Tox Free Solutions Limited

Niche player in toxic waste in the West

Wilson HTM INVESTMENT GROUP

26 May 2006

$0.11

BUY

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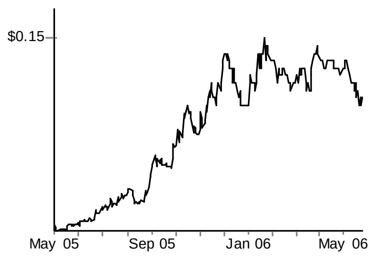
Price Performance



Security/Capital Details

ASX Code	TOX
Market Cap	$57 M
Issued Shares	520.8 M
Avg Mth T'over	102.65 M
12 Mth High – Low	$0.15 - $0.02

Key Data/Ratios – FY 2006

EBITDA / Sales	43.5%
EBIT / Sales	31.7%
Net Debt / Equity	-23.8%
Interest Cover	37.9 x
ROE	37.7%
EPS Growth	680.0%
PEG Ratio	0.02 x
NTA / Share	$ 0.02
DCF	$ 0.18
12 Mth Price Target	$ 0.15

Recommendation

Tox Free Solutions Limited has three strategically located industrial waste treatment sites at Kwinana, Henderson and Port Hedland (WA). TOX's focus is on the niche hazardous and dangerous goods waste treatment sector. The new team has turned the business around and now has a solid platform for growth. TOX is a strong cash flow business with barriers to entry being good site locations and the ownership of some high level EPA operational licenses. TOX's incinerator (toxic waste) at Port Hedland is the 'jewel in the crown' with a backlog of 4mths work and strong demand for its services. Its TDU facility (soil treatment) is lumpy and is the major swing factor in our earnings forecasts. BUY with a 12mth target of 15cps.

Key Points

- TOX has three industrial waste treatment sites at Kwinana, Henderson and Port Hedland in Western Australia. TOX's focus is on the niche hazardous and dangerous goods waste treatment sector. Its major customers include surrounding mining, oil and gas and heavy industrial (e.g. fertiliser and general chemical manufacturing) companies. The company has also secured a site in Karratha which, long term, has the potential to offer industrial waste treatment services as the region develops.
- After reporting a loss of $3.8M in FY03, Steve Gostlow (MD) was appointed State Manager in December 2003 and Ian Burton (Chairman) a director in October 2003. The new team has turned the business around and has established a solid platform for growth. TOX is a strong cash flow business with minimal capital expenditure and working capital requirements. Barriers to entry are good site location, technical expertise and the ownership of some high level EPA operational licenses. New entrants would have to win community and political support which, history suggests, may prove difficult.
- TOX's kiln at Port Hedland is the 'jewel in the crown' with a backlog of 4mths work and strong margin increases possible. Its TDU (soil treatment) facility at Kwinana is lumpy and is the major swing factor in our earnings forecasts.
- We are forecasting that the TDU will process 2,400t (1t/hr capacity) of contaminated soil in FY07. Although with a large number of contaminated ex-industrial sites around Australia, a large contract win (5,000 to 10,000t) would trigger the upgrade of the TDU's front-end facilities to allow an enhanced processing rate of 5 to 10t/hr. We estimate that a large contract win in the order of 5000t would result in an earnings upgrade (annualised EBITDA) of 26% and 20% in FY07 and FY08, respectively.
- Strong growth in FY07 is expected from: (1) margin improvement at Port Hedland kiln; (2) target capacity expansion at the kiln by 20%, which appears likely to occur by calendar year end; (3) completion of the 'solids preparation area for fixation' at Kwinana; (4) further market share increases in bulk liquid treatment; and (5) a full year contribution from Delvex (acquired 1 January 2006).
- TOX intends to make further acquisitions. We believe there are a handful of targets on their 'wish list' with the focus being in the 'West'.
- Taking a 12mth view, we value TOX at 15cps and recommend a BUY. Key risks include: (1) delays in upgrading the kiln; (2) an inability to find and integrate suitable acquisitions; and (3) an inability to generate appropriate returns from new investments after the 'low hanging fruit has been picked'.

BUY: Total return +10% or more over a 12 month period HOLD: Total return expected to be between +10% to -10% over a 12-month period
SELL: Total return expected to be -10% or more over a 12 month period TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

June	NPAT (Rep) $M	EPS (Norm) c	PER x	P/CF x	P/BV x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2005a	0.2	0.1	110.0	57.9	7.3	17.0	0.0	0.0	100
2006e	3.5	0.8	14.1	10.9	4.6	11.4	0.0	0.0	100
2007e	5.7	1.1	10.0	7.6	3.1	6.3	0.0	0.0	100
2008e	6.9	1.3	8.3	6.3	2.3	3.8	0.0	0.0	100

Portfolio Summary

TOX operates from three key strategic sites: (1) Incineration (kiln) and liquid waste treatment facilities at Port Hedland; (2) thermal desorption unit (TDU), bulk liquid waste and packaged waste facilities at Kwinana; and (3) industrial cleaning facilities (Delvex) at Henderson. TOX also has a low cost, long term lease on a site in Karratha which took them four years to secure. Longer term, this site's development could contribute significantly to the growth of the company as industrial activity in the region grows.

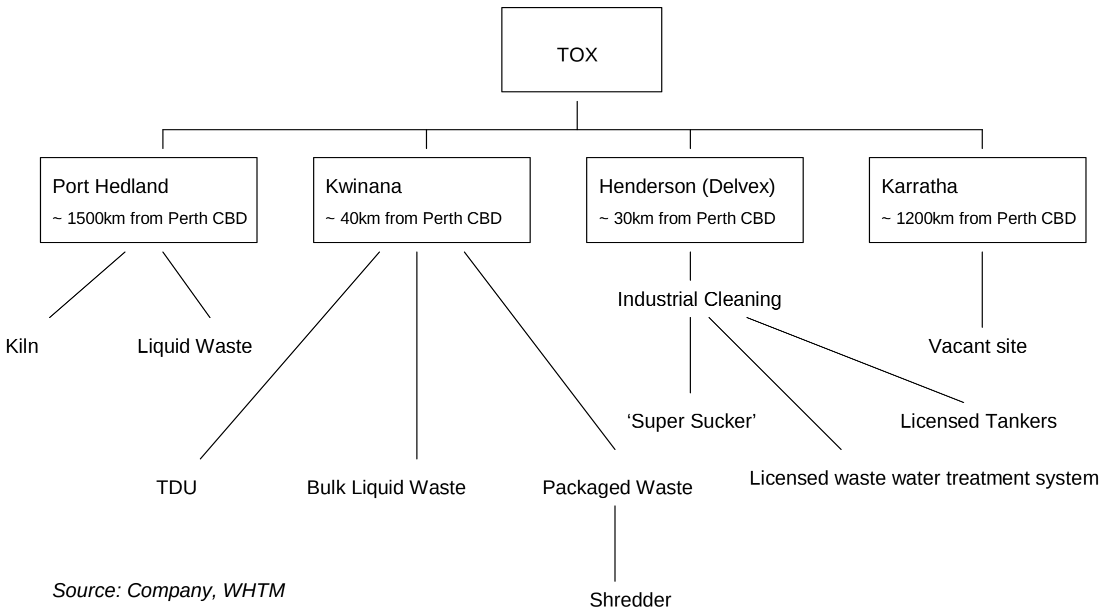
TOX's **incinerator at Port Hedland is the 'jewel in the crown' with relatively strong pricing power and earnings predictability,** driven by: (1) customers being able to remove the risk of future liabilities by receiving a 'certificate of destruction'; (2) lack of alternative solutions for the treatment of their hazardous waste streams (only other 'high level' incinerator in SA); and (3) volumes of produced toxic waste and resulting treatment cost being relatively insignificant for larger customers.

TOX has **a number of difficult to obtain licenses** (EPA) in a number of key industrial, mining and oil & gas hubs. Potential new competitors would have to win community and political support which, history suggests, would prove difficult. This ensures margins and barriers to entry are high.

Although TOX's technologies and processes are highly specialised, we believe the company's operational risk is relatively low, which we view positively. In our view, with its operations focused on the treatment of toxic and hazardous goods, the smaller the sources of potential problems the better. The company's processes, technologies and systems are well defined and tested. TOX's operations at its three sites are part of an integrated waste treatment network, rather than simply being standalone business units. Incoming waste streams can be collected, packaged and treated at one site before being transported to another site for further refinement or disposal, if necessary (e.g. flammable organics collected and consolidated at Kwinana before being incinerated at Port Hedland). TOX has **developed an integrated suite of waste treatment services** and intends to further develop its offering and expertise through acquisition.

TOX is essentially a service company with its key competitive advantages currently being its EPA operational licenses and its technical capabilities. We note that **TOX is exploring the use of new complimentary technologies or processes to produce more value adding waste streams**. This includes the pyrolysis of used tyres, drill mud processing and the conversion of used oil to diesel through exploring the adoption of overseas technology. Although the company is devoting more resources to establishing new technologies and can utilise the experience of its Board (particularly Richard Allen who has experience in waste to energy and renewable projects), we are currently not incorporating these in our forecasts.

Figure 1: Company Overview



Source: Company, WHTM

A description and growth potential of it key sites are outlined below:

Table 1: Portfolio Summary

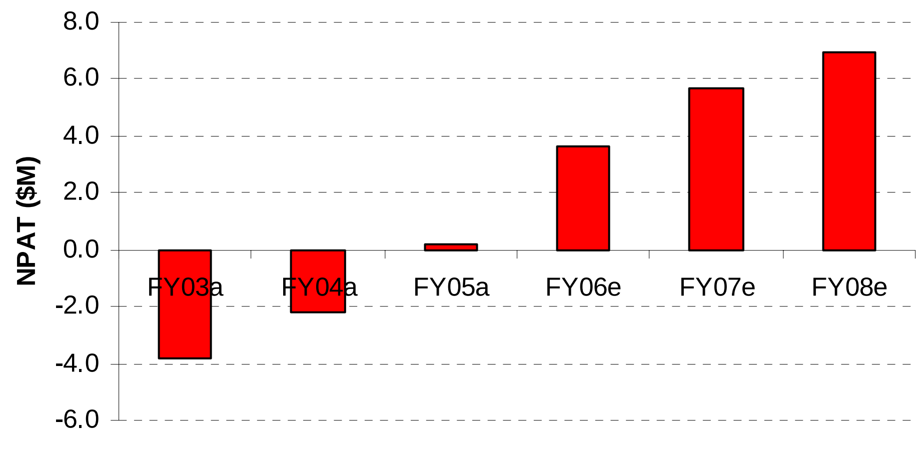
Business	Description	Features	Growth Potential
Port Hedland			
Kiln	Operating since 1995. 24 hrs a day; 7 days a week. Industrial, hazardous waste. e.g. oily rags, flammable solvents. Mainly from Pilbara region. Issue 'certificates of destruction.'	Main revenue contibutor at site. Strong margins. Relatively price insensitive.	4 to 5mth back log of orders. Improving margins. Capacity upgrade likely for 1H07 - 20%. Only other license in SA. Although 'lower level' license with focus on solvents and medical waste.
Liquid Waste	Oily waste water treatment plant. e.g. oily water.	Highest margins at site.	Growth in oil & gas exploration industry. Economic use of treated oil.
Kwinana			
TDU	Thermal desorption unit. Treats 'PCB', 'OCP' and pesticide contaminated soil. 1t/hr; 24hrs a day.	Earnings are lumpy. Periods when idle. Strong margins.	Potential to purchase new 'front end' equipment. $1.5-$3.5M. Allow plant to be mobile. Capacity increase from 1 to 5 - 10t/hr. Currently evaluating domestic market. Although one large contract win could be the catalyst. e.g. 5,000 to 10,000t win.
Bulk Liquid Waste	Hazardous waste treatment. e.g. oily waters e.g. metal bearing (galvanised) water Immobilise low hazard liquid waste. e.g. spoilt milk.	Lowest margins at site.	No capacity constraints. Potential to significantly improve market share. Nearest competitor at Kalgoorlie (600km away). Price competitive, superior service, strategic location.
Packaged Waste	Collect & package liquids. e.g. university laboratory chemicals. e.g. drummed waste.	Relatively price insensitive. Highest margins at site.	Only license in WA (Dangerous Goods - Class 3).
	Includes shredder. e.g. pre-mixed alcoholic beverages.	Confidentiality agreements with clients.	No capacity constraints. Currently at 15% capacity. Opportunistic purchase.
Delvex	Industrial cleaning. Focus on shipping.	Historical EBITDA of $500k. Synergies of $225k.	Performing well. Strong organic growth outlook. Considerable synergies. E.g. liquid waste treatment plant. Licensed waste collection tankers.
Karratha	10 ha site. Developing industrial town.	No immediate P&L impact. Detailed strategy yet to be released.	Long term strategic move. (Took 4 yrs to get site). Long term lease. Costs negligible.

Source: WHTM, Company

Earnings Turnaround

Having floated at 50 cents in September 2000, TOX had historically been beset by technical problems, particularly with its TDU at Kwinana, which culminated in a loss of $3.8M in FY03. Steve Gostlow was appointed State Manager in December 2003 before being promoted to managing director in January 2005 while Ian Burton was appointed as a director in October 2003 before being promoted to non-executive chairman in November 2005. With the company reaching profitability in 2H05, the current management team has turned the business around and has established a solid platform for growth.

Figure 2: Earnings Turnaround

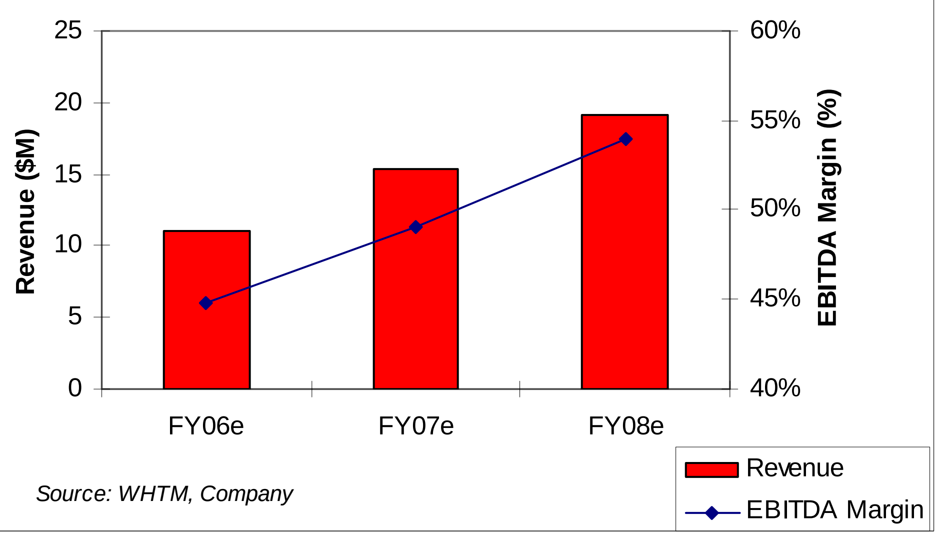


Source: WHTM, Company

Earnings Forecasts

Earnings at Port Hedland (particularly Kiln) are relatively predictable while TDU is ‘lumpy’ and is the major swing factor to our earnings forecasts. TOX has provided FY06 guidance of $4.4M in EBITDA. With strong momentum at Delvex and Port Hedland we are forecasting EBITDA growth of 85% to $4.8M in FY06. We expect strong growth over our forecast period with EBITDA growth of 53% to $7.5M and 37% to $10.3M expected in FY07 and FY08, respectively.

Figure 3: Forecast EBITDA Margins



Source: WHTM, Company

FY07 Earnings

Our **forecasts at Port Hedland** are driven by: (1) strong margin improvements at the kiln; and (2) 20% upgrade in capacity at the kiln, commencing 2H07.

Due to the high barriers to entry, strong levels of demand (order backlog of over 4mths work) and efficiency improvements, we believe strong annual margin increases are achievable.

Strong pricing power is essentially driven by: (1) customers being able to remove the risk of future liabilities by receiving a 'certificate of destruction'; (2) lack of alternative solutions for the treatment of their hazardous waste streams; and (3) volumes of produced toxic waste and resulting treatment cost being relatively insignificant for larger customers.

With minimal additional operating costs, we believe the incremental revenue from a 20% expansion in production capability will result in an equivalent increase in EBITDA, with a full year benefit to occur in FY08. TOX has commissioned a detailed engineer's report and we believe the expansion is likely, with the EPA already signalling their approval and the capital cost estimated to be only $600k.

Our forecasts at Kwinana are driven by: (1) 40% revenue growth in bulk liquid waste treatment; and (2) 65% growth in TDU, with an expected strong increase in the amount of contaminated soil treated over the financial year.

We believe the bulk liquid treatment facility will experience strong growth in FY07 with $1M of capital expenditure incurred in FY06 to drive growth. TOX is upgrading their 'solids preparation area for fixation' which will improve productivity and provide ample capacity for future growth.

After entering the industrial liquid waste treatment market 12mths ago, TOX has made early gains with its closest competitor located 600km away at Kalgoorlie. With TOX located in the industrial hub of Kwinana it appears likely that TOX will continue to win market share over the next few years. We expect TOX to achieve market share of about 35 to 40% in FY07.

We expect the TDU to treat 2400t of contaminated soil in FY07 (effectively 40 weeks of use) versus 1500t in FY06 (effectively 26 weeks of use). Our forecast is based on company expectations and assumes recent trading conditions are annualised.

Our **forecasts at Delvex** are driven by its first full year contribution (effective 1 January 2006) and synergistic benefits with the Kwinana site. Delvex has a licensed oily waste water treatment facility and a fleet of 5 tankers which are licensed to transport controlled wastes.

FY08 Earnings

Our **forecasts at Port Hedland** are driven by: (1) continued margin improvement at the kiln; and (2) a full year contribution from the 20% targeted upgrade in capacity at the kiln.

Our **forecasts at Kwinana** are driven by 30% revenue growth in bulk liquid waste treatment. We expect TOX to achieve a market share of about 40 to 45% in FY07.

Long Term Growth Options

We expect the TDU to process 2,400t (1t/hr capacity) of contaminated soil in FY07. However, with a large number of contaminated ex-industrial sites around Australia, a large contract win (5,000 to 10,000t) would trigger the upgrade of the TDU's front-end facilities to allow mobilisation and an enhanced processing rate. The estimated cost is $1.5 to $3.5M based on a processing capacity of 5 to 10t/hr. We estimate that a large contract win in the order of 5000t would result in an earnings upgrade (annualised EBITDA) of 26% and 20% in FY07 and FY08, respectively.

With a turnaround in its core business complete and a strong cash balance, TOX intends to make further acquisitions. We believe there are a handful of targets on their 'wish list' with the focus being in the 'West' in the short term. We expect any acquisitions in the short term to be relatively small (est. $2 to $7M) and to be funded via cash or debt.

Longer term growth options include the development of economic uses for their waste streams (earnings positive rather than neutral) through the employment of new technologies (e.g. treatment of used tyres and refinement of used oil into diesel).

TOX also has a cheap, long term lease at Karratha which has the potential to be developed in order to service the region as the town develops. We have not factored the successful development of a facility at Karratha into our earnings forecasts. It may also make sense for TOX to move upstream through the purchase of a landfill site. However, with WA targeting the creation of no new landfill sites by 2020 and landfill gate prices expected to continue to rise strongly, we believe an acquisition would not come easily or cheaply.

Investment Merits

1. TOX is a **pure play on the niche toxic and dangerous goods** waste management sector which has historically enjoyed above average GDP growth.
2. It has a number of **EPA operational licenses that represent high barriers to entry** for potential entrants. i.e. dangerous goods and hazardous licenses. **More importantly, new entrants would have to win community and political support which history suggests may prove difficult.**
3. TOX is **located on the West Coast** with demand for its services underpinned by a strong local economy and a **buoyant mining and oil and gas industry**. TOX has operating sites in Kwinana (industrial centre of WA) and Port Hedland (mining hub, Pilbara region). It also has secured a strategic site in Karratha which is home to Woodside's LNG plant and has the potential to be a major industrial town in the future.
4. TOX's **kiln at Port Hedland is the 'jewel in the crown' with strong pricing power** driven by: (1) customers being able to remove the risk of future liabilities by receiving a 'certificate of destruction'; (2) lack of alternative solutions for the treatment of their hazardous waste streams; and (3) volumes of produced toxic waste and resulting treatment cost being relatively insignificant for larger customers.
5. Good executive team in place. Business turned around and poised for further growth. TOX has **a number of growth options** including the potential expansion of facilities.
6. **Strong balance sheet** (forecast net cash of $3.0 to $3.5M). Has the capacity to fund internally (through cash or debt) both organic growth and growth by acquisition. TOX is currently investing in new (as distinct from replacement) plant and equipment as well as evaluating earnings accretive acquisitions of relatively small, private players.
7. **Key player in sector consolidation – 'acquire or be acquired'.** TOX intends to consolidate its position in the 'West' with a handful of targets on its 'wish list.' With TOX being the main player in its niche market in WA, it would be an attractive takeover target.
8. Strong cash flow generating business. **Low capital expenditure and working capital requirements** with relatively simple operations employed by TOX.
9. Potential to pay strong dividends within next 3 years.

Investment Risks

1. **Slow down in industrial/resource activity**, which does not appear likely in the short term.
2. The grant of strategic toxic/hazardous **licenses to new players**, which does not appear likely in the short term.
3. **'Low hanging fruit picked'** with new investment and acquisitions not yielding appropriate returns on invested funds.
4. **Loss of license** due to poor compliance, change in regulation or community/political backlash.

Growth Options

1. **Organic growth and market share growth.** Outlook for local economy and its customers remains strong with mining, oil and gas industries currently buoyant. TOX also expects to continue to grow its market share in bulk liquid waste treatment at Kwinana.
2. **New investment.** TOX has been investing in new property, plant and equipment to generate additional revenue. E.g. shredder, 'super sucker' at Delvex and 'solids preparation area for fixation' at Kwinana.
3. **Capacity expansion.** Appears likely that TOX will increase the capacity of its kiln at Port Hedland. It is also investigating the feasibility of increasing its processing capacity for its thermal desorption unit (treatment of contaminated soil) at Kwinana.
4. **Acquisitions.** With a strong cash balance and its core business now turned around, management have stated their intent to grow via acquisition. We believe there are a handful of targets on their 'wish list' with the focus being in the 'West' in the medium term. Acquisitions at a targeted price of 3 to 6x EBITDA would be significantly value accretive.

Valuation

We valued TOX on both a discounted cash flow and adjusted earnings capitalisation (EBIT multiple) basis.

Table 2: Assumptions behind Valuation

DCF Valuation		
DCF - Value per share	cps	18.0
EBIT Capitalisation Valuation		
Underlying		
Forecast EBIT (FY07)	$M	6.6
Multiple	x	8.5
Base Value	$M	56.3
Kiln Expansion		
Incremental EBIT (annualised)	$M	0.7
Multiple	x	8.5
Expansion Value	$M	6.3
Potential Acquisitions		
Potential Investment	$M	6.0
Acquisition Multiple (incl synergies)	x	4.0
EBIT Contribution (annualised)	$M	1.5
Multiple	x	8.5
Acquisition Value	$M	12.8
Enterprise Value	$M	75.4
Net Cash (after potential acquisition)	$M	-3.7
Implied Equity Value (FY07)	$M	79.1
12mth Price Target - Value per share	cps	15.0

Our DCF valuation is 18cps (WACC – 12.1%; terminal value of 40.9%). The growth outlook for TOX is strong and with maintenance capital expenditure and required working capital low, the company should generate strong free cash flows.

Although earnings at TDU (Kwinana) can be classified as ‘lumpy’ the kiln at Port Hedland can be described as a ‘high quality’ business.

Our EBIT multiple valuation is 15cps. Due to the high quality (large barriers to entry due to location and licenses) and strong growth outlook of the business (waste management) we believe a forward multiple of 8.5x is appropriate. We note that Transpacific Industries (TPI) and Energy Developments (ENE) are currently trading on consensus FY07 EV/EBIT multiples of 12.6x and 11.2x, respectively.

Our valuation included the assumption that TOX will spend $6M on acquisitions at a 4x EBIT multiple in FY07. We note that TOX paid $2.5M for Delvex at 3.5x multiple (post synergies). We have annualised the impact.

We have also annualised the impact of the expected 20% upgrade to the Kiln (by calendar year end).

Taking a 12mth view, we value TOX at 15cps which offers a suitable return to warrant our BUY recommendation. However, in the absence of the announcement of new earnings sources (i.e. capacity upgrades, acquisitions) the stock may find it difficult to move through its trading range of the past 6mths.

Comparables

There are no direct listed comparables to TOX. Compared to the broader listed average waste management sector, TOX appears attractively priced on a PER (10.0x vs 19.3x) basis in FY07 although the multiple is deflated by the utilisation of tax losses. From FY08, TOX is expected to pay tax at the full corporate tax rate in the absence of the utilisation of substantial tax credits at Kwinana (est. $17M). We are not incorporating any benefits from tax losses held at Kwinana.

TOX also appears attractively priced on forward EV/EBIT multiples (7.2x vs 11.9x). We believe the current significant discount to its larger listed peers is not warranted, with its strong barriers to entry and niche focus in the attractive hazardous waste management segment, compensating for its smaller size and shorter track record.

Table 3: Valuation Comparables

Company	Code	Price $	Mkt Cap $M	EBIT Margin FY07	EV/EBIT FY07	EV/EBIT FY08	PER FY07	PER FY08
Baxter Group Limited	BAX	4.02	172	n/a	n/a	n/a	16.7	12.8
Transpacific Industries Ltd.	TPI	8.42	1716	16.9%	12.6	10.9	23.2	18.5
Energy Developments Ltd.	ENE	4.14	605	38.0%	11.2	9.0	17.9	13.6
Average			831	27.4%	11.9	10.0	19.3	15.0
Tox Free Solutions Ltd.	TOX	0.11	57	43.0%	7.2	4.2	10.0	8.3

Source: Bloomberg, WHTM

Appendix

Table 4: Port Hedland Incinerator - Example Client Type and Product List

Clients
Large client base. Estimate at around 100.
Oil and gas producers/explorers Mining companies Chemical companies Local councils Private workshops Other waste collection and treatment operators
Products
Organic flammable liquids e.g. ethylene glycol, propylene glycol Solvents e.g. methanol Paint sludges Glues Adhesives Greases Sludges from drums, tanks etc Drill cuttings Emulsifiers Oil filters, oily rags Pesticides

Source: WHTM, Company

Tox Free Solutions Limited (TOX : $0.11)

INVESTMENT FUNDAMENTALS

Yr Ending June	2004A	2005A	2006E	2007E	2008E
EPS Reported (c)	-1.2	0.1	0.8	1.1	1.3
EPS Normalised (c)	**-1.2**	**0.1**	**0.8**	**1.1**	**1.3**
EPS Growth (%)	N/A	106.5%	875.0%	41.0%	20.9%
PER Normalised (x)	**-9.2**	**110.0**	**14.1**	**10.0**	**8.3**
DPS (c)	0.0	0.0	0.0	0.0	0.0
Payout (%)	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	100%	100%	100%	100%	100%

VALUATION DATA

Yr Ending June	2004A	2005A	2006E	2007E	2008E
EV / EBITA (x)	-16.2	77.2	15.6	7.2	4.2
EV / EBITDA (x)	81.9	17.0	11.4	6.3	3.8
CFPS (c)	-0.2	0.2	1.0	1.5	1.8
Price / CF	**-73.3**	**57.9**	**10.9**	**7.6**	**6.3**
Book Value / Share ($)	0.0	0.0	0.0	0.0	0.0
Price / Book (x)	**4.9**	**7.3**	**4.6**	**3.1**	**2.3**

PROFIT & LOSS ($m)

Yr Ending June	2004A	2005A	2006E	2007E	2008E
Sales Revenue	3.7	6.6	11.0	15.4	19.1
EBITDA	0.3	2.6	4.8	7.5	10.3
Depreciation	1.8	2.1	1.3	0.9	0.9
EBITA	**-1.5**	**0.6**	**3.5**	**6.6**	**9.4**
Amortisation	0.3	0.2	0.0	0.0	0.0
EBIT	**-1.8**	**0.4**	**3.5**	**6.6**	**9.4**
Net Interest Expense	0.4	0.2	0.0	-0.3	-0.5
Pre-tax Profit	**-2.2**	**0.2**	**3.5**	**6.9**	**9.9**
Tax	0.0	0.0	0.0	1.2	3.0
Tax rate (%)	0.0%	0.0%	0.0%	17.1%	30.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
Net Profit	**-2.2**	**0.2**	**3.5**	**5.7**	**6.9**
Abn's / Extraord's	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	-2.2	0.2	3.5	5.7	6.9
Revenue Growth (%)	N/A	80.9%	66.4%	40.0%	24.2%
EBIT Growth (%)	N/A	123.9%	705.5%	90.4%	41.5%
NPAT Growth (%)	N/A	110.2%	1,454.0	63.4%	20.9%

PROFITABILITY RATIOS

Yr Ending June	2004A	2005A	2006E	2007E	2008E
EBIT / Sales (%)	**-49.7%**	**6.6%**	**31.7%**	**43.1%**	**49.1%**
ROA (%)	N/A	5.2%	32.2%	48.5%	68.8%
ROE (%)	**N/A**	**4.4%**	**37.7%**	**37.2%**	**31.8%**
ROFE (%)	N/A	8.4%	43.1%	73.0%	122.7%

INTERIMS ($m)

Half Yr	Dec 04	Jun 05	Dec 05	Jun 06	Dec 06
Yr Ending June	**1H A**	**2H A**	**1H A**	**2H E**	**1H E**
Sales Revenue	2.2	4.4	5.0	6.0	7.5
EBIT	0.9	-0.5	1.2	2.3	2.8
Net Profit	**-1.7**	**1.9**	**1.2**	**2.3**	**2.9**
EBIT / Sales (%)	40.0%	-10.6%	24.8%	37.4%	36.8%

BALANCE SHEET ($m)

Yr Ending June	2004A	2005A	2006E	2007E	2008E
Cash	0.0	1.5	3.5	10.2	19.1
Receivables	0.5	1.4	2.4	3.3	4.1
Inventories	0.1	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.4	0.4	0.4
Current Assets	**0.7**	**3.0**	**6.3**	**13.9**	**23.6**
Net PPE	7.6	5.9	6.1	6.1	5.5
Investments	0.0	0.0	2.5	2.5	2.5
Intangibles	0.6	0.3	0.3	0.3	0.3
Other	0.1	0.1	2.2	0.9	0.9
Non-current Assets	**8.3**	**6.3**	**11.1**	**9.8**	**9.2**
Total Assets	**9.0**	**9.3**	**17.4**	**23.7**	**32.8**
Current Payables	1.7	1.1	1.8	2.5	3.1
Current Debt	0.9	0.8	0.5	0.5	0.5
Non-Current Debt	2.1	1.2	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	2.6	2.5	4.0
Total Liabilities	**4.8**	**3.2**	**4.9**	**5.5**	**7.6**
Equity	16.9	18.9	21.9	21.9	21.9
Reserves	0.0	0.0	0.0	0.0	0.0
Retained Profits	-12.6	-12.9	-9.4	-3.6	3.3
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	**4.3**	**6.1**	**12.5**	**18.3**	**25.2**
Total Funds Employed	**7.3**	**6.6**	**9.6**	**8.6**	**6.6**

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2004A	2005A	2006E	2007E	2008E
Net Debt (Cash) ($m)	3.0	0.5	-3.0	-9.7	-18.6
Net Debt / Equity (%)	**70.8%**	**8.9%**	**-23.8%**	**-52.8%**	**-73.7%**
Interest Cover (x)	-4.5	1.4	37.9	174.8	247.4
Debt / CashFlow (x)	**-11.1**	**3.6**	**0.1**	**0.1**	**0.1**

CASHFLOW ($m)

Yr Ending June	2004A	2005A	2006E	2007E	2008E
EBIT	-1.8	0.4	3.5	6.6	9.4
Dep'n and Amort'n	2.1	2.2	1.3	0.9	0.9
Net Int Rec'd (Paid)	-0.4	-0.2	0.0	0.3	0.5
Tax Paid	0.0	0.0	0.0	0.0	-1.4
Dec / (Inc) W'kg Cap	0.6	-1.5	-0.2	-0.2	-0.2
Other	-0.8	-0.4	0.0	0.0	0.0
Operating Cash Flow	**-0.3**	**0.6**	**4.6**	**7.6**	**9.2**
Capital Expenditure	0.4	-0.2	-1.5	-0.9	-0.3
Asset Sales	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	-2.5	0.0	0.0
Other Inv. Flows	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	**0.4**	**-0.2**	**-4.0**	**-0.9**	**-0.3**
Equity Raised	0.2	2.1	3.0	0.0	0.0
Inc / (Dec) in Loans	-0.4	-0.6	-1.5	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	**-0.2**	**1.5**	**1.5**	**0.0**	**0.0**
Net Cash Flow	**-0.1**	**1.8**	**2.0**	**6.7**	**8.9**

Disclosure of Interest. The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in 3,640,000 securities in Tox Free Solutions Limited. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Tox Free Solutions Limited in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.

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