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Tox Free Solutions Ltd

First Half FY11 Results Presentation

March 2011

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www.toxfree.com.au

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Agenda

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Capital Structure

ASX CODE – TOX		
Shares on issue	91,905,500	
Unlisted employee options	5,912,000	
No. of shareholders	4,055 (approx)	
Market Capitalisation	$210 m (approx)	
Substantial shareholders	IOOF	13.8%
	Fisher Funds Management Ltd	8.0%
	Australian Foundation Investment Co	6.8%
	Board & Management	6.0%

Company Profile

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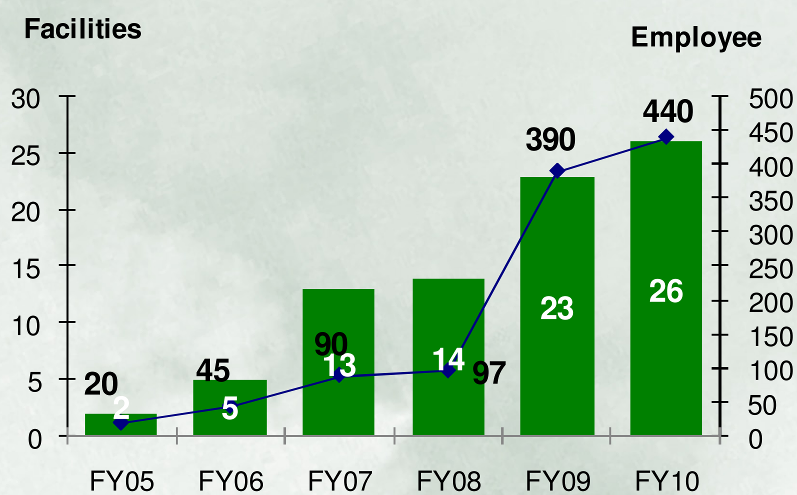
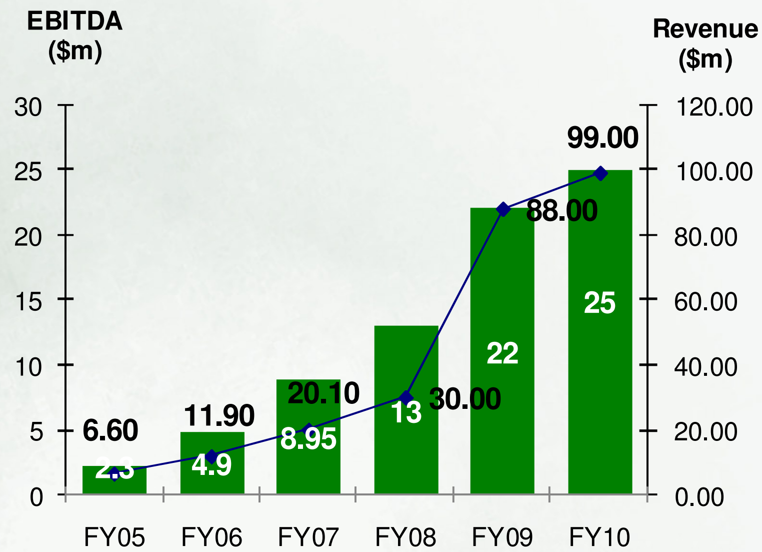
- One of the largest industrial service and waste management businesses in Australia
- Expertise in industrial services and waste management
- Strategically located facilities throughout Australia
- Provide diverse number of industrial and waste services through all market sectors
- Unique licenses and specialist technologies
- Focus on competitive advantage through service delivery, safety, sustainable waste management practices, treatment licenses and technologies
- Growth - combination of acquisition, green field development and organic

Our Track Record

- 490 employees at 1 January 2011
- National footprint – 26 Sites Nationally





Site Locations

Industrial Services

Waste Management Facilities

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FY11 First Half Results Summary

- Revenue up 40% to $65.2M (1H FY10 = $46.7M)
- EBITDA up 18% to $14.2M* (1H FY10 = $12.0M*)
- EBIT up 13% to $8.7M* (1H FY10 = $7.7M*)
- NPAT up 18% to $5.4M* (1H FY10 = $4.6M*)
- Zero Lost Time Injuries
- Debt to equity = 33% (1H FY10 = 35%)
- Interest Cover - 6 times (EBIT) and 10.5 times (EBITDA)
- Debt write off of $1.2M (NPAT) due to debtor in liquidation
- Qld and Carnarvon floods negatively affected operations in Dec 2010
- New banking facility commenced with ANZ to support the business plan with head room for growth
- $140 million of tendered contracts pending

^Excludes share based accruals of $802K and debt write off of $1.2 M (NPAT)

FY11 First Half – Key Highlights

- Award of Apache Energy Total Waste Management Contract (October 2010)
- Successfully commenced operations for Rio Tinto Iron Ore, Minara Resources (Murrin Murrin), Apache Energy and Boral Cement – meeting both customer and business expectations
- Strong operational performance from all divisions particularly North West WA, South West WA, Central Queensland and Victorian Operations
- Municipal Industrial Services in Sydney, Brisbane and Gold Coast delivered softer performance than budgeted due to persistent rainfall
- Focus on strategy - contract opportunities to target industry is achieving results
- Investment in systems and management expertise to provide for growth opportunities and manage risk
- Appointment of new Chairman (Bob McKinnon) and Chief Operating Officer (Peter Goodwin)

FY11 First Half Results

Group Results	1H FY10 ($'000)	1H FY09 ($'000)	% Change
Revenue	65,287	46,703	40%
EBITDA^	14,221	12,080	18%
Depreciation	(5,523)	(4,370)	26%
EBIT^	8,698	7,710	13%
Net Interest	(1,111)	(1,349)	-18%
Profit before tax^	7,587	6,361	19%
Income tax expense	(2,148)	(1,738)	24%
Net profit after tax^	5,439	4,623	18%
EPS	5.93 cents	5.13 cents	16%
Number of shares on issue at balance date	91.6 million	90.1 million	2%

^ Excludes share based accruals of $802K and debt write off of $1.2 M (NPAT)

Group Cash Flow

Group Cash Flow	1H FY11 ($'000)	1H FY10 ($'000)	% Change
Gross operating cash flow	3,727	10,232	-64%
Net interest paid	(1,111)	(1,349)	-18%
Income taxes paid	(2,680)	(2,470)	9%
Net operating cash flows	**(64)**	**6,413**	**-101%**
Net purchases of PP&E	(11,272)	(6,082)	85%
Net investing cash flows	**(11,272)**	**(6,082)**	**85%**
Net proceeds from borrowings/(repayment of borrowings)	(748)	(3,003)	75%
Dividends paid	(1,836)	-	-
Proceeds from the issue of share capital (net of capital raising costs)	456	24,271	-98%
Net financing cash flows	**(2,128)**	**21,268**	**-110%**
Net increase/(decrease) in cash	**(13,464)**	**21,598**	**-162%**
Cash at the beginning of the half year	17,894	4,577	291%
Cash at the end of the half year	**4,430**	**26,175**	**-83%**

Balance Sheet

Balance Sheet	31 December 2010 ($'000)	30 June 2010 ($'000)	% Change
Cash	4,430	17,893	-75%
Trade and other receivables	34,701	25,313	37%
Inventories	1,159	434	167%
Prepayments	605	331	84%
Tax assets	2,297	1,791	28%
Property, plant and equipment	63,881	58,628	9%
Goodwill	27,580	27,490	-
Total assets	**134,653**	**131,880**	**2%**
Trade and other payables	10,517	9,851	7%
Loans and borrowings	30,324	31,072	-2%
Employee benefits	2,509	2,054	22%
Tax liabilities	(171)	259	-166%
Total liabilities	**43,179**	**43,236**	**-**
Total equity	**91,475**	**88,644**	**3%**
GROSS DEBT TO EQUITY	**33%**	**35%**	

Cash Flow and Balance Sheet

- Cash flow impacted by commencement of large contracts
- Contract payment process has now been streamlined so that contract payment terms are adhered to
- January and February debtor collections have resulted in improved cash flow and reduction in days outstanding
- Strong balance sheet – 33% debt to equity
- New banking facility established with adequate headroom to support future growth
- Debtors will continue to be a significant focus point
- Focus on greater than 18% ROIC (which includes debtors) is the main KPI target across the group
- FY10 Dividend paid during period

1H FY11 Segment Results

	Revenue 1H FY2011 $'000	Revenue 1H FY2010 $'000	Variance %	EBIT 1H FY2011 $'000	EBIT 1H FY2010 $'000	Variance %
Liquid Waste	5,772	5,146	12%	1,992	1,928	3%
Hazardous Waste	8,014	6,701	20%	3,501	3,059	14%
Solid Waste	18,346	7,504	144%	4,402	2,443	80%
Industrial Services	33,155	27,352	21%	4,542	3,859	18%
Corporate	-	-	-	(5,739)	(3,579)	60%
Group Result	65,287	46,703	40%	8,698	7,710	13%

Comments
Significant Solid Waste growth – organic as well as contribution from new long term waste management contracts
Industrial Services performed strongly – addition of new contracts with Boral Cement, Murrin Murrin and Rio Tinto
Corporate overhead includes $800 K of one off expenses relating to litigation, consultant and recruitment expenses
Investment in human capital and systems to plan for future growth and manage risk – underlying overhead of 7.5% of revenue
Liquid Waste division improved – Kwinana performance was a highlight

Segment Margin Analysis

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	Full year 2009 %	H1 2010 %	H2 2010 %	Full year 2010 %	H1 2011 %
Industrial services	**13%**	14%	12%	**13%**	*14%*
Solid waste	**30%**	33%	27%	**29%**	*24%*
Hazardous waste	**42%**	46%	44%	**45%**	*44%*
Liquid waste	**38%**	37%	35%	**36%**	*35%*

Comments
1H 2011 Industrial Service margins improved – attributed to new contracts in Resource sector even with softer municipal results in Sydney and Brisbane
Reduced 1H FY11 Solid Waste margins reflect greater contribution from long term contracts to revenue
Hazardous Waste margins continue to remain strong
1H 2011 Liquid Waste margins remain stable

Operations – Industrial Services

- Commenced operations under long term contract to Boral Cement, Rio Tinto Iron Ore and Minara Resources (Murrin Murrin)
- Central Queensland industrial services targeted at resource sector is gaining momentum
- Rio Tinto contract performing well following initial delay in equipment to site
- Murrin Murrin contract performing well – additional hydrocarbon waste management services added to contract – Example of strategy to offer additional integrated services
- Boral Cement Contract – significant step towards long term contracted revenue to target industry on east coast of Australia
- Flooding in Queensland negatively affected operations in December 2010
- Expansion of Industrial Services targeted at resource sector will continue - tendered contracts pending

Operations – Solid Waste

- Revenue growth of 144% to $18.3 million
- Pilbara and South West regions were the best performing regions
- Kimberley solid waste services performed solidly – Derby regional centre a highlight
- Woodside and Toll Energy (Gorgon) contracts continue to meet Company and customer expectations
- Flooding in Carnarvon WA negatively affected operations in December 2010
- Growth expected to continue through services to Apache Energy (contract awarded in October 2010, further award of total waste management contracts as well as continued development of Gorgon LNG development
- Woodside Pluto Waste Management Services expected to commence in FY12
- Strategically positioned for longer term development of the resources sector in the Pilbara and Kimberley region

Operations – Hazardous Waste

- Hazardous waste volumes remain strong on 44% EBIT margin
- Kwinana and Brisbane facilities were stand out performers
- Envirochem Technologies - integration complete and performing to expectations
- St Marys facility has continued to improve its operational performance
- Upgrade of the high temperature incinerator has commenced following technology review and board approval
- Brisbane waste facility upgrade – EPA approvals granted with construction nearing completion
- Tox Free has the only national network of hazardous waste management facilities Australia wide

Operations – Liquid Waste

- Volumes of liquid waste increased in period reflecting improved operating conditions in the manufacturing sector
- Margins remain strong at 35%
- New liquid waste treatment technology implemented in December 2010 – improved treatment efficiencies expected
- Organic Growth expected from further award of total waste management contracts and continued development of sales strategy
- Brisbane liquid waste volumes from the manufacturing sector have improved however they are still considerably below 2008 levels
- Commissioning of Brisbane waste facility upgrade will provide for future volume growth

Strategy

- Offer of safe and reliable industrial and waste management services to industry
- Provision of Hazardous Waste Management services nationally
- Focus on resource sector including WA, Qld, Hunter Valley and Northern Territory
- Industrial service and waste management market within the resource sector is estimated at $2 billion and growing – Tox's market share is currently 1%
- Targeting returns on invested capital after tax of 18%
- LNG growth expected to increase from 20 mtpa to over 100 mtpa over the next 10 years
- Resource capital expenditure estimated at $200 billion over the next 5 years

Outlook

Earnings growth to continue in FY11 and beyond through;

- Continued contract growth and improvement in contract efficiencies – Apache, Toll Energy, Rio Tinto Iron Ore, Woodside, Boral Cement and Murrin Murrin
- Incinerator upgrade to be complete in early FY12
- Award of further contracts – $140 million tendered and pending
- Acquisitions – acquiring other businesses that complement our Corporate Strategy
- Organic growth of core business - Economic activity stimulated by Western Australian and Queensland resource projects
- Brisbane Waste Facility Upgrade – Approvals granted, commissioning underway
- Continued market penetration in all resource hubs of Australia
- Continued focus on debtor collections

Our Competitive Advantage

- Unique licenses
- National footprint
- Intellectual property – waste treatment, industrial services, safety standards and equipment specifications tailored to our clients needs
- Able to offer a “One Stop Shop” to industry – integrated industrial services and / or waste management
- Controlling the back end – “waste manager” not just “a collector”
- Technical know how
- Blue chip referees and proven service performance
- Solution provider industry can rely on
- New benchmarks in regard to safety, environmental and operational performance of our mobile vehicle fleet

Questions?

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