



ASX ANNOUNCEMENT

NOTICE OF ANNUAL GENERAL MEETING

15 October 2012

Tox Free Solutions Limited wishes to advise the despatch of the notice of Annual General Meeting to shareholders.

Yours faithfully

David McArthur
Company Secretary

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.

24 Sangiorgio Court, Osborne Park WA 6017

P: +61 08 6216 7000 F: +61 08 6216 7001

For more information please contact investors@toxfree.com.au

safe.reliable.sustainable

08 6216 7000
www.toxfree.com.au

TOX FREE SOLUTIONS LIMITED
ABN 27 058 596 124



NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM AND EXPLANATORY MEMORANDUM

DATE OF MEETING

14 November 2012

TIME OF MEETING

11.00 am (WST)

PLACE OF MEETING

Tamala Room
WA Ecology Centre – Bold Park
165 Perry Lakes Drive, Floreat
Perth, Western Australia

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Tox Free Solutions Limited ("Company") will be held at 11.00am (WST) on Wednesday 14 November 2012, at Tamala Room, WA Ecology Centre – Bold Park, 165 Perry Lakes Drive, Floreat, Perth, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (Sydney time) on 12 November 2012.

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

2012 Accounts

To receive and consider the annual financial report, the Directors' report and the auditor's report for the financial year ended 30 June 2012 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 2012 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 2012 be adopted."

Note 1: the vote on this Resolution is advisory only and does not bind the Directors of the Company.

Note 2: If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election.

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,
- (collectively, a "Prohibited Voter").

However, a Prohibited Voter may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the Prohibited Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

Ordinary Resolution 2: Re-election of Mr Michael Humphris as a Director

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

"That Mr Michael Humphris, who retires by rotation in accordance with rule 13.2 of the Company's constitution, and being eligible, be re-elected as a Director."

Ordinary Resolution 3: 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 purposes of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the issue and allotment of 13,503,726 Shares issued on terms and conditions outlined in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 3 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 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is 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 4: Issue of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow

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 and authorise the Directors to grant Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow and to allot and issue Shares on the vesting of the Performance Rights and Share Appreciation Rights in accordance with the terms of the Executive LTI Plan, as detailed in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 4 by Mr Gostlow and any of his associates.

However, the Company need not disregard a vote on this Resolution if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is 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.

Special Resolution 5: Approval of Financial Assistance

To consider and, if thought fit, to pass the following as a special Resolution:

"That for the purposes of sections 260B(2) of the Corporations Act and for all other purposes, approval is given for financial assistance to be provided by the Acquired Companies (as defined in the accompanying Explanatory Memorandum) in connection with the Acquisition (as defined in the accompanying Explanatory Memorandum)."



By order of the Board
D M McARTHUR
Company Secretary

Dated: 30 September 2012

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.

FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report, the Directors’ report and the auditor’s report for the financial year ended 30 June 2012 and the Directors’ declaration on the accounts.

A copy of the Company’s 2012 Annual Report is available on the Company’s ASX platform (ASX: TOX) and on the website www.toxfree.com.au. Alternatively, a hard copy will be made available upon request.

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.

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 2012.

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

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a “spill resolution”) that another meeting be held within 90 days at which all of the Company’s Directors (other than the Managing Director and CEO) must stand for re-election.

Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

(a) If you appoint a member of the Key Management Personnel (other than the Chair) as your proxy

If you elect to appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, **you must direct the proxy how they are to vote**. Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

(b) If you appoint the Chair as your proxy

If you elect to appoint the Chair as your proxy, you **do not** need to direct the Chair how you wish them to exercise your vote on Resolution 1, however if you do not direct the Chair how to vote, **you must tick the acknowledgement on the proxy form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel**.

(c) If you appoint any other person as your proxy

You **do not** need to direct your proxy how to vote, and you **do not** need to tick any further acknowledgement on the Proxy Form.

ORDINARY RESOLUTION 2:

Re-election of Mr Michael Humphris Director

Clause 13.2 of the Company’s Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) 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 Michael Humphris retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr Humphris is set out in the Company’s 2012 Annual Report.

Recommendation

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

ORDINARY RESOLUTION 3:

Ratification of Previous Issue of Shares

Background

Resolution 3 seeks Shareholder ratification for the issue of 13,503,726 Shares issued on 16 December 2011. On 16 December 2011, the Company announced the completion of a placement to institutional investors to raise gross proceeds of approximately

\$27 million to partly fund the acquisition of various companies and related assets from DoloMatrix International Ltd (“**DoloMatrix**”) (further details in respect of which are set out below in relation to Resolution 5).

ASX Listing Rule Requirements

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 purposes of ASX Listing Rule 7.1.

By ratifying this issue of Shares, 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 3:

- the number of Shares which the Company issued was 13,503,726;
- the price for the issue of those Shares was \$2.00 per share to raise approximately \$27 million;
- the Shares issued were fully paid ordinary shares and rank pari passu with the Company’s existing Shares;
- the Shares were issued to investors through Morgan Stanley and Evans and Partners in accordance with the provisions of section 708 of the Corporations Act;
- the funds raised from the placement were used to partly fund the acquisition of DoloMatrix International Limited’s subsidiaries; and
- a voting exclusion statement is provided in Resolution 3 of the Notice.

No related parties of the Company participated in the placement.

Recommendation

The Directors believe it is in the best interests of the Company to ratify the issue of the ordinary shares described above and recommend that Shareholders vote in favour of Resolution 3.

ORDINARY RESOLUTION 4:

Issue of Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow

Resolution 4 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.

The structure of Mr Gostlow’s remuneration package has been brought into line with market practice, whereby LTI forms a key component of his total annual remuneration. A significant portion of his total annual remuneration has been 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.

Quantum

The appropriate LTI grant quantum to be issued to Mr Gostlow for the financial year ending 30 June 2013 (“**FY13**”) has been determined with reference to current market practice. For FY13, the dollar value of the LTI grant will be determined as 50% of Mr Gostlow’s FY13 base salary (ie. an LTI grant of \$ 215,250 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. \$ 107,625 worth of Performance Rights and \$107,625 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:

$$\begin{array}{rcl} \text{Number of Performance Rights/Share} & & \text{LTI quantum (\$)} \\ \text{Appreciation Rights to be granted} & = & \text{FV of one Performance Right/} \\ & & \text{Share Appreciation Right} \end{array}$$

Performance Rights allocation

- 50% of the Performance Rights are measured against the relative total shareholder return (“**Relative TSR**”) hurdle – with the FV for reward allocation purposes determined to be \$1.65 per Performance Right.
 - $(107,625 \times 50\%) / \$ 2.32 = 23,195$ Performance Rights
- The remaining 50% of the Performance Rights are measured against the absolute earnings per Share (“**Absolute EPS**”) hurdle – with the FV for allocation purposes determined to be \$2.32 per Performance Right.
 - $(107,625 \times 50\%) / \$ 2.32 = 23,195$ Performance Rights

Therefore, the total number of Performance Rights to be granted = 55,808.

EXPLANATORY MEMORANDUM - CONTINUED

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 \$0.48 per Share Appreciation Right.
 - $(107,625 \times 50\%) / \$ 0.48 = 112,109$ 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 \$0.50 per Share Appreciation Right
 - $(107,625 \times 50\%) / \$ 0.50 = 107,625$ Share Appreciation Rights

Therefore, the total number of Share Appreciation Rights to be granted = 219,734

Performance period

The FY13 LTI grant will be performance tested from 1 July 2012 through to 30 June 2015. 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 FY13 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 FY13 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 FY13 LTI grant is 10 % compound average growth rate.

The Absolute EPS portion of the FY13 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 requirements

ASX Listing Rule 10.14 provides that a company must not permit a director to acquire securities under an employee incentive scheme (such as the Executive LTI Plan) without the prior approval of holders of ordinary securities. Accordingly, under Resolution 4, approval is sought for the issue of the Performance Rights and Share Appreciation Rights, and Shares upon the vesting of the Performance Rights and Share Appreciation Rights to Mr Stephen Gostlow.

ASX Listing Rule 10.15 requires the following information to be included in this Notice:

- The Performance Rights and Share Appreciation Rights will be granted to Mr 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 55,808 Performance Rights and a maximum of 219,734 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.
- Since the Executive LTI Plan was approved on 24 November 2011 being the date the last approval was sought in accordance with ASX Listing Rules 10.14 and 10.15, 57,918 Performance Rights and 199,775 Share Appreciation Rights have been granted under the Executive LTI Plan, to Mr Gostlow.
- Mr Gostlow is the only person referred to in ASX Listing Rule 10.14 entitled to participate in the Executive LTI Plan for the purpose of the approval sought.
- The initial grant of Performance Rights and Share Appreciation Rights will be subject to the performance hurdles outlined above.
- Full details of Mr Gostlow's holdings of Shares and options are set out in the Company's 2012 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.
- A voting exclusion statement is provided at Resolution 4 of the Notice.

Corporations Act requirements

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "Related Party" unless one of the statutory exceptions applies or shareholders have in a general meeting approved the giving of that financial benefit.

Mr Gostlow is a "Related Party" of the Company as defined in the Corporations Act because he is a Director of the Company and the issue of Performance Rights and Share Appreciation Rights to him constitutes the giving of a "financial benefit".

The Performance Rights and Share Appreciation Rights are being issued to Mr Gostlow as part of his remuneration package in respect of services provided to the Company and to be provided to the Company. The Executive LTI Plan forms an important part of the Company's long term incentive strategy.

Section 211 of the Corporations Act provides an exception to the need to obtain shareholder approval to the giving of a financial benefit to a Related Party where the financial benefit is remuneration to an officer of a public company and giving the remuneration would be reasonable given the respective circumstances of the public company and Related Party (including the responsibilities involved in the office or employment).

The Board (with the exception of Mr Gostlow) considers that the grant of the Performance Rights and Share Appreciation Rights to Mr Gostlow is reasonable given the circumstances of the Company and Mr Gostlow. Accordingly, the Company will not seek approval of the issue of the Performance Rights and Share Appreciation Rights pursuant to Chapter 2E of the Corporations Act.

Recommendation

The Board (excluding Mr Gostlow) recommends that Shareholders vote in favour of this Resolution 4 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.

SPECIAL RESOLUTION 5:

Approval of Financial Assistance

Background

Under:

- a share sale agreement entered into on 15 December 2011 between DoloMatrix and the Company, the Company acquired from DoloMatrix all of the shares of the Acquired Companies on 15 February 2012; and
- an asset sale agreement entered into on 15 December 2011 between DoloMatrix and the Company, the Company acquired, on 15 February 2012, various assets of DoloMatrix, which related to the businesses operated by the Acquired Companies,

(together, the "Acquisition"). As a result of the Acquisition, each of the Acquired Companies became subsidiaries of the Company.

Financing

The Company partly financed the Acquisition with external debt finance provided by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("Financier"), pursuant to a Facility Agreement entered into between the Financier and the Company dated 13 February 2012 with an aggregate debt limit of \$100.555 million ("Facility").

The terms of the Facility, including in relation to interest charges, events of default, undertakings, representations and warranties (from the Company and certain members of its group), are customary for a facility of this nature.

Security

The terms of the Facility require the Company to provide, and procure the provision by the Acquired Companies, of various securities in favour of the Financier to secure the obligations of the Company under the Facility. Accordingly, pursuant to the Facility Agreement, each of the Acquired Companies executed on 30 March 2012 the following documents:

- an accession letter whereby it agreed to become an additional guarantor under the terms of the Facility Agreement; and
- an accession deed whereby it agreed to become a guarantor under the Guarantee, thereby giving a guarantee and indemnity in favour of the Financier to guarantee all amounts owing under or in relation to the Facility Agreement; and
- a general security agreement over all of its assets, ("Securities").

The terms of the Securities and the Guarantee are customary for securities of this nature. The Securities will be first ranking securities in respect of the current and/or future property to which they relate.

Each Acquired Company's obligations pursuant to the Securities will only become effective to the extent that they secure advances to the Company or its subsidiaries after all of the following have occurred:

- the shareholders of the Company and the Acquired Company have passed a resolution approving the giving of financial assistance by the Acquired Company;
- all notices to and lodgements with ASIC have been effected in accordance with the Corporations Act; and

EXPLANATORY MEMORANDUM - CONT'D

(c) the 14 day period of advance notice required under section 260B of the Corporations Act has expired.

Upon the Company or the Acquired Companies committing an event of default under the Facility or the Securities, the Financier will have a number of rights including taking possession of and selling the property to which the relevant Securities relate.

The Company or its subsidiaries may arrange refinancing and additional financing facilities at some time in the future. In order to secure and regulate the obligations of the Company and any applicable subsidiary or related entity of it in relation to new financing facilities, each of the Acquired Companies may have to:

- (a) execute, or accede to, a new facility agreement on substantially the same terms as the Facility Agreement (or on terms approved by its directors or its member (or both) at the relevant time); or
- (b) give one or more of a guarantee, indemnity or security interest over its assets to secure any obligor's obligations under any new facility agreement and any related document; and
- (c) execute, or accede to, any document in connection with, or ancillary to, any new facility agreement or guarantee, indemnity or security interest given in connection with any new facility agreement and any related document.

Financial assistance – Corporations Act requirement for shareholder approval

Section 260A of the Corporations Act prohibits a company from giving financial assistance for the purpose of, or in connection with, the acquisition by any person of any shares in that company or a holding company of that company, unless:

- (a) the giving of the assistance does not materially prejudice:
 - (i) the interests of the company or its shareholders; or
 - (ii) the company's ability to pay its creditors;
- (b) the assistance is approved by shareholders under section 260B of the Corporations Act; or
- (c) the assistance is exempted under section 260C of the Corporations Act.

The expression "financial assistance" is a broad concept and includes such things as payments, loans, the provision of guarantees, indemnities and securities, releasing pre-existing obligations and the forgiving of debt. For present purposes, the provision by the Acquired Companies of the Securities in favour of the Financier in connection with the Company's acquisition of the shares in the Acquired Companies may be considered to be "financial assistance" for the purposes of section 260A of the Corporations Act.

The directors of each of the Acquired Companies and the Directors have not formed the view that the giving of the Securities by the Acquired Companies will have the effect of materially prejudicing the interests of creditors or the shareholders of the Acquired Companies. However, due to uncertainty surrounding the expression "material prejudice" and the fact that, on the face of it, providing the Securities does to some extent prejudice the Acquired Companies'

balance sheets and freedom to operate its businesses, the directors of the Acquired Companies and the Directors believe it is prudent to obtain the approval of their shareholders to ensure that the Acquired Companies comply with section 260A of the Corporations Act.

Each of the Acquired Companies will therefore seek the approval of its own shareholder of the following resolution:

"THAT for the purposes of section 260B(1) of the Corporations Act 2001 (Cth) and for all other purposes that approval is given to [the Acquired Company] ("Company") to enter into all the transactions described in the Explanatory Statement attached to this resolution and all elements of those transactions that may constitute financial assistance by the Company for the purposes of section 260A of the Corporations Act 2001 (Cth), including (without limitation) that the Company:

- a) accede to the Facility Agreement through the execution of an accession letter;*
- b) accede to the Guarantee through the execution of an accession deed, thereby giving a guarantee and indemnity to the Financier in respect of the repayment of money which may become owing, and the performance of obligations, under the Facility Agreement and related documents;*
- c) in accordance with the terms of the Facility Agreement execute a general security agreement security over all of its assets in favour of the Financier;*
- d) if the Facility Agreement needs to be refinanced at some time in the future, from time to time:
 - i. execute or accede to a new facility agreement on substantially the same terms as the Facility Agreement (or on terms approved by the Board of directors or the members (or both) at the relevant time); and*
 - ii. give one or more of a guarantee, indemnity or security interest over its assets to secure any obligor's obligations under any new facility agreement and any related document; and**
- e) execute or accede to, any document ancillary to, or in connection with, the Facility Agreement, any new facilities agreement and any guarantee, indemnity or security given in connection with the Facility Agreement, and any new facility agreement and any related document."*

Under section 260B of the Corporations Act, if immediately after the acquisition, the company giving financial assistance will be a subsidiary of another corporation which is listed in Australia ("**Listed Australian Holding Company**"), the financial assistance must also be approved by a special resolution of the shareholders of the Listed Australian Holding Company.

Accordingly, the Company, as the Listed Australian Holding Company of the Acquired Companies immediately following the Acquisition, will need to obtain approval of its shareholders for the giving of the financial assistance (through the provision of Securities in favour of the Financier) by each of the Acquired Companies.

Accordingly, the Resolution seeks Shareholder approval in accordance with section 260B(2) of the Corporations Act for the Acquired Companies to provide the financial assistance through the provision of the Securities.

Reasons for the proposal of financial assistance

In order to fund the acquisition of shares by the Company in each of the Acquired Companies the Company agreed, under the terms of the Facility Agreement, to procure that each of the Acquired Companies secure the repayment of the Facility by the Company through the grant of guarantees and security in favour of the Financier.

Effect of the Financial Assistance

In accordance with section 260B(4) of the Corporations Act and in addition to the information set out elsewhere in this Explanatory Memorandum, the Company provides the following further information in relation to the proposed financial assistance by the Company.

(a) Effect of the Financial Assistance for the Company

Advantages

As the holding company of each of the Acquired Companies, the effect of the financial assistance on the Company will be to allow the Company to comply with the requirement that each of the Acquired Companies provide security to the Financier, thus removing a potential default of the Company under the Facility. In the event of a winding up of the Company, the assets of each of the Acquired Companies which are secured for the benefit of the Financier will be available to repay any amount then outstanding under the Facility.

Disadvantages

As the Company is already liable for the amounts due under the Facility, the Directors of the Company do not believe there are any disadvantages to the Company of the Resolution.

(b) Effect of the Financial Assistance for the Acquired Companies

Advantages

If the Resolution is passed and the financial assistance is given through the provision of the Securities then the Acquired Companies will be able to be acceded to the Facility Agreement and the Guarantee and so allow the Company to meet its obligations under the Facility Agreement and avoid the occurrence of an event of default. If an event of default occurs, the Financier may require immediate repayment of the amounts due under the Facility which would have a material impact on the operations of the Company and the Acquired Companies.

Disadvantages

If the Resolution is passed and the financial assistance is given through the provision of the Securities then the Financier will have a guarantee and security from the Acquired Companies to secure all moneys payable by the Company under the Facility.

This may have an adverse effect on the financial position of the Acquired Companies as they will become liable for the debts and obligations of the Company under the Facility Agreement (and provide security for such debts over their assets). If the Company were to default under the Facility the Financier may make a demand under the guarantees provided by the Acquired Companies requiring immediate repayment of the amounts due under the Facility, which may result in a winding up of some or all of the Acquired Companies.

The operations of the Acquired Companies may also be restricted by the representations and undertakings given by them under the Securities and the Securities may also affect the Acquired Companies ability to borrow money in the future from other financiers.

The Directors have no reason to believe that there are any prevailing circumstances making the enforcement of any of the Securities probable or likely. In any event, the Directors believe that any potential disadvantages relating to the potential liability of the Acquired Companies under the Securities are outweighed by the advantages to the Company in granting the Securities.

Disclosure

The Directors consider that the Notice and this Explanatory Memorandum contains all information known to the Company that would be material to the Shareholders in deciding how to vote on the Resolution, other than information which would be unreasonable to require the Company to include because it has been previously disclosed to the Shareholders of the Company.

Prior notice to Australian Securities & Investments Commission

As required by section 260B(5) of the Corporations Act, a copy of the Notice and Explanatory Memorandum as sent to Shareholders, was lodged with ASIC prior to its dispatch to Shareholders.

Recommendation

The Directors have had regard to the advantages and disadvantages of passing the Resolution to allow the provision of financial assistance, including those referred to above. Each of the Directors recommends that the Shareholders vote in favour of the Resolution.

GLOSSARY OF TERMS

The following terms and abbreviations used in the Notice of Annual General Meeting and this Explanatory Memorandum have the following meanings:

\$ means Australian dollars.

Absolute EPS means absolute earnings per share.

Acquired Companies means DoloMatrix Australia Pty Ltd ACN 091 340 920, DoloMatrix Environmental Solutions Pty Ltd ACN 118 064 109, Entech Industries Pty Ltd ACN 112 098 978, Waste Audit and Consultancy Services (Aust) Pty Ltd ACN 067 501 179, Hazwaste Pty Ltd ACN 118 104 037, Dolocorp Pty Ltd ACN 071 170 897, Dolocrete WA Pty Ltd ACN 089 519 746, BCD Technologies Pty Ltd ACN 010 873 855, SRL Plasma Pty Ltd ACN 004 449 281 and Thermal Treatment Solutions Pty Ltd ACN 49 136 400 729.

Acquisition has the meaning given to it under Special Resolution 5 in the Explanatory Memorandum.

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

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

ASX Listing Rules means the 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; or
- (b) a child of the member's spouse; or
- (c) a dependent of the member or the member's spouse; or
- (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; or
- (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.

Directors means the directors of the Company, from time to time.

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

Explanatory Memorandum means this explanatory memorandum.

Facility means the facility provided by the Financier to partially fund the Acquisition.

Facility Agreement means an agreement between the Financier, the Company and various other members of the Company's group, pursuant to which the Financier agrees to provide financing to the Company.

Financier means Australia and New Zealand Banking Group Finance Limited ACN 005 357 522.

Guarantee means the corporate guarantee and indemnity dated 13 February 2012 given by the Company and various other members of the Company's group in favour of the Financier.

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 activities of the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Company.

Notice means the notice of Annual General Meeting of the Company.

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.

Proxy Forms means the proxy form attached to the Notice.

Relative TSR means relative total shareholder return.

Remuneration Report means the remuneration report set out in the Directors' report section of the Company's annual financial report for the year ended 30 June 2012.

Resolution means a resolution contained in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

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 and the market value of a Share upon exercise of the Share Appreciation Right.

Shareholder means a registered holder of Shares.

WST means Australian Western Standard Time.



toxfree

1300 toxfree
www.toxfree.com.au