



ASX ANNOUNCEMENT

Strategic Acquisition to Enhance Hazardous Waste Strategy

15 December 2011

ASX Limited

Tox Free Solutions Limited (“Toxfree”) today announces that it has signed a binding acquisition agreement with DoloMatrix International Limited (“DoloMatrix”) under which (subject to the satisfaction of certain conditions precedent) Toxfree will acquire Chemsal, BCD Technologies, Entech Industries and Waste Audit, from DoloMatrix, for \$58.0 million.¹

Highlights:

- **The Chemsal and BCD Technologies businesses are leading providers of hazardous waste collection and destruction services, with facilities in Sydney, Melbourne, Brisbane, Adelaide and Perth**
- **Entech Industries and Waste Audit are specialist environmental consulting businesses**
- **The acquisition is highly complementary to Toxfree’s existing operations, and will materially enhance Toxfree’s hazardous waste management services**
- **The acquisition will position Toxfree as the leading provider of hazardous waste management services in Australia**
- **Highly experienced employee base will add significant value to Toxfree’s intellectual capital and capabilities**
- **In aggregate, the acquired businesses are estimated to deliver full year FY2012 EBITDA of \$11.5 million²**
- **Excluding transaction costs, Toxfree is acquiring the businesses on 5.0x estimated FY2012 EBITDA**
- **The acquisition is expected to deliver EPS accretion of 11% on a FY2012 full year pro forma adjusted basis (based on broker estimates for Toxfree)³**
- **The acquisition is a 100% cash acquisition, conditional on approval by DoloMatrix shareholders**

¹ The purchase price does not include acquisition costs and is subject to a post-completion working capital /tax mechanism which may result in an adjustment; Toxfree will not be assuming any cash or debt (other than trade creditors, provisions and other payables) from DoloMatrix, nor will it be responsible for any of DoloMatrix’s acquisition costs

² FY2012 estimated EBITDA of \$11.5 million assumes: pro forma full year basis; realisation of \$1.5 million in head office cost savings; no potential revenue or operational cost synergies

³ Including realisation of \$1.5 million in head office synergies; adjusted for expensed transaction costs and acquired intangible amortisation; excludes impact of SPP

- DoloMatrix's board of directors have unanimously recommended that DoloMatrix shareholders vote in favour of the transaction, in the absence of a superior proposal
- Directors of DoloMatrix have indicated their intention to vote in favour in respect of their own interests, in the absence of a superior proposal
- DoloMatrix has advised Toxfree that shareholders Weston Aluminium and CVC Limited have indicated that it is their present intention to vote in favour of the transaction, in the absence of a superior proposal
- The acquisition will be partly funded through a fully underwritten institutional placement for \$27 million and a committed debt facility for \$40 million with Australia and New Zealand Banking Group Limited (ANZ)
- Toxfree intends to offer a Share Purchase Plan (SPP) at the same price as the institutional placement

Background on Acquired Businesses

Chemisal and BCD Technologies are leading waste management businesses specialising in waste collection, recycling and destruction services within the hazardous waste sector. Chemisal and BCD Technologies operate facilities in Brisbane, Sydney, Melbourne, Adelaide and Perth. Entech Industries and Waste Audit are environmental consulting businesses. In aggregate, the businesses delivered revenue of \$33.8 million in FY2011.⁴

- **Chemisal**
 - Chemical collection and recycling
 - Head office and main operations in Laverton North, Victoria
 - Services include collection, storage, treatment, recycling, reuse, resale and disposal of hazardous waste streams
 - Warehousing and treatment facility in Laverton North (Vic) and warehousing facility in St Marys (NSW)
 - 2011 Revenue: \$21.4 million
- **BCD Technologies**
 - Waste destruction
 - BCD Technologies provides services to organisations requiring disposal of hazardous waste
 - Narangba (Qld) facility is licensed to process and treat persistent organic pollutants
 - Tottenham (Vic) facility is the only facility in Australia capable of treating ozone depleting substances
 - SRL Plasma - markets, manufactures, supports and further develops the PLASCON waste destruction technology and associated equipment
 - 2011 Revenue: \$9.6 million
- **Entech Industries and Waste Audit**
 - Consulting and Project businesses
 - Entech Industries - specialised environmental services business with a focus on environmental chemistry and waste management
 - Waste Audit and Consultancy Services - providing waste solution reporting, advice and assessments to industry
 - 2011 Revenue: \$2.8 million

The value of property, plant and equipment included in the acquisition is \$23 million.

⁴ Aggregate external revenues

Strategic Rationale

The acquisition represents an attractive opportunity for Toxfree to expand its services in hazardous waste and enhance its hazardous waste strategy throughout Australia:

- Chemsal and BCD Technologies operate in an attractive and expanding segment benefiting from a structural shift from landfill towards environmentally sustainable waste treatment and resource recovery
- Treatment and warehousing facilities are well located in relation to Toxfree's operations, with the potential for expansion and upgrade
- BCD Technologies' Narangba (QLD) waste destruction facility will complement Toxfree's existing hazardous waste business in Brisbane, creating a new regional hub for Toxfree
- Chemsal's St Mary's (NSW) and Laverton North (VIC) facilities will significantly enhance Toxfree's existing presence in the key Sydney and Melbourne markets, and provide a platform for further expansion in the East Coast markets
- The technologies of BCD Technologies and Chemsal greatly enhance Toxfree's existing hazardous waste treatment technologies
- Acquisition will enable an expansion of Toxfree's customer base and service offering in the key East Coast markets
- Profitable businesses with high operating margins

Steve Gostlow, Managing Director of Toxfree, said, "Chemsal and BCD Technologies will enhance Toxfree's earnings and asset base, and will position Toxfree as the industry leader in the hazardous waste sector in Australia."

"Hazardous waste management is an attractive market for Toxfree, with strong growth underpinned by increased processing of hazardous materials and demand for specialist treatment and destruction services."

"Chemsal and BCD Technologies will add significantly to Toxfree's existing presence in the hazardous waste sector and will materially expand our service offering for clients throughout Australia," said Steve Gostlow.

Overview of the Combined Group

The combined business will be the leading hazardous waste business in Australia, with:

- a national footprint and a leading market position in an important and expanding industry with unique licences and waste management technologies
- a broader operational management team with improved opportunities for staff in both organisations,
- a broader range of services in collection, recycling and destruction
- operator of hazardous waste destruction technologies on both the east and west coasts of Australia, and
- an improved customer offering and broader client base.

Transaction Summary

Toxfree and DoloMatrix have entered into a binding acquisition agreement whereby Toxfree will acquire the operating subsidiaries of DoloMatrix (being Chemsal, BCD Technologies, Entech Industries, and Waste Audit), along with various related assets, for cash consideration of \$58.0 million. The purchase price may be subject to a post-completion adjustment following determination of the working capital / tax position of the acquired businesses.

Toxfree is acquiring the business assets, PP&E, intellectual property, inventory and trade receivables in the businesses. Toxfree will assume trade creditors and certain employee entitlements, but will not be assuming any of the cash or bank debt within DoloMatrix.

The acquisition will be subject to DoloMatrix shareholders approving the acquisition. DoloMatrix has confirmed that its directors have indicated their intention to unanimously recommend that DoloMatrix shareholders vote in favour of the transaction in the absence of a superior proposal, and to vote in favour in relation to their own legal or beneficial interests (and, where applicable, have also confirmed that the shareholders whose interests they represent will also vote in favour), in the absence of a superior proposal.

The acquisition agreement contains customary exclusivity provisions including no-talk, no shop, no due diligence and a \$500,000 break fee payable to Toxfree in certain circumstances. Toxfree has also agreed to pay DoloMatrix a \$500,000 break fee in certain circumstances.

The DoloMatrix shareholder vote is expected to take place in late January, 2012.

Financial Impact on Toxfree

The acquisition is expected to have the following effect on Toxfree:

- Adjusted EPS accretion of 11% in FY2012 on a full year pro forma adjusted basis (based on broker consensus estimates for Toxfree)
- Significant increase in revenue and higher EBITDA margin
- Opportunity for realisation of significant corporate cost synergies
- Pro forma gearing post acquisition and equity raising of 42% (Net Debt / Equity)⁵

Following the acquisition, Toxfree will retain a strong balance sheet with material additional head room under new facilities.

Transaction Funding

The cost of the acquisition will be funded by a combination of

- \$40 million in draw down from new debt facilities, and
- \$27 million from an underwritten equity placement.

The debt component of the transaction will be funded through a new facility provided by Australia and New Zealand Banking Group Limited (ANZ).

Toxfree has today launched a fully underwritten equity placement to raise \$27 million to partly fund the acquisition and for general working capital purposes. The placement will be undertaken by way of a bookbuild from a base price of \$1.91 per share, representing a 7.7% discount to the 5 day VWAP and will result in a maximum issue of approximately 14.1 million new ordinary shares. The institutional placement is fully underwritten.

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

⁵ Pro forma based on Toxfree balance sheet as at 30 June 2011 adjusted for Waste Solutions NT acquisition; excludes any proceeds from SPP

In addition, Toxfree will offer a Share Purchase Plan (SPP) at the same price as the institutional placement. Toxfree will offer eligible shareholders as at 4:00pm Perth time on 14 December 2011 (the Record Date) an opportunity to participate in the SPP allowing them to acquire up to \$10,000 in new Toxfree shares. The SPP will be subject to a scale back at the discretion of Toxfree directors. Details of the SPP will be sent to shareholders in the near future.

Key Dates

SPP Record Date	Wednesday 14 December 2011
Institutional Book build	Thursday 15 December 2011
Placement Settlement Date	Wednesday 21 December 2011
Allotment and trading of Placement shares	Thursday 22 December 2011

Outlook

Toxfree is experiencing strong growth in revenue and earnings in the current period and is trading in line with market expectations for the full year.

Further information

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

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

For further information, please contact:

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About Tox Free Solutions Ltd (ASX code: TOX)

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

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