Tox-Free Solutions

Triple bottom lines

2 September 2009

$2.07

BUY

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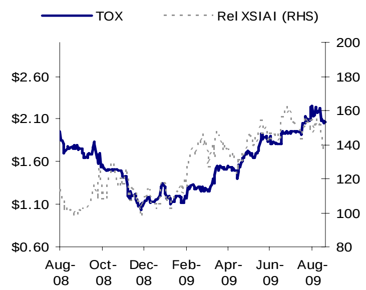
Price Performance



Security/Capital Details

ASX Code	TOX
Market Cap	$172 M
Issued Shares	79.2 M
Avg Mth T'over	2.17 M
12 Mth High – Low	$2.25 - $1.03

Key Data/Ratios – FY 2010

EBITDA / Sales	27.9%
EBIT / Sales	20.1%
Net Debt / Equity	31.8%
Interest Cover	6.3 x
ROE	19.6%
EPS Growth	47.9%
PEG Ratio	x
NTA / Share	$ 0.51
DCF	$ 2.06
12 Mth Price Target	$ 2.49

Recommendation

The Karratha facility remains the jewel in the TOX stable which is starting to be unveiled. Positive news flow from the Gorgon contract and an expectation of near term news flow around the opportunity to obtain work for RIO has the ability to add sizeable leverage to the P&L. We emphasise that the business remains cum upgrade given the current pipeline of contracts. The summary of our valuation tools updated for market movements suggests value in the order of $2.13 and a price target in 12 months time of $2.48. We retain our BUY recommendation.

Key Points

- As we have said before FY09 has been a consolidation year for TOX. The business needed to put a level of management in to support a business of a larger size. Invariably this occurs in the lifecycle of any fast growing small cap and we regard the addition of overhead costs as a positive.
- TOX remains poised to win sizeable contracts on the back of 'non replicable' assets in locations which will benefit from oil and gas expenditure plus a strong mining environment. In addition, continued strengthening in legislation around the management and reporting of waste will benefit TOX in the longer term.
- An investment today requires belief that Management can both win these contracts and also deliver the requisite earnings to the bottom line. We are prepared to give them the benefit of the doubt but recognise that the road to a much larger business may be at times bumpy.
- Post Management's Road show we have now formalised our forecasts as detailed below. Our forecasts do not include any new sizeable contracts including Gorgon. In addition, they do not include the capex or working capital required either.

FORECAST CHANGES	2010	2011	2012
NPAT BEFORE	11.60	13.30	15.53
NPAT AFTER	11.67	14.75	17.61
% CHANGE	0.6%	10.9%	13.4%
EPS BEFORE	14.46	16.48	19.11
EPS AFTER	14.59	18.41	21.96
% CHANGE	0.9%	11.7%	14.9%

Source: WHTM

- The key risk in our mind remains execution. Invariably, large contracts involve mobilisation costs, additional people and moreover time to achieve an appropriate level of profitability. We expect that FY11 will require substantial upgrades in time but remain cautious around FY10 given this will be a year of substantial activity for TOX as it is mobilising not only Gorgon, but in all reality RIO as well. Our impression is that WPL is delivering beyond expectation and represents a key pilot site for the business going forward.

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	EPS Growth %	PER x	P/CF x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2009a	7.6	9.9	24.6	21.0	16.3	9.2	0.0	0.0	0
2010e	11.7	14.6	47.9	14.2	8.3	6.7	0.0	0.0	0
2011e	14.7	18.4	26.2	11.2	7.2	5.5	0.0	0.0	0
2012e	17.6	22.0	19.2	9.4	6.4	4.5	0.0	0.0	0

Segmentals

The re-stating of segmentals has caused a certain level of consternation amongst the investment community for TOX. Below is a comparable set of segmental accounts for the result. It clearly shows a strong result for all divisions with the exception of solid waste. There is also some margin expansion in hazardous waste and margin erosion in liquid waste. These issues will be addressed in the asset review within this report.

HALF YEARS	FY	FY	FY	FY	1H	2H	FY	1H	2H	FY
DATE	2004	2005	2006	2007	2008	2008	2008	2009	2009	2009
SEGMENTALS										
Hazardous Waste										
Sales Revenue	0.74	1.72	5.60	8.23	4.25	4.96	9.21	5.38	5.28	10.66
Sales revenue growth (pcp)		*131.9%*	*225.2%*	*47.0%*	*4.9%*	*18.8%*	*11.9%*	*26.7%*	*6.4%*	*15.8%*
Split					*46.1%*	*53.9%*		*50.5%*	*49.5%*	
EBITDA	(0.54)	(0.24)	2.34	4.52	2.19	2.39	4.57	2.38	2.87	5.25
EBITDA margin	*-72.2%*	*-13.8%*	*41.9%*	*54.9%*	*51.5%*	*48.1%*	*49.7%*	*44.2%*	*54.3%*	*49.2%*
EBITDA growth (pcp)		*-55.6%*	*-1084.9%*	*92.7%*		*-47.2%*	*1.2%*		*20.3%*	*14.8%*
DA	0.51	0.42	0.42	0.56	0.54	0.52	1.06	0.43	0.35	0.79
EBIT	(1.05)	(0.66)	1.93	3.96	1.65	1.86	3.51	1.95	2.52	4.46
EBIT margin	*-141.4%*	*-38.2%*	*34.4%*	*48.2%*	*38.9%*	*37.5%*	*38.1%*	*36.2%*	*47.6%*	*41.9%*
EBIT growth (pcp)		*-37.3%*	*-392.7%*	*105.7%*	*-6.2%*	*-15.5%*	*-11.4%*	*17.9%*	*35.2%*	*27.1%*
Liquid Waste Treatment										
Sales Revenue	2.91	4.48	5.27	6.19	4.94	5.71	10.66	6.04	8.07	14.11
Sales revenue growth (pcp)		53.7%	17.7%	17.5%	92.0%	58.1%	72.2%	22.2%	41.3%	32.4%
Split					*46.4%*	*53.6%*		*42.8%*	*57.2%*	
EBITDA	1.35	2.30	2.52	3.03	2.21	3.03	5.24	2.64	3.55	6.18
EBITDA margin	*46.3%*	*51.4%*	*47.9%*	*48.9%*	*44.7%*	*53.0%*	*49.1%*	*43.7%*	*43.9%*	*43.8%*
EBITDA growth (pcp)		*70.5%*	*9.7%*	*19.9%*		*0.0%*	*73.0%*		*17.2%*	*18.1%*
DA	0.25	0.29	0.25	0.47	0.30	0.29	0.59	0.54	0.35	0.89
EBIT	1.10	2.01	2.27	2.56	1.91	2.73	4.64	2.10	3.20	5.29
EBIT margin	*37.9%*	*45.0%*	*43.1%*	*41.4%*	*38.6%*	*47.9%*	*43.6%*	*34.7%*	*39.6%*	*37.5%*
EBIT growth (pcp)		*82.8%*	*12.7%*	*12.8%*	*64.3%*	*95.7%*	*81.4%*	*9.9%*	*16.9%*	*14.0%*
Industrial Solutions										
Sales Revenue	-	0.41	0.94	3.91	3.29	3.35	6.65	25.51	29.00	54.51
Sales revenue growth (pcp)			127.1%	316.6%	155.4%	28.0%	70.0%	674.9%	764.9%	720.3%
Split					*49.5%*	*50.5%*		*46.8%*	*53.2%*	
EBITDA	(0.20)	(0.46)	(0.05)	1.50	1.59	1.47	3.06	5.84	6.07	11.91
EBITDA margin	*#DIV/0!*	*-111.4%*	*-5.0%*	*38.4%*	*48.3%*	*43.9%*	*46.1%*	*22.9%*	*20.9%*	*21.9%*
EBITDA growth (pcp)		*131.2%*	*-89.8%*	*-3289.4%*		*-1.8%*	*104.2%*		*312.6%*	*289.2%*
DA	0.22	0.22	0.07	0.42	0.38	0.40	0.78	2.57	2.49	5.06
EBIT	(0.41)	(0.68)	(0.11)	1.08	1.21	1.07	2.28	3.27	3.59	6.85
EBIT margin			*-11.9%*	*27.5%*	*36.7%*	*32.0%*	*34.3%*	*12.8%*	*12.4%*	*12.6%*
EBIT growth (pcp)				*-1059.8%*	*237.7%*	*49.5%*	*112.2%*	*170.2%*	*234.5%*	*200.4%*
Solid Waste Management										
Sales Revenue				1.69	3.36	3.78	7.14	4.58	4.34	8.91
Sales revenue growth (pcp)					-24071.4%	122.7%	323.7%	36.3%	14.6%	24.8%
Split					*47.0%*	*53.0%*		*51.3%*	*48.7%*	
EBITDA				0.53	0.96	2.21	3.17	1.42	2.14	3.56
EBITDA margin				*31.4%*	*28.6%*	*58.3%*	*44.3%*	*31.0%*	*49.3%*	*39.9%*
EBITDA growth (pcp)						*316.8%*	*498.3%*		*-3.0%*	*12.4%*
DA				0.14	0.20	0.20	0.40	0.49	0.35	0.84
EBIT				0.39	0.76	2.00	2.76	0.93	1.79	2.72
EBIT margin				*23.3%*	*22.6%*	*53.0%*	*38.7%*	*20.3%*	*41.2%*	*30.5%*
EBIT growth (pcp)						*409.9%*	*603.3%*	*22.5%*	*-10.9%*	*-1.7%*

Source: WHTM and Company Accounts

Working Capital

Working capital movement	2004	2005	2006	2007	2008	2009
Days Inventory	8.5	-	0.3	1.6	0.8	0.6
Days Receivables	47.7	79.0	76.4	92.1	93.1	91.4
Days Trade Creditors	168.3	60.0	76.6	61.8	38.6	32.0
Working Capital Required	(1.1)	0.3	0.0	1.7	5.1	14.5
Working Capital as a % of sales	*-30.7%*	*5.2%*	*0.0%*	*8.7%*	*15.1%*	*16.4%*

Source: WHTM and Company Accounts

Working capital as a % of sales increased to 16.4% in FY09 up from 15.1% in FY08. Within receivables however there was a one off $1M receivable which due to unforseen circumstances was not paid over balance date. But for this amount the result would have been 15.4% working capital to sales.

In addition, emergency response contracts if they happen to fall over balance date often have a longer collection period given the payment cycle with the insurers. There were approximately $1.5M of emergency response related receivables

We remain of the opinion that there is room for improvement in this working capital cycle. We expect with the appointment of a CFO and time in the seat to see an improvement in this cycle in the coming results.

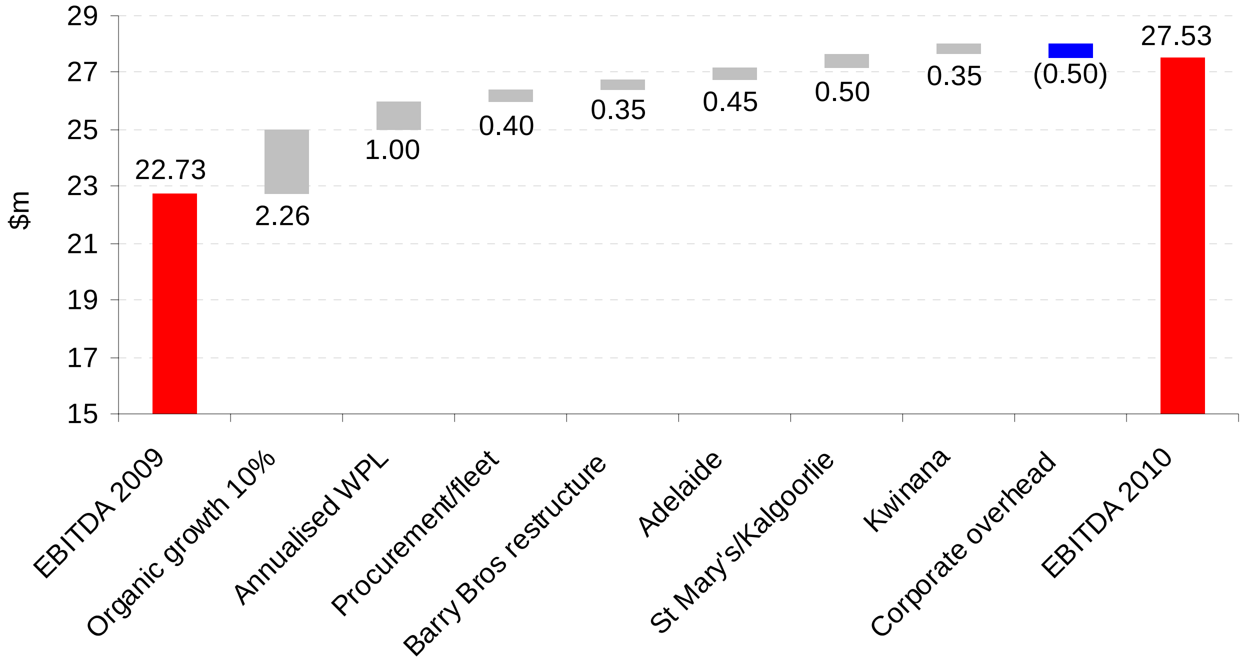
Forecasts

Post Management's Road show we have now formalised our forecasts as detailed below.

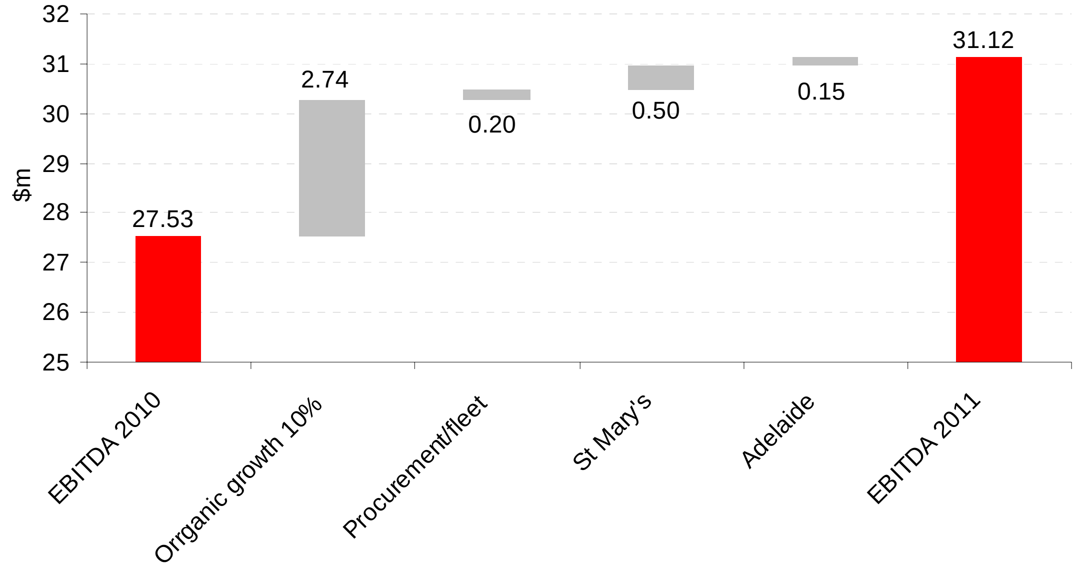
FORECAST CHANGES	2010	2011	2012
NPAT BEFORE	11.60	13.30	15.53
NPAT AFTER	11.67	14.75	17.61
% CHANGE	0.6%	10.9%	13.4%
EPS BEFORE	14.46	16.48	19.11
EPS AFTER	14.59	18.41	21.96
% CHANGE	0.9%	11.7%	14.9%

Source: WHTM

The forecasts are easy to see in the following waterfall chart the steps to get to our current forecasts.



Source: WHTM and Company Accounts



Source: WHTM and Company Accounts

PROFIT AND LOSS	2005	2006	2007	2008	2009	2010	2011	2012
	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12
Revenue								
Hazardous Waste	1.72	5.60	8.23	9.21	10.66	15.43	17.41	19.13
Liquid Waste Treatment	4.48	5.27	6.19	10.66	14.11	15.75	17.57	19.50
Industrial Solutions	0.41	0.94	3.91	6.65	54.51	54.65	57.66	61.17
Solid Waste Management			1.69	7.14	8.91	12.98	14.59	16.44
Total sales revenue	6.61	11.80	20.01	33.65	88.20	98.81	107.22	116.24
Other revenue	0.09	0.04	0.01	-	0.18	0.19	0.19	0.20
Total Revenue	6.70	11.84	20.02	33.65	88.38	98.99	107.42	116.44
Sales growth	*80.9%*	*78.6%*	*69.5%*	*68.2%*	*162.1%*	*12.0%*	*8.5%*	*8.4%*
COGS	3.55	5.72	9.10	16.43	50.25	56.29	61.09	66.23
Gross Profit Margin	*46.3%*	*51.5%*	*54.5%*	*51.2%*	*43.0%*	*43.0%*	*43.0%*	*43.0%*
Occupancy	0.09	0.10	0.21	0.41	1.77	1.98	2.15	2.33
% to Sales	*1.4%*	*0.9%*	*1.1%*	*1.2%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Administrative & Other Expense	0.78	1.11	1.78	3.31	14.16	12.32	12.21	12.99
% to Sales	*11.8%*	*9.4%*	*8.9%*	*9.8%*	*16.1%*	*12.5%*	*11.4%*	*11.2%*
EBITDA	2.28	4.90	8.92	12.91	21.41	27.59	31.12	34.02
EBITDA Margin	*34.5%*	*41.5%*	*44.6%*	*38.4%*	*24.3%*	*27.9%*	*29.0%*	*29.3%*
EBITDA Growth	*668.4%*	*114.6%*	*82.2%*	*44.7%*	*65.9%*	*28.9%*	*12.8%*	*9.3%*
Depreciation	0.84	0.76	1.68	2.83	7.58	7.77	8.26	8.73
EBIT								
Hazardous Waste	(0.66)	1.93	3.96	3.51	4.46	6.52	7.55	8.21
Liquid Waste Treatment	2.01	2.27	2.56	4.64	5.29	6.33	7.13	7.84
Industrial Solutions	(0.68)	(0.11)	1.08	2.28	6.85	8.00	8.95	9.71
Solid Waste Management			0.39	2.77	1.40	3.97	4.49	5.04
Unallocated	0.74	0.05	(0.75)	(3.14)	(4.18)	(5.00)	(5.25)	(5.51)
EBIT	1.42	4.14	7.24	10.07	13.83	19.82	22.86	25.29
EBIT Margin	*21.4%*	*35.0%*	*36.2%*	*29.9%*	*15.7%*	*20.1%*	*21.3%*	*21.8%*
EBIT Growth	*-273.7%*	*192.1%*	*75.0%*	*39.1%*	*37.3%*	*43.3%*	*15.3%*	*10.6%*
Net Interest (income)/Expense	0.30	(0.03)	0.33	1.25	3.53	3.14	1.79	0.14
EBT	1.12	4.16	6.91	8.82	10.31	16.68	21.07	25.15
Tax	-	0.29	0.84	3.17	2.68	5.00	6.32	7.55
NPAT (before extraordinaries)	1.12	3.87	6.07	5.65	7.63	11.67	14.75	17.61
Extraordinary before tax	-	(0.40)	-	-	-	-	-	-
Extraordinary - tax	-	-	-	-	-	-	-	-
NPAT Reported	1.12	3.47	6.07	5.65	7.63	11.67	14.75	17.61
NPAT Margin	*16.9%*	*32.8%*	*30.3%*	*16.8%*	*8.6%*	*11.8%*	*13.8%*	*15.1%*
NPAT Growth	*-191.5%*	*246.9%*	*56.7%*	*-6.8%*	*34.9%*	*53.1%*	*26.3%*	*19.4%*
Normalised EPS Calculation								
- BASIC	0.03	6.71	7.55	8.22	10.06	14.75	18.63	22.24
- DILUTED	0.02	6.71	7.22	7.92	9.87	14.59	18.41	21.96
MOMENTUM RATIOS								
Revenue Growth	80.9%	78.6%	69.5%	68.2%	162.1%	12.0%	8.5%	8.4%
EBITDA growth	668.4%	114.6%	82.2%	44.7%	65.9%	28.9%	12.8%	9.3%
EBIT Growth	-273.7%	192.1%	75.0%	39.1%	37.3%	43.3%	15.3%	10.6%
NPAT Growth	-191.5%	246.9%	56.7%	-6.8%	34.9%	53.1%	26.3%	19.4%
EPS Growth	-141.4%	29799.3%	7.6%	9.7%	24.6%	47.9%	26.2%	19.3%

Source: WHTM and Company Accounts

Upside Exists

Our forecasts at this point in time are predicated on the core business as we know it today without specifically allowing in size for Gorgon or for that matter Rio should this contract be awarded. There remains a strong pipeline of large contracts that are currently either being scoped, tendered or negotiated.

PIPELINE OF ACTIVITY		DECISION TIME FRAME
Gorgon		Oct-09
Rio		Days to weeks
		Days to weeks
		Days to weeks
Alcoa		3 months
BHP Petroleum		2 months
Chevron	Wheatstone	EOI
Woodside	Pluto	FY11
Apache	Devils Creek	EOI
Gladstone	Curtis Island	EOI

Source: WHTM and Company Accounts

Gorgon

TOX has already announced its success with TOLL for the Barrow Island waste management requirements. We expect to gain a greater insight as to the likely size and timing of this contract in September/October 2009. TOX will be able to divert about 80% of the waste from Barrow Island into recycling rather than landfill. Approximately 60% of waste can be treated at Karratha with the remaining shipped to other facilities or landfill as required. The costs of tendering on Gorgon and for that matter WPL and RIO have all been fully expensed in FY09. TOX has had 5 people full time tendering these large projects for about 6 months of the year. Realistically this cost will continue in the business given the pipeline of activity detailed above.

We understand the Gorgon contract will likely require capital expenditure predominantly for mobile equipment – bins and the like. In addition there will be upgrades required to the Karratha facility in sheds, wash down areas, evaporation ponds and composting. As our forecasts currently do not capture the Gorgon contract in a meaningful way we have also not included the majority of the expected capital expenditure at this point in time. We believe the ROIC's on this capital will be over 20%.

RIO

We have been waiting on the potential RIO contract for some time. We believe the scope of the tender is significant and includes Central, Eastern and Coastal areas of the broader Pilbara area. Given tenders have closed and the expectation is that this contract will be awarded in the coming month we expect we will get greater clarity on the size of this contract in the short term. We expect that further capital will be required for RIO in the form of mobile equipment if successful.

ROIC Metrics

We regard a key positive of the result to be the return metrics being implemented across the business. Target ROIC for any new business is 18% over a two year period. At present the ROIC for the group using balance date capital employed is 15.9% which is roughly made up of the core business at around 22% and Barry Bros 11%.

CAPITAL RETURN RATIO'S	2005	2006	2007	2008	2009
Capital employed	6.88	9.54	33.20	49.97	86.76
Average capital employed	7.05	8.21	21.37	41.59	68.36
Total Assets employed	9.55	16.81	41.13	57.47	101.29
Average TA employed	9.29	13.18	28.97	49.30	79.38
EBIT	1.42	4.14	7.24	10.07	13.83
ROIC (Ave assets)	*20.1%*	*50.4%*	*33.9%*	*24.2%*	*20.2%*
Balance date ROIC		43.3%	21.8%	20.2%	15.9%

Barry Bros

Given this ROIC hurdle has been set, the review process of Barry Bros has resulted in a decision to sell a number of assets. Recycling these assets should provide Barry Bros with circa $2M of capital to spend on higher ROIC returning assets such as combination units (ROIC ~30%).

In addition the Barry Bros Adelaide branch has been closed with the 6 units on site transferred to south east Qld and NSW and are now 100% utilised on 30% higher rates. Management expect the annualised benefit of this closure to result in $0.6M EBITDA contribution.

The following table provides the steps to normalisation of the result.

Barry Bros.

REPORTED	FY09	FY08	% Diff
Revenue	43.24	42.81	*1.0%*
EBITDA	7.82	7.23	*8.1%*
EBIT	3.33	2.90	*14.9%*
Interest	1.56	1.30	*20.4%*
Income Tax	0.87	0.54	*61.8%*
NPAT	0.90	1.07	*-15.3%*
EBITDA Margin	*18.1%*	*16.9%*	

Normalisation Adjustments	
Redundancy payments	0.43
Integration costs	0.10
Impact on EBITDA	0.53
Taxation reversal	0.28
Impact on NPAT	0.28

NORMALISED	FY09	FY08	% Diff
Revenue	43.24	42.81	*1.0%*
EBITDA	8.35	7.23	*15.5%*
EBIT	3.86	2.90	*33.3%*
NPAT	1.55	1.07	*45.9%*
EBITDA Margin	*19%*	*17%*	

In addition to the normalised Barry Bros. figures, FY09 includes approximately $400k of additional costs associated with the change of ownership i.e. new office and administration staff. Given this is a continuing cost to the business we have not normalised this out of the result.

Pricing metrics for Barry Bros post acquisition

Post acquisition, the pricing metrics for Barry Bros are as follows:

Barry Bros. Acquisition	$m
Cash Paid & Direct Costs	10.609
Debt	14.753
Enterprise Value	25.362

	FY09 Reported	FY09 Normalised	FY08 Reported
EBITDA ($m)	7.82	8.35	7.23
EBIT	3.33	3.86	2.90
NPAT ($m)	0.90	1.55	1.07
EBITDA Multiple	3.24x	3.04x	3.51x
EBIT Multiple	7.61x	6.57x	8.75x
PE Ratio	11.76x	6.83x	9.96x

What this analysis does not include however is the synergy benefits of the acquisition. Arguably the pipeline of opportunities and the success of Woodside could not have been achieved without, some of the assets of Barry Bros but more importantly the experience and branding within Industrial Services. Furthermore the Safety systems and standards within the Barry Bros business which have been pushed through the TOX business have been paramount in winning and maintaining the WPL contract.

In addition there remains $4.6M of waste treatment work on the East Coast which is currently being taken to competitors as TOX does not have the licences or facilities to treat this waste as yet. The licence applications are in process and expected to take circa 12 months.

Going forward we expect that whilst revenue will remain broadly flat given the sale of assets that margins will improve over time. On an annualised basis the personnel restructure of the business will deliver circa $0.35M to the business. In addition the business should grow organically on the back of the recycling of capital into higher returning assets.

Integration

In terms of integration between the two businesses, a new accounting system is currently rolling out across the business with the new CFO managing that process. The East Coast TOX businesses will go live on this system in October 2009 in addition to Kwinana, Henderson and head office. The Pilbara region will go live in January 2010. The Quest safety system will be completely in approximately the same time frame.

We believe that HR and IT systems are now fully integrated. Finally the overall change in business structure is now complete and communicated to the business.

Asset Review

Pilbara Region

Karratha

Karratha provided a positive contribution in EBITDA terms for the full year having only been officially opened in February. Capacity of the site on current capex is about 30%, with significant upside available over time. In our view the industrial services work – predominantly tank cleaning for Santos and Woodside have delivered beyond expectation. Our impression is that the Woodside contract is currently delivering ahead of expectation on volumes.

The commissioning of Karratha has all been expensed during the year including a long period where higher costs where incurred due to a lack of basic services to the block. We expect that the Karratha site will provide significant growth over the coming years for TOX.

We believe that the production based waste contract will roll into the Woodside contract some time during FY11 based on completion of construction. We believe this represents around one third the size of the current Woodside contract.

Port Hedland

Port Hedland saw some softness in liquid waste predominantly on the start up of Karratha. In addition we believe that TOX is currently going down the path of litigation to recoup the costs of the failed upgrade. Port Hedland will likely expand its current suite of services from this site. The site currently has land availability and will require capital during the year to add these additional services.

Kimberley Region

Management indicated that they had been successful in rolling over $15M in municipal contracts to various councils throughout this region over the next 4 to 8 years. These contract terms within the region range from 3.5 years to 8 years.

In addition to this, TOX have been awarded an Industrial Services contract to the West Australian Water Corporation. Growth in the region is expected via population growth as well as some construction in the area – hospital in Derby and a Prison in the Kimberley area.

South West

Kwinana

Kwinana saw cost overruns in 1H09, with a change in Management occurring in November 2008. The cost overruns related to the way the waste was being treated and the proportion of waste that ended up being sent to higher grade landfill. This has been addressed and should see an annualised benefit of circa $0.35M in EBITDA in FY10. We expect that Kwinana will be a beneficiary of rising activity levels in WA on the back of Gorgon and general oil and gas activity. In addition general improvements in the economy should drive improved volumes through the facility. The TDU has seen some activity during FY09 albeit no longer material to the overall business.

Henderson

Management indicated that they have experienced significant growth in revenue and earnings through expansion of industrial services throughout WA. Industrial solutions has grown to $11.3M in revenue from $6.7M in FY08 ex Barry Bros. Whilst this growth is across a number of assets a reasonable proportion relates to the marine tank cleaning services, some of which come out of Henderson.

In addition Emergency Response Services from the new Dangerous Goods Legislation has seen strong growth and resides out of Henderson. Management are starting to push this service into the East Coast on the back of a number of national clients requesting a national solution. As yet legislation on the East Coast does not require companies to have this sort of service retained, which is likely to result in a slower take up of this service on the eastern seaboard.

Kalgoorlie

Softness in Kalgoorlie has been well flagged by Management. With the reduction in base metal prices essentially all the nickel mines in the region which represented a large proportion of the business went into care and maintenance. We expect this to change over time with improving nickel prices. The business remains profitable with some assets relocated to other areas. The ‘gold’ oriented clients remain active at this point.

East Coast QLD, NSW Waste Assets

The facility requires a strong BDM to drive revenues to the business given its infancy. Original expectations were for $1M EBITDA for this asset and our forecasts assume this is achievable progressively over the next two years.

Queensland has performed strongly in line with budget expectations. Whilst there has been some softness in manufacturing clients, package waste remained robust.

Debt

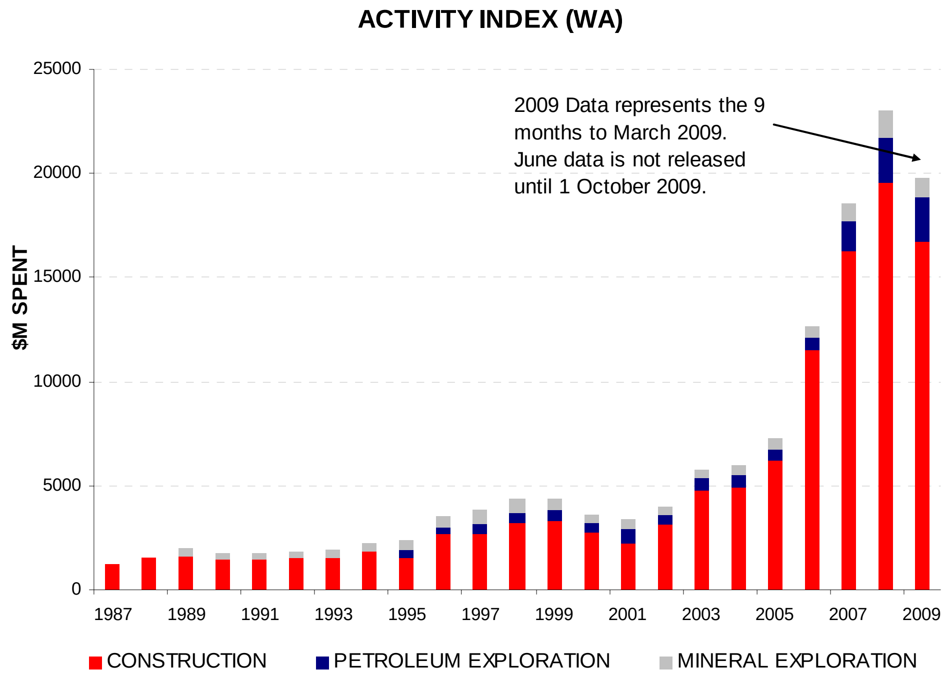
Management indicated that they will be paying back approximately $6m - $7m of Principal in FY10 and they have approximately $11m of facilities due within this year (approximately $4m at March and $7m in June 2010).

Management indicated that they are in constant discussion with their bankers (Westpac) and are very comfortable that they will be able to roll this forward.

Long term outlook for TOX

Given the business revolves around waste management; one would expect that the demand cycle has limited volatility. However, it is clear that given the location of its assets, TOX has been a key beneficiary of strong commodity prices and the resultant growth in mining activity (be it exploration, construction or production).

The chart below highlights the actual spend in construction (public and private), petroleum exploration and mineral exploration in Western Australia over the past 11 years. It is worthwhile noting that the figures for the 2009 year represent the 9 months to 31 March 2009, as data for the June quarter is not released until 1 October 2009. Importantly based on the likelihood of Gorgon going ahead plus the levels of activity in the region from the other major players we remain comfortable that the underlying demand for industrial services and waste will remain strong for some years to come.



Source: ABS

Valuation

On the back of this result, our valuation and target price currently sit at $2.13 and $2.48 respectively and at this stage we are retaining our BUY recommendation.

VALUATION SUMMARY	VALUATION	PRICE TARGET
DCF	$ 2.06	$ 2.29
PE	$ 2.02	$ 2.53
EBITDA MULTIPLE	$ 2.30	$ 2.63
AVERAGE	$ 2.13	$ 2.48
CAPITAL UPSIDE	2.8%	20.0%

Source: WHTM and Company Accounts

Discounted cash flow valuation			
DCF input assumptions (%)		Valuation ($M)	
10-year government bond rate	6.00	PV of explicit cash flows	60.26
Market risk premium	6.00	PV of horizon cash flows	46.81
Levered beta	1.00	Perpetuity Value	89.04
Cost of equity	12.00	Entity value	196.10
Cost of debt, pre tax	8.00	Less corporate debt	32.89
Current debt/value ratio	20.1	Total calculated value of ordinary equity	163.22
Corporate tax rate	30.1	Ord & potential shares on issue (M)	79.16
WACC	11.16	Value/share ($)	2.06
Terminal Growth Rate	2.5%	Current share price ($)	2.07
		Margin of Safety	(0%)

VALUATION SUMMARY			share price	$ 2.07
	FY2010E	FY2011E	12m FWD	24m FWD
EARNINGS SUMMARY				
EBITDA				
TOX CORE	19.40	21.91	19.84	22.28
INDUSTRIAL SERVICES	13.19	14.47	13.42	14.66
CORPORATE/OTHER	(5.00)	(5.25)	(5.04)	(5.30)
NPAT				
TOX CORE	9.91	12.36	10.34	12.77
INDUSTRIAL SERVICES	4.71	5.77	4.90	5.95
CORPORATE/OTHER	(2.94)	(3.39)	(3.02)	(3.47)

Source: WHTM and Company Accounts

BREAK UP VALUATION (PE BASED)	FY2010E	FY2011E	12m FWD	24m FWD
MARKET PE	12.6	11.0	12.0	10.4
TOX CORE PE RELATIVE	1.2	1.2	1.2	1.2
IND SERVICES PE RELATIVE	0.8	0.8	0.8	0.8
CORPATE PE RELATIVE	1.0	1.0	1.0	1.0
TOX CORE VALUATION	149.8	163.4	149.3	184.5
IND SERVICES VALUATION	47.5	50.9	47.2	57.2
CORPORATE VALUATION	-37.1	-37.3	-36.4	-41.7
TOTAL VALUATION ($M)	160.2	177.0	160.1	200.0
VALUATION PER SHARE (cps)	2.02	2.24	2.02	2.53
Capital upside (%)	153.0%	179.5%	152.9%	215.8%

Source: WHTM and Company Accounts

BREAK UP VALUATION (EBITDA BASED)	FY2010E	FY2011E	12m FWD	24m FWD
MARKET EBITDA MULTIPLE	7.4	6.7	7.3	6.5
TOX CORE RELATIVE	1.2	1.2	1.2	1.2
IND SERVICES RELATIVE	0.8	0.8	0.8	0.8
CORPATE RELATIVE	1.0	1.0	1.0	1.0
TOX CORE VALUATION	173.2	175.6	173.4	194.7
IND SERVICES VALUATION	78.5	77.3	78.2	85.4
CORPORATE VALUATION	-37.2	-35.1	-36.7	-38.6
LESS DEBT	32.9	32.9	32.9	32.9
TOTAL VALUATION ($M)	181.7	184.9	181.9	208.6
VALUATION PER SHARE (cps)	2.30	2.34	2.30	2.63
Capital upside (%)	186.9%	192.0%	187.3%	229.4%

Source: WHTM and Company Accounts

Tox-Free Solutions (TOX : $2.07)

INVESTMENT FUNDAMENTALS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EPS Reported (c)	7.9	9.9	14.6	18.4	22.0
EPS Normalised (c)	**7.9**	**9.9**	**14.6**	**18.4**	**22.0**
EPS Growth (%)	N/A	24.6%	47.9%	26.2%	19.2%
PER Normalised (x)	**26.1**	**21.0**	**14.2**	**11.2**	**9.4**
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 (%)	0%	0%	0%	0%	0%

VALUATION DATA

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EV / EBITA (x)	16.1	14.2	9.3	7.4	6.0
EV / EBITDA (x)	12.5	9.2	6.7	5.5	4.5
CFPS (c)	9.6	12.7	25.1	28.7	32.5
Price / CF	**21.6**	**16.3**	**8.3**	**7.2**	**6.4**
Book Value / Share ($)	0.5	0.7	0.8	1.0	1.2
Price / Book (x)	**4.4**	**3.0**	**2.5**	**2.0**	**1.7**

PROFIT & LOSS ($m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Sales Revenue	33.7	88.2	98.8	107.2	116.2
EBITDA	12.9	21.4	27.6	31.1	34.0
Depreciation	2.8	7.6	7.8	8.3	8.7
EBITA	**10.1**	**13.8**	**19.8**	**22.9**	**25.3**
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	**10.1**	**13.8**	**19.8**	**22.9**	**25.3**
Net Interest Expense	1.2	3.5	3.1	1.8	0.1
Pre-tax Profit	**8.8**	**10.3**	**16.7**	**21.1**	**25.2**
Tax	3.2	2.7	5.0	6.3	7.5
Tax rate (%)	35.9%	26.0%	30.0%	30.0%	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	**5.7**	**7.6**	**11.7**	**14.7**	**17.6**
Abn's / Extraord's	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	5.7	7.6	11.7	14.7	17.6
Revenue Growth (%)	N/A	162.1%	12.0%	8.5%	8.4%
EBIT Growth (%)	N/A	37.3%	43.3%	15.3%	10.7%
NPAT Growth (%)	N/A	34.9%	53.1%	26.3%	19.4%

PROFITABILITY RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EBIT / Sales (%)	**29.9%**	**15.7%**	**20.1%**	**21.3%**	**21.8%**
ROA (%)	N/A	18.1%	20.2%	22.7%	24.6%
ROE (%)	**N/A**	**17.5%**	**19.6%**	**20.2%**	**19.7%**
ROFE (%)	N/A	20.2%	22.9%	26.5%	29.4%

INTERIMS ($m)

Half Yr	Dec 08	Jun 09	Dec 09	Jun 10	Dec 10
Yr Ending June	**1H A**	**2H A**	**1H E**	**2H E**	**1H E**
Sales Revenue	41.5	46.7	46.6	52.2	50.7
EBIT	6.0	7.9	7.9	12.0	8.9
Net Profit	**2.8**	**4.8**	**4.4**	**7.3**	**5.6**
EBIT / Sales (%)	14.4%	16.8%	16.9%	22.9%	17.5%

BALANCE SHEET ($m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Cash	1.6	4.6	4.6	4.6	15.9
Receivables	8.6	22.1	24.7	26.8	29.1
Inventories	0.1	0.1	0.2	0.2	0.2
Other	0.4	2.0	2.3	2.5	2.7
Current Assets	**10.6**	**28.8**	**31.7**	**34.1**	**47.8**
Net PPE	23.4	46.7	46.9	46.6	45.9
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	23.3	25.0	25.0	25.0	25.0
Other	0.2	0.8	0.8	0.8	0.8
Non-current Assets	**46.9**	**72.5**	**72.7**	**72.4**	**71.7**
Total Assets	**57.5**	**101.3**	**104.4**	**106.5**	**119.5**
Current Payables	3.6	7.7	8.7	9.4	10.2
Current Debt	1.9	3.6	3.6	3.6	3.6
Non-Current Debt	16.6	33.9	21.8	6.9	0.0
Provisions	2.3	2.2	4.8	6.3	7.8
Other	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**24.4**	**47.4**	**38.9**	**26.2**	**21.6**
Equity	29.3	42.0	42.0	42.0	42.0
Reserves	0.6	2.3	2.3	2.3	2.3
Retained Profits	3.2	9.5	21.2	36.0	53.6
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	**33.1**	**53.9**	**65.5**	**80.3**	**97.9**
Total Funds Employed	**50.0**	**86.7**	**86.4**	**86.2**	**85.6**

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Net Debt (Cash) ($m)	16.9	32.9	20.8	5.9	-12.3
Net Debt / Equity (%)	**51.0%**	**61.0%**	**31.8%**	**7.3%**	**-12.5%**
Interest Cover (x)	8.1	3.9	6.3	12.7	180.7
Debt / CashFlow (x)	**2.7**	**3.8**	**1.3**	**0.5**	**0.1**

CASHFLOW ($m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EBIT	10.1	13.8	19.8	22.9	25.3
Dep'n and Amort'n	2.8	7.6	7.8	8.3	8.7
Net Int Rec'd (Paid)	-1.5	-3.6	-3.1	-1.8	-0.1
Tax Paid	-2.6	-5.1	-2.7	-5.0	-6.3
Dec / (Inc) W'kg Cap	-3.3	-9.4	-1.7	-1.4	-1.5
Other	0.6	6.6	-0.2	-0.2	-0.2
Operating Cash Flow	**6.8**	**9.8**	**20.0**	**23.0**	**26.1**
Capital Expenditure	-8.3	-9.7	-8.0	-8.0	-8.0
Asset Sales	0.0	0.0	0.0	0.0	0.0
Investments	-6.8	-10.4	0.0	0.0	0.0
Other Inv. Flows	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	**-15.1**	**-20.2**	**-8.0**	**-8.0**	**-8.0**
Equity Raised	0.3	12.6	0.0	0.0	0.0
Inc / (Dec) in Loans	6.7	0.7	-12.0	-15.0	-18.1
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	**7.0**	**13.3**	**-12.0**	**-15.0**	**-18.1**
Net Cash Flow	**-1.3**	**3.0**	**0.0**	**0.0**	**0.0**

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 1,335,333 securities in Tox-Free Solutions. 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 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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