% has been used to discount those future cash flows.

Impact of possible changes in key assumptions

Management does not believe that a reasonable possible change in a key assumption detailed above would result in a CGU's carrying amount exceeding its recoverable amount.

Note 18 | Trade and Other Payables

	Consolidated	
	2011 $'000	2010 $'000
Trade payables	9,318	6,658
Non-trade payables and accrued expenses	5,568	3,193
	14,886	9,851

The Group's exposure to liquidity risk related to trade payables is disclosed in note 25.

Note 19 | Loans and Borrowings

This note provides information about the contractual terms of the Company's and Group's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate and liquidity risk, see note 25, and security of loans, see note 16.

	Consolidated	
	2011 $'000	2010 $'000
Current		
Secured bank loans	1,916	13,850
Asset finance	3,698	3,780
	5,614	17,630
Non-current		
Secured bank loans	9,689	5,784
Asset finance	10,794	7,658
	20,483	13,442
Total loans and borrowings	26,097	31,072

Terms and Repayment Schedule

Terms and conditions of outstanding loans were as follows:

	Consolidated				
				Carrying amount	
	Currency	Nominal interest rate %	Year of maturity	2011 $'000	2010 $'000
Secured bank loan (commercial bill)	AUD	5.07	2013	**8,000**	-
Secured bank loan (commercial bill)	AUD	4.8-5.0	2013	**3,605**	-
Secured bank loan (commercial bill)	AUD	6.98	2010	**-**	10,000
Secured bank loan (commercial bill)	AUD	7.75	2011	**-**	2,850
Secured bank loan (commercial bill)	AUD	4-6	2012	**-**	6,784
Asset finance liabilities	AUD	8-10	2012-2016	**14,492**	11,438
				26,097	31,072

Asset Finance Liabilities

Asset finance liabilities of the Group are as follows:

	Consolidated		
2011	Future minimum lease payments $'000	Interest $'000	PV of minimum lease payments $'000
< 1 year	4,260	562	3,698
1-5 years	11,165	371	10,794
> 5 years	-	-	-
	15,425	933	14,492

	Consolidated		
2010	Future minimum lease payments $'000	Interest $'000	PV of minimum lease payments $'000
< 1 year	4,578	818	3,760
1-5 years	8,614	936	7,678
> 5 years	-	-	-
	13,193	1,754	11,438

Asset finance liabilities are in the form of hire purchase or commercial loan and are used to finance fleet acquisitions (truck and car). The term of the lease is generally 5 years with a residual value at the end of the lease.

Note 20 | Employee Benefits

	Consolidated	
	2011 $'000	2010 $'000
Current		
Liability for annual leave and long service leave (including on-costs)	2,768	1,961
	2,768	1,961
Non-current		
Liability for annual leave and long service leave (including on-costs)	110	93
	110	93
Total employee benefits	2,878	2,054

The Group makes contributions to defined contribution superannuation plans only and no defined benefit plans were sponsored by the Group.

Note 21 | Share Capital

		Number		Amount	
		2011 shares	2010 shares	2011 $'000	2010 $'000
On issue at 1 July		**91,574,000**	**79,152,091**	**68,113**	**42,041**
Share issues:					
09/07/10	87,500 share options exercised @ $1.55	87,500	-	136	-
09/08/10	87,500 share options exercised @ $1.65	87,500	-	144	-
09/08/10	1,500 share options exercised @ $1.40	1,500	-	3	-
09/08/10	15,000 share options exercised @ $1.75	15,000	-	26	-
12/11/10	35,000 share options exercised @ $1.40	35,000	-	50	-
12/11/10	55,000 share options exercised @ $1.80	55,000	-	99	-
03/02/11	15,000 share options exercised @ $1.90	15,000	-	28	-
03/02/11	10,000 share options exercised @ $1.75	10,000	-	18	-
14/02/11	15,000 share options exercised @ $1.90	15,000	-	28	-
14/02/11	10,000 share options exercised @ $1.75	10,000	-	18	-
28/02/11	50,000 share options exercised @ $1.55	50,000	-	77	-
28/02/11	60,000 share options exercised @ $1.65	60,000	-	99	-
28/02/11	90,000 share options exercised @ $1.80	90,000	-	162	-
28/02/11	70,000 share options exercised @ $1.75	70,000	-	122	-
28/02/11	95,000 share options exercised @ $1.90	95,000	-	180	-
01/03/11	20,000 share options exercised @ $2.20	20,000	-	44	-
01/06/11	339,978 share options exercised @ $1.96 each to AGR Science and Technology Pty Ltd as part payment for Intellectual Property	339,978	-	668	-
17/06/11	40,000 share options exercised @ $1.80	40,000	-	72	-
18/09/09	25,000 share options exercised @ $1.04	-	25,000	-	26
18/09/09	25,000 share options exercised @ $1.08	-	25,000	-	27
18/09/09	25,000 share options exercised @ $1.12	-	25,000	-	28
20/11/09	8,695,653 share options exercised @ $2.30	-	8,695,653	-	20,000
22/12/09	2,173,757 share options exercised @ $2.30	-	2,173,757	-	5,000
31/12/09	10,000 share options exercised @ $1.40	-	10,000	-	14
15/01/10	87,500 share options exercised @ $1.04	-	87,500	-	91
15/01/10	87,500 share options exercised @ $1.08	-	87,500	-	94
15/01/10	87,500 share options exercised @ $1.12	-	87,500	-	98
18/02/10	18,750 share options exercised @ $1.04	-	18,750	-	19
18/02/10	18,750 share options exercised @ $1.08	-	18,750	-	20
18/02/10	18,750 share options exercised @ $1.12	-	18,750	-	21
18/02/10	12,500 share options exercised @ $1.04	-	12,500	-	13
18/02/10	12,500 share options exercised @ $1.08	-	12,500	-	14
18/02/10	12,500 share options exercised @ $1.12	-	12,500	-	14
24/02/10	112,500 share options exercised @ $1.04	-	112,500	-	117
24/02/10	112,500 share options exercised @ $1.08	-	112,500	-	121
24/02/10	112,500 share options exercised @ $1.12	-	112,500	-	126
24/02/10	100,000 share options exercised @ $2.15	-	100,000	-	215
25/02/10	33,333 share options exercised @ $1.04	-	33,333	-	35
25/02/10	33,333 share options exercised @ $1.08	-	33,333	-	36

		Number		Amount	
		2011 shares (Contd.)	2010 shares (Contd.)	2011 $'000 (Contd.)	2010 $'000 (Contd.)
Share issues:					
25/02/10	33,333 share options exercised @ $1.12	-	33,333	-	37
25/02/10	87,500 share options exercised @ $1.04	-	87,500	-	91
25/02/10	87,500 share options exercised @ $1.08	-	87,500	-	94
25/02/10	87,500 share options exercised @ $1.12	-	87,500	-	98
26/02/10	6,250 share options exercised @ $1.04	-	6,250	-	6
26/02/10	6,250 share options exercised @ $1.08	-	6,250	-	6
26/02/10	6,250 share options exercised @ $1.12	-	6,250	-	7
09/03/10	10,000 share options exercised @ $1.75	-	10,000	-	17
09/03/10	10,000 share options exercised @ $1.90	-	10,000	-	19
09/03/10	15,000 share options exercised @ $1.75	-	15,000	-	26
09/03/10	20,000 share options exercised @ $1.90	-	20,000	-	38
29/03/10	87,500 share options exercised @ $1.80	-	87,500	-	157
07/04/10	15,000 share options exercised @ $1.75	-	15,000	-	26
15/04/10	30,000 share options exercised @ $1.40	-	30,000	-	42
16/04/10	20,000 share options exercised @ $1.90	-	20,000	-	38
14/05/10	55,000 share options exercised @ $2.40 as part consideration for the Envirochem acquisition	-	55,000	-	132
30/03/10	30,000 share options exercised @ $ 1.40	-	30,000	-	42
	Capital raising costs	-	-	-	(933)
On issue at 30 June		**92,670,478**	**91,574,000**	**70,087**	**68,113**

The Company also has share options on issue (see note 24).

Terms and conditions of Ordinary Shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Nature and Purpose of Reserves

Share Based Payment Reserve

The share based payment reserve relates to the amount expensed in relation to share options issued to employees as determined by the option valuation model (see note 24). See note 34 for a reconciliation of the share based payment reserve.

Note 22 I Dividends

Ordinary Shares

	Parent entity	
	2011 $'000	2010 $'000
Final dividend for the year ended 30 June 2010 of 2 cents per fully paid share on 5 October 2010		
Fully franked based on tax rate @ 30% - 2 cents per share	1,836	-
	1,836	-
Dividends paid in cash during the year ended 30 June 2011 were as follows:		
Cash	1,836	-

Dividends not recognized at the end of the reporting period

	Parent entity	
	2011 $'000	2010 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 3 cents per fully paid ordinary share (2010: 2 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid before the end of the 2011 calendar year, but not recognised as a liability at year end, is: In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 3 cents per fully paid ordinary share (2010: 2 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid before the end of the 2011 calendar year, but not recognised as a liability at year end, is:	2,780	1,836

Note 23 | Related Parties and Key Management Personnel Disclosures

Key Management Personnel Compensation

The key management personnel compensation is as follows:

	Consolidated	
	2011 $'000	2010 $'000
Short term employee benefits	**2,334**	937
Post-employment benefits	**186**	81
Share-based payments	**1,125**	744
	3,645	1,762

Refer to the remuneration report for personnel in addition to the Directors and Company Secretary who are considered to be captured under the key management personnel category.

Individual Directors and Executives Compensation Disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the audited remuneration report section of the directors' report.

Apart from the details disclosed above, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving director's interests existing at year end.

Loans to Key Management Personnel and their Related Parties

During the year and at the year end there were no loans made available to Key Management Personnel and their related parties.

Prior year

In the year ended 30 June 2010, short-term credit was made available to Steve Gostlow and Ged Styles for the purchase of their motor vehicles before the end of the financial year. They received credit on the same terms as all other external customers and the balances were repaid in full before the 30 day credit terms expired. The balances due were as follows:

	2011	2010
Steve Gostlow	-	42,000
Ged Styles*	-	42,000

*Resigned as Director in prior financial year

Other Key Management Personnel Disclosures

During the year no transactions took place between the Group and key management personnel and there were no balances outstanding at year end.

Prior year

During the prior year the following transactions took place between the Group and key management personnel:

Steve Gostlow

- Purchase of a Toyota Prado for $16,100 including GST
- Purchase of a Toyota Landcruiser for $42,000 including GST
- Remuneration of $880 including GST paid to a related party of Steve Gostlow for handyman services

Ged Styles

- Purchase of a Toyota Landcruiser for $42,000 including GST

Wynn Rees

- Rental of $200,460 paid for properties in the Kimberley for the Kimberley Waste Services business

All of the above transactions were entered into on an arms-length basis.

There were no other transactions with key management personnel during the prior year and there were no balances outstanding at year end except for those shown in the table above.

Options and Rights over Equity Instruments

The movement during the reporting period in the number of options over ordinary shares in Tox Free Solutions Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Directors and Executives	Held at 1 July 2010	Granted as compensation	Exercised	Other changes*	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
R. McKinnon	-	-	-	-	-	-	-
D. Wood	-	-	-	-	-	-	-
S. Gostlow	1,100,000	-	-	-	1,100,000	366,000	366,000
M. Humphris	-	-	-	-	-	-	-
R. Allen	-	-	-	-	-	-	-
D. McArthur	-	-	-	-	-	-	-
P. Goodwin	-	1,500,000	-	-	1,500,000	-	-
M. Constable	520,000	-	(70,000)	-	450,000	173,000	173,000
N. Armstrong	690,000	-	(100,000)	-	590,000	196,000	216,000
J. Dixon	700,000	-	-	-	700,000	261,000	316,000
G. McTaggart	-	-	-	-	-	-	
	3,010,000	1,500,000	(170,000)	-	31,072	996,000	1,071,000

*Granted but not issued

Directors and Executives	Held at 1 July 2009	Granted as compensation	Exercised	Other changes*	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
R. McKinnon	-	-	-	-	-	-	-
D. Wood	-	-	-	-	-	-	-
S. Gostlow	337,500	1,100,000	(337,500)	-	1,100,000	-	-
M. Humphris	-	-	-	-	-	-	-
R. Allen	-	-	-	-	-	-	-
W. Rees	-	-	-	-	-	-	-
G. Styles	362,500	1,500,000	(262,500)	-	700,000	-	-
D. McArthur	-	-	-	-	-	-	-
	700,000	1,700,000	(600,000)	-	1,800,000	-	-

*Other changes represent options that expired or were forfeited during the year.

No options were held by key management person related parties.
No options held by key management personnel are vested but not exercisable at 30 June 2010 or 2011.

Movements in Shares

The movement during the reporting period in the number of ordinary shares in Tox Free Solutions Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	2011				
Directors and Executives	Held at 1 July 2010	Purchases	Recieved on exercise of options	Sales	Held at 30 June 2011
R. McKinnon	-	-	-	-	-
D. Wood	231,387	-	-	-	231,387
S. Gostlow	1,120,138	-	-	-	1,120,138
M. Humphris	2,200,000	-	-	(150,000)	2,050,000
R. Allen	169,331	-	-	(9,331)	160,000
D. McArthur	-	-	-	-	-
P. Goodwin*	-	21,125	-	-	21,125
M. Constable	-	-	70,000	(11,275)	58,725
N. Armstrong	76,749	-	100,000	(78,500)	98,249
J. Dixon	-	-	-	-	-
G. McTaggart	-	-	-	-	-
	3,797,605	21,125	170,000	(249,106)	3,739,624

*Held by a related party of Peter Goodwin

	2010				
Directors and Executives	Held at 1 July 2009	Purchases	Recieved on exercise of options	Sales	Held at 30 June 2010
R. McKinnon	-	-	-	-	-
D. Wood	231,387	-	-	-	231,387
S. Gostlow	932,638	-	337,500	(150,000)	1,120,138
M. Humphris	2,575,000	-	-	(375,000)	2,200,000
R. Allen	167,944	1,387	-	-	169,331
W. Rees	1,500,000	-	-	-	1,500,000
G. Styles	125,000	-	262,500	(120,000)	267,500
D. McArthur	-	-	-	-	-
	5,531,969	1,387	600,000	(645,000)	5,488,356

No shares were granted to key management personnel during the reporting period as compensation (2010: nil). No shares were held by related parties of key management personnel.

Changes in Key Management Personnel in the period after the reporting date and prior to the date when the Financial Report is authorised for issue

There have been no changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorized for issue.

Non-Key Management Personnel Disclosures

Refer to note 29 for details of companies within the Group.

Related Party Transactions

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for capital purchases and general operating expenditure. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. The amount payable by the Company at 30 June 2011 was $23,988K (2010: $20,382K)

Intra group transactions have been eliminated and are not disclosed as related party transactions in the consolidated financial statements, as are all loan balances. Sales made between subsidiaries during the year amounted to approximately $13.1M (2010: $8.1M) and have been eliminated on consolidation.

Other Related Parties

There have been no transactions with other related parties during the period and there were no balances outstanding at period end (2010: nil).

Note 24 I Share Based Payments

The Company has established an employee share option program (ESOP) that entitles senior employees to purchase shares in the Company. The ESOP was designed to provide long term incentives for senior managers and above (including executive directors) to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The options vest on a time scale as specified in the ESOP and are granted under the ESOP for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The maximum term of an option is 5 years from grant date and options are settled in cash.

Options on issue at Period End

The terms and conditions of grants still not exercised at year end are as follows: all options are to be settled by physical delivery of shares.

Grant date	Employees entitled	Number of options	Vesting conditions	Exercise price $	Contractual life (years)	Expiry date
21/01/09	Issued to key management employees and senior employees as announced on 21/01/09	163,500 375,000 670,000	1/3rd vest on 01/07/09, 1/3rd vest on 01/07/10 1/3rd vest on 01/07/11	1.40 1.80 2.20	3 3 3	01/070/12 01/070/12 01/070/12
28/10/09	Granted to executive directors (not yet issued but granted) after shareholder approval at AGM	566,000 566,000 568,000	1/3rd vest on 01/09/10, 1/3rd vest on 01/09/11 and 1/3rd vest on 01/09/12	2.07 2.38 2.74	3 3 3	01/11/11 01/11/12 01/11/13
23/09/09	Issued to key management employees	542,500 590,000 635,000	1/3rd vest on 01/09/10, 1/3rd vest on 01/09/11 and 1/3rd vest on 01/09/12	2.07 2.38 2.74	3 3 3	01/11/11 01/11/12 01/11/13
26/02/10	Issued to senior management pursuant to a prior business acquisition	20,000 20,000	Fully vested on date of issue	1.20 2.64	- -	15/01/14 15/01/15
23/11/10	Issued to key management employees	500,000	Vest 01/09/11	2.50	3	01/11/14
23/11/10	Issued to key management employees	500,000	Vest 01/09/12	2.75	3	01/11/15
23/11/10	Issued to key management employees	500,000	Vest 01/09/13	3.00	3	01/11/16
		6,216,000				

Movement during the Period

The number and exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options
Outstanding at 1 July	2.24	6,085,000		4,216,250
Forfeited during the period	2.46	(612,500)	1.08	(143,751)
Exercised during the period	1.73	(756,500)	1.26	(1,502,499)
Granted during the period	2.75	1,500,000	2.40	3,515,000
Outstanding at 30 June	2.40	6,216,000	2.24	6,085,000
Vested and exercisable	2.29	4,716,000	1.99	3,056,000

Information pertaining to the options outstanding at 30 June 2011 can be seen in the first table

Valuation of Share Options

The fair value of services received in return for share options granted during the period is based on the fair value of share options granted, measured using the binomial lattice model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

Model input	2011	2010
Underlying share price	$2.26	$1.81 & $2.58
Expected volatility	40.00%	42.65%
Contractual life	3 years	3 years
Expected dividends	Nil	Nil
Risk free rate of return	4.94%	4.31%
Grant date	01/12/10	01/07/09 & 28/10/09
Expiry date	01/11/14, 01/11/15 & 01/11/16	01/11/11 & 01/11/13
Dividend yield	1.20%	0%

Volatility is determined by referring to the share price volatility for the 30, 60 and 90 day periods prior to the grant of the options and taking the mid-point and adjusting for any unusual market conditions during that period.

The fair value of share options issued during the period at grant date is as follows:

Option Issue		Exercise price (each) $	Fair value (each) $
23/11/10	500,000	2.50	0.6980
23/11/10	500,000	2.75	0.7220
23/11/10	500,000	3.00	0.7460
28/10/09	566,000*	2.07	0.9375
28/10/09	566,000*	2.38	0.9450
28/10/09	568,000*	2.74	0.9521
23/06/09	550,000	2.07	0.2731
23/06/09	590,000	2.38	0.3503
23/06/09	635,000	2.74	0.4889
26/02/10	20,000	1.20	1.3270
26/02/10	20,000	2.64	0.7950

*Granted but not issued.

During the year $1,591K was expensed as share based payments (2010: $1,306K).

Note 25 I Financial Instruments

Refer note 5 for the Group's financial risk management policy.

Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

	Consolidated	
Current	2011 $'000	2010 $'000
Loans and receivables	**35,741**	25,313
Cash and cash equivalents	**14,513**	17,893
Other financial assets	**-**	-
	50,254	43,206

The Group's maximum exposure to credit risk for trade receivables at the reporting date was all attributable to Australian customers. No collateral is held as security for this credit risk. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' is accepted.

Impairment losses

The ageing of the Group's trade receivables at the reporting date was:

	Consolidated	
	2011 $'000	2010 $'000
Not past due 0-30 days	13,809	12,710
Past due 31-60 days	12,265	4,931
Past due 61-90 days	2,840	2,813
Past due 91 days and over	2,812	4,190
	31,726	24,644

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Consolidated	
Current	2011 $'000	2010 $'000
Balance at 1 July	(699)	(716)
Net impairment loss recognised	327	17
Balance at 30 June	(372)	(699)

The majority of the impairment loss recognised during the current year related to companies who entered administration and were wound up, or amounts receivable were subject to insurance claims, and it was not expected that any, of the full amount, would be recouped.

Based on historic default rates, the Group believes that no general impairment allowance is necessary in respect of trade receivables not past due or past due up to 90 days. Amounts due from customers which are past due 91 days and over generally relate to customers who are traditional late payers but not an impairment risk. Where there is a specific customer related impairment risk then an impairment allowance is made against that customer receivable.

The credit quality of financial assets that are neither past due nor impaired are considered robust and all amounts deemed recoverable with no impairment issues noted by management.

Liquidity Risk

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting agreements:

2011	Consolidated Carrying amount $'000	Contractual cash flows $'000	Within 12 months $'000	1-5 years $'000
Secured bank loans	11,605	12,592	2,544	10,048
Finance lease liabilities	14,492	15,425	4,260	11,165
Trade and other payables	14,886	14,886	14,886	-
	40,983	42,903	21,690	21,213

2010	Consolidated Carrying amount $'000	Contractual cash flows $'000	Within 12 months $'000	1-5 years $'000
Secured bank loans	19,634	21,402	14,989	6,413
Finance lease liabilities	11,438	13,193	4,578	8,614
Trade and other payables	9,851	9,851	9,851	-
	40,923	44,446	29,418	15,027

The Group has successfully negotiated a new banking facility with ANZ Banking Group Limited. A two year rolling facility has been established with suitable headroom to facilitate future growth.

Currency Risk

The Group does not have any material exposure to foreign currency risk as they trade in Australian dollars.

Interest Rate Risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

Fixed rate instruments	2011 $'000	2010 $'000
Financial assets	-	-
Financial liabilities	(22,491)	(14,233)
	(22,491)	(14,233)

Variable rate instruments	2011 $'000	2010 $'000
Financial assets	-	-
Financial liabilities	(3,605)	(16,839)
	(3,605)	(16,839)

The weighted average interest rate during the financial year was 8.79% (2010: 8.60%).

Fair value sensitivity analysis

The Group's financial instruments are non-derivate financial instruments and approximately 86% of the value is at a fixed interest rate for a term of 2 – 3 years. The below sensitivity analysis has been prepared for the total debt despite the fact that 86% of the debt is not sensitive to interest rate change.

A change of 100 basis points in interest rates would have increased or decreased the Group's profit by $286,616 (2010: $339,233) and increased or decreased the Group's equity by the same amount.

Fair Values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated	2011 Carrying amount $'000	2011 Fair value $'000	2010 Carrying amount $'000	2010 Fair value $'000
Loans and receivables	35,741	35,741	25,313	25,313
Cash and cash equivalents	14,513	14,513	17,893	17,893
Secured bank loans	(11,605)	(11,605)	(19,634)	(19,634)
Finance lease liabilities	(14,492)	(14,492)	(11,438)	(11,438)
Trade and other payables	(14,886)	(14,886)	(9,851)	(9,851)
	9,271	9,271	2,283	2,283

There are no differences between carrying amounts and fair values as financial assets and liabilities are carried at fair value (the amount we will outlay in the future to extinguish the financial liability or the amount we expect to receive from others to settle our financial assets).

The basis for determining fair values is disclosed in note 4.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the Government yield curve at the reporting date and were as follows:

	2011	2010
Loans and borrowings	4.8%-5.07%	4.54%-8.95%
Asset finance	6.0%-10.0%	6.0%-10.0%

Note 26 | Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2011 $'000	2010 $'000
Less than one year	**3,277**	1,850
Between one and five years	**9,074**	3,466
More than five years	**-**	-
	12,351	5,316

The Group leases a number of warehouse and office facilities under operating lease as well as crown land from the Department for Planning and Infrastructure (a department of the State Government of Western Australia). The Group also leases some light motor vehicles. Leases typically run for a period of between 3 and 5 years with an option to renew the lease after that date. Lease payments are generally increased in line with CPI on an annual basis or as and when required. During the year ended 30 June 2011 $4,038K was recognised as an expense in the group profit and loss in respect of operating leases (2010: $2,413K).

Note 27 | Capital and Other Commitments

The Group (and Company) was committed to capital expenditure of $371K at 30 June 2011 (2010: $3,879K). The Group was not committed to any other expenditure at 30 June 2011 (2010: nil) except for operating leases as disclosed in note 26.

Note 28 | Contingencies

In April 2001 the Company acquired ELI Eco Logic Australia Pty Ltd (now known as Tox Free (Kwinana) Pty Ltd). Pursuant to the agreement upon acquisition, the Company has an obligation to remediate contaminated soil on the Kwinana site to decontaminate equipment and to treat and dispose of accumulated waste produced by the vendor of the business. This must be done before Tox Free (Kwinana) Pty Ltd vacates the site.

Most of the site has now been remediated; however the estimated cost to the Company to treat the known remaining contaminated soil, decontaminate equipment and treat accumulated waste cannot be reliably measured.

There is no set time frame for treatment of this soil.

The directors are of the opinion that a provision is not required for this amount as the amount is not capable of reliable measurement.

Contingent instruments

The Group had outstanding guarantees to the value of $5,503M (2010: $800K) all of which are expected to be recovered without claim. Bank guarantees are provided in certain customer contracts and property rental agreements as a percentage of the contract sum. Generally, bank guarantees are provided to guarantee the performance of contractual terms until practical completion.

There is no liability that should be recognized in relation to these guarantees.

Apart from those contingencies detailed above, there are no further contingent assets and/or liabilities at the reporting date.

Note 29 | Group Entities

Parent and Ultimate Controlling Entity

The parent and ultimate controlling entity is Tox Free Solutions Limited, incorporated in Australia.

Significant Subsidiaries

Subsidiary	Country of incorporation	Ownership interest 2011	2010
Tox Free (Kwinana) Pty Ltd	Australia	100%	100%
Oil Energy Corporation Pty Ltd	Australia	100%	100%
Tox Free Industrial Solutions Pty Ltd*	Australia	100%	100%
Tox Free (Henderson) Pty Ltd ATF The Specialized Tank Cleaning Unit Trust	Australia	100%	100%
Specialized Investments Pty Ltd*	Australia	100%	100%
Grimefighters Fluidclean Pty Ltd	Australia	100%	100%
Waste Services Australia Pty Ltd	Australia	100%	100%
Tox Free (Queensland) Pty Ltd	Australia	100%	100%
Tox Free (Karratha) Pty Ltd	Australia	100%	100%
Tox Free (New South Wales) Pty Ltd	Australia	100%	100%
Barry Bros. Specialised Services Pty Ltd	Australia	100%	100%
Tox Free (Victoria) Pty Ltd	Australia	100%	100%

*Dormant

In the financial statements of the Company investments in subsidiaries are measured at cost.

Note 30 | Subsequent Events

Acquisition of Waste Solutions (NT) Pty Ltd

The Board of Toxfree is pleased to announce the completion of due diligence and the settlement of the Waste Solutions (NT) Pty Ltd (Waste Solutions) acquisition on Friday 1 July 2011.

The purchase price for the Waste Solutions business is $18 million, comprising $10 million in cash and 3,832,904 fully paid ordinary shares in Toxfree. Half the shares are subject to 6 month voluntary escrow and the remaining half is subject to 12 months escrow.

Waste Solutions is a leading provider of total waste management services in the Northern Territory, of Australia. Services include solid waste management, liquid waste treatment and industrial and hazardous waste management. The Management team of Waste Solutions will remain in place for a minimum two year commitment.

Toxfree is the dominant waste management provider in the North West Region of Australia, providing industrial services, solid, liquid and hazardous waste management. The acquisition of Waste Solutions strengthens Toxfree's position in the growing resource regions of Australia and Toxfree expects to significantly grow the services offered in the Darwin region in the medium term through its expertise in servicing the resource sector.

The provisionally determined fair values of the assets and liabilities as at the date of acquisition are as follows:

	Fair value $'000
Cash	216
Trade debtors	420
Prepayments	40
Plant and equipment	3,700
Other assets	68
Trade and other payables	(313)
Employee entitlements	(77)
Asset finance liabilities	(2,324)
Provision for income tax	(7)
Net indentifiable assets and liabilities	**1,723**
Intangible assets	16,277
Total purchase price	**18,000**
Components of purchase consideration	
Cash paid	10,000
Share capital issued - 3,832,904 shares @ $2.08	8,000
Total purchase consideration	**18,000**

Contingent Consideration

There is no contingent consideration to be paid.

Acquired Receivables

Acquired receivables are not impaired.

Purchase Consideration – cash outflow

	2011 $'000	2010 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	10,000	-
Less: Liabilities acquired	(2,321)	-
Add: Settlement adjustment	415	-
Outflow of cash	**8,094**	-

Acquisition related costs

Acquisition related costs of $136K are included in administration expenses in profit and loss and in operating cash flows in the statement of cash flows.

Except for the event disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Acquisition of Pilbara Waste Pty Ltd

The board of Tox Free Solutions Ltd (Tox Free) announced on the 29th of September 2011 that it has entered into an agreement to acquire Pilbara Waste Pty Ltd based in Port Hedland, Western Australia. The acquisition is subject to due diligence with completion expected to occur within October 2011.

The purchase price for the Pilbara Waste business is $4.54 million in cash. In addition, Tox Free will assume the current vehicle finance leases to the value of $1 million. The value of Pilbara Waste fixed assets is approximately $3 million which are included in the sale price.

Tox Free is the dominant waste management provider in the North West Region providing industrial services, solid, liquid and hazardous waste management. Tox Free expects to grow the services offered in the Pilbara region in the medium term through its expertise in servicing the resource sector. The acquisition will further position Tox Free as a leading provider of industrial and waste management services in the region.

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Pilbara Waste Pty Ltd. In particular, the fair values of the assets and liabilities have not been finalised.

Note 31 I Auditor's Remuneration

	Consolidated	
	2011 $'000	2010 $'000
Audit and other assurance services		
Auditor's of the company		
BDO (Audit) WA Pty Ltd		
Audit and review of financial reports	104	124
Total remuneration for audit and other assurance services	104	124
Non-audit and assurance services		
Tax compliance services including tax effect accounting calculations review	128	117
Total non-audit and assurance services	128	117
Other services		
Strategic planning and other consultancy services	28	6
Other	4	-
Total other services	32	6
Total remuneration	264	247

Note 32 | Earnings per Share

Basic earnings per share

	2011 Cents	2010 Cents
From continuing operations attributeable to the ordinary equity holders of the company	12.89	9.25
From discontinued operation	-	-
Total basic earnings per share attributable to the ordinary equity holders of the company	12.89	9.25

Diluted eanings per share

	2011 Cents	2010 Cents
From continuing operations attributeable to the ordinary equity holders of the company	12.48	9.12
From discontinued operation	-	-
Total diluted earnings per share attributable to the ordinary equity holders of the company	12.48	9.12

Reconciliation of earnings used in calculating earnings per share

Basic earnings per share

	2011 \$'000	2010 \$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	11,865	7,964
	11,865	7,964

Diluted eanings per share

	2011 \$'000	2010 \$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
Used in calculating basic earnings per share	11,865	7,964
Add: potential interest earned on proceeds from conversion of share options	216	35
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	12,081	7,999

Weighted average number of shares used as the denominator

	2011 Number	2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	91,985,108	86,087,813
Adjustments for calculation of diluted earnings per share		
Options	4,716,000	1,594,584
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	96,701,108	87,682,398

Note 33 | Deed of Cross Guarantee

Tox Free Solutions Ltd and each of the subsidiaries listed in note 29 are parties to a deed of cross guarantee under which each company guarantees the debt of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Note 34 | Reserves

Reconciliation of movements in reserves:

Reserve		
Consolidated 2011	Share based payment \$'000	Total \$'000
Balance at 1 July	3,604	3,604
Share based payments	1,591	1,591
Balance at 30 June	5,195	5,195

Reserve		
Consolidated 2010	Share based payment \$'000	Total \$'000
Balance at 1 July	2,297	2,297
Share based payments	1,307	1,307
Balance at 30 June	3,604	3,604

Directors' Declaration | for the year ended 30 June 2011

1. In the opinion of the directors of Tox Free Solutions Limited (the "Company"):

   (a) the financial statements and notes and the remuneration disclosures that are contained in the remuneration report in the directors' report, set out on pages 11 to 17, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

   (b) the remuneration disclosures that are contained in the remuneration report in the directors' report for the year ended 30 June 2011 comply with section 300A of the *Corporations Act 2001* and the *Corporations Regulations 2001;*

   (c) The Company has included in the note to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards; and

   (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of directors:

Dated at Perth on this the 30th day of September 2011.

ROBERT McKINNON | Chairman

BDO

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TOX FREE SOLUTIONS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Tox Free Solutions Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Tox Free Solutions Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Tox Free Solutions Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Tox Free Solutions Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien
Director

Perth, Western Australia
Dated this 30th day of September 2011

ASX Additional Information | for the year ended 30 June 2011

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 31 August 2011)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Ordinary shares Number of shares
IOOF Holding Limited	12,095,478
Fisher Funds Management Limited	7,905,916
Australian Foundation Investment Co	6,254,125

Distribution of equity security holders

Band of shareholdings (as at 31 August 2011)	Ordinary shares Number of shareholders
1 – 1,000	818
1,001 – 5,000	1,484
5,001 – 10,000	589
10,001 – 100,000	639
100,001 and over	58
	3,588

Voting rights

There are no restrictions on voting rights attached to ordinary shares. On a show of hands every member present in person shall have one vote upon a poll, every member present or by proxy shall have one vote for every share held.

There are no voting rights attached to options.

Share options

Option issue		Number of holders	Expiry date	Exercise price $
21/01/09	163,500 options	11	01/07/12	1.40
21/01/09	375,000 options	13	01/07/12	1.80
21/01/09	670,000 options	14	01/07/12	2.20
08/12/09	566,000 options	2	01/11/11	2.07
08/12/09	542,500 options	12	01/11/11	2.07
08/12/09	590,000 options	13	01/11/12	2.38
08/12/09	635,000 options	13	01/11/13	2.74
26/02/10	20,000 options	1	15/01/14	1.20
26/02/10	20,000 options	1	15/01/15	2.64
23/11/10	500,000 options	1	01/11/14	2.50
23/11/10	500,000 options	1	01/11/15	2.75
23/11/10	500,000 options	1	01/11/16	3.00

On-market Buy Back

There is no current on-market buy back.

Twenty largest shareholders

	Shareholders (as at 31 August 2011)	Ordinary shares Number of shares	Ordinary shares % of issued shares
1	National Nominees Limited	11,047,494	11.45
2	J P Morgan Nominees Australia Limited	8,134,057	8.43
3	Aust Executor Trustees NSW Ltd <TEA Custodians Limited>	7,905,916	8.19
4	Australian Foundation Investment Company Limited	6,254,125	6.48
5	HSBC Custody Nominees (Australia) Limited	4,969,228	5.15
6	Citicorp Nominees Pty Limited	3,764,034	3.90
7	Mirrabooka Investments Limited	3,706,150	3.84
8	Cogent Nominees Pty Ltd	3,118,474	3.23
9	Amcil Limited	2,202,334	2.28
10	South Sea (NT) Pty Ltd <Zamic Family Trust>	1,916,452	1.98
11	Glide Point Pty Ltd <Merimbula Family Trust>	1,916,452	1.98
12	Horizon Equity Consulting Pty Ltd	1,700,000	1.76
13	JP Morgan Nominees Australia Limited <Cash Income A/C>	1,595,913	1.65
14	Aust Executor Trustees Ltd <Charitable Foundation>	1,253,606	1.30
15	The Australian National University	850,000	0.88
16	Rosalea Pty Ltd <Marilyn Burton S/F No 1 A/C>	826,387	0.85
17	Mr Stephen James Gostlow	726,387	0.75
18	Escor Investments Pty Ltd	550,000	0.57
19	Queensland Investment Corporation	524,264	0.54
20	Dalecross Holdings Pty Ltd <W & J Rees Investment A/C>	501,387	0.52
		63,462,650	65.76

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