

ASX ANNOUNCEMENT

2 March 2018

Federal Court Orders Convening of Scheme Meeting

Tox Free Solutions Limited (“Toxfree”) announces that the Federal Court of Australia (“Court”) has today ordered the convening of a meeting of Toxfree shareholders (“Scheme Meeting”) to consider and vote on the previously announced scheme of arrangement, under which Cleanaway Waste Management Limited will acquire 100% of the ordinary shares in Toxfree via its wholly-owned subsidiary, Cleanaway (No. 1) Pty Ltd (the “Scheme”).

The Scheme Meeting will be held at 10:00am (Perth time) on Friday, 6 April 2018 at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth.

Following today’s Court hearing, the Australian Securities and Investments Commission registered the Scheme Booklet in relation to the Scheme, which includes a Notice of Scheme Meeting, a copy of the Proxy Form for the Scheme Meeting and an Independent Expert’s Report from Lonergan Edwards & Associates Limited (“Independent Expert”). The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree shareholders in the absence of a superior proposal. A copy of the Scheme Booklet is attached to this announcement.

Toxfree shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to download a copy of the Scheme Booklet, and to lodge their proxy vote online. Toxfree shareholders who have not made such an election will be mailed a printed copy of the Scheme Booklet, which is expected to be despatched on or before Wednesday, 7 March 2018. The Scheme Booklet will also be available for viewing and download on Toxfree’s website at <http://www.toxfree.com.au/asx-announcements>.

Toxfree’s Board of Directors unanimously recommend that Toxfree shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree shareholders. Each Toxfree Director intends to vote all the Toxfree shares that he or she holds in favour of the Scheme, subject to those same qualifications.

Special Dividend

Toxfree is pleased to announce that it has now declared a fully franked special dividend of \$0.58 per Toxfree share (“Special Dividend”), which will be paid on the Special Dividend Payment Date (currently anticipated to be Monday, 30 April 2018), subject to the Scheme becoming effective.

If the Scheme is successfully implemented, Toxfree shareholders who are registered on both the Special Dividend Record Date and the Scheme Record Date (please refer to the indicative Scheme timetable outlined below) will receive a total cash payment of \$3.425 for each Toxfree share they own, which will comprise:

- a fully franked Special Dividend of \$0.58 per share; and
- Scheme Consideration of \$2.845 per share.

Toxfree has applied to the Australian Taxation Office (“ATO”) requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 of the Scheme Booklet for further details), Toxfree shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with the Special Dividend may also receive additional value. Whether a Toxfree shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

Toxfree shareholders should seek independent legal, financial or other professional advice before making any decision regarding the Scheme.

Indicative Scheme Timetable

The important dates and expected timetable for the Scheme are set out fully in the Scheme Booklet and include the following:

Event	Date
Despatch of Scheme Booklet to Toxfree shareholders	By Wednesday, 7 March 2018
Scheme Meeting	Friday, 6 April 2018
Second Court Date	Monday, 16 April 2018
Effective Date / Toxfree shares cease trading on the ASX	Tuesday, 17 April 2018
Special Dividend Record Date	Friday, 20 April 2018
Scheme Record Date	Tuesday, 24 April 2018
Special Dividend paid to eligible Toxfree shareholders	Monday, 30 April 2018
Implementation Date and Scheme Consideration paid to eligible Toxfree shareholders	Wednesday, 2 May 2018

All dates are indicative only. Toxfree reserves its right to vary any of the dates set out in the above table, subject to obtaining any necessary approvals. The actual timetable will depend upon the time at which the conditions to the Scheme are satisfied or, if applicable, waived.

The Scheme is subject to a number of conditions, including the approval of Toxfree shareholders, the Court and the Australian Competition & Consumer Commission (“ACCC”). It is currently expected that the ACCC will announce its findings on Thursday, 29 March 2018, which may be a final decision not to oppose the Scheme, or alternatively the ACCC may publish a Statement of Issues which may cause a change in the current indicative timetable.

Toxfree encourages all of its shareholders to read the Scheme Booklet carefully and in its entirety before deciding whether or not to vote in favour of the Scheme at the Scheme Meeting. If you have any questions in relation to the Scheme or the Scheme Booklet, you should contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 8:30am and 5:00pm (Melbourne time) on business days.

For further information, please contact:

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toxfree

Tox Free Solutions Limited

ACN 058 596 124

Scheme Booklet

For the recommended scheme of arrangement in relation to the proposed acquisition of all of your Toxfree Shares by Cleanaway Waste Management Limited

A Notice of Scheme Meeting is included as Annexure E

VOTE YES

The Toxfree Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders in the absence of a Superior Proposal

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS SCHEME BOOKLET IN ITS ENTIRETY PRIOR TO DECIDING WHETHER OR NOT TO VOTE IN FAVOUR OF THE SCHEME.

If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial or other professional adviser immediately. If you have sold all of your Toxfree Shares, please ignore this Scheme Booklet.

If you have any questions in relation to this Scheme Booklet or the Scheme you should contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

FINANCIAL ADVISER

Morgan Stanley

LEGAL ADVISER

CLAYTON UTZ

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IMPORTANT NOTICES

Date of Scheme Booklet

This Scheme Booklet is dated 2 March 2018.

General

Toxfree Shareholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial or other professional adviser immediately.

Purpose of this Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved), and to provide such information as is prescribed or otherwise material to the decision of Toxfree Shareholders whether or not to approve the Scheme. This Scheme Booklet includes the Explanatory Statement required by section 412(1) of the Corporations Act in relation to the Scheme.

Responsibility statement

The Toxfree Information (being all information contained in this Scheme Booklet, other than the Cleanaway Information, Section 8 and the Independent Expert's Report) has been prepared by, and is the responsibility of, Toxfree. Neither BidCo nor Cleanaway, or their respective Related Bodies Corporate, nor any of their directors, officers, employees and advisers assume any responsibility for the accuracy or completeness of the Toxfree Information.

The Cleanaway Information (being information regarding the Cleanaway Group, including information in relation to BidCo, the funding of the Scheme Consideration and BidCo's intentions in relation to the Toxfree Group and its business, including the Toxfree Group's employees and assets, and any information contained in this Scheme Booklet that is solely based on or prepared on any information so provided by BidCo) has been prepared by, and is the responsibility of, BidCo and Cleanaway. Toxfree and its Related Bodies Corporate and their directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Cleanaway Information.

The Independent Expert's Report contained in this Scheme Booklet has been prepared by, and is the responsibility of, Lonergan Edwards & Associates Limited, the Independent Expert. None of Toxfree, BidCo or Cleanaway, or their respective Related Bodies Corporate, nor any of their respective directors, officers, employees and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report. The Independent Expert and its directors, officers and employees are not responsible for the accuracy and completeness of any other part of this Scheme Booklet.

BDO Corporate Tax (WA) Pty Ltd has prepared Section 8 and takes responsibility for that Section. None of Toxfree, BidCo or Cleanaway, or their respective Related Bodies Corporate, nor any of their respective directors, officers, employees and advisers assume any responsibility for the accuracy or completeness of that Section. BDO Corporate Tax (WA) Pty Ltd and its directors, officers and employees are not responsible for the accuracy and completeness of any other part of this Scheme Booklet.

ASIC, the ASX and the Court

A copy of this Scheme Booklet has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has reviewed a copy of this Scheme Booklet. Toxfree has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the hearing on the Second Court Date. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to the ASX.

Important notice associated with the Court order under section 411(1) of the Corporations Act

The Court has ordered the convening of the Scheme Meeting pursuant to section 411(1) of the Corporations Act. The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- a. has formed any view as to the merits of the proposed Scheme or as to how Toxfree Shareholders should vote (on this matter Toxfree Shareholders must reach their own decision); or
- b. has prepared, or is responsible for, the content of this Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position and particular needs of Toxfree Shareholders. The information in this Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or Toxfree Shares. Toxfree Shareholders should seek independent financial, taxation or other professional advice before making any decision regarding the Scheme.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Toxfree Shareholders, or a solicitation of an offer from Toxfree Shareholders, in any jurisdiction.

Forward looking statements

Certain statements in this Scheme Booklet, including statements relating to Toxfree's, BidCo's or Cleanaway's plans, intentions or expectations of future costs relate to the future and are forward looking statements or information. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Toxfree to be materially different from future results, performance or achievements expressed or implied by such statements. Such material risks, uncertainties and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

Assumptions upon which forward looking statements related to the Scheme are based include, without limitation: (a) that Toxfree Shareholders will approve the Scheme; (b) that the Court will approve the Scheme; (c) that all other Conditions to the completion of the Scheme will be satisfied or waived; and (d) that there is no significant change in government policy and no significant foreign events that may impact the Scheme. Many of these assumptions are based on factors and events that are not within the control of Toxfree and may not prove to be correct.

Factors that could cause actual results to vary materially from results anticipated by such forward looking statements include, but are not limited to: the parties' ability to consummate the Scheme; the Conditions to the completion of the Scheme, including the receipt of Toxfree Shareholder approval, or Court approval on the terms expected or on the anticipated schedule; the parties' ability to meet expectations regarding the timing of completion; and accounting and tax treatments of the Scheme and the factors identified in Section 6, as well as in Toxfree's recent annual and half-yearly financial reports, which are available from Toxfree's website at <http://www.toxfree.com.au>.

Without limiting the generality of the other provisions of this cautionary statement, the Independent Expert's Report appearing as Annexure B may contain or refer to forward looking information and is subject to certain assumptions, limitations, risks and uncertainties as described herein and therein.

Other than as required by law, neither Toxfree, BidCo nor Cleanaway nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. Toxfree Shareholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Additionally, statements of the intentions of BidCo and/or Cleanaway reflect present intentions as at the date of this Scheme Booklet and may be subject to change. Forward looking statements are made as at the date of this Scheme Booklet and neither Toxfree, BidCo nor Cleanaway undertakes to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

Estimates, targets and forecasts

Unless otherwise indicated, all references to estimates, targets and forecasts and derivatives of the same in this Scheme Booklet are references to estimates, targets and forecasts by management of either Toxfree, BidCo or Cleanaway (as applicable). Management estimates, targets and forecasts are based on views held only as at the date of this Scheme Booklet, and actual events and results may be materially different from them.

Each of Toxfree, BidCo and Cleanaway believe that any forecast attributed to it in this Scheme Booklet has been made on reasonable grounds. However, readers are cautioned that the estimates, targets and forecasts are subject to a variety of factors that are likely to cause actual results to vary from them, and such variations may be material. Forward looking information generally involves risks and uncertainties as described above, which are in many instances beyond Toxfree's, BidCo's or Cleanaway's control, including amongst other things, global economic conditions, specific market conditions, regulatory developments, exchange rates, litigation, interest rates and regulatory changes. A description of certain risks is set out in Section 6.

These could cause actual events and results to vary significantly from those included in or contemplated by such statements.

Any estimates, targets or forecasts reflect certain assumptions by Toxfree, BidCo and/or Cleanaway which assumptions may differ with respect to future events, economic, competitive and regulatory conditions, financial market conditions and future business decisions, including a continuation of existing business operations on substantially the same basis as currently exists, all of which assumptions are difficult to predict and many of which are beyond Toxfree, BidCo and/or Cleanaway's control. Accordingly, there can be no assurance that any estimate, forecast or target is indicative of Toxfree's, BidCo's or Cleanaway's future performance or that actual events and results would not differ materially from them.

Privacy and personal information

Toxfree, BidCo, Cleanaway and the Share Registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, other contact details and details of the securityholdings of Toxfree Shareholders, and the names of individuals appointed by Toxfree Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Toxfree Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Share Registry on 1300 850 505 (within Australia only) or +61 3 9415 4000 (outside Australia) if they wish to exercise these rights.

The personal information is collected for the primary purpose of implementing the Scheme. The personal information may be disclosed to Toxfree's, BidCo's and Cleanaway's share registries/transfer agents, securities brokers, print and mail service providers and any other service provider to the extent necessary to effect the Scheme.

If the information outlined above is not collected, Toxfree may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Toxfree Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at a Scheme Meeting should inform such an individual of the matters outlined above.

Tax implications of the Scheme

If the Scheme becomes Effective and is implemented, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain on disposal of Toxfree Shares or on receipt of the Special Dividend. For further detail about the general Australian tax consequences of the Scheme and the Special Dividend, please refer to Section 8. The tax treatment may vary depending on the nature and characteristics of each Toxfree Shareholder and their specific circumstances. Accordingly, Toxfree Shareholders should seek professional tax advice in relation to their particular circumstances.

Interpretation

Information contained in this Scheme Booklet is given as of 2 March 2018, unless otherwise stated to the contrary. Capitalised terms and certain abbreviations used in this Scheme Booklet have the defined meanings set out in Section 10.

Figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet. All references to times in this Scheme Booklet are references to time in Perth, Australia, unless otherwise stated. All dates in the timetable are indicative only and subject to change. All references in this Scheme Booklet to "\$", "A\$", "AUD", "Australian dollars" and "cents" are to Australian currency.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure E.

Notice of Second Court Date

At the Second Court Date, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any Toxfree Shareholder may appear at the Second Court Date expected to be held on or about 16 April 2018 at the Court.

No internet site is part of this Scheme Booklet

Toxfree and Cleanaway each maintain an internet website. Any reference in this Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Scheme Booklet.

Foreign jurisdictions

The distribution of this Scheme Booklet outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Toxfree and its Related Bodies Corporate and their directors, officers, employees and advisers each disclaim all liabilities to such persons.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of jurisdictions other than Australia.

Toxfree Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside Australia.

Questions and supplementary information

If you have any questions in relation to this Scheme Booklet or the Scheme you should contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

Toxfree Shareholders should seek independent legal, financial or other professional advice before making any decision regarding the Scheme.

In certain circumstances, Toxfree may provide additional disclosure to Toxfree Shareholders in relation to the Scheme after the date of this Scheme Booklet. To the extent applicable, Toxfree Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Scheme.

IMPORTANT DATES AND EXPECTED TIMETABLE FOR THE SCHEME

Event	Time and Date
First Court Date	2 March 2018
Despatch of Scheme Booklet and Notice of Scheme Meeting to Toxfree Shareholders	By 7 March 2018
Interim Dividend Payment Date	16 March 2018
Latest time and date by which completed Proxy Forms for the Scheme Meeting must be received by the Share Registry	10.00 am on 4 April 2018 (Perth time)
Time and date for determining eligibility to vote of registered Toxfree Shareholders at the Scheme Meeting	5.00 pm on 4 April 2018 (Perth time)
Scheme Meeting (to be held at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth)	10.00 am on 6 April 2018 (Perth time)

If the Scheme is approved by the Requisite Majorities, the expected timetable for implementation of the Scheme is:

Second Court Date for approval of the Scheme	16 April 2018
Effective Date	17 April 2018
Court order lodged with ASIC and announcement to the ASX	
Last day of trading in Toxfree Shares on the ASX (with Toxfree Shares suspended from close of trading)	
Special Dividend Record Date for determining entitlements to the Special Dividend	5.00 pm on 20 April 2018 (Perth time)
Scheme Record Date for determining entitlements to Scheme Consideration	7.00 pm on 24 April 2018 (Perth time) ¹
Special Dividend Payment Date	30 April 2018
Implementation Date	2 May 2018
Payment of Scheme Consideration to be made to Toxfree Shareholders	

All dates and times are references to the date and/or time in Perth, Australia, unless otherwise stated. This timetable is indicative only. The actual timetable will depend upon the time at which the Conditions to the Scheme are satisfied or, if applicable, waived. Those Conditions are set out in Annexure A and clause 3 of the Scheme Implementation Deed.

Toxfree has the right to vary the timetable set out above subject to the approval of such variation by BidCo, the Court and ASIC where required. Any variation to the timetable set out above will be publicly announced and posted on Toxfree's website and on the ASX.

¹ Please note that CHESSE will be closed from 5.00 pm Perth time on 24 April 2018 and so no dealings in Toxfree Shares can be effected using CHESSE after that time.

LETTER FROM THE CHAIRMAN OF TOXFREE

2 March 2018

Dear Toxfree Shareholders,

On behalf of the Board of Tox Free Solutions Limited (**Toxfree**), I am pleased to provide this Scheme Booklet to you, which contains important information for you to consider about the proposed acquisition of Toxfree by BidCo, a wholly-owned Subsidiary of Cleanaway Waste Management Limited (**Cleanaway**).

Toxfree Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to download a copy of the Scheme Booklet, and to lodge their proxy vote online. The Scheme Booklet will also be available for viewing and download on the Toxfree website at <http://www.toxfree.com.au/asx-announcements>.

On 11 December 2017, Toxfree announced that it had entered into a Scheme Implementation Deed with Cleanaway under which it is proposed that Cleanaway will acquire 100% of the issued share capital of Toxfree for a cash price of \$3.425 per share by way of a scheme of arrangement. The Scheme is subject to a number of conditions, including shareholder and court approvals, regulatory approvals, and other customary conditions.

If the Scheme is approved and implemented, Toxfree Shareholders who are registered as such on both the Special Dividend Record Date and the Scheme Record Date will receive a Total Cash Payment of \$3.425 for each Toxfree Share that they own, which will comprise:

- a fully franked Special Dividend of \$0.58 per Toxfree Share that they hold on the Special Dividend Record Date; and
- the Scheme Consideration of \$2.845 per Toxfree Share that they hold on the Scheme Record Date.

Toxfree has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with the Special Dividend may also receive additional value. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

In addition to the Total Cash Payment, each Toxfree Shareholder will be entitled to receive Toxfree's fully franked Interim Dividend of \$0.05 per Toxfree Share that they hold on the Interim Dividend Record Date. The Interim Dividend is independent of the Scheme.

The Total Cash Payment, represents the following transaction metrics:

- a 27.5% premium to the 10 day VWAP of Toxfree Shares on 8 December 2017 of \$2.69 per share;²
- a 28.0% premium to the 1 month VWAP of Toxfree Shares of \$2.68 per share;
- a 32.8% premium to the 3 month VWAP of Toxfree Shares of \$2.58 per share; and
- a FY2017 P/E multiple of 27.8x, a FY2017 EV/EBIT multiple of 20.0x, and a FY2017 EV/EBITDA multiple of 10.0x.³

The Total Cash Payment values Toxfree's fully diluted equity at \$670 million,⁴ and implies an enterprise value of \$830 million for Toxfree.⁵

Toxfree Directors' recommendation

The Toxfree Board unanimously recommends that Toxfree Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders. Each Toxfree Director intends to vote all the Toxfree Shares that he or she holds in favour of the Scheme, subject to those same qualifications.

The Toxfree Board has concluded that the Scheme is compelling for Toxfree Shareholders for the following reasons:

- the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders in the absence of a Superior Proposal;
- all cash consideration delivers certainty and immediate value for your Toxfree Shares;
- the Total Cash Payment represents an attractive premium over the 10 day, 1 month and 3 month VWAP of Toxfree Shares prior to the announcement of the Scheme;
- the Total Cash Payment represents an attractive premium with reference to multiples paid in precedent waste management acquisitions in Australia and New Zealand;
- the Total Cash Payment reflects the value of Toxfree's strategic plan, the capability of management to deliver on it, and recognises the high strategic value of Toxfree's business to Cleanaway (including potential synergies);

² VWAP based on cumulative trading volume and value up to and including 8 December 2017.

³ Based on reported underlying EBITDA for the 12 months to 30 June 2017 of \$82.8 million, underlying EBIT of \$41.5 million, and underlying profit after tax of \$24.1 million for the same period.

⁴ Calculated based on 194,418,716 ordinary shares outstanding plus 1,406,295 Performance Rights and 1,165,904 Share Appreciation Rights that are expected to vest upon completion of the transaction; assumes a strike price for the Share Appreciation Rights of \$3.09 per share and an issuance price of \$3.425.

⁵ Based on reported net debt of \$159.9 million as at 30 June 2017, including \$2.5 million of non-controlling interests.

- on the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who can take advantage of the franking credits attached to the Special Dividend may receive an additional benefit from the value of those franking credits to them;
- Toxfree's Share Price is likely to fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal;
- since the announcement of the Scheme, no Superior Proposal has emerged; and
- no brokerage or stamp duty will be payable by you for the transfer of your Toxfree Shares under the Scheme.

In forming their view to unanimously recommend the Scheme to Toxfree Shareholders, the Toxfree Board also considered the disadvantages of the Scheme proceeding, which include:

- Toxfree Shareholders will no longer be able to participate in the future financial performance and growth of the Toxfree business;
- Toxfree Shareholders may find it difficult to identify or invest in an alternative investment with a similar profile to that of Toxfree;
- Toxfree Shareholders may consider that there is the potential for a Superior Proposal to emerge; and
- the taxation implications of the Scheme may not be suitable to the financial circumstances or position of certain Toxfree Shareholders.

Independent Expert

The Toxfree Directors appointed Lonergan Edwards & Associates Limited as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders in the absence of a Superior Proposal. The Independent Expert has assessed the fully diluted value of Toxfree Shares at between \$2.84 and \$3.06. The Total Cash Payment of \$3.425 plus the value of the Interim Dividend of \$0.05 per Toxfree Share exceeds the Independent Expert's assessed valuation range.

The Interim Dividend has been aggregated with the Total Cash Payment for valuation purposes as the Independent Expert assessed the value of Toxfree Shares on a cum-dividend basis (i.e. prior to paying the Interim Dividend) as this is consistent with the basis on which Toxfree Shares traded during the period of preparation of the Independent Expert's Report. The Interim Dividend is independent of the Scheme and will be received on the Interim Dividend Payment Date by Toxfree Shareholders who were registered as such on the Interim Dividend Record Date. A complete copy of the Independent Expert's Report is included as Annexure B. I encourage you to read it in full.

How to vote

For the Scheme to be approved by Toxfree Shareholders, votes in favour of the Scheme must be received from a majority in number (more than 50%) of Toxfree Shareholders present and voting at the Scheme Meeting (unless the Court orders otherwise) and at least 75% of the total number of votes cast on the Scheme Resolution by Toxfree Shareholders.

Your vote is important and we encourage you to vote by completing the Proxy Form accompanying this Scheme Booklet, or alternatively by attending the Scheme Meeting to be held at 10.00 am (Perth time) at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth, on 6 April 2018.

Further information

This Scheme Booklet sets out important information relating to the Scheme, the reasons why the Toxfree Board has recommended that Toxfree Shareholders vote in favour of the Scheme, and the Independent Expert's Report. It also sets out some of the reasons why Toxfree Shareholders may wish to vote against the Scheme.

Please read this document carefully and in its entirety. It will assist you in making an informed decision on how to vote. Toxfree Shareholders should also seek independent financial, legal and taxation advice before making any decision in relation to their Toxfree Shares.

If you have any questions in relation to this Scheme Booklet or the Scheme you should contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

On behalf of the Toxfree Board, I would like to take this opportunity to thank you for your ongoing support of Toxfree, and I look forward to your participation at the Scheme Meeting.

Yours sincerely,



Robert McKinnon
Chairman
Tox Free Solutions Limited

WHAT YOU SHOULD DO

1. Read this Scheme Booklet

You should read this Scheme Booklet carefully in its entirety, including the reasons to vote in favour of or against the Scheme, before making any decision on how to vote on the Scheme Resolution.

Answers to various frequently asked questions about the Scheme are set out in Section 2. If you have any additional questions in relation to this Scheme Booklet or the Scheme please consult your financial, legal or other professional adviser or contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

2. Vote on the Scheme at the Scheme Meeting

Vote on the Scheme at the Scheme Meeting by doing one of the following:

- a. **Vote in person** - attend the Scheme Meeting in person at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth on 6 April 2018 at 10.00 am (Perth time).
- b. **Vote by proxy** - complete and return the Proxy Form in accordance with the instructions set out on the Proxy Form so that it is received by the Share Registry by no later than 10.00 am (Perth time) on 4 April 2018.
- c. **Vote by corporate representative** - a Toxfree Shareholder or proxy who is a body corporate may vote at the Scheme Meeting by having their corporate representative attend the Scheme Meeting in person and vote on their behalf. The authorised corporate representative will be admitted to the Scheme Meeting upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment, their name and address and the identity of their appointer.
- d. **Vote by attorney** - a Toxfree Shareholder may vote at the Scheme Meeting by having their fully authorised attorney attend the Scheme Meeting in person and vote on their behalf. Toxfree Shareholders wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Toxfree for notation, deliver to Toxfree's Share Registry the original instrument appointing the attorney or a certified copy of it by 10.00 am (Perth time) on 4 April 2018.

In order for the Scheme to proceed, the Scheme must be approved by:

- a. unless the Court orders otherwise, a majority in number (more than 50%) of Toxfree Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Toxfree Shareholders, by a duly appointed corporate representative); and
- b. at least 75% of the total number of votes cast on the Scheme Resolution by Toxfree Shareholders at the Scheme Meeting.

If the Scheme is not approved by the Requisite Majorities of Toxfree Shareholders at the Scheme Meeting, the Scheme will not proceed.

Please refer to Section 3 for further information on how to vote at the Scheme Meeting.

3. Receive the Special Dividend

If you are eligible and wish to receive the Special Dividend you will need to ensure that you do not sell your Toxfree Shares prior to 5.00 pm (Perth time) on 20 April 2018, being the expected Special Dividend Record Date. Otherwise, and assuming the Scheme is approved by the Requisite Majorities and the Court, you do not need to do anything to receive the Special Dividend.

Toxfree has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with the Special Dividend may also receive additional value. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

4. Participate in the Scheme

If you are eligible and wish to participate in the Scheme you will need to ensure that you do not sell your Toxfree Shares prior to 7.00 pm (Perth time) on 24 April 2018, being the expected Scheme Record Date.⁶ Otherwise, and assuming the Scheme is approved by the Requisite Majorities and the Court, you do not need to do anything to participate in the Scheme.

Further information

Further information relating to details of the resolution is contained in the Notice of Scheme Meeting (which is set out in Annexure E).

Toxfree Shareholders who have any questions or require further information in relation to this Scheme Booklet or the Scheme should contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date. Toxfree Shareholders should seek independent financial, legal and taxation advice before making any decision regarding the Scheme.

⁶ Please note that CHESS will be closed from 5.00 pm Perth time on 24 April 2018 and so no dealings in Toxfree Shares can be effected using CHESS after that time.

SUMMARY OF CONSIDERATIONS RELEVANT TO YOUR VOTE

Reasons to vote in favour of the Scheme

✓ The Toxfree Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Toxfree Shareholders.

✓ The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders in the absence of a Superior Proposal.

✓ All cash consideration delivers certainty and immediate value for your Toxfree Shares.

✓ The Total Cash Payment represents an attractive premium over the 10 day, 1 month and 3 month VWAP of Toxfree Shares prior to the announcement of the Scheme.

✓ The Total Cash Payment represents an attractive premium with reference to multiples paid in precedent waste management acquisitions in Australia and New Zealand.

✓ The Total Cash Payment reflects the value of Toxfree's strategic plan, the capability of management to deliver on it, and recognises the high strategic value of Toxfree's business to Cleanaway.

✓ On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), those Toxfree Shareholders who can take advantage of the franking credits attached to the Special Dividend may receive an additional benefit from the value of those franking credits to them.

✓ Toxfree's Share Price is likely to fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal.

✓ Since the announcement of the Scheme, no Superior Proposal has emerged.

✓ No brokerage or stamp duty will be payable by you for the transfer of your Toxfree Shares under the Scheme.

These reasons are discussed in more detail on page 11.

Reasons to vote against the Scheme

✗ You may disagree with the unanimous recommendation of the Toxfree Directors or the Independent Expert's conclusion and believe that the Scheme is not in your best interests.

✗ You will no longer be able to participate in the future financial performance and growth of the Toxfree business.

✗ You may find it difficult to identify or invest in an alternative business with similar characteristics to that of Toxfree.

✗ You may consider that there is the potential for a Superior Proposal to emerge.

✗ The taxation implications of the Scheme may not be suitable to your financial circumstances or position.

These reasons are discussed in more detail on page 14.

REASONS TO VOTE IN FAVOUR OF THE SCHEME

a. The Toxfree Directors have assessed the merits of the Scheme and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders.

In reaching their recommendation, the Toxfree Board has considered the advantages and disadvantages of the Scheme, including the information contained in:

- the “Reasons to vote in favour of the Scheme” Section;
- the “Reasons to vote against the Scheme” Section;
- Section 6 (Risk factors) and Section 8 (Tax implications of the Scheme); and
- Annexure B (Independent Expert’s Report).

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders, each of the Toxfree Directors intend to vote all the Toxfree Shares that he or she holds in favour of the Scheme.

Further details of the interests of the Toxfree Directors are contained in Section 9.

b. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders in the absence of a Superior Proposal.

The Toxfree Directors appointed Lonergan Edwards & Associates Limited as the Independent Expert to assess the merits of the Scheme and to provide an opinion as to whether the Scheme is in the best interests of Toxfree Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders in the absence of a Superior Proposal.

The Independent Expert has assessed the fully diluted value of Toxfree Shares between \$2.84 and \$3.06. The Total Cash Payment of \$3.425 plus the value of the Interim Dividend of \$0.05 per Toxfree Share exceeds the Independent Expert’s assessed valuation range.

The Interim Dividend has been aggregated with the Total Cash Payment for valuation purposes as the Independent Expert assessed the value of Toxfree Shares on a cum-dividend basis (i.e. prior to paying the Interim Dividend) as this is consistent with the basis on which Toxfree Shares traded during the period of preparation of the Independent Expert’s Report. The Interim Dividend is independent of the Scheme and will be received on the Interim Dividend Payment Date by Toxfree Shareholders who were registered as such on the Interim Dividend Record Date.

A complete copy of the Independent Expert’s Report is included as Annexure B. The Toxfree Directors encourage you to read the Independent’s Expert Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.

c. All cash consideration delivers certainty and immediate value for your Toxfree Shares.

The offer from BidCo is a 100% cash offer. This offers a high degree of certainty of value and timing. More specifically, if the Scheme is implemented, Toxfree Shareholders will receive:

- the Scheme Consideration in cash for each Toxfree Share held by them at the Scheme Record Date, to be paid on the Implementation Date; and
- the Special Dividend in cash for each Toxfree Share held by them at the Special Dividend Record Date, to be paid on the Special Dividend Payment Date.

In contrast, if the Scheme does not proceed, the amount which Toxfree Shareholders will be able to realise for their investment in Toxfree Shares will necessarily be uncertain. The Scheme removes this uncertainty for Toxfree Shareholders. For details of the risks relating to remaining a Toxfree Shareholder, see Section 6.

d. The Total Cash Payment represents an attractive premium over the 10 day, 1 month and 3 month VWAP of Toxfree Shares prior to the announcement of the Scheme.

If the Scheme is approved and implemented, Toxfree Shareholders who are registered as such on both the Special Dividend Record Date and the Scheme Record Date will receive a Total Cash Payment of \$3.425 for each Toxfree Share that they own, which will comprise:

- a fully franked Special Dividend of \$0.58 per Toxfree Share that they hold on the Special Dividend Record Date; and
- the Scheme Consideration of \$2.845 per Toxfree Share that they hold on the Scheme Record Date.

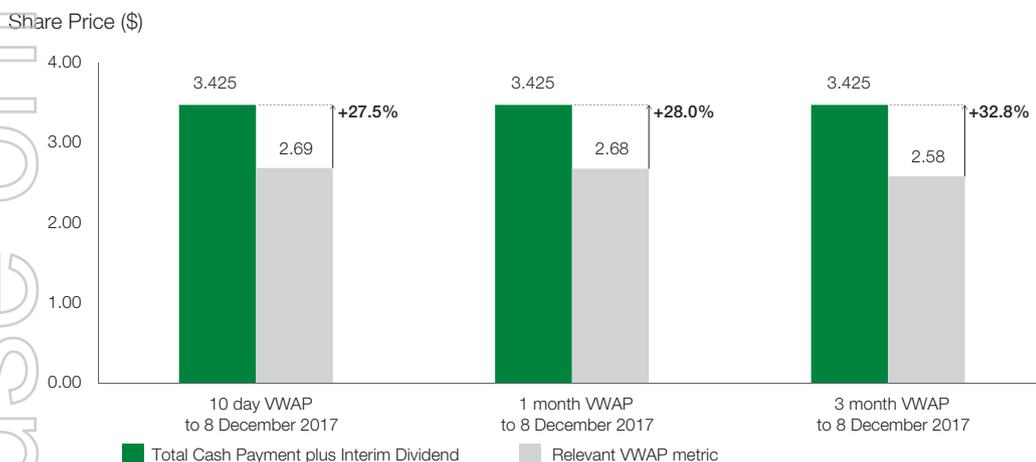
Toxfree has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with the Special Dividend may also receive additional value. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

7 Based on reported underlying EBITDA for the 12 months to 30 June 2017 of \$82.8 million, underlying EBIT of \$41.5 million, and underlying profit after tax of \$24.1 million for the same period.

In addition to the Total Cash Payment, each Toxfree Shareholder will be entitled to receive the fully franked Interim Dividend of \$0.05 per Toxfree Share that they hold on the Interim Dividend Record Date. The Interim Dividend is independent of the Scheme.

The Total Cash Payment represents a premium of:

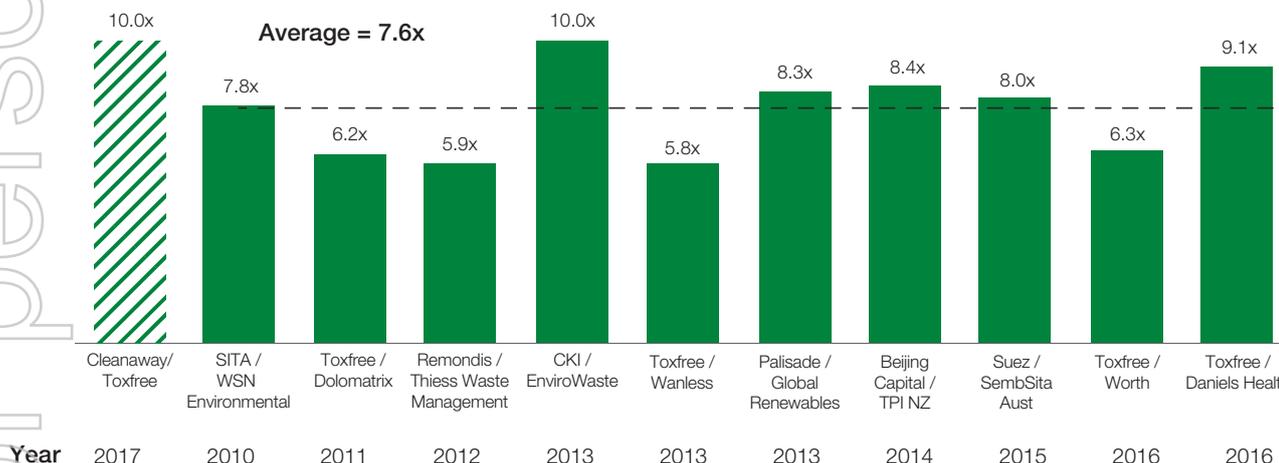
- 27.5% to the 10 day VWAP of Toxfree Shares on 8 December 2017 of \$2.69 per share;⁷
- 28.0% to the 1 month VWAP of Toxfree Shares of \$2.68 per share;⁷ and
- 32.8% to the 3 month VWAP of Toxfree Shares of \$2.58 per share.⁷



e. The Total Cash Payment represents an attractive premium with reference to multiples paid in precedent waste management acquisitions in Australia and New Zealand.

The Total Cash Payment implies a FY2017 P/E multiple of 27.8x,⁷ a FY2017 EV/EBIT multiple of 20.0x,⁷ and a FY2017 EV/EBITDA multiple of 10.0x.⁷

These transaction metrics represent a significant premium to selected precedent waste management transactions in Australia and New Zealand since 2010, on a last twelve months EV/EBITDA basis, as shown in the chart below:⁸



f. The Total Cash Payment reflects the value of Toxfree’s strategic plan and the capability of management to deliver on it, and recognises the high strategic value of Toxfree’s business to Cleanaway.

The Toxfree Directors have assessed the potential of Toxfree’s strategic plan, Toxfree’s competitive position in the sectors which it services, as well as the synergies that could arise from the proposed transaction and have concluded that the Total Cash Payment fairly reflects the value of a Toxfree Share.

In making this assessment, the Toxfree Directors gave consideration to management’s internal budgeting and five year business plan, including both an intrinsic and market-based valuation analysis of the plan, and made an assessment of this valuation after considering the potential risks that are associated with executing on and achieving it.

⁸ Transactions included in this figure have been selected by Toxfree as what it considers to be the most relevant Australia and New Zealand waste management transactions since 2010. The figure does not include all transactions that have been announced and completed in the waste management sector, and as such should not be considered to be an exhaustive list of all relevant transactions.

The Toxfree Directors have also considered the potential total quantum of synergies that Cleanaway has announced in relation to the Scheme, and the allocation of the value of those synergies between Toxfree and Cleanaway. Such synergies include the integration of corporate and enterprise services across both Toxfree and Cleanaway, removing duplication in the operating structure of both organisations, optimisation of footprint and increased utilisation rates for technology and fleet, and improvements in route density.

g. Those Toxfree Shareholders who can take advantage of the franking credits attached to the Special Dividend (provided a favourable class ruling is obtained) may receive an additional benefit from the value of those franking credits to them.

If the Scheme becomes Effective, Toxfree Shareholders will be entitled to receive a fully franked Special Dividend of \$0.58 per Toxfree Share, subject to remaining a Toxfree Shareholder on the Special Dividend Record Date.

In addition, each Toxfree Shareholder will be entitled to receive the fully franked Interim Dividend of \$0.05 per share, subject to remaining a Toxfree Shareholder on the Interim Dividend Record Date. The Interim Dividend is independent of the Scheme.

Toxfree has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with the Special Dividend may also receive additional value. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

Section 8 sets out a general summary regarding taxation implications of the Scheme for Toxfree Shareholders. You should consult your own taxation advisor to determine the tax consequences relevant to your circumstances.

h. Toxfree's share price is likely to fall in the near-term, if the Scheme is not implemented and in the absence of a Superior Proposal.

On the last trading day prior to the announcement of the Scheme, Toxfree's share price was \$2.84. Since then, it has increased by 21% to \$3.45 per Toxfree Share on 28 February 2018 (being the last practicable trading day prior to the date of the Scheme Booklet).



Source IRESS (as at 28 February 2018)

If the Scheme is not implemented and in the absence of a Superior Proposal, the Toxfree Directors believe that it is likely that the price of Toxfree Shares will fall from current levels.

i. Since the announcement of the Scheme, no Superior Proposal has emerged.

Since the initial announcement of the Scheme on 11 December 2017 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Toxfree Directors are not aware of any Superior Proposal that is likely to emerge.

j. No brokerage or stamp duty will be payable by you for the transfer of your Toxfree Shares under the Scheme.

You will not incur any brokerage or stamp duty on the transfer of your Toxfree Shares to BidCo under the Scheme. It is possible that such charges may be incurred if you transfer your Toxfree Shares other than under the Scheme.

REASONS TO VOTE AGAINST THE SCHEME

The Toxfree Directors believe that Toxfree Shareholders should take into consideration the following potential disadvantages and reasons to vote against the Scheme. Having identified these potential disadvantages, the Directors consider that they are outweighed by the potential advantages of the Scheme set out in the "Reasons to vote in favour of the Scheme" Section on page 11. This assessment has led to the Toxfree Directors unanimously recommending that Toxfree Shareholders vote in favour of the Scheme in the absence of a Superior Proposal.

a. You may disagree with the unanimous recommendation of the Toxfree Directors or the Independent Expert's conclusion and believe that the Scheme is not in your best interests.

Notwithstanding the unanimous recommendation of the Toxfree Directors and the conclusion of the Independent Expert, you may believe that the Scheme is not in your best interests. In reaching their decision, the Toxfree Directors have made various judgements and assumptions based on future trading conditions, circumstances and events, which cannot be predicted with certainty and which may prove to be positively or negatively inaccurate.

There is no obligation for Toxfree Shareholders to agree with the unanimous recommendation of the Toxfree Directors, or agree with the conclusion of the Independent Expert.

b. You will no longer be able to participate in the future financial performance and growth of the Toxfree business.

If the Scheme is approved and implemented, you will cease to be a Toxfree Shareholder and will lose the ability to participate in any potential upside that may result from maintaining your investment in Toxfree.

This means that you will not participate in the future financial performance and potential growth of Toxfree, and will not retain exposure to the value that could be created by Toxfree for its shareholders in the future.

c. You may find it difficult to identify or invest in an alternative business with similar characteristics to that of Toxfree.

You may prefer to keep your Toxfree Shares to maintain your investment in a public company with Toxfree's specific characteristics, including but not limited to risk, return and liquidity characteristics. You may consider that it would be difficult to identify and invest in alternative investments that have a similar profile to Toxfree.

In addition, despite the risk factors relevant to Toxfree's future operations as a standalone entity (including those in Section 6), you may consider that Toxfree may be able to generate greater returns for its assets as a stand-alone entity, or by exploring alternative corporate transactions in the future.

d. You may consider that there is the potential for a Superior Proposal to emerge.

You may believe that there is potential for a Superior Proposal to be made in the foreseeable future. This may include a takeover offer or alternative transaction proposal which would deliver a total consideration to Toxfree Shareholders in excess of the Total Cash Payment.

However, as at the date of this Scheme Booklet, no Superior Proposal has emerged and Directors are not aware of any Superior Proposal that is likely to emerge.

e. The taxation implications of the Scheme may not be suitable to your financial circumstances or position.

If the Scheme proceeds, there may be tax consequences that result for you as a Toxfree Shareholder, some of which may be adverse. Further detail regarding the tax implications of the Scheme is contained in Section 8.

OTHER CONSIDERATIONS RELEVANT TO YOUR VOTE ON THE SCHEME

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

a. The Scheme may proceed even if you vote against it.

The Scheme will be implemented if the Scheme Resolution is passed by the Requisite Majorities and is approved by the Court, irrespective of whether you do not vote or you vote against the Scheme Resolution at the Scheme Meeting.

If this occurs, any Toxfree Shares you hold on the Scheme Record Date will be transferred to BidCo. If you hold Toxfree Shares on both of the Record Dates, you will receive the Total Cash Payment of \$3.425 for each Toxfree Share that you hold.

b. If the Scheme does not proceed, Toxfree Shareholders will not receive the Scheme Consideration or the Special Dividend.

If the Scheme is not approved or all outstanding Conditions are not satisfied or waived, the Scheme will not proceed. In that case, Toxfree Shareholders will not receive the Scheme Consideration or Special Dividend, Toxfree will continue to operate as it does currently and Toxfree Shares will remain listed on the ASX.

If the Scheme is not implemented, the advantages of the Scheme described in the "Reasons to vote in favour of the Scheme" Section on page 11 will not be realised.

c. Conditionality of the Scheme.

The implementation of the Scheme is subject to a number of Conditions, which are set out in Annexure A and clause 3 of the Scheme Implementation Deed. If the Conditions are not satisfied or waived (as applicable), the Scheme will not proceed and Toxfree Shareholders will not receive the Scheme Consideration or Special Dividend.

d. Exclusivity.

Toxfree, BidCo and Cleanaway have entered into certain arrangements which restrict the ability of Toxfree to enter into discussions with potential rival bidders (subject to various exceptions) and requires Toxfree to provide BidCo with certain rights in respect of matching any alternative offers, if they arise. The exclusivity provisions are summarised in Annexure A and set out in full in clause 9 of the Scheme Implementation Deed.

e. Break fees.

A break fee of \$6,700,000 is payable by Toxfree to BidCo in certain circumstances.

Break fees of \$6,700,000 and \$2,233,333 are payable by BidCo to Toxfree in certain circumstances (although BidCo is only liable to pay the highest of whichever break fee becomes payable).

The break fees are summarised in Annexure A and set out in full in clause 10 of the Scheme Implementation Deed.

1. SUMMARY OF THE SCHEME

1.1 Background

On 11 December 2017, Toxfree, BidCo and Cleanaway entered into a Scheme Implementation Deed, subject to certain Conditions, under which BidCo, a wholly owned Subsidiary of Cleanaway, would acquire 100% of the issued share capital of Toxfree for a cash price of \$3.425 per share. The transaction is to be effected by way of a scheme of arrangement between Toxfree and its shareholders.

A summary of the key terms of the Scheme Implementation Deed can be found in Annexure A.

If the Scheme is approved by Toxfree Shareholders and by the Court, and all other Conditions are satisfied or waived, Toxfree will become a Subsidiary of Cleanaway and an application will be made to delist the Toxfree Shares from the ASX.

If the Scheme is not approved, the Scheme will not proceed and Toxfree will continue as a standalone entity listed on the ASX (please refer to Section 1.13).

A copy of the Scheme is set out in Annexure C.

1.2 Toxfree Directors' recommendation

The Toxfree Directors believe that the Scheme is attractive and in the best interests of Toxfree Shareholders and recommend that Toxfree Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders.

1.3 Voting intentions of the Toxfree Directors

Each Toxfree Director intends to vote all of the Toxfree Shares he or she holds or controls in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders.

Details of the interests of each Toxfree Director in Toxfree Shares are set out in Section 9.1.

1.4 Independent Expert's conclusion

Loneragan Edwards & Associates Limited, the Independent Expert, has concluded that the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the fully diluted value of Toxfree Shares between \$2.84 and \$3.06. The Total Cash Payment of \$3.425 plus the value of the Interim Dividend of \$0.05 per Toxfree Share exceeds the Independent Expert's assessed valuation range.

The Interim Dividend has been aggregated with the Total Cash Payment for valuation purposes as the Independent Expert assessed the value of Toxfree Shares on a cum-dividend basis (i.e. prior to paying the Interim Dividend) as this is consistent with the basis on which Toxfree Shares traded during the period of preparation of the Independent Expert's Report. The Interim Dividend is independent of the Scheme and will be received on the Interim Dividend Payment Date by Toxfree Shareholders who were registered as such on the Interim Dividend Record Date.

A full copy of the Independent Expert's Report is set out in Annexure B. The Toxfree Directors encourage you to read this report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.

1.5 Cash to be received if the Scheme proceeds

If the Scheme proceeds, Toxfree Shareholders registered as Toxfree Shareholders on the Toxfree Share Register at both of the Record Dates will receive a Total Cash Payment of \$3.425 for every Toxfree Share held, which will comprise:

- a. a fully franked Special Dividend of \$0.58 for each Toxfree Share held by that Toxfree Shareholder on the Special Dividend Record Date, to be paid by Toxfree on the Special Dividend Payment Date (which is expected to be 30 April 2018, please refer to Section 1.6 below for more about the Special Dividend); and
- b. the Scheme Consideration of \$2.845 for each Toxfree Share held by that Toxfree Shareholder on the Scheme Record Date, to be paid by BidCo on the Implementation Date (which is expected to be 2 May 2018).

If the number of Scheme Shares held by a Scheme Shareholder is such that the aggregate entitlement of that Scheme Shareholder to Scheme Consideration is such that a fractional entitlement to a cent arises, then the fractional entitlement will be rounded up or down to the nearest cent (with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole cent, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole cent).

1.6 The Special Dividend

Subject to the Scheme becoming Effective, Toxfree will pay a fully franked Special Dividend of \$0.58 for each Toxfree Share.

Toxfree has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with

the Special Dividend may also receive additional value. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

Section 8 sets out a general summary regarding the taxation implications of the Scheme and the Special Dividend.

1.7 Payment of the Special Dividend and Scheme Consideration

All payments will be made:

- a. where a Toxfree Shareholder has elected, prior to the relevant Record Date, to receive dividends by electronic funds transfer to the bank account nominated by the Toxfree Shareholder - by transfer into that account; or
- b. by cheque for the relevant amount in Australian currency, dispatched by prepaid post to that Toxfree Shareholder's Registered Address.

For Toxfree Shares held in joint names, the relevant payment will be made to the joint holders and the cheque will be sent to the address on the Toxfree Share Register (in relation to the Special Dividend) or the holder whose name appears first in the Toxfree Share Register (in relation to the Scheme Consideration). If a Toxfree Shareholder does not have a Registered Address, or Toxfree considers the shareholder is not known at its Registered Address and no bank account has been notified, payments due to the Toxfree Shareholder will be held by Toxfree until claimed or dealt with in accordance with the relevant laws dealing with unclaimed money.

You should be aware that if the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the cash payments described above may also be delayed.

Under the Deed Poll, BidCo must deposit (or procure the deposit of) an amount equal to the aggregate Scheme Consideration into an Australian dollar denominated trust account, operated by Toxfree as trustee for the Scheme Shareholders, no later than the Business Day before the Implementation Date. On the Implementation Date, Toxfree will procure the payment from the trust account of the Scheme Consideration to each Scheme Shareholder in accordance with the above.

1.8 Conditions

The Scheme is subject to a number of Conditions, which need to be satisfied or (if permitted) waived before the Scheme can be implemented. These Conditions are set out in Annexure A and clause 3 of the Scheme Implementation Deed and include:

- a. **Shareholder approval:** Toxfree Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act;
- b. **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- c. **Institutional Offer:** by 7.00 pm (Perth time) on the date which is 10 Business Days after the announcement of the Transaction and commencement of the Entitlement Offer, settlement has occurred in respect of the institutional component of the Entitlement Offer;
- d. **Competition Approval:** by 8.00 am (Perth time) on the Second Court Date, Competition Approval has been obtained;
- e. **Material Adverse Change:** no Material Adverse Change occurs, is announced or becomes known to BidCo between the date of the Scheme Implementation Deed and 5.00 pm (Perth time) on the Business Day before the Second Court Date;
- f. **Independent Expert's Report:** the Independent Expert does not change or publicly withdraw the conclusion that the Scheme is in the best interests of Toxfree Shareholders prior to 8.00 am (Perth time) on the Second Court Date;
- g. **Target Representations and Warranties:** the Target Representations and Warranties are true and correct in all material respects as at the date of the Scheme Implementation Deed and as at 8.00 am (Perth time) on the Second Court Date;
- h. **Prescribed Occurrence:** no Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8.00 am (Perth time) on the Second Court Date.

In relation to the Institutional Offer Condition (which is contained in clause 3.1(f) of the Scheme Implementation Deed), Toxfree announced to the ASX on 21 December 2017 that the Condition has been satisfied.

In relation to the Competition Approval Condition (which is contained in clause 3.1(c) of the Scheme Implementation Deed), it is currently expected that the ACCC will announce its findings on 29 March 2018. This may be a final decision not to oppose the Transaction, or alternatively the ACCC may publish a Statement of Issues outlining its preliminary views on potential competition concerns and issues which require further consultation. In the latter scenario, Toxfree expects it will cause a delay in the current indicative timetable.

If the ACCC publishes a Statement of Issues, it will undertake further consultation with Cleanaway, Toxfree and other relevant stakeholders prior to the ACCC making a final decision, which may be to not oppose the Transaction, to not oppose the Transaction subject to the acceptance of undertakings, or to oppose the Transaction.

If any Conditions (other than the Court approval Condition set out in Annexure A and clause 3.1(b) of the Scheme Implementation Deed) have not been satisfied or waived by the Second Court Date, Toxfree will need to discuss this matter with BidCo and subject to that discussion intends to apply to the Court to adjourn the Second Court Date to the extent necessary to allow for the satisfaction or waiver of such Conditions.

As at the date of this Scheme Booklet, Toxfree, BidCo and Cleanaway are each not aware of any circumstances that would cause the outstanding Conditions not to be satisfied or waived.

1.9 Key agreements

The key agreements to effect the Scheme are the:

- a. Scheme Implementation Deed (a summary of which is set out in Annexure A);
- b. Scheme (a copy of which is set out in Annexure C); and
- c. Deed Poll (a copy of which is set out in Annexure D and a summary of which is set out in Section 7).

1.10 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- a. Toxfree Shareholders will vote on whether to approve the Scheme at the Scheme Meeting. Each person registered as a Toxfree Shareholder as at 5.00 pm (Perth time) on 4 April 2018 is entitled to vote at the Scheme Meeting.
- b. If the Scheme is approved by the Requisite Majorities at the Scheme Meeting, Toxfree will apply to the Court for orders approving the Scheme on the Second Court Date;
- c. If the Court approves the Scheme, and all Conditions to the Scheme have been satisfied or waived, Toxfree will lodge with ASIC an office copy of the Court orders approving the Scheme in accordance with section 411(10) of the Corporations Act;
- d. It is expected that suspension of trading in Toxfree Shares on the ASX will occur from close of trading on the Effective Date;
- e. On the Interim Dividend Payment Date, Toxfree Shareholders will receive the Interim Dividend for every Toxfree Share held on the Interim Dividend Record Date (the Interim Dividend is independent of the Scheme);
- f. On the Special Dividend Payment Date, Toxfree Shareholders will receive the Special Dividend for every Toxfree Share held on the Special Dividend Record Date;
- g. On the Implementation Date, Toxfree Shareholders will receive the Scheme Consideration for every Toxfree Share held on the Scheme Record Date; and
- h. Toxfree will apply to the ASX for termination of official quotation of Toxfree Shares and to have itself removed from the official list of the ASX from close of trading on the Implementation Date.

Section 7 contains further details of the Scheme, including the approvals required in order for the Scheme to proceed.

1.11 Your choices as a Toxfree Shareholder

As a Toxfree Shareholder you have the following four options in relation to your Toxfree Shares:

a. Vote in favour of the Scheme at the Scheme Meeting

The Toxfree Directors unanimously recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders, you vote in favour of the Scheme. The reasons for the Toxfree Directors' unanimous recommendation are set out in the "Reasons to vote in favour of the Scheme" Section on page 11.

b. Vote against the Scheme at the Scheme Meeting

If, despite the Toxfree Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting.

However, you should note that if all of the Conditions to the Scheme are satisfied or waived (as applicable), including receipt of the approval of the Requisite Majorities, the Scheme will bind all Toxfree Shareholders, including those who vote against the Scheme at the Scheme Meeting or those who do not vote at all.

c. Sell your Toxfree Shares on the ASX

You can sell your Toxfree Shares on the ASX at any time before the cessation of trading of Toxfree Shares on the ASX. If you sell your Toxfree Shares on the ASX you may incur brokerage or other costs. If the Scheme becomes Effective, trading in Toxfree Shares on the ASX is expected to cease at the close of trading on the ASX on the day on which the Scheme becomes Effective.

d. Do nothing

If, despite the Toxfree Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if all of the Conditions to the Scheme are satisfied or waived (as applicable), including receipt of the approval of the Requisite Majorities, the Scheme will bind all Toxfree Shareholders, including those who vote against the Scheme at the Scheme Meeting or those who do not vote at all.

If you want to receive the Scheme Consideration and the Special Dividend, your vote is important. If the Scheme is not approved by the Requisite Majorities of Toxfree Shareholders you will not be entitled to receive any Scheme Consideration.

1.12 Treatment of Toxfree Unlisted Securities

Toxfree operates (or has operated in the past) employee incentive plans involving the issue, vesting and exercise of Toxfree Unlisted Securities.

In 2011, Toxfree Shareholders approved the 2011 Long Term Incentive Plan at Toxfree's 2011 annual general meeting. In 2016, the Toxfree Board carried out a detailed review of Toxfree's executive remuneration structure and principles. The key outcome of the review was the creation of a new incentive framework, the 2016 Simplified Incentive Plan.

Toxfree Unlisted Securities issued subsequent to the approval of the 2011 Long Term Incentive Plan but prior to 1 July 2016 were issued under, and are governed by, the 2011 Long Term Incentive Plan. Toxfree Unlisted Securities issued after 1 July 2016 were issued under, and are governed by, the 2016 Simplified Incentive Plan.

Under both the 2011 Long Term Incentive Plan and the 2016 Simplified Incentive Plan:

- a. Toxfree Performance Rights give the holder the right to subscribe for, acquire or be allocated (as determined by the Toxfree Board in its sole and absolute discretion) one Toxfree Share, for nil consideration, subject to the satisfaction of any vesting conditions, performance hurdles and / or exercise conditions.
- b. Toxfree Share Appreciation Rights give the holder the right to receive a future payment equal to the positive difference between the 30-day VWAP of Toxfree Shares at the grant date and the 30-day VWAP of Toxfree Shares at the date of exercise, with such payment being settled in Toxfree Shares. No Toxfree Share Appreciation Rights have been issued under the 2016 Simplified Incentive Plan.

The 2011 Long Term Incentive Plan provides that, in the event of a change of control occurring, the Toxfree Board will determine, in its sole and absolute discretion, the manner in which Toxfree Unlisted Securities (issued under that plan) will be dealt with.

The 2016 Simplified Incentive Plan provides that all Toxfree Unlisted Securities (issued under that plan) will vest immediately and performance and service conditions relating to those vested Toxfree Unlisted Securities will also be waived upon the occurrence of a change of control event (as defined in the 2016 Simplified Incentive Plan), which will occur once the Scheme becomes Effective.

Under the Scheme Implementation Deed, Toxfree is required to put in place arrangements so that all outstanding Toxfree Unlisted Securities vest or lapse prior to the Scheme Record Date.

Accordingly, the Toxfree Board has determined that, in accordance with and as permitted by the terms of the 2011 Long Term Incentive Plan, it will exercise its discretion to accelerate the vesting of all outstanding Toxfree Unlisted Securities issued under that plan such that they will vest prior to the Scheme Record Date, subject to the Scheme becoming Effective.

Therefore, on and subject to the Scheme becoming Effective, all Toxfree Unlisted Securities will vest.

The Toxfree Shares issued to the holders of the Toxfree Unlisted Securities on vesting will therefore participate in the Scheme, such that the holders will receive the Special Dividend and the Scheme Consideration in respect of those Toxfree Shares.

Further details about the Toxfree Unlisted Securities are set out in Section 4.5. Details about the Toxfree Unlisted Securities held by or on behalf of the Toxfree Directors are set out in Section 9.1.

Under the 2016 Simplified Incentive Plan, certain employees of Toxfree are eligible to be paid a cash bonus under certain circumstances. Please refer to Section 9.4(d) for details regarding the treatment of such cash bonuses upon the occurrence of a change of control event.

1.13 If the Scheme does not proceed

If the Scheme does not proceed Toxfree Shareholders will retain their Toxfree Shares and Toxfree will continue to operate as a standalone entity listed on the ASX and Toxfree Shareholders will not receive the Scheme Consideration or the Special Dividend.

In this instance, Toxfree will continue to focus on its current business plan and growth strategy. Toxfree Shareholders will therefore remain exposed to the risks of Toxfree, as discussed in Section 6.

1.14 Australian taxation implications

A general guide to the taxation implications of the Scheme for certain Toxfree Shareholders is set out in Section 8. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Toxfree Shareholder.

1.15 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Scheme Shareholders on the transfer of their Scheme Shares under the Scheme.

1.16 Further information for Toxfree Shareholders

If you have any questions in relation to this Scheme Booklet or the Scheme you should contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

2. FREQUENTLY ASKED QUESTIONS

This Scheme Booklet contains detailed information regarding the Scheme. This Section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet. It is not intended to address all relevant issues for Toxfree Shareholders. This Section should be read together with the other parts of this Scheme Booklet.

Question	Answer
The Scheme at a glance	
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are a Toxfree Shareholder and you are being asked to vote on the Scheme. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.
What is the Scheme?	<p>The Scheme involves BidCo (a wholly owned Subsidiary of Cleanaway) acquiring all of the Toxfree Shares for the Scheme Consideration, by way of a scheme of arrangement under Part 5.1 of the Corporations Act. On 11 December 2017, Toxfree announced the Scheme to the ASX.</p> <p>If the Scheme is implemented, Toxfree Shareholders will receive a Total Cash Payment of \$3.425 for each Toxfree Share they own (provided they are registered in the Toxfree Share Register on both of the Record Dates). Toxfree will become a Subsidiary of Cleanaway and Toxfree Shares will be delisted from the ASX.</p> <p>Please refer to Section 1 for a summary of the Scheme.</p>
Who is Cleanaway?	<p>Cleanaway is an Australian company listed on the ASX ("CWY") and is a leading Australian waste management company, operating a national network of collection, processing, treatment and landfill assets from approximately 200 locations across Australia. Cleanaway's philosophy is that all waste is a resource and aims to incorporate recovery, recycling and reuse throughout its operations and those of its clients. Cleanaway's mission is to make a sustainable future possible for all of its stakeholders. Cleanaway has a market capitalisation of \$3.11 billion and for the year ended 30 June 2017, Cleanaway's revenue from continuing operations was \$1,454.4 million and underlying EBITDA was \$301.3 million.</p> <p>Please refer to Section 5 for further information in relation to Cleanaway.</p>
Who is BidCo?	<p>BidCo is the company that is offering the Scheme Consideration for each Toxfree Share. BidCo is a wholly owned Subsidiary of Cleanaway incorporated in Australia under the Corporations Act.</p> <p>Cleanaway has guaranteed the performance by BidCo of BidCo's obligations under the Scheme Implementation Deed, the Deed Poll and otherwise in relation to the Scheme.</p> <p>Please refer to Section 5 for further information in relation to BidCo.</p>
What is a "scheme of arrangement"?	A "scheme of arrangement" is a means of implementing an acquisition of securities under the Corporations Act. It requires a vote in favour of a resolution to implement the scheme of arrangement by the Requisite Majorities at a meeting of Shareholders, and also requires Court approval.
What do the Toxfree Directors recommend?	<p>The Toxfree Directors unanimously recommend that Toxfree Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders.</p> <p>The reasons for this recommendation, and other matters that you may wish to take into consideration, are set out in the "Reasons to vote in favour of the Scheme" Section on page 11.</p>
What are the intentions of the Toxfree Directors?	Each Toxfree Director intends to vote all the Toxfree Shares that he or she holds in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders.
What are the reasons to vote in favour of the Scheme?	The reasons to vote in favour of the Scheme are set out in the "Reasons to vote in favour of the Scheme" Section on page 11.
What are the possible reasons not to vote in favour of the Scheme?	The possible reasons not to vote in favour of the Scheme are set out in the "Reasons to vote against the Scheme" Section on page 14.

Question	Answer
What is the conclusion of the Independent Expert?	<p>The Toxfree Directors engaged Lonergan Edwards & Associates Limited as an independent expert to provide a report on the Scheme.</p> <p>The Independent Expert has concluded the Scheme is fair and reasonable and in the best interests of Toxfree Shareholders, in the absence of a Superior Proposal.</p> <p>A copy of the Independent Expert's Report, including the reasons for the Independent Expert's conclusion, is set out in Annexure B. The Toxfree Directors encourage you to read the Independent's Expert Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.</p>
What if the Independent Expert changes its opinion?	If the Independent Expert changes its opinion, this will be announced to the ASX and the Toxfree Directors will carefully consider the Independent Expert's revised opinion and advise you of their recommendation.
What are the prospects of receiving a Superior Proposal?	<p>Since the initial announcement of the Scheme on 11 December 2017 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Toxfree Directors are not aware of any Superior Proposal that is likely to emerge.</p> <p>Toxfree Shareholders should note that Toxfree has agreed to certain exclusivity and break fee provisions in favour of BidCo, which are summarised in Annexure A and set out in full in clauses 9 and 10 of the Scheme Implementation Deed.</p>
The Interim Dividend, the Scheme Consideration and the Special Dividend	
Am I eligible to receive the Interim Dividend?	If you are a Toxfree Shareholder on the Interim Dividend Record Date, you will be entitled to receive the fully franked Interim Dividend of \$0.05 in respect of each Toxfree Share that you hold on that date. The Interim Dividend is in respect of the half year ended 31 December 2017. The Interim Dividend is independent of the Scheme.
When will I receive the Interim Dividend?	The Interim Dividend is expected to be paid to Toxfree Shareholders on 16 March 2018 and is independent of the Scheme. Toxfree Shareholders will receive the Interim Dividend for each Toxfree Share held by them on the Interim Dividend Record Date.
What will I receive if the Scheme is implemented?	<p>If the Scheme is implemented, Toxfree Shareholders will receive the Total Cash Payment of \$3.425 for each Toxfree Share, which will comprise:</p> <ul style="list-style-type: none"> • a Special Dividend of \$0.58 on the Special Dividend Payment Date for each Toxfree Share that they hold on the Special Dividend Record Date (payable by Toxfree); and • the Scheme Consideration of \$2.845 on the Implementation Date for each Toxfree Share that they hold on the Scheme Record Date (payable by BidCo). <p>Fractional entitlements to a cent under the Scheme Consideration will be rounded up or down to the nearest cent (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half).</p>
What is the Special Dividend and will any franking credits attach to the Special Dividend?	<p>Subject to the Scheme becoming Effective, Toxfree will pay a fully franked Special Dividend of \$0.58 for each Toxfree Share held on the Special Dividend Record Date.</p> <p>Toxfree has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with the Special Dividend may also receive additional value. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.</p> <p>Section 8 sets out a general summary regarding the taxation implications of the Scheme and the Special Dividend.</p>
Will I get the benefit of franking credits attached to the Special Dividend?	<p>As noted above, a class ruling is being sought in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend.</p> <p>If you are an Australian resident for tax purposes and satisfy the qualified person rules, you may be able to access franking credits attached to the Special Dividend. If you are not an Australian resident for tax purposes, you will not be able to access franking credits attached to the Special Dividend, but the Special Dividend should ordinarily not be subject to Australian tax.</p> <p>Further information is provided in Section 8. The comments in Section 8 are general in nature and should not be relied upon as advice for your affairs. It is recommended that you consult your financial, legal, taxation or other professional advisers with respect to the potential tax consequences of receiving the Special Dividend.</p>

Question	Answer
What is the ATO class ruling?	<p>Toxfree has applied to the ATO requesting a class ruling to confirm to Toxfree the key taxation implications of the Scheme and that the impact of the Special Dividend on Toxfree Shareholders is in accordance with the description in Section 8.</p> <p>The class ruling has not been finalised as at the date of this Scheme Booklet. The expected taxation implications for Toxfree Shareholders are summarised in Section 8.</p>
Am I eligible to receive the Special Dividend?	If you hold Toxfree Shares on the Special Dividend Record Date, you will be paid the Special Dividend.
Will I receive the Special Dividend if the Scheme is not approved?	No. If the Scheme is not approved at the Scheme Meeting or by the Court, the Special Dividend will not be paid.
Am I eligible to receive the Scheme Consideration?	If you hold Toxfree Shares on the Scheme Record Date, you will participate in the Scheme and be paid any Scheme Consideration to which you are entitled under, and in accordance with, the terms of the Scheme.
Do I need to sign anything to transfer my Scheme Shares?	No. If the Scheme becomes Effective, Toxfree will automatically have authority to sign a transfer on your behalf, and the Scheme Consideration will be transferred to you.
Am I required to give any assurances by participating in the Scheme?	<p>Under the Scheme, you are deemed to have warranted to BidCo that:</p> <ul style="list-style-type: none"> • all your Toxfree Shares (including any rights and entitlements attaching to those shares) will, at the date of transfer of them to BidCo, be fully paid and free from all Encumbrances; • you have full power and capacity to transfer your Toxfree Shares; and • as at the Scheme Record Date, you have no existing right to be issued any other Scheme Shares or any other form of Toxfree securities. <p>Please refer to Section 7.9 for further information on this warranty.</p>
When will the Scheme Consideration be paid?	<p>If the Scheme becomes Effective, the Scheme Consideration will be paid on the Implementation Date, which is expected to occur on 2 May 2018.</p> <p>If the Scheme is not approved by the Requisite Majorities of Toxfree Shareholders at the Scheme Meeting or by the Court, the Scheme Consideration will not be paid.</p>
How will I receive the Scheme Consideration and Special Dividend?	Section 1.7 describes how the Scheme Consideration and Special Dividend will be paid.
What are the tax consequences of the Scheme for me?	<p>Section 8 provides a description of the general tax implications of the Scheme for Australian residents.</p> <p>You should consult with your own tax adviser regarding the consequences of receiving the Scheme Consideration and disposing of your Toxfree Shares to Cleanaway in accordance with the Scheme in light of current tax laws and your particular investment circumstances.</p>
Will I have to pay brokerage fees or stamp duty?	No. No brokerage or stamp duty will be payable on the disposal of your Toxfree Shares under the Scheme.
What happens if I transfer my Toxfree Shares after the Special Dividend Record Date?	<p>It is expected that trading in Toxfree Shares on the ASX will be suspended from close of trading on the Effective Date.</p> <p>However, if you choose to effect an off-market transfer of your Toxfree Shares in between the Record Dates, such that you are registered in the Toxfree Share Register on the Special Dividend Record Date but cease to be registered in the Toxfree Share Register on the Scheme Record Date:</p> <ul style="list-style-type: none"> • you will only receive the Special Dividend and will not receive the Scheme Consideration; and • any transferee of your Toxfree Shares in these circumstances who becomes registered in the Toxfree Share Register on or before the Scheme Record Date (but after the Special Dividend Record Date) will only receive the Scheme Consideration in respect of those Toxfree Shares, and not the Special Dividend.

Question	Answer
How is Cleanaway and/or BidCo funding the Scheme Consideration?	<p>The maximum amount of cash payable by BidCo in connection with the Scheme is approximately \$557 million.</p> <p>Cleanaway has undertaken to provide sufficient funding to BidCo to pay the Scheme Consideration.</p> <p>The funds to be provided by Cleanaway will be met by a fully underwritten 1 for 3.65 pro rata accelerated non-renounceable entitlement offer (as announced by Cleanaway to the ASX on 11 December) and bank debt facilities. Cleanaway has raised approximately \$590 million under the entitlement offer.</p> <p>For more information about Cleanaway and BidCo's funding arrangements please refer to Section 5.</p>
Will I receive any further dividends from Toxfree?	<p>Under the Scheme Implementation Deed, Toxfree is permitted to pay the Interim Dividend. The Interim Dividend is independent of the Scheme.</p> <p>Subsequent to the payment of the Interim Dividend, no further dividends will be paid by Toxfree if the Scheme is implemented (except for the Special Dividend, which will be paid on or before the Implementation Date on the Special Dividend Payment Date, subject to the Scheme becoming Effective).</p>
Voting to approve the Scheme	
Am I entitled to vote at the Scheme Meeting?	<p>The time for determining eligibility of registered Toxfree Shareholders to vote at the Scheme Meeting is 5.00 pm (Perth time) on 4 April 2018. Only those Toxfree Shareholders entered on the Toxfree Share Register at that time will be entitled to attend and vote at the Scheme Meeting.</p>
When and where will the Scheme Meeting be held?	<p>The Scheme Meeting will be held at 10.00 am (Perth time) on 6 April 2018 at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth.</p>
What vote is required to approve the Scheme?	<p>For the Scheme to be approved by Toxfree Shareholders, votes in favour of the Scheme must be received from:</p> <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (more than 50%) of Toxfree Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Toxfree Shareholders, by a duly appointed corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution by Toxfree Shareholders at the Scheme Meeting. <p>Even if the Scheme is approved by Toxfree Shareholders at the Scheme Meeting, the Scheme is still subject to the approval of the Court.</p>
What choices do I have as a Toxfree Shareholder?	<p>As a Toxfree Shareholder you have the following choices:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme at the Scheme Meeting; • vote against the Scheme at the Scheme Meeting; • sell your Toxfree Shares on the ASX; or • do nothing.
Should I vote?	<p>Voting is not compulsory. However, the Toxfree Directors believe that the Scheme is important to all Toxfree Shareholders and the Toxfree Directors unanimously recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders, you vote in favour of the Scheme at the Scheme Meeting.</p>
How do I vote?	<p>Please refer to Section 3 for detailed information on how to vote on the Scheme.</p>
What happens if I do not vote, or I vote against the Scheme?	<p>The Scheme may not be approved at the Scheme Meeting by the Requisite Majorities of Toxfree Shareholders. If this occurs, the Scheme will not proceed, you will not receive the Scheme Consideration or the Special Dividend and you will remain a Toxfree Shareholder.</p> <p>However, if the Scheme is approved and implemented, your Toxfree Shares will be transferred to BidCo under the Scheme and you will receive the Scheme Consideration for each Toxfree Share you hold at the Scheme Record Date and the Special Dividend for each Toxfree Share you hold at the Special Dividend Record Date.</p> <p>This is so even if you did not vote at all or if you voted against the Scheme.</p>

Question	Answer
What happens if the Scheme is not approved at the Scheme Meeting?	<p>If the Scheme does not proceed, Toxfree Shareholders will retain their Toxfree Shares, Toxfree will continue to operate as a standalone entity listed on the ASX and Toxfree Shareholders will not receive the Scheme Consideration or the Special Dividend. Toxfree will continue to focus on its current business plan and growth strategy.</p> <p>In the instance that the Scheme does not proceed and no Superior Proposal emerges, Toxfree's share price is also more likely to fall than rise, in the near-term.</p> <p>Toxfree Shareholders will remain exposed to the risks of Toxfree, as discussed in Section 6.</p>
What happens if the Scheme is approved at the Scheme Meeting, but is not approved by the Court?	<p>If the Scheme is approved at the Scheme Meeting but is not approved by the Court, the Scheme will not proceed. Toxfree Shareholders will retain their Toxfree Shares and Toxfree will continue to operate as a standalone entity listed on the ASX. Toxfree Shareholders will not receive the Scheme Consideration or the Special Dividend if the Scheme does not proceed.</p>
When will the results of the Scheme Meeting be available?	<p>The results of the Scheme Meeting will be declared at the Scheme Meeting and will be announced publicly shortly after the conclusion of the Scheme Meeting.</p>
Other	
Do any of the Toxfree Directors hold any Cleanaway securities?	<p>No marketable securities of Cleanaway or any of its Subsidiaries are held by or on behalf of the Toxfree Directors as at the date of this Scheme Booklet.</p>
What will happen to the Toxfree Unlisted Securities?	<p>As contemplated by the Scheme Implementation Deed, the Toxfree Board has determined that, in accordance with and as permitted by the terms of the 2011 Long Term Incentive Plan, it will exercise its discretion to accelerate the vesting of all outstanding Toxfree Unlisted Securities issued under that plan such that they will vest prior to the Scheme Record Date, subject to the Scheme becoming Effective.</p> <p>On and subject to the Scheme becoming Effective, all Toxfree Unlisted Securities will vest.</p> <p>The Toxfree Shares issued to the holders of the Toxfree Unlisted Securities on vesting will therefore participate in the Scheme, such that the holders will receive the Special Dividend and the Scheme Consideration in respect of those Toxfree Shares.</p> <p>Please refer to Section 1.12 for further details regarding the treatment of Toxfree Unlisted Securities if the Scheme proceeds.</p>
Can I keep my Toxfree Shares?	<p>If the Scheme is implemented, your Toxfree Shares will be transferred to BidCo. This is so even if you did not vote at all or you voted against the Scheme at the Scheme Meeting.</p>
Can I sell my Toxfree Shares now?	<p>You can sell your Toxfree Shares on market at any time before close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the Total Cash Payment). However, if you do so you will receive the prevailing on-market price set at the time of sale which may not be the same price as the Total Cash Payment, you will not be paid the Special Dividend and you may be required to pay brokerage.</p> <p>Toxfree intends to apply to the ASX for Toxfree Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your Toxfree Shares on market after this time.</p>
Are any other approvals required?	<p>The Scheme must be approved by the Court in addition to being approved by the Requisite Majorities of Toxfree Shareholders. If the Scheme is approved by the Requisite Majorities of Toxfree Shareholders at the Scheme Meeting, Toxfree will apply to the Court for approval of the Scheme. The Court hearing for approval of the Scheme is expected to be held on 16 April 2018 (although this may change).</p> <p>Implementation of the Scheme is subject to certain regulatory approvals, as set out in Section 9.5 and summarised in Annexure A.</p>
Is the Scheme subject to any Conditions?	<p>Implementation of the Scheme is subject to a number of Conditions. These Conditions are set out in Annexure A and clause 3 of the Scheme Implementation Deed.</p> <p>As at the date of this Scheme Booklet, the outstanding Conditions (which must be satisfied or waived (as applicable)) include:</p> <ul style="list-style-type: none"> • Competition Approval being obtained by 8.00 am (Perth time) on the Second Court Date; • the Scheme Resolution being passed at the Scheme Meeting; and • the Scheme being approved by the Court at the Second Court Hearing.
Under what scenarios can Toxfree, BidCo or Cleanaway terminate the transaction?	<p>The transaction can be terminated by Toxfree, BidCo or Cleanaway in certain circumstances, which are summarised in Annexure A and set out in full in clause 13 of the Scheme Implementation Deed.</p>

Question	Answer
What happens if a Superior Proposal emerges?	<p>If a Superior Proposal emerges, this will be announced to the ASX and the Toxfree Directors will carefully reconsider the Scheme and advise you of their recommendation.</p> <p>Under the Scheme Implementation Deed, Toxfree has granted BidCo notification and matching rights, which are summarised in Annexure A and set out in full in clause 9 of the Scheme Implementation Deed.</p>
Is there a break fee payable by Toxfree?	Yes, a break fee of \$6,700,000 is payable by Toxfree to BidCo in certain circumstances, which are summarised in Annexure A and set out in full in clause 10 of the Scheme Implementation Deed.
Is there a break fee payable by BidCo?	Yes, break fees of \$6,700,000 and \$2,233,333 are payable by BidCo to Toxfree in certain circumstances (although BidCo is only liable to pay the highest of whichever break fee becomes payable), which are summarised in Annexure A and set out in full in clause 10 of the Scheme Implementation Deed.
Is there a break fee payable by Cleanaway?	No, but Cleanaway has guaranteed the performance by BidCo of BidCo's obligations under the Scheme Implementation Deed, the Deed Poll and otherwise in relation to the Scheme, which includes guaranteeing BidCo's obligations in relation to the break fees.
When will Toxfree Shares cease trading on the ASX?	Provided the Scheme becomes Effective, suspension of trading in Toxfree Shares on the ASX is expected to occur from close of trading on the Effective Date. This is expected to occur on 17 April 2018.
What are the potential risks associated with Toxfree if the Scheme is not implemented?	If the Scheme is not implemented, the risks outlined in Section 6 will continue to be relevant to the future operating and financial performance of Toxfree and the value of Toxfree Shares.
What if I have other questions?	If you have any questions in relation to this Scheme Booklet or the Scheme you should contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

3. HOW TO VOTE

3.1 Scheme Meeting

The Scheme Meeting to approve the Scheme is scheduled to be held at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth on 6 April 2018 at 10.00 am (Perth time).

If the Scheme is not approved by the Requisite Majorities of Toxfree Shareholders at the Scheme Meeting, the Scheme will not proceed.

The Scheme must be approved by:

- a. unless the Court orders otherwise, a majority in number (more than 50%) of Toxfree Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Toxfree Shareholders, by a duly appointed corporate representative); and
- b. at least 75% of the total number of votes cast on the Scheme Resolution by Toxfree Shareholders at the Scheme Meeting.

3.2 Entitlement to vote

If you are registered as a Toxfree Shareholder as at 5.00 pm (Perth time) on 4 April 2018, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting.

3.3 How to vote

Toxfree Shareholders can vote at the Scheme Meeting by doing one of the following:

a. Vote in person

If you wish to vote in person, you should attend the Scheme Meeting.

b. Vote by proxy

You can appoint a proxy by completing and returning the enclosed Proxy Form for the Scheme Meeting to the Share Registry. The Proxy Form must be received by the Share Registry (as indicated on the Proxy Form you receive) by no later than 10.00 am (Perth time) on 4 April 2018.

You must return the Proxy Form to Toxfree's Share Registry by lodging, sending, delivering or faxing it as follows:

Online:	www.investorvote.com.au
Mail to:	Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia
Fax to:	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
Custodians:	For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

If a proxy appointment is signed by or validly authenticated by a Toxfree Shareholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Scheme Meeting may act as proxy.

If:

- i. a Toxfree Shareholder nominates the chairman of the Scheme Meeting as the Toxfree Shareholder's proxy; or
- ii. a proxy appointment is signed by a Toxfree Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

the person acting as chairman in respect of an item of business at the Scheme Meeting must act as proxy under the appointment in respect of that item of business.

Proxy appointments in favour of the chairman of the Scheme Meeting, the Toxfree company secretary or any Toxfree Director which do not contain a direction will be voted in support of the Scheme Resolution at the Scheme Meeting.

A Toxfree Shareholder who wishes to submit a proxy has the right to appoint a proxy (who need not be a Toxfree Shareholder) to represent him, her or it at the Scheme Meeting, other than the chairman of the Scheme Meeting, by inserting the name of his chosen proxy in the space provided for that purpose on the Proxy Form.

A Toxfree Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes. The Toxfree Shares represented by proxy will be voted for or against or withheld from voting in accordance with the instructions of the Toxfree Shareholder on any ballot that may be called for, and if the Toxfree Shareholder specifies a choice with respect to any matter to be acted upon, the Toxfree Shares will be voted accordingly.

A Toxfree Shareholder who has deposited a Proxy Form may revoke it prior to its use, by instrument in writing executed by the Toxfree Shareholder or by his, her or its attorney duly authorised in writing or, if the Toxfree Shareholder is a company, executed by a duly authorised officer or attorney in compliance with applicable law and deposited at the Share Registry by 10.00 am (Perth time) on 4 April 2018 or with the chairman of the Scheme Meeting on the day of, and prior to the start of, the Scheme Meeting. A Toxfree Shareholder may also revoke a proxy in any other manner permitted by law.

c. Vote by corporate representative (if you are a corporate Toxfree Shareholder)

To vote in person at the Scheme Meeting a Toxfree Shareholder or proxy which is a body corporate may appoint an individual to act as its representative at the Scheme Meeting and exercise any of the powers the body corporate may exercise at the Scheme Meeting.

The authorised corporate representative will be admitted to the Scheme Meeting upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment, their name and address and the identity of their appointer.

The chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if they have not produced satisfactory written evidence of their appointment.

d. Vote by attorney

Shareholders wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Toxfree for notation, deliver to Toxfree's Share Registry (at the address or fax number provided above) the original instrument appointing the attorney or a certified copy of it by 10.00 am (Perth time) on 4 April 2018.

Any power of attorney granted by a Toxfree Shareholder will, as between Toxfree and that Toxfree Shareholder, continue in force and may be acted on, unless the contrary is evident from the express terms of the power of attorney, or express notice in writing of its revocation or the death of the relevant Toxfree Shareholder has been lodged with Toxfree.

You will be counted as being present at the Scheme Meeting if you vote in any of the ways outlined above.

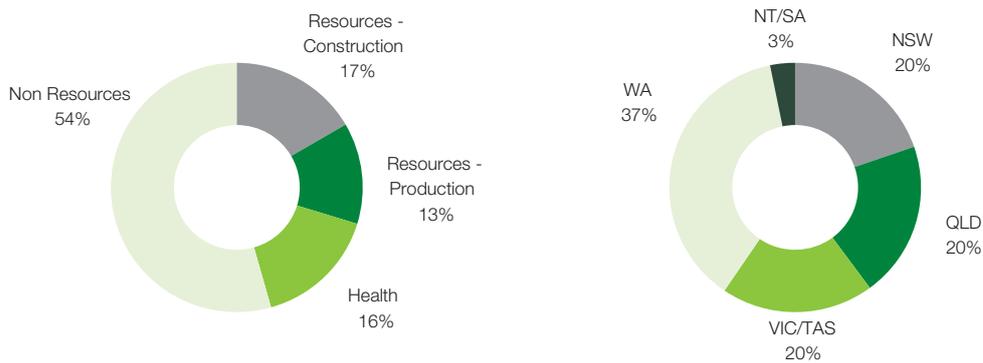
The notice convening the Scheme Meeting is contained in Annexure E. A Proxy Form for the Scheme Meeting is enclosed with this Scheme Booklet.

4. INFORMATION ON TOXFREE

4.1 Introduction to Toxfree

Toxfree is one of the leading industrial services and waste management businesses in Australia, with a national network of 81 locations as at 30 June 2017.

Toxfree operates in the segments of Waste Services, Industrial Services, Technical and Environmental Services and Health Services (acquired in December 2016), with a focus on specialist and hazardous waste streams. As at 30 June 2017, Toxfree employed over 1,200 people nationally, and has a large, blue chip customer base of approximately 27,000 clients. Over the last three years, Toxfree has diversified its business to include a larger proportion of revenue from non-resources customers, whilst at the same time diversifying its revenue base by geography. The following figure outlines the split of revenue for the financial year ended 30 June 2017 by industry sector and by region within Australia.

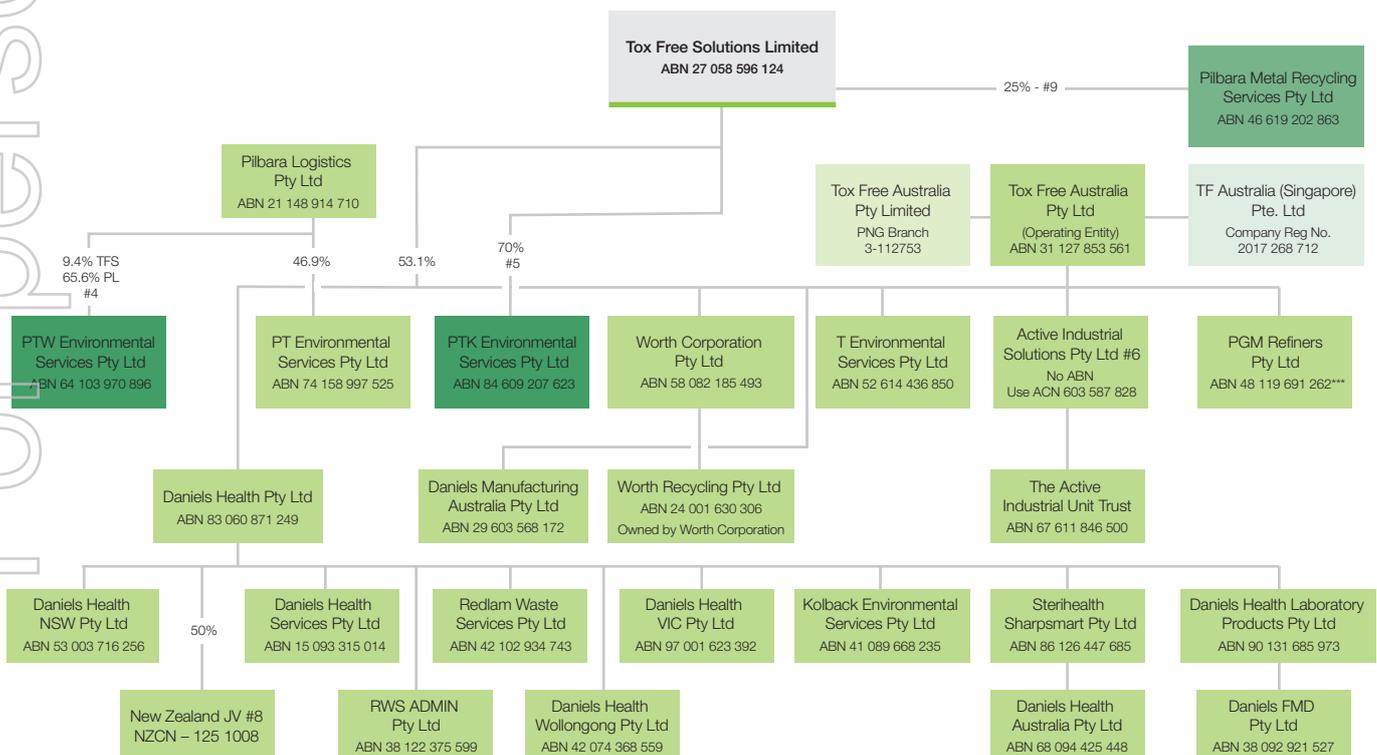


For the financial year ended 30 June 2017, Toxfree reported revenue of \$496.1 million, underlying EBITDA of \$82.8 million and underlying net profit after tax of \$24.1 million.

Further information about Toxfree can be obtained from Toxfree's website at <http://www.toxfree.com.au/>.

4.2 Corporate structure

The following figure provides an overview of Toxfree's operating legal structure.⁹



⁹ All entities are wholly owned by Tox Free Solutions Limited unless otherwise shown and Toxfree's operating legal structure comprises all legal entities other than those which are in the process of being wound up or are dormant.

4.3 Overview of operations

Toxfree currently operates through four segments. Each of these segments is described below, including relative financial contributions of each for the year ended 30 June 2017.

Business Segment	Description	FY17 Revenue Contribution ¹⁰	FY17 EBITDA Contribution ¹¹	FY17 EBIT Contribution ¹¹
Health Services	<ul style="list-style-type: none"> Management, collection and treatment of healthcare waste, supported by proprietary product lines for the safe disposal of medical and sharps waste Production and distribution of specialist laboratory products 	16%	20%	22%
Technical and Environmental Services	<ul style="list-style-type: none"> The collection, recycling, treatment and disposal of liquid and hazardous wastes Sites in all Australian states 	24%	26%	26%
Waste Services	<ul style="list-style-type: none"> Collection, recovery, recycling and disposal of solid waste streams from residential, commercial and industrial customers Operates primarily in Queensland and Western Australia 	32%	33%	30%
Industrial Services	<ul style="list-style-type: none"> Key services include asset maintenance, high pressure water jetting, vacuum loading, tank cleaning and industrial waste collection Services provided across the entire east coast of Australia and Western Australia 	28%	22%	21%

a. Health Services

Toxfree acquired its Health Services segment following its acquisition of Daniels Health Australia in December 2016. Toxfree is now the leading provider of medical waste collection, transport and treatment solutions to the Australian healthcare market.

The Health Services business has a unique business model which utilises proprietary technologies such as Sharpsmart and Clinismart reusable collection systems, in addition to robotic wash lines and medical waste treatment and destruction facilities. Daniels Health Australia has a national footprint in Australia of 17 sites, including two high temperature incinerators located in Sydney and Melbourne, which can also process hazardous liquid waste and pharmaceutical waste.

b. Technical and Environmental Services

Toxfree's Technical and Environmental Services segment provides hazardous and industrial waste management services across a broad range of industry sectors, including government, utilities, commercial and industrial sectors. Toxfree uses several technologies to manage these waste streams. Treatment processes include thermal desorption, waste water and oil treatment, plasma arc, base catalytic de-chlorination, stabilization and fixation, physiochemical treatment and e-Waste recycling. This segment has approximately 250 employees, and includes 15 licensed and well located facilities across Australia, including three sites acquired with the Worth Recycling business, which Toxfree purchased in early 2016.

¹⁰ Excludes intercompany sales; pro forma for full year impact of Daniels' Health acquisition (acquired in December 2016).

¹¹ Excludes intercompany and corporate costs; pro forma for full year impact of Daniels Health acquisition (acquired in December 2016).

c. Waste Services

Toxfree's Waste Services segment focuses on total waste management contracts, and manages the collection, recycling, and management of solid waste to customers across multiple industries with a focus on resources, heavy industrial and commercial customers. These solid waste services complement Toxfree's hazardous waste and industrial services activities in major metropolitan areas. The Waste Services segment has approximately 200 employees and 13,000 customers. The bulk of the revenue in this division is contracted.

d. Industrial Services

Toxfree's Industrial Services segment provides onsite industrial cleaning to the oil and gas, mining, heavy manufacturing, civil infrastructure, municipal and utilities sectors. Core services provided include industrial cleaning, asset maintenance, high pressure water jetting, non-destructive digging, vacuum loading, tank cleaning, liquid waste transport, mechanical services and chemical flushing. The Industrial Services segment has approximately 650 employees, and provides services throughout Australia.

4.4 Toxfree Board and senior management

a. Toxfree Board

As at the date of this Scheme Booklet, the Toxfree Board comprises:

Name	Position
Robert McKinnon	Non-Executive Chairman
Stephen Gostlow	Managing Director
Michael Humphris	Non-Executive Director
Richard Allen	Non-Executive Director
Katherine Hirschfeld	Non-Executive Director

David McArthur holds the position of Company Secretary.

b. Senior management

As at the date of this Scheme Booklet, the senior management team of Toxfree comprises:

Name	Position
Stephen Gostlow	Managing Director
Michael Constable	Chief Financial Officer
Edward (Peter) Goodwin	Chief Operating Officer
Jason Dixon	Executive General Manager Corporate & Risk
Josh Bovell	Chief Information Officer

4.5 Toxfree's securities and capital structure

a. Toxfree Shares on issue

As at 28 February 2018 (being the last practicable trading day prior to despatch of this Scheme Booklet), Toxfree had 194,418,716 Toxfree Shares on issue.

b. Toxfree Performance Rights on issue

As at 28 February 2018 (being the last practicable trading day prior to despatch of this Scheme Booklet), Toxfree had 1,406,295 unlisted Toxfree Performance Rights on issue. On vesting, each Toxfree Performance Right will entitle its holder to be issued with one Toxfree Share.

The Toxfree Performance Rights on issue have been granted to 8 employees and their grant date and expiry are summarised in the following table.

Grant Date	Description	Number
1 July 2015	Granted under the 2011 Long Term Incentive Plan and vesting 30 June 2018	232,832
1 July 2016	Granted under the 2016 Simplified Incentive Plan as part of employees' fixed annual remuneration in the 2017 financial year and vest monthly	45,741
1 July 2016	Granted under the 2016 Simplified Incentive Plan and vest subject to the achievement of required KPIs and service conditions	252,692
1 July 2017	Granted under the 2016 Simplified Incentive Plan as part of employees' fixed annual remuneration in the 2018 financial year and vest monthly	208,627
1 July 2017	Granted under the 2016 Simplified Incentive Plan and vest subject to the achievement of required KPIs and service conditions	666,403
Total		1,406,295

Additional detail regarding the treatment of Toxfree Performance Rights if the Scheme proceeds is set out in Section 1.12.

c. Toxfree Share Appreciation Rights on issue

As at 28 February 2018 (being the last practicable trading day prior to despatch of this Scheme Booklet), Toxfree had 1,165,904 unlisted Toxfree Share Appreciation Rights on issue.

Each outstanding Toxfree Share Appreciation Right on issue has a strike price of \$3.09, and the vesting price is determined based on the 30 day VWAP of Toxfree Shares at the date of exercise. The outstanding Share Appreciation Rights were granted to 8 employees on 1 July 2015 and expire on 30 June 2018.

Additional detail regarding the treatment of Toxfree Share Appreciation Rights if the Scheme proceeds is set out in Section 1.12.

d. Substantial shareholders

Based on publicly available information, as at 28 February 2018 (being the last practicable trading day prior to despatch of this Scheme Booklet), Toxfree had received notifications from the following substantial shareholders in accordance with section 671B of the Corporations Act:

Name	Number of Toxfree Shares	Percentage of Total Issued Shares
Investors Mutual Limited	18,995,846	9.77%
Catilina Nominees Proprietary Limited	12,568,000	6.46%

4.6 Recent Toxfree share price performance

The Toxfree Shares are listed on the ASX under the trading symbol "TOX".

The closing price of Toxfree Shares on the ASX on 8 December 2017 (i.e. the last trading day prior to the announcement of the Scheme) was \$2.84. The closing price for Toxfree Shares on the ASX on 28 February 2018 (being the last practicable trading day prior to despatch of this Scheme Booklet) was \$3.45.

During the three months ending 28 February 2018:

- the highest recorded daily closing price for Toxfree Shares was \$3.46 on 27 February 2018 (amongst other dates); and
- the lowest recorded daily closing price for Toxfree Shares on the ASX was \$2.60 on 1 December 2017.

The chart below shows Toxfree's share price performance over the 24 months to 28 February 2018.



Source IRESS (as at 28 February 2018)

4.7 Financial information

This Section contains financial information relating to Toxfree for the financial years ended 30 June 2016 and 30 June 2017 which were audited by BDO Audit (WA) Pty Ltd, and interim financial information for the six months ended 31 December 2017, which has been reviewed by BDO Audit (WA) Pty Ltd.

The financial information in this Section is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only.

Further detail about Toxfree's financial performance can be found in the financial statements for the half year ended 31 December 2017, as announced to ASX on 15 February 2018 and which can be found on the Toxfree website at <http://www.toxfree.com.au/>.

a. Basis of preparation

The historical financial information of Toxfree presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Toxfree considers that, for the purposes of this Scheme Booklet, the historical financial information presented is more meaningful to Toxfree Shareholders. The historical financial information of Toxfree has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The historical financial information in this Scheme Booklet is presented on a standalone basis and accordingly does not reflect any impact of the Scheme.

b. Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table presents the historical consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2017, and for the financial years ended to 30 June 2017 and 30 June 2016.

	1H2018	FY2017	FY2016
	\$'000	\$'000	\$'000
Revenue			
Revenue	255,300	496,115	393,380
Other income	1,094	2,015	1,907
Total revenue	256,394	498,130	395,287
Expenses			
Waste disposal and other non-employee benefit related direct costs	(74,255)	(147,448)	(117,820)
Outsourcing costs	(24,863)	(45,865)	(35,224)
Employee benefits expense	(95,595)	(180,220)	(137,057)
Administrative expenses	(13,007)	(25,901)	(19,003)
Amortisation	(2,482)	(4,438)	(1,914)
Depreciation	(18,706)	(36,878)	(31,594)
Impairment losses, write-offs and make-good costs	-	(1,994)	(3,658)
Finance costs	(4,335)	(7,246)	(6,154)
Occupancy costs	(7,231)	(14,723)	(11,636)
Acquisition, integration and rebranding costs	(1,917)	(8,465)	(4,728)
Site closure and restructuring costs	(3,625)	(3,611)	(5,851)
Other expenses	(914)	(1,169)	(605)
Profit before income tax	9,464	20,172	20,043
Income tax expense	(2,359)	(7,785)	(6,989)
Profit after income tax	7,105	12,387	13,054
Profit is attributable to:			
Owners of Tox Free Solutions Limited	7,035	12,376	12,608
Non-controlling interests	70	11	446
Earnings per share for profit attributable to the ordinary equity holders of the company:			
		Cents	Cents
Basic earnings per share (cents)	3.62	7.10	9.23
Diluted earnings per share (cents)	3.60	7.07	9.22

c. Consolidated Statement of Financial Position

The following table presents the historical consolidated statement of financial position as at 31 December 2017, 30 June 2017 and 30 June 2016.

	1H2018	FY2017	FY2016
	\$'000	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	21,972	33,856	31,952
Trade and other receivables	110,095	100,809	90,908
Inventories	3,527	3,397	584
Current tax assets	515	-	2,898
Total current assets	136,109	138,062	126,342
Non-current assets			
Property, plant and equipment	188,945	185,961	175,943
Intangibles	353,180	354,963	181,337
Deferred tax assets	11,048	11,184	8,516
Total non-current assets	553,173	552,108	365,796
Total assets	689,282	690,170	492,138
Liabilities			
Current liabilities			
Trade and other payables	54,992	62,853	53,204
Borrowings	203,915	2,234	3,598
Derivative financial instruments	297	725	-
Current tax liabilities	-	1,921	-
Employee benefit obligations	13,501	13,915	10,346
Provisions	5,519	5,742	6,477
Total current liabilities	278,224	87,390	73,625
Non-current liabilities			
Borrowings	683	188,936	130,255
Derivative financial instruments	-	-	1,663
Deferred tax liabilities	23,268	23,852	9,307
Other payables	1,755	1,772	925
Total non-current liabilities	25,706	214,560	142,150
Total liabilities	303,930	301,950	215,775
Net assets	385,352	388,220	276,363
Equity			
Contributed equity	308,500	308,727	195,457
Reserves	7,671	6,512	4,687
Retained earnings	69,053	70,435	73,240
Capital and reserves attributable to owners of Tox Free Solutions Limited	385,224	385,674	273,384
Non-controlling interests	128	2,546	2,979
Total equity	385,352	388,220	276,363

d. Consolidated Statement of Cash Flows

The following table presents the historical consolidated statement of cash flows for the six months ended 31 December 2017, and for the financial years ended to 30 June 2017 and 30 June 2016.

	1H2018	FY2017	FY2016
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	277,767	550,077	416,780
Payments to suppliers and employees (inclusive of goods and services tax)	(259,781)	(474,756)	(342,089)
Other income	-	307	217
Interest received	98	432	344
Finance costs paid	(4,529)	(7,034)	(6,887)
Income taxes paid	(5,248)	(4,901)	(8,985)
Net cash inflow/(outflow) from operating activities	8,307	64,125	59,380
Cash flows from investing activities			
Payments for the acquisition of businesses, net of cash acquired	(800)	(165,090)	(68,554)
Payments for property, plant and equipment	(23,308)	(40,300)	(32,007)
Proceeds from the sale of property, plant and equipment	1,015	18,559	8,625
Net cash inflow/(outflow) from investing activities	(23,093)	(186,831)	(91,936)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	-	82,680	23,203
Proceeds from borrowings	43,000	152,000	209,500
Repayment of borrowings	(29,766)	(94,888)	(176,452)
Payments for shares acquired by Employee Share Trust	(1,000)	(1,000)	(165)
Dividends paid to company's shareholders	(8,932)	(13,738)	(10,784)
Dividends paid to non-controlling interests in subsidiaries	(400)	(444)	(503)
Net cash inflow/(outflow) from financing activities	2,902	124,610	44,799
Net increase in cash and cash equivalents	(11,884)	1,904	12,243
Cash and cash equivalents at beginning of year	33,856	31,952	19,709
Cash and cash equivalents at end of financial year	21,972	33,856	31,952

4.8 No material changes in Toxfree's financial position

To the knowledge of the Toxfree Directors, other than accumulation of profits in the ordinary course of business and as otherwise disclosed in this Scheme Booklet or as otherwise disclosed to the ASX by Toxfree, the financial position of Toxfree has not changed materially since 31 December 2017, being the date of the last balance sheet prepared before this Scheme Booklet was sent to Toxfree Shareholders in accordance with the Corporations Act.

4.9 Intention regarding the continuation of Toxfree's business

The Corporations Regulations require a statement by the Toxfree Directors of their intentions regarding Toxfree's business. If the Scheme is implemented, the current Toxfree Directors will resign and an alternate board will be determined by BidCo. It is for the reconstituted Toxfree Board to determine its intentions as to:

- the continuation of the business of Toxfree;
- any major changes, if any, to be made to the business of Toxfree; and
- the future employment of the present employees of Toxfree.

If the Scheme is implemented, Cleanaway, through BidCo, will have 100% ownership and control of Toxfree. The current intentions of Cleanaway and BidCo with respect to these matters are set out in Section 5.

In the event that the Scheme does not proceed, the Toxfree Directors intend to continue to operate in the ordinary course of business and for Toxfree to remain listed on the ASX.

4.10 Toxfree risk factors

Risk factors relating to Toxfree and its business are discussed in Section 6.

4.11 Public information available for inspection

As an ASX listed company and a “disclosing entity” under the Corporations Act, Toxfree is subject to regular reporting and disclosure obligations. Among other things, these obligations require Toxfree to announce price sensitive information to the ASX as soon as Toxfree becomes aware of information, subject to some exceptions.

Pursuant to the Corporations Act, Toxfree is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Toxfree Directors and an audit or review report respectively.

Copies of the documents filed with the ASX may be obtained from the ASX website at <http://www.asx.com.au> and Toxfree's website at <http://www.toxfree.com.au>. Copies of the documents lodged with ASIC in relation to Toxfree may be obtained from, or inspected at, an ASIC office. Copies of these documents will also be made available free of charge following a request in writing to Toxfree at any time before the Scheme Meeting.

For personal use only

5. INFORMATION ON CLEANAWAY AND BIDCO

The Cleanaway Information contained in this Section 5 has been prepared by, and is the responsibility of, BidCo and Cleanaway. Toxfree and its Related Bodies Corporate and their directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Cleanaway Information.

5.1 Introduction to BidCo

BidCo is a proprietary company incorporated on 6 December 2017 and registered in the state of Victoria. All of the shares in BidCo are held by Cleanaway and it was incorporated for the sole purpose of acquiring 100% of Toxfree. BidCo has not undertaken any other business activity since its incorporation.

5.2 Introduction to Cleanaway

Cleanaway is a leading recycling, waste management and industrial services company in Australia. Cleanaway is a public company listed on the ASX under the ticker symbol "CWY", domiciled and incorporated in Australia. Cleanaway's registered office is in Melbourne, Victoria.

As at 31 December 2017, Cleanaway operates more than 3,000 vehicles across a national network of collection, processing, treatment and landfill assets in approximately 200 locations across Australia, including over 70 collection depots and more than 100 post-collection facilities and has more than 4,100 employees across Australia.

Cleanaway's philosophy is that all waste is a resource and aims to incorporate recovery, recycling and reuse throughout its operations and those of its clients. Cleanaway's mission is to make a sustainable future possible for all of its stakeholders.

Cleanaway's strategy is underpinned by five key pillars:

- **Customer for growth:** increasing focus on customers and customer service to achieve stronger growth;
- **Continuous Improvement for cost:** creating a fit for purpose organisation with unrelenting focus on productivity and cost;
- **Capital for cash:** pursuing effective and disciplined capital management;
- **Clarity for alignment:** ensuring transparency and accountability across the organisation; and
- **Competitive advantage for excellence:** ensuring the elements of its competitive advantage are best in class.

5.3 Overview of operations

An overview of Cleanaway's operating segments is provided below.

a. Solid Waste Services

Cleanaway collects solid waste from more than 90 municipal councils and 120,000 commercial and industrial customers across Australia. Solid waste comprises multiple waste streams, including general waste, recyclables and construction and demolition waste, and can be further divided into putrescible waste (which is solid waste that contains organic material capable of being decomposed by microorganisms) and inert or non-putrescible waste. Collection activities also generally include the transportation of the collected waste to the relevant post-collection facilities.

Once waste has been collected, it must either be processed and recycled or disposed of. Cleanaway owns and operates post-collections assets across Australia, including a range of transfer stations, material recovery facilities, landfills (licensed to accept both putrescible and inert waste) and organics processing facilities.

b. Liquid Waste and Industrial Services

Cleanaway's Liquids Business involves the collection and subsequent treatment, processing, refining and recycling of liquid and hazardous waste. In the financial year ended 30 June 2017, Cleanaway collected and processed over 550 million litres of hazardous and non-hazardous liquid waste and approximately 130 million litres of waste mineral oil.

Cleanaway's Industrial Services Business encompasses a wide range of cleaning, hydro-excavation, site remediation, CCTV and other technical services. These are often supplied to customers in the mining and resources, heavy industry, manufacturing and civil infrastructure sectors.

5.4 BidCo directors

As at the date of this Scheme Booklet, the directors of BidCo are:

Name	Position
Vik Bansal	Director
Brendan Gill	Director

5.5 Cleanaway directors

As at the date of this Scheme Booklet, the directors of Cleanaway are:

Name	Position
Mark Chellew	Independent Non-Executive Director and Chairman of the Board
Vik Bansal	CEO and Managing Director
Ray Smith	Independent Non-Executive Director
Mike Harding	Independent Non-Executive Director
Terry Sinclair	Independent Non-Executive Director
Emma Stein	Independent Non-Executive Director
Philippe Etienne	Independent Non-Executive Director

5.6 Financial information

In the financial year ended 30 June 2017, Cleanaway's revenue from continuing operations was \$1,454.4 million, underlying EBITDA from continuing operations was \$301.3 million and underlying net profit after tax was \$77.5 million.

5.7 Rationale for Cleanaway's proposed acquisition of Toxfree

The acquisition of Toxfree by Cleanaway is expected to enhance the combined business and provide a number of benefits. In particular, it is expected that the acquisition will:

- affirm Cleanaway's leadership position in each of its operating segments by enhancing existing capabilities and increasing Cleanaway's operating leverage;
- accelerate the implementation of Cleanaway's 'Footprint 2025' strategy by adding infrastructure assets;
- avoid significant capital expenditure in Cleanaway's Liquids & Industrial Services Business and provide the opportunity to better align customer demand with the infrastructure of the combined group;
- provide a leading position in the attractive medical waste sector with a post-collection footprint which also enhances Cleanaway's Liquids processing capabilities; and
- be expected to deliver synergies through the combination of both companies' operations, including the integration of corporate and enterprise services across both Toxfree and Cleanaway, removing duplication in the operating structure of both organisations, optimisation of footprint and increased utilisation rates for technology and fleet, and improvements in route density.

5.8 BidCo's intentions if the Scheme is implemented

a. Intentions generally

BidCo is a wholly owned subsidiary of Cleanaway. Accordingly, the intentions of BidCo are the same as Cleanaway's intentions.

This Section sets out Cleanaway's present intentions in relation to the continuation of the business of Toxfree, any major changes to be made to the business of Toxfree and the future employment of the present employees of Toxfree if the Scheme is implemented.

The intentions have been formed on the basis of facts and information concerning Toxfree and the general business environment which are known to it at the time of preparation of this Scheme Booklet. Following implementation of the Scheme, Cleanaway will undertake a review of certain aspects of the Toxfree business and assets to validate Cleanaway's understanding of the business and assist in integrating the Toxfree business, delivering synergies and identifying areas in which the combined group's business may be enhanced.

Final decisions on these matters will only be made by Cleanaway in light of all relevant facts and circumstances, and following this review. Accordingly, the statements set out in this Section are statements of current intention only and may change as new information becomes available or as circumstances change.

b. Toxfree to be delisted

If the Scheme is implemented, Toxfree will be removed from the official list of the ASX.

c. Board of directors

Cleanaway intends to reconstitute the Toxfree Board with representatives of Cleanaway on implementation of the Scheme, with consequential changes to the boards of Toxfree's Subsidiaries.

d. Review of the Toxfree business

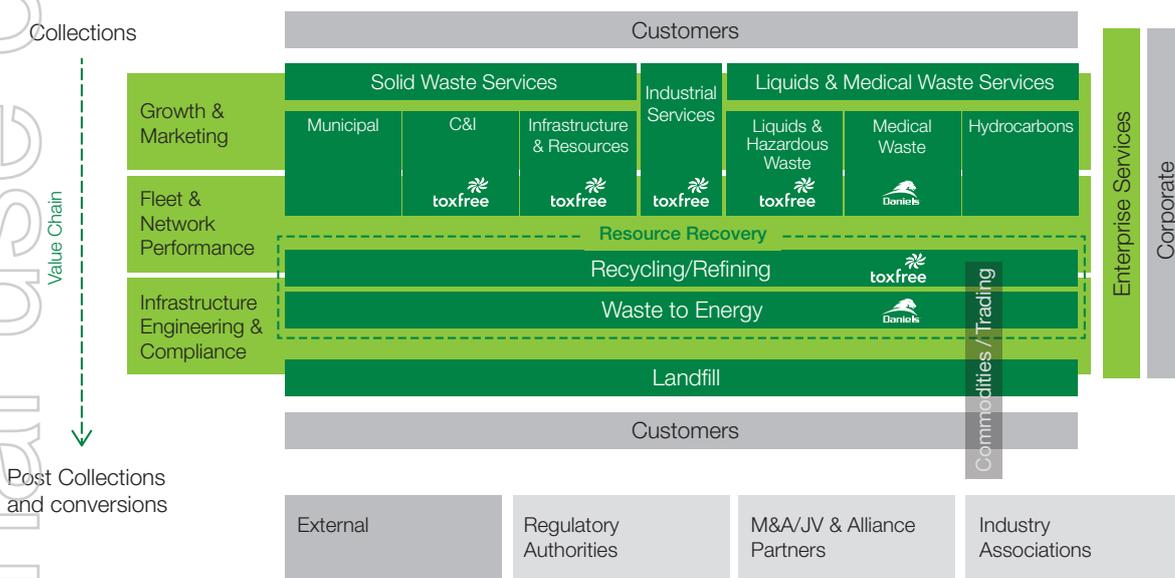
If the Scheme is implemented, Cleanaway intends to conduct a general review of certain aspects of the Toxfree business and assets to validate Cleanaway's understanding of the business and assist in integrating the Toxfree business, delivering synergies and identifying areas in which the combined group's business may be enhanced.

While Cleanaway does not have any specific intentions in relation to this review or its outcomes, its current expectation is that the review will focus on identifying opportunities in relation to Toxfree's strategic, financial and operating matters, including:

- integration of corporate and enterprise services;
- removing duplication in operating structures;
- footprint optimisation including access to new technologies in Toxfree's business, increased utilisation and rationalisation; and
- route density and fleet utilisation optimisation.

It is expected that integration will involve a 2 year timeline.

Subject to the review referred to above, Cleanaway anticipates Toxfree's divisions will complement and integrate into Cleanaway's operations and strengthen the business across Solids, Liquids and Industrial Services, while adding a new Medical segment. Set out below is a diagrammatic summary of how these divisions may be integrated into Cleanaway's existing business.



Any final decisions as to Cleanaway's intentions for Toxfree would only be finalised following the review described above.

e. Employees

Cleanaway considers Toxfree's employees to be a key part of the business' success, both historically and going forward. Cleanaway will evaluate the future employment requirements of the group following implementation of the Scheme as part of the general review referred to above.

Cleanaway expects there may be some duplication of employee roles identified (and, at a minimum, some duplication in some head office, senior executive and administrative functions). Therefore it is likely that certain positions within the combined group may become redundant. Where appropriate having regard to the positions held by any relevant employees, Cleanaway will attempt to identify opportunities for alternative employment within the Cleanaway group. Employees who are to be made redundant will receive all entitlements in compliance with applicable legislative awards or contractual requirements and they will be paid any redundancy amounts in accordance with their legal entitlements.

f. Basis of intentions

Other than as set out in this Section, Cleanaway has no current intention to make major changes to, or dispose of any parts of, Toxfree's business.

5.9 Funding arrangements

a. Overview

If the Scheme becomes Effective and is implemented, holders of Toxfree Shares will receive Scheme Consideration of \$2.845 per Toxfree Share held on the Record Date. Based on the expected number of Scheme Shares, the amount of cash payable by BidCo to holders of Toxfree Shares in connection with the Scheme will be approximately \$557 million.

Cleanaway and BidCo intend to fund the Scheme Consideration with a combination of the cash proceeds of the entitlement offer announced by Cleanaway on 11 December 2017 (described in Section 5.9(b)) and debt finance (described in Section 5.9(c)). Subject to the terms and conditions of the syndicated facility agreement described in Section 5.9(c), the total amount of debt finance available to BidCo and Cleanaway, when aggregated with Cleanaway's cash reserves set aside for the purposes of the Scheme, is sufficient for BidCo to pay the Scheme Consideration in accordance with the terms of the Scheme.

The Scheme is not conditional on Cleanaway or BidCo obtaining financing to fund the payment of the Scheme Consideration. Accordingly, the description of the funding arrangements below is provided for information purposes only, to describe the arrangements that Cleanaway and BidCo have in place to fund the payment of the Scheme Consideration if the Scheme becomes Effective.

b. Entitlement Offer

To provide part of the funding for the Scheme Consideration, Cleanaway has successfully undertaken the Entitlement Offer. The Entitlement Offer consisted of:

- an accelerated institutional component that opened on Monday, 11 December 2017 and closed on Tuesday, 12 December 2017; and
- a retail component that opened on Monday, 18 December 2017 and closed on Friday, 19 January 2018.

The Entitlement Offer gave eligible Cleanaway shareholders the opportunity to subscribe for 1 new share for every 3.65 existing shares held at an offer price of \$1.35 per new Cleanaway share.

The Entitlement Offer raised approximately \$590 million.

c. Debt finance arrangements

Commitment Letter

Cleanaway has entered into the Commitment Letter with the MLAUBS in respect of an agreed form syndicated facility agreement (described further below). Under the Commitment Letter, the MLAUBs are to arrange, underwrite and manage the primary syndication of the facilities described in the Syndicated Facility Agreement.

Syndicated Facility Agreement

Under the Commitment Letter, Cleanaway and its subsidiaries will enter into the Syndicated Facility Agreement with, among others, the MLAUBs for the provision of the Facilities.

The Facilities are made available for the purposes of, among other things, (i) refinancing existing indebtedness of the Cleanaway and Toxfree groups, and (ii) funding a portion of the Scheme Consideration and related transaction costs in connection with the Scheme and the Facilities.

The total funds available under the Facilities is \$900 million.

Conditions precedent to the availability of the Facilities

To ensure that Cleanaway and BidCo have sufficient funds available to pay the Scheme Consideration:

- the MLAUBs have agreed that, from the date of the Commitment Letter until 20 Business Days after the Implementation Date; and
- the lenders under the Syndicated Facility Agreement will agree that, from the date of the Syndicated Facility Agreement until 20 Business Days after the Implementation Date,

there will be certainty as to the availability of the Facilities subject only to:

- no major representation (as that term is defined in the Commitment Letter or the Syndicated Facility Agreement) is untrue or misleading in any material respect;
- no major default (as that term is defined in the Commitment Letter or the Syndicated Facility Agreement) is subsisting;
- it not being illegal for a MLAUB or lender (as applicable) to perform any of its funding obligations in respect of the Facilities; and
- satisfaction or waiver of certain initial conditions precedent, including certification by Cleanaway of certain matters as to its ownership of 100% of Toxfree Shares on implementation, copies of the Court order approving the Scheme and other transaction documents and other conditions which are procedural in nature and customary for facilities of this kind.

As at the date of this Scheme Booklet, neither Cleanaway nor BidCo are aware of the occurrence of, or any circumstance which would lead to, any misrepresentation, breach of undertaking or event of default or which would give rise to a right of any MLAUB to terminate their obligation to underwrite the provision of the Facilities.

If the conditions described above are satisfied, then the MLAUBs must provide the funds for their portion of the commitment under the Facilities. As at the date of this Scheme Booklet, neither Cleanaway nor BidCo are aware of any reason why any of the conditions will not be satisfied, and expect that they will be satisfied, in time to allow payment in full of the aggregate Scheme Consideration when due under the terms of the Scheme.

Having regard to the matters set out in this Section 5.9, Cleanaway and BidCo are of the opinion that they have a reasonable basis for forming the view, and they hold the view, that BidCo will be able to satisfy its payment obligations under the Scheme, as well as its costs associated with the Scheme.

5.10 Interests in Toxfree Shares

a. Relevant interests and voting power in Toxfree Shares

As at the date of this Scheme Booklet, neither Cleanaway, BidCo nor any of their Associates has any Relevant Interest in any Toxfree Shares or any voting power in Toxfree.

b. Dealings in Toxfree Shares in previous four months

Except for the consideration to be provided under the Scheme, during the period of four months before the date of this Scheme Booklet, neither Cleanaway, BidCo, nor any of their Associates has provided or agreed to provide consideration for any Toxfree Shares under a purchase or other agreement.

c. Benefits to Toxfree Shareholders in previous four months

During the four months before the date of this Scheme Booklet, neither Cleanaway, BidCo, nor any of their Associates have given, or offered to give, or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- vote in favour of the Scheme; or
- dispose of Toxfree Shares,

where the benefit was not offered to all Toxfree Shareholders.

5.11 Other material information

Except as set out in this Section 5, there is no other information regarding BidCo or Cleanaway, or its intentions regarding Toxfree, that is material to the making of a decision by a Toxfree Shareholder on whether or not to vote in favour of the Scheme, being information that is within the knowledge of any director of BidCo or Cleanaway as at the date of this Scheme Booklet, which has not been previously disclosed to Toxfree Shareholders.

6. RISK FACTORS

Toxfree Shareholders should be aware that there are a number of risks, both general and specific, associated with the Scheme.

Additional risks and uncertainties not currently known to Toxfree may also have a material adverse effect on Toxfree's financial and operational performance and the information set out in this Section 6 is a summary only and does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Toxfree.

The Toxfree Board considers, however, that it is appropriate for Toxfree Shareholders, in considering the Scheme, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Toxfree, the value of Toxfree Shares and any future dividends paid by Toxfree.

If the Scheme proceeds, Toxfree Shareholders who are registered in the Toxfree Share Register on both Record Dates will receive the Total Cash Payment of \$3.425 for each Toxfree Share (comprising the Special Dividend and the Scheme Consideration), and from implementation of the Scheme they will cease to be Toxfree Shareholders and will no longer be exposed to the risks set out in this Section 6.

You should carefully consider the risk factors discussed in this Section 6, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

6.1 Risks specific to the Scheme

a. Conditions

The Scheme is subject to a number of Conditions, which are set out in Annexure A and clause 3 of the Scheme Implementation Deed. The Scheme will not proceed to the Second Court Date unless all Conditions are satisfied or waived (if permitted) (other than approval by the Court).

Given that the Condition relating to Competition Approval is yet to be satisfied, there is a risk that the Second Court Date will be delayed, which will in turn delay the Implementation Date. The Scheme will not proceed if the Conditions are not satisfied or waived (if permitted) before the End Date.

The status of the Conditions as at the date of this Scheme Booklet is set out in Annexure A. A failure to satisfy any of the Conditions, or a delay in satisfying the Conditions and implementing the Scheme, may adversely affect the price of Toxfree Shares.

b. Court approval

The Court may not approve the Scheme, either at all or in the form proposed, or the Court's approval of the Scheme may be delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, the Court will take the change into account in deciding whether it should approve the Scheme. If there is a material change of sufficient importance so as to materially alter the Scheme, there is a risk that the Court may not approve the Scheme on the Second Court Date.

c. Tax consequences for Toxfree Shareholders

If the Scheme proceeds, there will be tax consequences for Toxfree Shareholders that may include tax being payable on any gain on the disposal of Toxfree Shares or on receipt of the Special Dividend.

The tax treatment may vary depending on the nature and characteristics of each Toxfree Shareholder and their specific circumstances. Accordingly, Toxfree Shareholders should seek professional tax advice in relation to their particular circumstances.

For further information about the general Australian tax consequences of the Scheme and the Special Dividend, please refer to Section 8.

d. Transaction and other costs

The fee for professional services paid or payable to the Independent Expert (in respect of the Independent Expert's Report) is \$130,000 (excluding GST). This amount is payable by Toxfree irrespective of whether or not the Scheme becomes Effective.

If the Scheme is implemented, costs of approximately \$10.3 million (excluding GST) are expected to be paid by Toxfree. This includes advisory fees for Toxfree's financial, legal, accounting and tax advisers, the Independent Expert's fees, general administrative fees, Scheme Booklet design, printing and distribution costs, expenses associated with convening and holding the Scheme Meeting, and Share Registry and other expenses.

If the Scheme is not implemented, costs of approximately \$4.7 million (excluding GST) are expected to be paid by Toxfree, excluding any break fees that may be payable in those circumstances.

e. Implications for Toxfree and Toxfree Shareholders if the Scheme is not implemented

If the Scheme is not passed at the Scheme Meeting, or by the Court, or other Conditions (which are set out in Annexure A and clause 3 of the Scheme Implementation Deed) are not satisfied or waived (if permitted):

- i. Toxfree Shareholders will not receive the Scheme Consideration or the Special Dividend;
- ii. Toxfree Shares will not be transferred to BidCo (and will be retained by Toxfree Shareholders);
- iii. Toxfree will continue to operate as a stand-alone entity, and remain listed on the ASX;

- iv. Toxfree Shareholders will continue to be exposed to the benefits and risks associated with an investment in Toxfree on a stand-alone basis (please refer to Sections 6.2 and 6.3 below for further details about these risks); and
- v. the amount which Toxfree Shareholders will be able to realise for their investment in Toxfree Shares will necessarily be uncertain. If the Scheme is not implemented and in the absence of a Superior Proposal, the Toxfree Directors believe that it is likely that the price of Toxfree Shares will fall from current levels.

In addition, some circumstances which cause the Scheme not to proceed may result in the payment of a break fee by Toxfree to BidCo, or a break fee by BidCo to Toxfree. Toxfree Shareholders failing to approve the Scheme by the Requisite Majorities will not trigger payment of the break fee by Toxfree.

For more information about the break fees (including the circumstances in which they may be payable by either Toxfree or BidCo), please refer to Annexure A and clause 10 of the Scheme Implementation Deed.

6.2 General risks

a. General equity market risks

As an entity with listed ordinary shares on the ASX, the market price of Toxfree Shares is influenced by a variety of general business cycles and economic and political factors in Australia, including economic growth, interest rates, exchange rates, inflation, employment levels, changes in government fiscal, monetary and regulatory policy in relevant jurisdictions and changes to accounting or financial reporting standards.

b. Economic conditions

Economic conditions, both domestic and global, may affect the performance of Toxfree. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, insurance market conditions, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of Toxfree and may result in material adverse impacts on the business and operating results of Toxfree.

c. Share market conditions

There are risks associated with an investment in financial products quoted on a stock exchange. Share price movements could affect the value of any investment in Toxfree.

The performance of Toxfree and the price at which Toxfree Shares may trade on the ASX may be determined by a range of factors. These include movements in the local and international equity and bond markets and general investor sentiment in those markets, recommendations by brokers and analysts, inflation, interest rates, exchange rates, general economic conditions and outlooks, changes in government, fiscal, monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, the announcement of new technologies and changes in the supply of and demand for relevant stocks. Certain of these factors could affect the trading price of shares, regardless of operating performance.

d. Liquidity and realisation risk

There may be few or many potential buyers or sellers of Toxfree Shares on the ASX at any time. This may affect the volatility of the market price of Toxfree Shares. It may also affect the prevailing market price at which shareholders are able to sell their Toxfree Shares.

e. Major shareholder risk

Toxfree currently has a number of substantial shareholders on its share register. There is a risk that these shareholders, future substantial shareholders, or other large shareholders may sell their shares at a future date. This could cause the price of Toxfree Shares to decline.

f. Risk of dividends not being paid

The payment of dividends is announced at the time of release of Toxfree half year and full year results as determined by the Toxfree Board from time to time at its discretion, dependent on the profitability and cash flow of Toxfree's businesses. While Toxfree has a stated dividend policy, circumstances may arise where Toxfree is required to reduce or cease paying dividends for a period of time.

g. Government policy and legislation

Toxfree may be affected by changes in legislation and government, fiscal, monetary and regulatory policies including environmental, foreign investment and those relating to industrial services industries.

h. Operational risks

The operations of Toxfree may be affected by various factors not within its control, including operational and technical difficulties. These difficulties could also result in the operation of its business experiencing business interruption, monetary losses and possible legal liability. Toxfree may be subject to liability for accidents, outages or system's failure and corruption against which it cannot insure against or which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.

i. Litigation risk

As with any company, Toxfree is exposed to the risks of litigation which may have a material adverse effect on its financial position. To the extent that such claims or litigation are not covered by insurance, an adverse outcome in litigation or the cost of initiating or responding to potential or actual claims or litigation may have a material adverse impact on financial performance.

Other than as set out in Section 9.8, as at the date of this Scheme Booklet, Toxfree is not aware of any material contractual disputes or litigation matters in respect of Toxfree, including with its customers or other third parties.

j. Taxation risks

A change to the current taxation regime may affect Toxfree and Toxfree Shareholders. Personal tax liabilities are the responsibility of each individual investor in Toxfree. Toxfree is not responsible for taxation or penalties incurred by investors in Toxfree.

k. Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board and are outside the Toxfree Directors' and Toxfree's control. Changes to accounting standards issued by the Australian Accounting Standards Board could materially adversely affect the financial performance and position reported in Toxfree's financial statements.

6.3 Risks specific to Toxfree

There are a range of business-specific risks associated with your current investment in Toxfree Shares, as set out below. You will only continue to be exposed to these risks if the Scheme does not proceed, in which case (in the absence of a Competing Proposal that is ultimately consummated), Toxfree will continue to operate as a stand-alone entity.

a. Activity in the waste management industry

The continued performance and future growth of Toxfree is dependent on continued activity and expansion in the Australian waste management and industrial services industries, and also in the geographical markets in which Toxfree operates. The level of activity in the waste management industry may vary and be affected by prevailing or predicted economic activity. There can be no assurance that the current levels of activity in the waste management industry will be maintained in the future or that customers of Toxfree will not reduce their activities, capital expenditure and requirements for waste management services in the future. Any prolonged period of low growth or decline in the waste management and industrial service industries would be likely to have an adverse effect on the business, financial condition and profitability of Toxfree.

In particular, Toxfree does have exposure to the natural resources sector. The level of activity in the natural resources sector may also vary and be affected by prevailing or predicted future commodities prices. A number of other factors also affect this industry, including economic growth, energy demand, the cost and availability of other energy sources (including clean energy), and global demand for natural resources and commodities. There can be no assurance that the current levels of mineral exploration and production activity will be maintained in the future or that companies operating in this sector, some of which may be customers of Toxfree, will not reduce their activities and capital expenditure. Any prolonged period of low natural resources exploration activity would be likely to have an adverse effect on the business, financial condition and profits of Toxfree.

b. Business operating risks

In the performance of its business, Toxfree may be subject to conditions beyond Toxfree's control that can reduce sales of its services and/or increase costs of both current and future operations. These conditions include, but are not limited to: changes in legislative requirements, abnormal or severe weather or climatic conditions, natural disasters, fire and explosion events, unexpected maintenance or technical problems, disruption to transport operations due to a significant event or regulatory action, reputational issues, new technology failures and industrial disruption. An inability to secure ongoing supply of such goods and services at prices assumed within production targets could potentially impact the results of Toxfree's operations.

c. Environmental risks

Extensive Federal, State and local environmental laws and regulations in Australia affect the activities and operations of Toxfree. The laws and regulations set standards which regulate certain aspects of health and environmental quality (including damage caused by previous owners of property acquired by Toxfree), provide penalties or other remedies for any violation of standards and, in certain circumstances, impose obligations to undertake remedial action in current locations where business is conducted.

Toxfree is subject to all the hazards and risks normally incidental to the waste, manufacturing and the industrial solutions industries. Toxfree will be responsible for past and future environmental liabilities, including liabilities presently unforeseen or unquantifiable. Compliance or non-compliance with environmental laws or regulations may require Toxfree to incur significant costs and may have a significant material impact on Toxfree's reputation and capability to secure additional work, impacting its financial performance and cash flows. Toxfree minimises these risks by having processes in place to manage compliance with environmental laws and regulations in Australia, and maintains an appropriate level of insurances in relation to environmental risks that it is exposed to.

d. Outsourcing risk

The level of activity undertaken by Toxfree depends to a large extent on the continuation of the current trend towards the outsourcing of non-core functions by potential clients. If this trend does not continue or reverses, it may impact Toxfree's prospects for growth.

e. Reliance on key customers and customer concentration

Toxfree's businesses rely on a number of business relationships and contracted revenue with clients. If these clients amend or terminate the relationship, this may have an adverse effect on the financial performance and/or financial position of Toxfree. In addition, Toxfree may generate its revenue from the provision of services to customers under other agreements. There is potential that Toxfree will not receive payments for the provision of its services if a customer becomes insolvent or fails to provide payment in accordance with its agreement with Toxfree.

From time to time, Toxfree may be asked to submit responses to competitive tender situations for new contracts that Toxfree wishes to win, or for existing contracts that come up for renewal. There can be no guarantee that Toxfree will be successful in winning such competitive tender situations, whether they be in relation to work which is already undertaken by Toxfree or for work which is new to Toxfree. The ability for Toxfree to be competitive and win such tenders may have a material impact on the future financial performance of Toxfree.

f. Customer preferences

Toxfree's products and services are subject to changes in customers' preferences, and therefore market share and pricing competitiveness may vary depending on the popularity of Toxfree's products and services.

g. Competition

A number of entities compete with Toxfree across all of our operating segments, and while Toxfree is the largest supplier of some specific services, in overall size, some of these competitors may have or develop competitive advantages over Toxfree and may be larger on an international or regional basis and have greater access to capital and other resources. The market share of Toxfree's competitors may increase or decrease as a result of various factors such as securing major new contracts, developing new technologies and adopting pricing strategies specifically designed to gain market share. These competitive actions may reduce the prices Toxfree is able to charge for its services and products or reduce Toxfree's activity levels, both of which would negatively impact the financial performance of Toxfree and could materially affect Toxfree's financial performance or cash flows.

h. Capital and operating costs

Toxfree's forecasts are based on the best available information at the time, and certain assumptions in relation to the level of capital expenditure required to maintain their assets. Any significant unforeseen increases in the capital and operating costs associated with Toxfree's operations would impact Toxfree's future cash flow and profitability.

i. Sustainability of growth and margins

Toxfree has historically achieved growth in revenue and profits. The sustainability of this growth and the level of profit margins from operations are dependent on a number of factors outside of Toxfree's control. Industry margins in the sectors in which Toxfree operates are likely to be subject to continuing but varying margin pressures. There is no assurance that the historical performance of Toxfree is indicative of future operating results. However, Toxfree's business strategies and its diversification across a range of sectors assist in reducing the short term pressures that can occur as new entrants attempt to secure positions in an individual industry sector.

j. Reliance on key personnel

The responsibility of overseeing day-to-day operations and the strategic management of Toxfree is currently concentrated amongst a number of key employees. While it is not currently anticipated, one or any number of these key employees may cease employment with Toxfree. The loss of any such key employees of Toxfree could have the potential to have a detrimental impact on Toxfree until the skills that are lost are adequately replaced.

k. Industrial disputes

Industrial disputes may arise from claims for higher wages and/or better working conditions in the industry in which Toxfree operates. This could disrupt operations and impact earnings.

l. Regulatory risks

Toxfree is exposed to any changes in the regulatory conditions under which it operates in Australia and New Zealand. Such regulatory changes can include, for instance, changes in: taxation laws and policies, accounting laws, policies, standards and practices, environmental laws and regulations that may impact upon the operations and processes of Toxfree, and employment laws and regulations, including laws and regulations relating to occupational health and safety.

m. Occupational health and safety

Toxfree manages certain risks associated with the occupational health and safety of its employees. Toxfree takes out insurance to cover these risks within certain parameters, however it is possible for injuries and/or incidents to occur which may result in expenses in excess of the amount insured or provided for with a resultant impact on Toxfree's earnings.

n. Access to capital

Toxfree relies on both equity capital and debt funding. The ability of Toxfree to raise funds on favourable terms depends on a number of factors including general economic, capital market and credit market conditions. An inability to obtain the necessary funding for Toxfree or a material increase in the cost of funding (e.g. through an increase in interest rates or increased costs of capital) may have an adverse impact on Toxfree's financial performance and financial position, its ability to refinance debt, its ability to grow and diversify, or its ability to pay dividends to investors.

o. Information technology

Toxfree is dependent on technology for the delivery of various services made available to customers. Toxfree has invested in the development of management information and other information technology systems designed to maximise the efficiency of Toxfree's operations. Should these systems not be adequately maintained, secured or updated, system failures may negatively impact on Toxfree's performance. Key systems are operated under licences and the licence costs may increase. Licences may be terminated or not renewed. The suppliers may be subject to events, such as insolvency or technical failures, leading to temporary or permanent loss of services and systems.

p. Product liability

Toxfree's business exposes it to potential product liability risks that are inherent in the marketing and use of its services. Regardless of merit or eventual outcome, liability claims may result in:

- i. decreased demand for Toxfree's services;
- ii. injury to Toxfree's reputation;
- iii. litigation;
- iv. substantial monetary awards to customers and others; and
- v. loss of revenues.

Toxfree may not be able to maintain insurance coverage at a reasonable cost nor obtain suitable or reasonable insurance coverage in respect of any liability that may arise and any claim for damages could be substantial.

q. Intellectual property

Toxfree's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. Intellectual property that is important to Toxfree includes, but is not limited to, patents, designs, trademarks, service marks, domain names, its website, business names and logos. Such intellectual property may not be capable of being legally protected. It may be the subject of unauthorised disclosure or be unlawfully infringed, or Toxfree may incur substantial costs in asserting or defending its intellectual property rights.

r. Other specific risks

Other areas of risk faced by Toxfree include:

- i. risks associated with the integration of acquired businesses;
- ii. cyber risk;
- iii. contractual risk, being the nature of the performance, payment terms and indemnity requirements in contracts with customers and sub-contractors; and
- iv. financial risks arising from fraud, regulatory breaches and bad debts.

Toxfree has in place what it considers are appropriate policies and procedure to help manage these risks, and Toxfree continually updates and develops those policies.

In addition, as a result of considering the Scheme, Toxfree is exposed to risks associated with potential business distraction.

7. IMPLEMENTATION OF THE SCHEME

All dates referred to in this Section 7 are indicative only. The actual dates on which events referred to in this Section 7 will occur will depend upon the time at which the Conditions to the Scheme are satisfied or, if applicable, waived. The Conditions are set out in Annexure A and clause 3 of the Scheme Implementation Deed. Toxfree has the right to vary all dates subject to the approval of such variation by BidCo, the Court and the ASX where required. Any variation to the dates referred to in this Section 7 will be announced to the ASX and published on Toxfree's website.

7.1 Scheme Implementation Deed

The Scheme Implementation Deed sets out the obligations of Toxfree, BidCo and Cleanaway in connection with the implementation of the Scheme.

A summary of the key terms of the Scheme Implementation Deed is set out in Annexure A, providing details in relation to (among other things):

- a. the Conditions;
- b. the exclusivity regime;
- c. the circumstances in which a break fee will be payable by Toxfree or BidCo, as applicable; and
- d. each party's termination rights.

A full copy of the Scheme Implementation Deed is attached to Toxfree's ASX announcement on 11 December 2017, which is available on Toxfree's website at <http://www.toxfree.com.au/> and on the ASX's website at <http://www.asx.com.au>.

7.2 Deed Poll

Cleanaway and BidCo have entered into the Deed Poll in favour of the Scheme Shareholders under which BidCo has undertaken to deposit (or procure the deposit of) the aggregate Scheme Consideration into a trust account operated by Toxfree as trustee for the Scheme Shareholders and undertake all other actions attributed to it under the Scheme, as if named as a party to the Scheme. Cleanaway has unconditionally and irrevocably guaranteed BidCo's obligations.

The Deed Poll may be relied upon by any Scheme Shareholder, despite the fact that they are not a party to it, and each Scheme Shareholder appoints Toxfree and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce their rights under the Deed Poll.

The Deed Poll is attached in full at Annexure D.

7.3 Scheme Meeting

In accordance with an order of the Court on 2 March 2018, Toxfree Shareholders will be asked to approve the Scheme at the Scheme Meeting to be held at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth on 6 April 2018 commencing at 10.00 am (Perth time). The Notice of Scheme Meeting is set out in Annexure E.

At the Scheme Meeting, Toxfree Shareholders will be asked to consider and, if thought fit, to pass a resolution approving the Scheme. For the Scheme to be approved by Toxfree Shareholders, votes "in favour" of the Scheme must be received from:

- a. a majority in number (more than 50%) of Toxfree Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Toxfree Shareholders, by a duly appointed corporate representative) (the **Headcount Test**); and
- b. at least 75% of the total number of votes cast on the Scheme Resolution by Toxfree Shareholders at the Scheme Meeting.

If the Scheme is not approved by Toxfree Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test, Toxfree may apply to the Court for the Court to exercise its discretion to disregard the Headcount Test and make orders approving the Scheme.

7.4 Second Court Date

If the Scheme is approved by the Requisite Majorities of Toxfree Shareholders, and all other Conditions to the Scheme (other than approval by the Court) and any other conditions to be imposed by the Court under section 411(6) of the Corporations Act have been satisfied or waived, Toxfree will apply to the Court for orders approving the Scheme following the Scheme Meeting. The date on which the Court hears Toxfree's application in relation to the Scheme is the Second Court Date. The Second Court Date is expected to be on or around 16 April 2018 and is open to all Toxfree Shareholders.

If the Scheme is not approved by the Requisite Majorities of Toxfree Shareholders at the Scheme Meeting, the Scheme will not proceed and Toxfree will not apply to the Court for any orders in connection with the Scheme.

The Court has discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act and may refuse to approve the Scheme even if the Scheme is approved by the Requisite Majorities of Toxfree Shareholders.

The Corporations Act and the relevant Court rules provide a procedure for Toxfree Shareholders to oppose the approval by the Court of the Scheme. Any Toxfree Shareholder who wishes to oppose the approval of the Scheme at the Second Court Date may do so by filing with the Court and serving on Toxfree a notice of appearance in the prescribed form together with an affidavit on which the Toxfree Shareholders will seek to rely at the Second Court Date. The notice of appearance and affidavit must be served on Toxfree at least one Business Day before the Second Court Date. Any change to the Second Court Date will be announced through the ASX and published on Toxfree's website.

ASIC will be asked to issue a written statement that it has no objection to the Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Scheme, the Court may still approve the Scheme provided it is satisfied that section 411(17)(a) of the Corporations Act is satisfied.

7.5 Effective Date

If the Court approves the Scheme, Toxfree will lodge with ASIC an office copy of the Court order approving the Scheme. Toxfree intends to lodge this with ASIC on the Business Day following receipt of the orders, expected to be 17 April 2018. The Scheme comes into effect on the date on which Toxfree lodges the Court order approving the Scheme with ASIC. This date is referred to in this Scheme Booklet as the Effective Date.

If the Scheme has not become Effective by 30 June 2018 (or 30 September 2018 if the Condition relating to Competition Approval in clause 3.1(c) of the Scheme Implementation Deed has not been satisfied by 30 June 2018) or such later date as Toxfree and BidCo agree in writing, the Scheme Implementation Deed will lapse and be of no further force or effect, unless otherwise agreed by both Toxfree and BidCo.

7.6 Special Dividend

Toxfree Shareholders will be entitled to receive the Special Dividend if they are registered as the holders of Toxfree Shares on the Special Dividend Record Date. The Special Dividend Record Date is currently expected to be 20 April 2018. Eligible Toxfree Shareholders will receive the Special Dividend on the Special Dividend Payment Date, which is currently expected to be 30 April 2018.

Toxfree has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 8 for further details), Toxfree Shareholders who are able to obtain the full benefit of the \$0.249 franking credits associated with the Special Dividend may also receive additional value. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

Important note: It is expected that trading in Toxfree Shares on the ASX will be suspended from close of trading on the Effective Date. However, if you choose to effect an off-market transfer of your Toxfree Shares in between the Record Dates, such that you are registered in the Toxfree Share Register on the Special Dividend Record Date but cease to be registered in the Toxfree Share Register on the Scheme Record Date:

- a. you will only receive the Special Dividend and will not receive the Scheme Consideration; and
- b. any transferee of your Toxfree Shares in these circumstances who becomes registered in the Toxfree Share Register on or before the Scheme Record Date (but after the Special Dividend Record Date) will only receive the Scheme Consideration in respect of those Toxfree Shares, and not the Special Dividend.

7.7 Scheme Consideration

Toxfree Shareholders will be entitled to receive the Scheme Consideration if they are registered as the holders of Toxfree Shares on the Scheme Record Date, that is, if they are a Scheme Shareholder. The Scheme Record Date is currently expected to be 7.00 pm (Perth time) on 24 April 2018.

For the purposes of determining who is a Scheme Shareholder, dealings in Toxfree Shares or other alterations to the Toxfree Share Register will only be recognised if:

- a. in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Toxfree Share Register as the holder of the relevant Toxfree Shares at or before the Scheme Record Date; and
- b. in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Scheme Record Date at the place where the Toxfree Share Register is kept.

Toxfree must not accept for registration, nor recognise for any purpose (except a transfer to BidCo pursuant to the Scheme and any subsequent transfer by BidCo or its successors in title), any transfer or transmission application or other request received on or after the Scheme Record Date, or received prior to the Scheme Record Date but not in registrable or actionable form.

For the purpose of determining entitlements to the Scheme Consideration, Toxfree must maintain the Toxfree Share Register until the Scheme Consideration has been paid to the Scheme Shareholders. The Toxfree Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date, all statements of holding for Toxfree Shares (other than statements of holding in favour of BidCo) will cease to have effect as documents of title in respect of those shares and, as from that date, each entry current at that date on the Toxfree Share Register (other than entries in respect of BidCo) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Toxfree Shares relating to that entry.

7.8 Transfer of Toxfree Shares

On the Implementation Date, subject to the provision of the Scheme Consideration, all Toxfree Shares held by Scheme Shareholders will be transferred to BidCo without any further action required by Scheme Shareholders and at no cost to them. Toxfree will enter the name of BidCo into the Toxfree Share Register in respect of the Toxfree Shares. Toxfree will then become a Subsidiary of Cleanaway.

7.9 Warranty by Scheme Shareholders about their Toxfree Shares

Under the Scheme, each Scheme Shareholder is taken to have warranted to BidCo, and appointed and authorised Toxfree as its attorney and agent to warrant to BidCo, that:

- a. all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under the Scheme will, at the date of the transfer of them to BidCo, be fully paid and free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- b. they have full power and capacity to transfer their Scheme Shares to BidCo together with any rights attaching to those shares; and
- c. as at the Scheme Record Date, it has no existing right to be issued any other Scheme Shares or any other form of Toxfree securities.

7.10 Suspension of trading in Toxfree Shares

It is expected that suspension of trading in Toxfree Shares on the ASX will occur from close of trading on the Effective Date. This is expected to occur on 17 April 2018.

Toxfree will apply for termination of the official quotation of Toxfree Shares on the ASX and to have itself removed from the official list of the ASX with effect from the close of trading on the Business Day following the Implementation Date.

8. TAX IMPLICATIONS OF THE SCHEME



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2 March 2018
Ref: TOXFR01

Dear Directors

Scheme of Arrangement - Australian Income Tax Implications

We have been engaged by Tox Free Solutions Limited ('Toxfree') to provide a letter for inclusion in the Scheme Booklet which contains a general summary of the Australian income tax, Goods and Services Tax ('GST'), and stamp duty implications for Australian tax resident shareholders of Toxfree on implementation of the Scheme and payment of the Special Dividend.

If the Scheme becomes Effective, Toxfree Shareholders will receive:

- a Special Dividend of AUD 0.58 per Toxfree Share that they hold on the Special Dividend Record Date; and
- the Scheme Consideration of AUD 2.845 per Toxfree Share that they hold on the Scheme Record Date.

All capitalised terms contained in this letter that are not otherwise defined take on the meaning given to them in the Scheme Booklet.

Scope of Tax Comments

This document provides a general overview of the Australian income tax, GST and stamp duty considerations for Australian resident Toxfree Shareholders on implementation of the Scheme and payment of the Special Dividend. The tax treatment may vary depending on the nature and characteristics of each Toxfree Shareholder and their specific circumstances.

The types of Toxfree Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their shares on capital account.

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Our tax comments as outlined below are not applicable to all Toxfree Shareholders and are not intended to cover Toxfree Shareholders who:

- hold their Toxfree Shares as a revenue asset or as trading stock;
- acquired their Toxfree Shares pursuant to an employee share scheme;
- are under a legal disability;
- are not Australian income tax residents as determined under Australian income tax law;
- are exempt from Australian income tax;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* in relation to gains and losses on their Toxfree Shares¹; or
- are subject to the Investment Manager Regime under Subdivision 842-1 of the *Income Tax Assessment Act 1997* in respect of their Toxfree Shares.

This summary is based on the Australian tax law, and our understanding of the practice of the tax authorities, at the time of issue of this letter. The laws are complex and subject to change periodically as is their interpretation by the Courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not take into account the tax laws of countries other than Australia. The precise implications of ownership or disposal will depend upon each Toxfree Shareholder's specific circumstances.

Our comments should not be a substitute for advice from an appropriate professional adviser having regard to each Toxfree Shareholders' individual circumstances. Toxfree Shareholders should seek independent financial, legal and taxation advice before making any decision in relation to their Toxfree Shares.

In providing our tax comments, BDO has relied on information obtained from documents provided to BDO, and during various discussions with personnel from Toxfree. BDO has relied on the accuracy and completeness of the information provided and has not undertaken any procedures to validate or verify the completeness or accuracy of such information. Therefore, BDO does not accept any responsibility or any liability arising from the inaccuracy or incompleteness of any information provided to us.

Toxfree has applied for a Class Ruling from the Australian Taxation Office ('ATO') regarding the income taxation implications for Toxfree Shareholders in relation to the Scheme and the Special

¹ Division 230 of the *Income Tax Assessment Act 1997* will generally not apply to individuals, unless they have made an election for it to apply to them.



Dividend ('ATO Class Ruling'). The income tax comments provided below are consistent with the positions taken in the ATO Class Ruling application lodged.

The ATO Class Ruling will not be issued by the ATO until after the Implementation Date. However, we understand that Toxfree expects to receive a draft of the ATO Class Ruling prior to the Scheme Meeting. Toxfree Shareholders should refer to the ATO Class Ruling once it is published on <http://law.ato.gov.au/atolaw/browse.htm?category=e>.

1. Australian Income Tax Treatment of Special Dividend

The Directors of Toxfree have declared the Special Dividend, subject to the Scheme becoming Effective.

If the Scheme becomes Effective, those Toxfree Shareholders entitled to the Special Dividend will be paid a fully franked cash dividend of AUD 0.58 for each Toxfree Share held on the Special Dividend Record Date (which is expected to be 5:00pm Perth time on 20 April 2018). The Special Dividend will be paid to Toxfree Shareholders on the Special Dividend Payment Date (which is expected to be 30 April 2018).

The Special Dividend will be assessable to Australian resident Toxfree Shareholders in the year of income in which it is paid.

Franking credits attached to the Special Dividend should be included in the assessable income of each Toxfree Shareholder (i.e. Toxfree Shareholders are assessed on the cash component of the Special Dividend received, plus the amount of any franking credits attached to the Special Dividend).

Toxfree Shareholders may be entitled to a tax offset equal to the franking credit attached to the Special Dividend.

Toxfree Shareholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset associated with franking credits attached to the Special Dividend exceeds their tax liability for the relevant income year. Whether a Toxfree Shareholder is able to obtain the full benefit of the franking credits depends on their personal tax circumstances.

Toxfree Shareholders that are companies will convert any excess franking credit offset to a tax loss and will be taken to have a tax loss for the relevant income year.

In order to access franking credits attached to the Special Dividend, Toxfree Shareholders must have held their Toxfree Shares 'at risk' for a continuous period of at least 45 days (not including the date of acquisition or the date of disposal of the Toxfree shares within the relevant 'qualification period').



A Toxfree Shareholder could only satisfy the holding period requirement in relation to a Toxfree Share if they have held that share 'at risk' for a continuous period of at least 45 days (not including the date of acquisition or the date of disposal of the Toxfree Share) during the period from 7 March 2018 through to 23 April 2018 (inclusive).

A Toxfree Shareholder will be considered to have not held their Toxfree Shares 'at risk' where that Toxfree Shareholder holds 'positions' which materially diminish the risk of loss or opportunities for gains in respect of those Toxfree Shares by more than 70%. In the context of the Scheme, Toxfree Shareholders will no longer hold their Toxfree Shares at risk from the Scheme Record Date.

2. Capital Gains Tax (CGT) Consequences Associated with The Disposal of Scheme Shares

Toxfree Shareholders who hold Toxfree Shares on the Scheme Record Date will be Scheme Shareholders. Scheme Shareholders will dispose of their Scheme Shares to BidCo under the Scheme for CGT purposes on the Implementation Date (currently expected to be 2 May 2018).

Scheme Shareholders will be required to determine their capital gain or loss in respect of disposal of a Scheme Share. In this regard, Scheme Shareholders should make a capital gain on disposal of a Scheme Share if the capital proceeds from the disposal of that Scheme Share exceeds the cost base of that Scheme Share.

Conversely, Scheme Shareholders should make a capital loss on disposal of their Scheme Shares if the capital proceeds from the disposal of a Scheme Share is less than the reduced cost base of that Scheme Share.

A Scheme Shareholder's cost base in a Scheme Share will generally comprise the cost of that Scheme Share, plus certain incidental costs incurred in relation to the acquisition or disposal of that Scheme Share (such as brokerage). No brokerage is payable by Scheme Shareholders in relation to the disposal of their Scheme Shares to BidCo under the Scheme.

For Australian income tax purposes, a Scheme Shareholder's capital proceeds will consist of Scheme Consideration of AUD 2.845 per share (being the amount paid by BidCo to Scheme Shareholders for each Scheme Share).

The Special Dividend of AUD 0.58 should not be required to be included in the capital proceeds as it will not be directly paid in respect of the disposal of the Scheme Shares under the Scheme. Confirmation of this position is being sought from the ATO in the ATO Class Ruling.

No CGT roll-over will be available to Scheme Shareholders in relation to the Scheme.

A Scheme Shareholder who makes a capital gain on the disposal of their Scheme Shares under the Scheme may be eligible to treat the capital gain as a discount capital gain ('CGT Discount') provided that:



- the Scheme Shareholder is an individual, complying superannuation entity or, subject to the rules in Subdivision 115-C of the *Income Tax Assessment Act 1997*;
- the capital gain has not been worked out using a cost base that has been calculated without reference to indexation; and
- the Scheme Share was acquired at least 12 months prior to CGT event A1 happening.

The CGT Discount is worked out after applying available capital losses to reduce the capital gain.

Scheme Shareholders who are companies are not entitled to the CGT discount.

3. Stamp duty

No stamp duty should be payable by Scheme Shareholders in relation to the disposal of their Scheme Shares to BidCo under the Scheme.

4. GST

No GST will be payable by Scheme Shareholders in relation to the disposal of their Scheme Shares to BidCo under the Scheme.

GST may be imposed on taxable supplies (if any) obtained by Scheme Shareholders from third party suppliers (such as advisor costs) in connection with the Scheme. The entitlement to Scheme Shareholders of input tax credits in relation to these acquisitions (if any) may be restricted. Scheme Shareholders who are GST registered should seek their own professional tax advice in relation to this matter.

Disclaimer

The information contained in this document does not constitute 'financial product advice' within the meaning of the *Corporations Act 2001*. BDO Corporate Tax (WA) Pty Ltd which is providing this advice is not licensed to provide financial product advice. To the extent that this document contains information about a financial product, taxation is only one of the matters that must be considered when making a decision in relation to that financial product.

The advice has been prepared for general circulation only and does not take into account the objectives, financial situations or needs of any recipient. As such, it is strongly recommended that any recipient take independent advice from a person licensed to provide financial product advice. Further, it is strongly recommended that any recipient take formal taxation advice to consider the taxation outcomes relating to their specific Toxfree Shares.

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To the maximum extent permitted by law BDO Corporate Tax (WA) Pty Ltd expressly disclaims and takes no responsibility for any part of the Scheme Booklet, other than a reference to its name (in the form and context in which it appears) and the inclusion in the Scheme Booklet of this letter.

* * *

Yours sincerely,
BDO Corporate Tax (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'James Massie-Taylor', is written over a light blue rectangular background.

James Massie-Taylor
Director

9. ADDITIONAL INFORMATION

9.1 Interests of Toxfree Directors in Toxfree Shares and Toxfree Unlisted Securities

No Toxfree Shares or Toxfree Unlisted Securities are held or controlled by Toxfree Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet, other than as listed below.

a. Toxfree Directors' interests in Toxfree Shares

As at the date of this Scheme Booklet, the number of Toxfree Shares held by or on behalf of each Toxfree Director are as follows:

Toxfree Director	Number of Toxfree Shares	Percentage of outstanding Toxfree Shares, calculated on a non-diluted basis ¹²
Robert McKinnon	108,899	0.1%
Stephen Gostlow	1,359,877 ¹³	0.7%
Michael Humphris	710,000	0.4%
Richard Allen	163,069	0.1%
Katherine Hirschfeld	36,085	0.0%
Total	2,377,931	1.2%

Each Toxfree Director intends to vote all Toxfree Shares that he or she holds in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders. Other than as disclosed in Section 9.4, the Toxfree Directors will not receive any direct or indirect benefits from voting in favour of the Scheme other than the Scheme Consideration, as applicable, to which they are entitled.

b. Toxfree Directors' interests in Toxfree Unlisted Securities

As at the date of this Scheme Booklet, the number of Toxfree Unlisted Securities held by or on behalf of each Toxfree Director are as follows:

Toxfree Director	Number of Toxfree Performance Rights	Number of Toxfree Share Appreciation Rights
Robert McKinnon	Nil	Nil
Stephen Gostlow	462,420	386,732
Michael Humphris	Nil	Nil
Richard Allen	Nil	Nil
Katherine Hirschfeld	Nil	Nil
Total	462,420	386,732

Please refer to Section 1.12 for details regarding the treatment of Toxfree Unlisted Securities if the Scheme proceeds.

9.2 Toxfree Directors' dealings in Toxfree securities

No Toxfree Director acquired or disposed of a Relevant Interest in any Toxfree Shares or Toxfree Unlisted Securities in the four month period ending on the date immediately before the date of this Scheme Booklet, other than as set out below:

Toxfree Director	Number of Toxfree Shares / Toxfree Unlisted Securities	Date of change	Consideration
Stephen Gostlow	Acquired 52,090 Toxfree Shares / Disposed of 52,090 Toxfree Performance Rights	7 August 2017	Nil consideration
Stephen Gostlow	Acquired 41,955 Toxfree Shares / Disposed of 41,955 Toxfree Performance Rights	10 October 2017	Nil consideration

¹² Percentage of outstanding Toxfree Shares based on 194,418,716 shares on issue.

¹³ Steve Gostlow's shareholding includes 94,045 Toxfree Shares that were issued in August and October 2017 upon vesting of 94,045 Toxfree Performance Rights.

9.3 Interests and dealings of Toxfree Directors in securities in Cleanaway Group entities

a. Toxfree Directors' interests in securities in Cleanaway Group entities

No Toxfree Director has a Relevant Interest in any securities of Cleanaway or BidCo, or any other member of the Cleanaway Group.

b. Toxfree Directors' dealings in securities in Cleanaway Group entities

No Toxfree Director has acquired or disposed of a Relevant Interest in any securities of Cleanaway or BidCo, or any other member of the Cleanaway Group, in the four month period ending on the date immediately before the date of this Scheme Booklet.

9.4 Benefits and agreements

a. Agreements or arrangements with Toxfree Directors

There are no agreements or arrangements made between any Toxfree Director and any other person, including Cleanaway or BidCo, or any other member of the Cleanaway Group, in connection with, or conditional upon, the outcome of the Scheme, other than that Toxfree has agreed that retention payments will be made to certain executives and employees of Toxfree, including the Managing Director. These retention payments are based on continued employment with Toxfree at certain dates, with the right to such payments being accelerated upon a change of control. Such retention payments are not conditional upon the outcome of the Scheme.

Toxfree agreed to make these payments after having regard to (among other things) the best interests of Toxfree, the need to retain the services of those persons with the most intimate knowledge of Toxfree's business and the need to minimise the disruption to Toxfree's business if one of the relevant employees left Toxfree during the change of control process.

Toxfree's Managing Director will receive payments totalling \$477,642 provided that he remains employed by Toxfree on 6 March 2018, 6 June 2018 and 6 September 2018, with the right to such payments being accelerated upon a change of control.

Toxfree considers that the nature and quantum of the retention payments, including to the Managing Director, are reasonable in the circumstances.

b. Payments or other benefits to Toxfree Directors and Toxfree executive officers

It is not proposed that any other payment or other benefit will be made or given to any Toxfree Director, secretary or executive officer of Toxfree, or any body corporate related to Toxfree, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office as a Toxfree Director, secretary or executive officer of Toxfree, or a body corporate connected with Toxfree, as a result of the Scheme, other than in his or her capacity as a Toxfree Shareholder or holder of Toxfree Unlisted Securities.

If an executive's employment is terminated following the change of control, the relevant executive will have such entitlements (including in respect of compensation for loss of office) as are contemplated by their employment contract.

Certain employees of Toxfree, including the executive officers and the Managing Director of Toxfree, are entitled to a cash bonus upon the occurrence of a change of control event under the terms of the 2016 Simplified Incentive Plan. Any such bonuses are not related to the retirement of the relevant person from his or her office. Details of the treatment of such cash bonuses upon the occurrence of a change of control event are set out below in Section 9.4(d).

Please refer to Section 1.12 for details regarding the treatment of Toxfree Unlisted Securities if the Scheme proceeds.

c. Interests of Toxfree Directors in contracts entered into by members of the Cleanaway Group and benefits from members of the Cleanaway Group

No Toxfree Director has any interest in a contract entered into by Cleanaway or BidCo, or any other member of the Cleanaway Group and none of the Toxfree Directors has agreed to receive, or is entitled to receive, any benefit from Cleanaway or BidCo, or any other member of the Cleanaway Group, which is conditional on, or is related to, the Scheme, other than as set out in this Section 9.4.

d. The 2016 Simplified Incentive Plan

As disclosed in Toxfree's 2017 Remuneration Report, the total annual remuneration of Toxfree's executives (including Toxfree's Managing Director) comprises fixed annual remuneration and incentives delivered under the 2016 Simplified Incentive Plan. The incentives are delivered by a mix of equity (via the issue of certain Toxfree Unlisted Securities) and a cash bonus. The equity and cash bonus split is controlled and determined by the Toxfree Board.

Under the terms of the 2016 Simplified Incentive Plan, upon the occurrence of a change of control event each eligible employee will receive their maximum cash bonus entitlement. The cash bonus will be deemed to be for the full financial year regardless of the date of the change of control event. As a result, if the Scheme proceeds Toxfree's Managing Director will receive a cash bonus of \$318,687 and the other eligible employees will receive cash bonuses totalling \$983,087 (all exclusive of superannuation).

Please refer to Section 1.12 for details regarding the treatment of Toxfree Unlisted Securities if the Scheme proceeds.

9.5 Regulatory conditions and relief

All regulatory approvals that are Conditions to the Scheme are set out in Annexure A (including their status as at the date of this Scheme Booklet) and clause 3 of the Scheme Implementation Deed.

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of the Toxfree Directors, the financial position of Toxfree has materially changed since the date of the last balance sheet laid before Toxfree Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2017. ASIC has granted Toxfree relief from this requirement so that this Scheme Booklet only need set out whether, within the knowledge of the Toxfree Directors, the financial position of Toxfree has materially changed since 31 December 2017 (being the last date of the period to which the financial statements for the half-year ended 31 December 2017 relate).

9.6 Consents and disclaimers

Each person named in this Section 9.6 as having given its consent to the inclusion of a statement or being named in this Scheme Booklet:

- a. has not authorised or caused the issue of this Scheme Booklet;
- b. does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than those statements which have been included in this Scheme Booklet with the consent of that person; and
- c. to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to their name and any statements or report which have been included in this Scheme Booklet with the consent of that person.

Independent Expert

Loneragan Edwards & Associates Limited has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- be named as Independent Expert in the form and context in which it is named;
- the inclusion of the Independent Expert's Report as Annexure B; and
- the inclusion in this Scheme Booklet of statements made by the Independent Expert, or said to be based on the Independent Expert's Report, and to all references to those statements, in the form and context in which they are respectively included.

Cleanaway and BidCo

Cleanaway and BidCo have each given, and neither has withdrawn before the date of this Scheme Booklet, its written consent to:

- be named in this Scheme Booklet in the form and context in which it is named; and
- the inclusion in this Scheme Booklet of the Cleanaway Information in the form and context in which it appears.

Other persons

Clayton Utz have given, and have not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Toxfree's legal adviser in the form and context in which it is named.

Morgan Stanley Australia Limited has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Toxfree's financial adviser in the form and context in which it is named.

Computershare Investor Services Pty Limited has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Toxfree's share registry in Australia in the form and context in which it is named.

BDO Audit (WA) Pty Ltd has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to be named in this Scheme Booklet as Toxfree's auditor in the form and context in which it is named.

BDO Corporate Tax (WA) Pty Ltd has given, and has not withdrawn before the date of this Scheme Booklet, its written consent to:

- be named in this Scheme Booklet in the form and context in which it is named; and
- the inclusion in this Scheme Booklet of the letter in Section 8.

9.7 Fees

Each of the persons named in Section 9.6 as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

The fee for professional services paid or payable to the Independent Expert (in respect of the Independent Expert's Report) is \$130,000 (excluding GST).

If the Scheme is implemented, costs of approximately \$10.3 million (excluding GST) are expected to be paid by Toxfree. This includes advisory fees for Toxfree's financial, legal, accounting and tax advisers, the Independent Expert's fees, general administrative fees, Scheme Booklet design, printing and distribution costs, expenses associated with convening and holding the Scheme Meeting, and Share Registry and other expenses.

If the Scheme is not implemented, costs of approximately \$4.7 million (excluding GST) are expected to be paid by Toxfree.

These amounts do not include the transaction costs that may be incurred by BidCo and Cleanaway in relation to the Scheme.

9.8 Litigation

As at the date of this Scheme Booklet, Toxfree is not aware of any material contractual disputes or litigation matters in respect of Toxfree, including with its customers or other third parties.

9.9 No unacceptable circumstances

The Toxfree Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Toxfree that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

9.10 Foreign jurisdictions

The distribution of this Scheme Booklet outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Toxfree and its Related Bodies Corporate and their directors, officers, employees and advisers each disclaim all liabilities to such persons.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of jurisdictions other than Australia.

Toxfree Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside Australia.

9.11 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision by a Toxfree Shareholder on whether or not to vote in favour of the Scheme, being information that is within the knowledge of any Toxfree Director, or any director of any Related Body Corporate of Toxfree, which has not previously been disclosed to Toxfree Shareholders.

9.12 Supplementary information

Toxfree will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Toxfree may circulate and publish any supplementary document including by:

- approaching the Court for a direction as to what is appropriate in the circumstances;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Toxfree’s website and the ASX; and
- making a public announcement by way of press release.

ASIC will be provided with an opportunity to review and comment on any supplementary documents prior to their issue by Toxfree.

10. DEFINITIONS

In this Scheme Booklet:

2011 Long Term Incentive Plan means the executive long-term incentive plan approved by Toxfree Shareholders at Toxfree's 2011 annual general meeting.

2016 Simplified Incentive Plan means the executive long-term incentive plan approved by the Toxfree Board in 2016.

ACCC means the Australian Competition and Consumer Commission.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX Listing Rules means the official listing rules of ASX as amended from time to time.

ASX means the Australian Securities Exchange.

ATO means Australian Taxation Office and includes the Commissioner of Taxation.

Australian Accounting Standards means the standards fully comply with the International Financial Reporting Standards.

BidCo means Cleanaway (No.1) Pty Ltd ACN 623 274 466 of Level 4, 441 St Kilda Road, Melbourne, Victoria 3004.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Perth or Melbourne, Australia.

CHESS means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532.

Cleanaway means Cleanaway Waste Management Limited ACN 101 155 220 of Level 4, 441 St Kilda Road, Melbourne, Victoria 3004.

Cleanaway Group means Cleanaway and each of its Related Bodies Corporate.

Cleanaway Information means the information regarding the Cleanaway Group included in this Scheme Booklet, including information in relation to BidCo, the funding of the Scheme Consideration and BidCo's intentions in relation to the Toxfree Group and its business, including the Toxfree Group's employees and assets, and any information contained in this Scheme Booklet that is solely based on or prepared on any information so provided by BidCo.

Commitment Letter means the commitment letter between Cleanaway and the MLAUBS in respect of an agreed form syndicated facility agreement.

Competing Proposal has the meaning given in the Scheme Implementation Deed.

Competition Approval has the meaning given in the Scheme Implementation Deed.

Conditions means the conditions precedent to the Scheme set out in clause 3.1 of the Scheme Implementation Deed.

Corporations Act means the Corporations Act 2001 (Commonwealth of Australia).

Corporations Regulations means the Corporations Regulations 2001 (Commonwealth of Australia).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Toxfree and BidCo.

Daniels Health Australia means 100% of the shares and related assets of Daniels Health Pty Ltd and Daniels Manufacturing Pty Ltd.

Deed Poll means the deed poll executed by Cleanaway and BidCo in favour of the Scheme Shareholders, in the form set out in Annexure D.

EBIT means earnings before interest and income tax.

EBITDA means earnings before interest, income tax, depreciation and amortisation.

Effective means, when used in relation to a Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to that Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means a mortgage, charge, lien, encumbrance, pledge or security interest (including any Security Interest).

End Date means 30 June 2018 (or 30 September 2018 if the Condition in clause 3.1(c) of the Scheme Implementation Deed has not been satisfied by 30 June 2018) or such other date as Toxfree and BidCo agree in writing.

Entitlement Offer means the non-renounceable entitlement offer (with an accelerated institutional offer) announced by BidCo on or around the date of the Scheme Implementation Deed.

EV/EBIT means enterprise value to EBIT.

EV/EBITDA means enterprise value to EBITDA.

Exclusivity Period means the period commencing on the date of the Scheme Implementation Deed and ending on the earliest of:

- a. the End Date; and
- b. the date the Scheme Implementation Deed is terminated in accordance with clause 13 of the Scheme Implementation Deed.

Facilities means certain debt facilities in a principal amount of up to \$900 million provided under the Syndicated Facility Agreement.

Fairly Disclosed has the meaning given in clause 2 ("Interpretation") of Schedule 1 of the Scheme Implementation Deed.

First Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other day as Cleanaway, BidCo and Toxfree agree in writing.

Independent Expert means Lonergan Edwards & Associates Limited.

Independent Expert's Report means the report from the Independent Expert in respect of the Scheme, a copy of which is set out in Annexure B.

Interim Dividend means a fully franked cash dividend of \$0.05 for each Toxfree Share held by a Toxfree Shareholder on the Interim Dividend Record Date (payable by Toxfree).

Interim Dividend Payment Date means the date on which Toxfree will pay the Interim Dividend, being 16 March 2018.

Interim Dividend Record Date means the record date for determining entitlements to the Interim Dividend, being 2 March 2018.

Material Adverse Change means a matter, event or circumstance (including a one-off or non-recurring event) that occurs, is announced or becomes known to BidCo after the execution of the Scheme Implementation Deed where that matter, event or circumstance has, has had, or is reasonably likely to have, either individually, or when aggregated with any other such matters, events or circumstances, a materially adverse effect on the assets, liabilities, business, financial or trading position, performance, profitability or prospects of Toxfree and which would include:

- a. reducing the consolidated normalised EBITDA of the Toxfree Group, relative to Toxfree's audited financial statements for the year ended 30 June 2017, taken as a whole and calculated in accordance with the accounting policies and practices applied by Toxfree as at the date of the Scheme Implementation Deed, by at least \$10 million; or
- b. reducing the consolidated net assets of the Toxfree Group by at least \$30 million, relative to Toxfree's audited financial statements for the year ended 30 June 2017, as calculated in accordance with the accounting policies and practices applied by Toxfree as at the date of the Scheme Implementation Deed,

determined after taking into account any matters which offset the impact of the matter, event or circumstance and in each case other than certain matters, events or circumstances listed in the Scheme Implementation Deed (such as matters which result from the actual or anticipated change in control of Toxfree contemplated by the Transaction), and provided that no matter, event or circumstance will be aggregated with any other matters, events or circumstances unless each matter, event or circumstance has the effect of individually reducing consolidated normalised EBITDA or consolidated net assets of the Toxfree Group by certain amounts listed in the Scheme Implementation Deed.

MLAUBS means Australia and New Zealand Banking Group Limited and Westpac Banking Corporation as mandated lead arrangers, underwriters and bookrunners.

Notice of Scheme Meeting means the notice of meeting relating to the Scheme Meeting, which is contained in Annexure E.

P/E means price to earnings.

Prescribed Occurrence has the meaning given in the Scheme Implementation Deed, and covers a range of various events, including a court making an order for the winding up of a member of the Toxfree Group and any member of the Toxfree Group making any change to its constitution.

Proxy Form means the proxy form for the Scheme Meeting accompanying this Scheme Booklet.

Record Date means the Special Dividend Record Date and the Scheme Record Date.

Registered Address means, in relation to a Toxfree Shareholder, the address of that Toxfree Shareholder as shown in the Toxfree Share Register as at the Scheme Record Date.

Related Body Corporate of a corporation means a related body corporate of that corporation within the meaning of section 50 of the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Requisite Majorities means approval of the Scheme Resolution by:

- a. unless the Court orders otherwise, a majority in number (more than 50%) of Toxfree Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Toxfree Shareholders, by a duly appointed corporate representative); and
- b. at least 75% of the total number of votes cast on the Scheme Resolution by Toxfree Shareholders at the Scheme Meeting.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Toxfree and Toxfree Shareholders, the form of which is contained in Annexure C, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Toxfree and BidCo.

Scheme Booklet means this scheme booklet, including the Annexures.

Scheme Consideration means \$2.845 per Scheme Share (payable by BidCo).

Scheme Implementation Deed means the Scheme Implementation Deed entered into between Toxfree, BidCo and Cleanaway on 11 December 2017. A summary is set out in Annexure A and a full copy is attached to Toxfree's ASX announcement on 11 December 2017, which is available on Toxfree's website at <http://www.toxfree.com.au/> and on the ASX's website at <http://www.asx.com.au>.

Scheme Meeting means the meeting of Toxfree Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, to approve the Scheme.

Scheme Record Date means 7.00 pm (Perth time) on the fifth Business Day after the Effective Date.

Scheme Resolution means the resolution put to Toxfree Shareholders at the Scheme Meeting to approve the Scheme.

Scheme Share means a Toxfree Share on issue on the Scheme Record Date.

Scheme Shareholder means each person who holds Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Section means a section of this Scheme Booklet.

Security Interest has the meaning given in section 12 of the Personal Property Securities Act 2009 (Commonwealth of Australia).

Share Registry means Computershare Investor Services Pty Limited.

Special Dividend means a fully franked cash dividend of \$0.58 for each Toxfree Share held by a Toxfree Shareholder on the Special Dividend Record Date (payable by Toxfree).

Special Dividend Payment Date means the date on which Toxfree will pay the Special Dividend, currently expected to be 30 April 2018.

Special Dividend Record Date means the record date for determining entitlements to the Special Dividend, currently expected to be 20 April 2018.

Statement of Issues means a document published by the ACCC in merger reviews where the ACCC has come to a preliminary view that a proposed merger raises competition concerns that require further investigation.

Subsidiary means a subsidiary within the meaning given to that term in the Corporations Act.

Superior Proposal has the meaning given in the Scheme Implementation Deed.

Syndicated Facility Agreement means the syndicated facility agreement to be entered into by, among others, Cleanaway and the MLAUBS.

Target Representations and Warranties means the representations and warranties given by Toxfree, which are set out in clause 11.1 of the Scheme Implementation Deed.

Total Cash Payment means \$3.425 for each Toxfree Share, comprising:

- a. the Special Dividend (payable by Toxfree); and
- b. the Scheme Consideration (payable by BidCo),

which Toxfree Shareholders who are registered in the Toxfree Share Register on both of the Record Dates will receive.

Toxfree or Company means Tox Free Solutions Limited ACN 058 596 124 of Level 1, 31 Cliff Street, Fremantle WA 6160.

Toxfree Board means the board of Toxfree Directors.

Toxfree Director means a director of Toxfree.

Toxfree Group means Toxfree and each of its Related Bodies Corporate.

Toxfree Information means all information contained in this Scheme Booklet, other than the Cleanaway Information, Section 8 and the Independent Expert's Report.

Toxfree Performance Right means a performance right exercisable into a Toxfree Share (on a one for one basis).

Toxfree Share means a fully paid ordinary share in the capital of Toxfree and, as the context requires, means a **Scheme Share**.

Toxfree Share Appreciation Right means a share appreciation right issued pursuant to Toxfree's long term incentive plans.

Toxfree Shareholder means each person who is registered in the Toxfree Share Register as the holder of Toxfree Shares and, as the context requires, means a **Scheme Shareholder**.

Toxfree Share Register means the register of members of Toxfree kept pursuant to the Corporations Act.

Toxfree Unlisted Security means a Toxfree Performance Right, Toxfree Share Appreciation Right or any other security, right or instrument which may convert into, or give the holder the right to be issued, one or more Toxfree Shares.

Transaction means the acquisition of Toxfree by BidCo by means of the Scheme.

VWAP means volume-weighted average price.

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ANNEXURE A

SUMMARY OF THE SCHEME IMPLEMENTATION DEED

Toxfree, BidCo and Cleanaway entered into the Scheme Implementation Deed on 11 December 2017. The Scheme Implementation Deed sets out the obligations of Toxfree, BidCo and Cleanaway in connection with the implementation of the Scheme. A full copy of the Scheme Implementation Deed is attached to Toxfree's ASX announcement on 11 December 2017, which is available on Toxfree's website at <http://www.toxfree.com.au/> and on the ASX's website at <http://www.asx.com.au>.

The following is a summary only and is qualified in its entirety by the full text of the Scheme Implementation Deed. The terms "Bidder Representations and Warranties", "Government Agency", "Recommendation", "Third Party", "Representative" and "Voting Intention" are defined in the "Additional defined terms" at the end of this Annexure. All other capitalised terms used in this Annexure have the meaning given to them in Section 10, unless otherwise indicated.

Conditions

The implementation of the Scheme is subject to the satisfaction or waiver of the following Conditions:

- a. **Shareholder approval:** Toxfree Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act.
- b. **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
- c. **Competition Approval:** by 8.00 am (Perth time) on the Second Court Date, Competition Approval has been obtained.
- d. **Restraints:** as at 8.00 am (Perth time) on the Second Court Date, there is not in effect any temporary, preliminary or final order, decision or decree issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection or order issued by any Government Agency or any other legal restraint which restrains or prohibits the Scheme.
- e. **Other regulatory approvals:** BidCo has obtained all Australian regulatory consents and approvals (other than Competition Approval) necessary for the acquisition by BidCo of all the Scheme Shares and none of those regulatory consents or approvals have been withdrawn, cancelled or revoked.
- f. **Institutional Offer:** by 7.00 pm (Perth time) on the date which is 10 Business Days after the announcement of the Transaction and commencement of the Entitlement Offer, settlement has occurred in respect of the institutional component of the Entitlement Offer.
- g. **Independent Expert's Report:** the Independent Expert's report concluding that the Scheme is in the best interests of Toxfree Shareholders and the Independent Expert does not change or publicly withdraw this conclusion prior to 8.00 am (Perth time) on the Second Court Date.
- h. **Material Adverse Change:** no Material Adverse Change occurs, is announced or becomes known to BidCo between the date of the Scheme Implementation Deed and 5.00 pm (Perth time) on the Business Day before the Second Court Date.
- i. **Prescribed Occurrence:** no Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8.00 am (Perth time) on the Second Court Date.
- j. **Target Representations and Warranties:** the Target Representations and Warranties are true and correct in all material respects as at the date of the Scheme Implementation Deed and as at 8.00 am (Perth time) on the Second Court Date.
- k. **Bidder Representations and Warranties:** the Bidder Representations and Warranties are true and correct in all material respects as at the date of the Scheme Implementation Deed and as at 8.00 am (Perth time) on the Second Court Date.

In relation to the Institutional Offer Condition (which is contained in clause 3.1(f) of the Scheme Implementation Deed), Toxfree announced to the ASX on 21 December that the Condition has been satisfied.

In relation to the Competition Approval Condition (which is contained in clause 3.1(c) of the Scheme Implementation Deed), it is currently expected that the ACCC will announce its findings on 29 March 2018. This may be a final decision not to oppose the Transaction, or alternatively the ACCC may publish a Statement of Issues outlining its preliminary views on potential competition concerns and issues which may require further consultation. In the latter scenario, Toxfree expects it will cause a delay in the current indicative timetable.

If the ACCC publishes a Statement of Issues, it will undertake further consultation with Cleanaway, Toxfree and other relevant stakeholders to the ACCC making a final decision, which may be to not oppose the Transaction, to not oppose the Transaction subject to the acceptance of undertakings, or to oppose the Transaction.

If any Conditions (other than the Court approval Condition set out above and in clause 3.1(b) of the Scheme Implementation Deed) have not been satisfied or waived by the Second Court Date, Toxfree will need to discuss this matter with BidCo and subject to that discussion intends to apply to the Court to adjourn the Second Court Date to the extent necessary to allow for the satisfaction or waiver of such Conditions.

As far as Toxfree is aware, immediately before the date of this Scheme Booklet no circumstances have occurred which will cause any of the Conditions not to be satisfied or to become incapable of satisfaction. These matters will continue to be assessed until the latest time each Condition is to be satisfied, which for the majority of Conditions is 8.00 am (Perth time) on the Second Court Date.

If the Conditions are not met

If all the Conditions are not satisfied or (where permitted) waived by the relevant time specified in the Scheme Implementation Deed, or the Scheme has not become Effective by the End Date, Toxfree and BidCo must consult in good faith and acting reasonably to determine whether they can reach agreement with respect to the Transaction proceeding by way of alternative means, changing the date on which an application is made to the Court to approve the Scheme or adjourning that application if it has been made, or extending the date for satisfaction of the relevant Condition or the End Date (as relevant).

Scheme Consideration

Subject to the Scheme becoming Effective:

- a. Scheme Shareholders will receive the Scheme Consideration of \$2.845 for each Scheme Share held by them at the Scheme Record Date) (being \$3.425 less \$0.58, which is the amount of the Special Dividend); and
- b. the Scheme Consideration will be paid on the Implementation Date, in accordance with the Scheme and the Deed Poll.

Dividends

a. Interim Dividend

Toxfree is permitted under the Scheme Implementation Deed to pay the Interim Dividend of \$0.05. All Toxfree Shareholders registered on the Toxfree Share Register on the Interim Dividend Record Date (being 2 March 2018) will be entitled to receive the Interim Dividend, which will be paid on the Interim Dividend Payment Date (being 16 March 2018). The Interim Dividend is independent of the Scheme.

b. Special Dividend

Toxfree may in its discretion declare and pay in cash a Special Dividend of an amount as separately agreed between Toxfree, BidCo and Cleanaway, which may be fully franked, provided that Toxfree's franking account does not fall into deficit upon payment of the Special Dividend. Toxfree, BidCo and Cleanaway have agreed that the amount of the Special Dividend is \$0.58.

All Toxfree Shareholders registered on the Toxfree Share Register on the Special Dividend Record Date (currently expected to be 20 April 2018) will be entitled to receive the Special Dividend, which will be paid on the Special Dividend Payment Date (currently expected to be 30 April 2018).

c. Dividend reinvestment plan

As required by the Scheme Implementation Deed, Toxfree suspended its dividend reinvestment plan on 11 December 2017.

Conduct of business

Subject to certain exceptions, up to and including the Implementation Date, Toxfree must ensure that the business of the Toxfree Group is conducted in the ordinary course, in a manner generally consistent with the manner in which such business has been conducted prior to the date of the Scheme Implementation Deed and in accordance with all applicable laws in all material respects and in accordance with certain specific undertakings set out in clause 6.4 of the Scheme Implementation Deed (including ensuring that no Prescribed Occurrence occurs).

Access

Up to and including the Implementation Date, Toxfree must use reasonable endeavours to procure that BidCo is provided with reasonable access to Toxfree's CEO and to information of any member of the Toxfree Group, where BidCo reasonably requests such information for the purpose of:

- a. implementation of the Transaction; or
- b. obtaining an understanding, or furthering its understanding, of the Toxfree Group, its business, assets and net debt levels in order to allow BidCo to develop, finalise and implement its plans for the Toxfree Group following implementation of the Transaction,

provided that:

- c. all requests for such information are provided to Toxfree's CEO (or any person Toxfree's CEO may delegate for some or all information requests); and
- d. compliance with any such request would not, in the reasonable opinion of Toxfree (acting in good faith), result in undue disruption to the Toxfree Group's business or otherwise fall within certain exceptions.

Toxfree Unlisted Securities

Under the Scheme Implementation Deed:

- a. Toxfree must provide BidCo with all reasonably requested information in relation to the Toxfree Unlisted Securities; and
- b. as at 8.00 am (Perth time) on the Second Court Date, Toxfree must put in place arrangements so that all outstanding Toxfree Unlisted Securities will either vest or have lapsed before the Scheme Record Date.

Please refer to Section 1.12 for details regarding the treatment of Toxfree Unlisted Securities if the Scheme proceeds.

Exclusivity

a. No shop

During the Exclusivity Period, Toxfree must not, and must ensure that its Representatives do not, except with the prior written consent of BidCo, directly or indirectly solicit, initiate or invite enquiries discussions or proposals in relation to, or which may reasonably be expected to lead to, a Competing Proposal or communicate an intention to do so.

b. No talk

During the Exclusivity Period, Toxfree must not and must ensure that its Representatives do not, except with the prior written consent of BidCo:

- i. directly or indirectly participate in or continue any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Proposal;
- ii. provide or make available to any Third Party any non-public information relating to any member of the Toxfree Group in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
- iii. communicate to any person any intention to do any of the things referred to above.

c. No due diligence

During the Exclusivity Period, Toxfree must not, except with the prior written consent of BidCo:

- i. solicit, initiate, facilitate or encourage any party (other than BidCo or its Representatives) to undertake due diligence on Toxfree or any member of the Toxfree Group for the purposes of enabling that person to make or assess a Competing Proposal; or
- ii. make available to any other person (other than BidCo or its Representatives) or permit such person to receive any non-public information relating to Toxfree or any member of the Toxfree Group for the purposes of enabling that person to make or assess a Competing Proposal.

d. Fiduciary exception

Toxfree may undertake any action that would otherwise be prohibited by the “No talk” or “No due diligence” exclusivity provisions if (and only to the extent that) the Toxfree Board determines, acting in good faith after receiving advice from its financial and legal advisers, that:

- i. where there is a Competing Proposal, that the Competing Proposal is, or may reasonable be expected to lead to, a Superior Proposal; and
- ii. not taking that act would be likely to constitute a breach of the fiduciary or statutory duties owed by any Toxfree Director.

e. Toxfree notice of Competing Proposal

During the Exclusivity Period, Toxfree must notify BidCo in writing if it is approached, or if any of its Representatives are approached, by any person in relation to an actual or potential Competing Proposal, and that notice must include details of the terms of the actual or potential Competing Proposal including, subject to a fiduciary exception, the identity of the proponent(s) of any Competing Proposal.

f. BidCo matching right

Toxfree must procure that no Toxfree Director publicly recommends a Competing Proposal, and must not enter into any agreement or arrangement in relation to or in connection with the implementation of a Competing Proposal, unless:

- i. the Competing Proposal is a Superior Proposal;
- ii. Toxfree has given BidCo a Matching Right Notice; and
- iii. BidCo does not, within 5 Business Days after Toxfree gives the Matching Right Notice, make a written proposal to Toxfree to increase the Scheme Consideration or otherwise alter the Transaction that the Toxfree Board determines, acting in good faith, would produce an outcome for Toxfree Shareholders that is at least as favourable to them as the outcome that would be produced by the Competing Proposal.

If the Toxfree Board determines that the BidCo proposal would produce an outcome for Toxfree Shareholders that is at least as favourable to them as the outcome that would be produced by the Competing Proposal, then:

- i. BidCo and Toxfree must each use best endeavours to agree such matters (including, if applicable, amendments to the Scheme Implementation Deed and the Scheme or new documentation) as are reasonably necessary to give effect to the offer referred to in that clause; and
- ii. Toxfree must procure that the Toxfree Board continues to unanimously recommend the Transaction to Toxfree Shareholders.

Representations, warranties and indemnities

The Scheme Implementation Deed contains customary representations and warranties by each of Toxfree and BidCo.

Break Fees

a. Cleanaway break fee

BidCo must pay Toxfree \$6,700,000, without set-off or withholding and within 5 Business Days after receipt of a written demand from Toxfree, if:

- i. Toxfree becomes entitled to terminate the Scheme Implementation Deed due to a material breach by BidCo or Cleanaway of the Scheme Implementation Deed and Toxfree has given the appropriate termination notice to BidCo; or
- ii. BidCo does not pay the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Deed and the Deed Poll,

and the Scheme Implementation Deed is terminated or the Scheme does not become Effective.

b. Cost compensation amount

BidCo must pay Toxfree \$2,233,333, without set-off or withholding and within 5 Business Days after receipt of a written demand from Toxfree, if:

- i. the Scheme Implementation Deed is terminated as a result of certain events occurring that relate to the non-obtainment of Competition Approval;
- ii. the Condition relating to Competition Approval is not satisfied or waived by the End Date; or
- iii. the Condition relating to Competition Approval is waived and the Scheme Implementation Deed is terminated or the Scheme does not become Effective by the End Date, other than as a result of termination in certain circumstances,

provided that Toxfree has complied in all material respects with certain of its obligations in relation to the obtainment of Competition Approval.

c. Toxfree break fee

Toxfree must pay BidCo \$6,700,000, without set-off or withholding and within 5 Business Days after receipt of a written demand from BidCo in certain circumstances, including if:

- i. a Competing Proposal is made or announced by a Third Party during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within 12 months thereafter, the Third Party proposing the Competing Proposal or any Associate of that Third Party completes the Competing Proposal in the same or substantially the same form as made or announced (disregarding any differences in consideration or structure) or another Third Party acquires control of Toxfree;
- ii. Toxfree enters into any agreement with a Third Party in respect of a Competing Proposal;
- iii. BidCo becomes entitled to terminate the Scheme Implementation Deed due to a material breach by Toxfree and has given the appropriate termination notice to Toxfree; or
- iv. subject to certain exceptions, any Toxfree Director publicly withdraws or adversely changes their Recommendation or Voting Intention or recommends a Competing Proposal,

and the Scheme Implementation Deed is terminated or the Scheme does not become Effective.

Termination

The Scheme Implementation Deed may only be terminated by BidCo or Toxfree in the circumstances contemplated below, or if the parties agree in writing to terminate the Scheme Implementation Deed.

a. Termination by Toxfree

Toxfree may terminate the Scheme Implementation Deed, with immediate effect, at any time before 8.00 am (Perth time) on the Second Court Date by notice in writing to BidCo if:

- i. where a Condition is for the benefit of Toxfree and is not satisfied or waived, or if a circumstance occurs with the result that the relevant Condition is not capable of being fulfilled and the Condition is not waived, or the Scheme has not become Effective by the End Date, and BidCo and Toxfree are unable to reach an agreement to enable the Transaction to proceed by way of alternative means, change the date on which an application is made to the Court to approve the Scheme or adjourn that application if it has been made, or extend the date for satisfaction of the relevant Condition or the End Date (as relevant);
- ii. certain events relating to the non-obtainment of Competition Approval occur;
- iii. a majority of Toxfree Directors wishes to publicly:

A. withdraw or adversely change their Recommendation; or

B. recommend a Competing Proposal,

in each case subject to certain qualifications;

- iv. the Independent Expert concludes in the Independent Expert's Report (either in its initial report or any subsequent update of its report) that the Scheme is not in the best interests of Toxfree Shareholders; or
- v. BidCo or Cleanaway commits a material breach of the Scheme Implementation Deed (including a representation and warranty) and Toxfree has given written notice to BidCo or Cleanaway (as relevant) setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed, and the relevant circumstances are not remedied to Toxfree's reasonable satisfaction and have continued to exist for a certain period of time.

b. Termination by BidCo

BidCo may terminate the Scheme Implementation Deed, with immediate effect, at any time before 8.00 am (Perth time) on the Second Court Date by notice in writing to Toxfree if:

- i. where a Condition is for the benefit of BidCo and is not satisfied or waived, or if a circumstance occurs with the result that the relevant Condition is not capable of being fulfilled and the Condition is not waived, or the Scheme has not become Effective by the End Date, and BidCo and Toxfree are unable to reach an agreement to enable the Transaction to proceed by way of alternative means, change the date on which an application is made to the Court to approve the Scheme or adjourn that application if it has been made, or extend the date for satisfaction of the relevant Condition or the End Date (as relevant);
- ii. certain events relating to the non-obtainment of Competition Approval occur;
- iii. Toxfree commits a material breach of the Scheme Implementation Deed (including a representation and warranty) and BidCo has given written notice to Toxfree setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed, and the relevant circumstances are not remedied to BidCo's reasonable satisfaction and have continued to exist for a certain period of time; or
- iv. any Toxfree Director publicly changes or withdraws their Recommendation or Voting Intention or publicly recommends a Competing Proposal for any reason, whether or not permitted to do so under the Scheme Implementation Deed.

Obligations on termination

On termination of the Scheme Implementation Deed, the parties will have no further liabilities or obligations (except in respect of certain clauses which are expressed to survive termination) and each party will retain any rights and remedies that accrued prior to termination.

Other clauses

The Scheme Implementation Deed contains other clauses. These include some clauses which are customary for an agreement of this nature. A full copy of the Scheme Implementation Deed is attached to Toxfree's ASX announcement on 11 December 2017, which is available on Toxfree's website at <http://www.toxfree.com.au/> and on the ASX's website at <http://www.asx.com.au>.

Additional defined terms

The terms defined below are in addition to the terms defined in Section 10.

Bidder Representations and Warranties means the representations and warranties given by BidCo, which are set out in clause 11.2 of the Scheme Implementation Deed.

Government Agency means:

- a. any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including, for the avoidance of doubt, the ACCC and the Australian Competition Tribunal), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian; and
- b. any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Matching Right Notice means a notice given by Toxfree to BidCo of the key terms of the Competing Proposal (including the identity of the person(s) who made the Competing Proposal).

Recommendation means the recommendation by each Toxfree Director in respect of the Scheme that Toxfree Shareholders vote in favour of the Scheme at the Scheme Meeting, which is permitted to be qualified by certain words under the Scheme Implementation Deed.

Representative means, in respect of Toxfree, BidCo or Cleanaway, an employee, agent, officer, director, adviser or financier of or to that entity (or a Related Body Corporate of that entity), and, in the case of advisers and financiers, includes employees, officers and agents of the adviser or financier (as applicable).

Third Party means a person other than BidCo and its Associates.

Voting Intention means the statement by each Toxfree Director that he or she intends to vote, or cause to be voted, all Toxfree Shares in which he or she has a Relevant Interest in favour of the Scheme at the Scheme Meeting, which is permitted to be qualified by certain words under the Scheme Implementation Deed.

ANNEXURE B

INDEPENDENT EXPERT'S REPORT

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The Directors
Tox Free Solutions Limited
Level 5
20 Parkland Road
Osborne Park WA 6017

2 March 2018

Subject: Proposed acquisition by way of Scheme

Dear Directors

Introduction

- 1 On 11 December 2017, Tox Free Solutions Limited (Toxfree or the Company) announced that it and Cleanaway Waste Management Limited (Cleanaway) had entered into a Scheme Implementation Deed (the Agreement) under which Cleanaway would acquire 100% of the issued shares in Toxfree for an offer consideration of \$3.425 cash per share. Cleanaway will implement the transaction via a wholly owned subsidiary, Cleanaway (No. 1) Pty Ltd (BidCo). BidCo is also a party to the Agreement.
- 2 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between Toxfree and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme becomes legally effective, Toxfree shareholders will receive an aggregate amount of \$3.425 for each Toxfree share they hold on the Scheme Record Date (Scheme Consideration), plus a fully franked interim dividend for the six months ended 31 December 2017 of \$0.05 for each Toxfree share (FY18 Interim Dividend)¹. The total amount payable to Toxfree shareholders will therefore be \$3.475 for each Toxfree share on the assumption that they continue to hold their Toxfree shares on both the Interim Dividend Record Date and on the Scheme Record Date (Total Payments).
- 4 Toxfree also expects to declare and pay a fully franked special dividend (Special Dividend) of \$0.58 per share on or shortly before the implementation date of the Scheme. The Scheme Consideration will be reduced by the amount of the Special Dividend². However, the Total

¹ Which is payable to eligible Toxfree shareholders independently of the Scheme.

² The Special Dividend will be paid to Toxfree shareholders who hold shares in Toxfree on the Special Dividend Record Date. It is the current intention of the Company to suspend trading in Toxfree shares from the date the Scheme becomes legally effective.

Payments (including the FY18 Interim Dividend and Special Dividend) will still be \$3.475 for each Toxfree share.

- 5 Toxfree will request that the Court convene a meeting of Toxfree shareholders. Under the *Corporations Act 2001* (Cth) (Corporations Act), the Scheme is approved by Toxfree shareholders if a resolution in favour of the Scheme is passed by a majority in number of the Toxfree shareholders present and voting at the Scheme meeting (in person or by proxy), and by 75% of the votes cast on the resolution. If this occurs a second Court hearing will be held to approve the Scheme which, if approved, will become binding on all Toxfree shareholders who hold Toxfree shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

Toxfree

- 6 Toxfree is an Australian based waste management company with a focus on providing solutions for hazardous and specialty waste streams. The Company offers a full range of waste management services through a national network of 81 locations across Australia, including 29 licensed³ waste treatment facilities and a fleet of 895 waste collection vehicles. Toxfree operates across four business divisions, being Waste Services, Industrial Services, Technical and Environmental Services and Health Services.

Cleanaway

- 7 Cleanaway is Australia's leading waste management company, operating a national network of unique collection, processing, treatment and landfill assets from over 200 locations across Australia. Cleanaway's philosophy is that all waste is a resource and aims to incorporate recovery, recycling and reuse throughout its operations and those of its clients. Prior to the announcement of the Scheme, Cleanaway had a market capitalisation of \$2.3 billion⁴ and for the year ended 30 June 2017, reported net revenues of \$1,351 million and underlying EBITDA⁵ of \$301 million.

Purpose of report

- 8 The Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Toxfree shareholders. In addition, the Directors' recommendation of the Scheme is subject to an independent expert concluding and continuing to conclude that the Scheme is in the best interests of Toxfree shareholders, and there being no superior proposal.
- 9 Accordingly, the Directors of Toxfree have requested Lonergan Edwards & Associates Limited (LEA) prepare an independent expert's report (IER) stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Toxfree shareholders and the reasons for that opinion. LEA is independent of Toxfree and Cleanaway and has no other involvement or interest in the proposed Scheme.

³ Environmental Protection Authority (EPA) licenses.

⁴ Market capitalisation based on a closing share price for Cleanaway of \$1.47 per share on 8 December 2017 and total shares outstanding of 1,596,219,967.

⁵ Earnings before interest, tax, depreciation and amortisation (EBITDA).

Summary of opinion

- 10 In our opinion, the Scheme is fair and reasonable and in the best interests of Toxfree shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of Toxfree

- 11 We have assessed the value of Toxfree shares on a 100% controlling interest basis at \$2.84 to \$3.06 per share, as shown below:

Value of Toxfree ⁽¹⁾		
	Low \$m	High \$m
Enterprise value	729.0	772.0
Less net debt	(174.0)	(174.0)
Equity value	555.0	598.0
Fully diluted shares on issue (million)	195.6	195.6
Equity value per share⁽²⁾ (\$)	\$2.84	\$3.06

Note:

- 1 We have adopted the capitalisation of EBITDA method as our primary valuation methodology. In forming our view on value, we have also considered the capitalisation of earnings before interest, tax and amortisation of acquired intangibles (EBITA) approach and the trading in Toxfree shares prior to the announcement of the Scheme.
- 2 We have assessed the value of Toxfree shares on a cum-dividend basis (i.e. prior to paying the FY18 Interim Dividend), consistent with the basis on which the shares in Toxfree have traded during the period of preparation of this report. If the value of Toxfree was assessed on an ex-dividend basis (i.e. after paying the FY18 Interim Dividend) our assessed value of Toxfree would be 5 cents per share lower (being the amount of the FY18 Interim Dividend). The value of the Total Payments excluding the FY18 Interim Dividend would also be lower by 5 cents per share. Accordingly, there would be no change in our opinion on the Scheme if our assessment was undertaken on an ex-dividend basis.

Fair and reasonable opinion

- 12 Pursuant to the Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) a scheme is “fair” if the value of the scheme consideration is equal to or greater than the value of the securities the subject of the scheme. This comparison for Toxfree shares is shown below:

Position of Toxfree shareholders			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Total Payments	3.475	3.475	3.475
Value of 100% of Toxfree	2.84	3.06	2.95
Extent to which the Total Payments exceeds the value of Toxfree	0.635	0.415	0.525

- 13 As the Total Payments exceeds our assessed valuation range for Toxfree shares on a 100% controlling interest basis, in our opinion, the Total Payments is fair to Toxfree shareholders when assessed based on the guidelines set out in RG 111.

- 14 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 15 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Toxfree shareholders in the absence of a superior proposal.

Assessment of the Scheme

- 16 We summarise below the likely advantages and disadvantages of the Scheme for Toxfree shareholders.

Advantages

- 17 In our opinion, the Scheme has the following benefits for Toxfree shareholders:
- (a) the Total Payments of \$3.475 cash per share exceeds our assessed value range for Toxfree shares on a 100% controlling interest basis. Thus, in our view, Toxfree shareholders are being paid an appropriate price to compensate them for the fact that control of Toxfree will pass to Cleanaway if the Scheme is approved, which includes a significant share of the value of synergy benefits expected to be realised by Cleanaway
 - (b) the Total Payments represents a significant premium to the recent market prices of Toxfree shares prior to the announcement of the Scheme on 11 December 2017
 - (c) furthermore, the Total Payments implies an acquisition (takeover) premium which is consistent with the average premiums paid in successful takeovers generally
 - (d) the Special Dividend may give rise to additional consideration to those Australian resident shareholders able to benefit from the related franking credits attaching to the Special Dividend
 - (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Toxfree shares is likely to trade at a significant discount to our valuation and the Total Payments due to the portfolio nature of individual shareholdings.

Disadvantages

- 18 Toxfree shareholders should note that if the Scheme is implemented they will no longer hold an interest in Toxfree. As Toxfree shareholders will receive cash consideration, they will also not hold shares in Cleanaway. Toxfree shareholders will therefore not participate in any future value created by Toxfree or Cleanaway over and above that reflected in the Total Payments.

Conclusion

- 19 Given the above analysis, we consider that the advantages of the Scheme significantly outweigh the disadvantages. Consequently, in our view, the acquisition of Toxfree shares by Cleanaway under the Scheme is fair and reasonable and in the best interests of Toxfree shareholders in the absence of a superior proposal.

General

- 20 In preparing this report we have considered the interests of Toxfree shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

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- 21 The impact of approving the Scheme on the tax position of Toxfree shareholders depends on the individual circumstances of each investor. Toxfree shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 22 The ultimate decision whether to approve the Scheme should be based on each Toxfree shareholder's assessment of their own circumstances. If Toxfree shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Toxfree shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

- 23 On 11 December 2017, Toxfree announced that it and Cleanaway had entered into a Scheme Implementation Deed (the Agreement) under which Cleanaway would acquire 100% of the issued shares in Toxfree for an offer consideration of \$3.425 cash per share.
- 24 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between Toxfree and its shareholders (the Scheme). If the Scheme becomes legally effective, Toxfree shareholders will receive an amount of \$3.425 for each Toxfree share they hold on the Scheme Record Date (Scheme Consideration).
- 25 Toxfree shareholders will also be entitled to receive a fully franked interim dividend for the six months ended 31 December 2017 of \$0.05 per Toxfree share (FY18 Interim Dividend) in addition to the Scheme Consideration.
- 26 Toxfree also expects to declare and pay a fully franked special dividend of \$0.58 per share (Special Dividend) on or shortly before the implementation date of the Scheme. The Scheme Consideration will be reduced by the amount of the Special Dividend. However, the Total Payments (including the FY18 Interim Dividend and Special Dividend) will still be \$3.475 for each Toxfree share.

Conditions

- 27 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement between Toxfree, BidCo and Cleanaway dated 11 December 2017:
- (a) Toxfree shareholder approval by the requisite majorities is obtained at the Scheme meeting, in accordance with s411(4)(a)(ii) of the Corporations Act
 - (b) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act is obtained
 - (c) Competition Approval (as defined in the Agreement) has been obtained by 8:00am on the Second Court Date
 - (d) no temporary, preliminary or final order, decision or decree issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection or order issued by any Government Agency (as defined in the Agreement) or any other legal restraint which restrains or prohibits the Scheme is in effect at 8.00am on the Second Court Date
 - (e) all Australian regulatory consents and approvals (other than Competition Approval) necessary for the acquisition by BidCo of all the Scheme Shares (as defined in the Agreement) are obtained, and none of those regulatory consents or approvals have been withdrawn, cancelled or revoked
 - (f) by 7.00pm on 27 December 2017, settlement has occurred in respect of the institutional component of the Entitlement Offer (as defined in the Agreement)⁶

⁶ This condition has been met.

- (g) an independent expert issues a report which concludes that the Scheme is in the best interests of Toxfree shareholders, and the independent expert does not change or publicly withdraw its conclusion prior to 8.00am on the Second Court Date
 - (h) no Material Adverse Change (as defined in the Agreement) occurs, is announced or becomes known to BidCo on or before 5.00pm on the Business Day before the Second Court Date
 - (i) no Prescribed Occurrence (as defined in the Agreement) occurs on or before 8.00am on the Second Court Date
 - (j) each of the representations and warranties given by Toxfree (as set out in clause 11.1 of the Agreement) is true and correct at the date of the Agreement and at 8:00am on the Second Court Date
 - (k) each of the representations and warranties given by BidCo (as set out in clause 11.2 of the Agreement) is true and correct at the date of the Agreement and at 8:00am on the Second Court Date.
- 28 In addition Toxfree has agreed that during the Exclusivity Period (as set out in the Agreement) it will:
- (a) not solicit, initiate or invite enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a competing proposal
 - (b) not participate in or continue any discussions or negotiations in relation to a competing proposal or which may reasonably be expected to lead to a competing proposal
 - (c) not make available any non-public information to a third party to make or assess a competing proposal
 - (d) notify BidCo within 48 hours if it receives a competing proposal
 - (e) ensure that the notification to BidCo is accompanied by the terms of the competing proposal including the identity of the party making the competing proposal (except where the Directors of Toxfree determine that identifying that party would be likely to breach their fiduciary or statutory duties)
 - (f) not enter into any agreement or arrangement in relation to or in connection with the implementation of a competing proposal or permit a Toxfree Director to publicly recommend a competing proposal unless Toxfree has given Cleanaway at least five business days to provide a proposal that would produce an outcome for Toxfree shareholders that is at least as favourable as the outcome that would be produced by the competing proposal.
- 29 Certain of the exclusivity obligations described above do not apply if the Toxfree Directors determine:
- (a) the proposed competing transaction is or may reasonably be expected to lead to a superior proposal; and
 - (b) that compliance with the relevant exclusivity obligations would be likely to constitute a breach of the fiduciary or statutory duties owed by any of the Directors of Toxfree.

- 30 A break fee of \$6.7 million is payable by either Toxfree to BidCo or BidCo to Toxfree in certain circumstances as specified in the Agreement.

Resolution

- 31 Toxfree shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.
- 32 If the resolution is passed by the requisite majorities, Toxfree must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all Toxfree shareholders who hold Toxfree shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

II Scope of our report

Purpose

- 33 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 34 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 35 Cleanaway has no current shareholding in Toxfree and has no representation on the Toxfree Board. Accordingly, there is no strict legal requirement under the Corporations Act or the Corporations Regulations for an IER in relation to the Scheme. However, it is both a condition precedent to the Scheme, and a qualification to the Toxfree Directors' recommendation of the Scheme, that an independent expert concludes (and continues to conclude) that the Scheme is in the best interests of Toxfree shareholders. In addition, as the Scheme (if approved and implemented) will result in 100% of the securities in Toxfree being held by Cleanaway, RG 111 requires that we provide an opinion on whether the consideration payable under the Scheme is "fair" and "reasonable" to the shareholders of Toxfree.
- 36 Accordingly, the Directors of Toxfree have requested LEA to prepare an IER stating whether the proposed acquisition of the shares in Toxfree by Cleanaway under the Scheme is fair and reasonable and in the best interests of Toxfree shareholders and the reasons for that opinion.
- 37 This report has been prepared by LEA for the benefit of Toxfree shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to Toxfree shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Toxfree shareholders.
- 38 The ultimate decision whether to approve the Scheme should be based on each Toxfree shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 39 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 40 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the scheme consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company

- (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 41 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “*in the best interests of the members of the company*” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 42 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of Toxfree shareholders.
- 43 Our report has therefore considered:
- (a) the market value of 100% of the shares in Toxfree
 - (b) the value of the Total Payments of \$3.475 cash per share
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the extent to which a control premium is being paid to Toxfree shareholders
 - (e) the extent to which Toxfree shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (f) the listed market price of Toxfree shares, both prior to and subsequent to the announcement of the proposed Scheme
 - (g) the likely market price of Toxfree securities if the proposed Scheme is not approved
 - (h) the value of Toxfree to an alternative offeror and the likelihood of a higher alternative offer being made for Toxfree prior to the date of the Scheme meeting
 - (i) the advantages and disadvantages of the Scheme from the perspective of Toxfree shareholders
 - (j) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 44 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 45 Our report is also based upon financial and other information provided by Toxfree and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 46 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of Toxfree securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 47 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 48 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 49 We in no way guarantee the achievability of any budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 50 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

III Profile of Toxfree

Overview

- 51 Toxfree is an Australian based waste management company with a focus on providing solutions for hazardous and specialty waste streams. The Company offers a full range of waste management services through a national network of 81 locations across Australia, including 29 licensed⁷ waste treatment facilities and a fleet of 895 waste collection vehicles. Toxfree operates across four business divisions, being Waste Services, Industrial Services, Technical and Environmental Services and Health Services.

History

- 52 Toxfree was founded in New South Wales (NSW) on 11 January 1993 as a research and development technology company with a focus on thermal desorption technology⁸ for hazardous and toxic waste disposal. In 1999, Toxfree formed a joint venture with Oil Energy Corporation Pty Ltd (OEC)⁹ to utilise Toxfree's technologies to dispose of a backlog of waste held by OEC, in addition to jointly developing a hazardous and toxic waste remediation business in Western Australia (WA). Toxfree subsequently acquired OEC upon listing on the Australian Securities Exchange (ASX) on 29 September 2000.
- 53 Since listing on the ASX, Toxfree has grown both organically and through the acquisition of a number of complementary businesses. A summary of the more significant recent acquisitions (with consideration greater than \$15 million) is set out below:

Toxfree – key acquisitions		
Date ⁽¹⁾	Acquisition	Business overview
Apr 11	Waste Solutions (\$18.0 million)	Liquid waste treatment and total waste management services (solid waste management, liquid waste treatment, industrial and hazardous waste management) in the Northern Territory (NT)
Dec 11	DoloMatrix various businesses and assets (\$58.2 million)	Hazardous waste collection and destruction services with facilities in Sydney, Melbourne, Brisbane, Adelaide and Perth in addition to specialist environmental consulting services
Apr 13	Wanless (\$85.0 million)	Commercial and industrial waste management services in Queensland and Tasmania through three brands, being Wanless Enviro Services, Smart Skip and Jones Enviro Services
Mar 16	Worth Recycling (\$70.0 million)	Operator of a number of EPA licensed facilities as well as industrial waste treatment, soil remediation and industrial services in NSW
Oct 16	Daniels Health Australia (Daniels) (\$188.0 million)	Medical waste solutions, collections and treatments with 17 sites throughout Australia, as well as three joint venture managed sites in New Zealand (NZ)

Note:

- 1 Date of acquisition announcement.

⁷ EPA licenses.

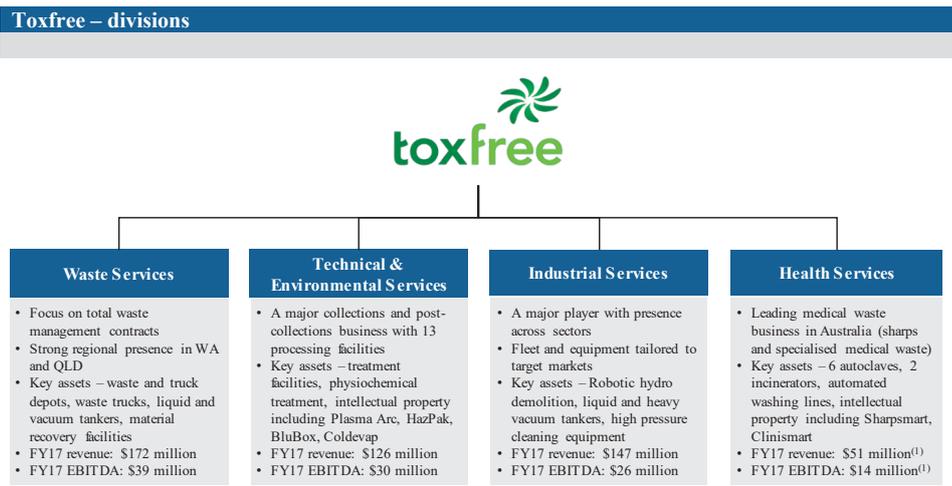
⁸ Thermal desorption processes involve the heating of a medium containing a contaminant that can be volatilised (turned into gas and separated from the solid phase in a gaseous state). Gas is subsequently processed to remove the particulars and then either condensed and recovered or destroyed with oxidation (with the cleaned solid material disposed to landfill).

⁹ OEC was an oil purification and marketing company based in Port Hedland, WA.

- 54 The acquisitions undertaken by the Company since 2011 have increased Toxfree’s size and diversification, noting in particular that:
- (a) the acquisition of DoloMatrix added a number of hazardous waste collection and destruction facilities on the east coast of Australia, which expanded Toxfree’s Technical and Environmental Services business
 - (b) the purchase of Wanless materially expanded Toxfree’s east coast general waste capabilities and was incorporated into Toxfree’s Waste Services business
 - (c) the addition of Worth Recycling added a number of strategic EPA licensed waste treatment facilities in NSW. This acquisition included both collection (added to the Industrial Services division) and processing services (added to the Technical and Environmental Services division)
 - (d) the acquisition of Daniels resulted in the formation of Health Services as a new business division, with a focus on the relatively high growth Australian and NZ medical waste markets.
- 55 Toxfree’s diversification strategy has successfully reduced its reliance on the cyclical resources industry from 60.1% of revenue in the year to 30 June 2013 (FY13) to 29.7% of revenue in FY17. It has also reduced the Company’s direct exposure to WA and the NT from approximately 61% in FY13 to 40% in FY17.

Current operations

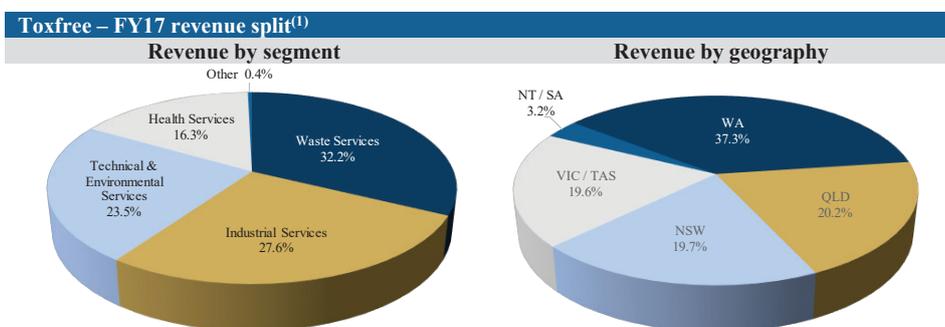
56 Toxfree has grown from a WA-based hazardous waste business to become a fully integrated national waste operator with specialisations across a number of key waste streams. The Company is headquartered in WA and employs more than 1,500 staff. Toxfree’s operations are organised into four business segments, summarised as follows:



Note:
1 Reflects the seven-month contribution of Daniels post the acquisition by Toxfree, effective 1 December 2016.

- (g) **St Marys (NSW)** – two separate facilities, providing licensed contamination soil remediation through a large scale off-site fixation-based remediation facility, as well as a chemical immobilisation facility that has been recently upgraded with HazPak technology to handle packaged waste
- (h) **Windsor (NSW)** – liquid waste and industrial waste treatment plant that processes oily sludge, contaminated solids and wastewater with the capacity to treat one million litres per week.

60 The split of Toxfree’s revenue for the year ended 30 June 2017 (FY17) by segment and geography was as follows¹⁰:



Note:
1 The results for Daniels (which was acquired 1 December 2016) have been annualised to reflect a full year contribution.

Waste Services

61 Waste Services is Toxfree’s largest operating division and is focused on the collection, recycling, treatment and disposal of solid waste. Its services cover solid waste management (i.e. general waste, cardboard, plastics and glass), bulk liquid waste management, resource recovery and recycling and landfill management. Services are provided through Toxfree’s network of waste and truck depots, solid waste trucks, liquid tankers and material recovery facilities. The segment targets the natural resources and industrial sectors in WA and Queensland and its key customers include commercial and industrial enterprises, governments and entities operating in the mining, oil and gas, industrial and infrastructure sectors.

Technical and Environmental Services

62 The Technical and Environmental Services business provides specialist industrial and hazardous waste treatment, product stewardship and recycling services to governments, hospitals, universities and entities operating in the mining, oil and gas and electrical utility sectors. Services include hazardous and chemical waste management, persistent organic pollutant management, industrial wastewater, contaminated site remediation, e-waste recycling, gas destruction, environmental services and waste tracking and reporting. Many of the services performed by this division are undertaken in accordance with government regulations to ensure hazardous waste is disposed of safely. Further, environmental licence

¹⁰ Noting some businesses operate across multiple segments.

requirements generally creates high barriers to entry which can result in high levels of recurring revenue.

Industrial Services

- 63 Industrial Services provides asset maintenance, industrial waste collection and cleaning services to councils, water authorities, and other entities operating in the oil and gas, infrastructure, refining, manufacturing and utility sectors. Services in this segment include high pressure cleaning, pipeline commission and servicing, tank cleaning, vacuum loading, non-destructive digging, industrial coatings, chemical cleaning and emergency response.

Health Services

- 64 The Health Services segment was established upon completion of the acquisition of Daniels on 1 December 2016¹¹. The division provides a range of medical waste management solutions and operates across multiple locations throughout Australia, including two incineration facilities in Sydney and Melbourne, as well as three joint venture managed sites in NZ. Services include medical waste collection and treatment, proprietary reusable sharps containers and safety devices, point-of-use disposal technology, recycling, waste stream auditing, controlled substance destruction, compliance and education. Key customers include hospitals, pharmaceutical manufacturers, medical centres, veterinary clinics, aged care facilities and pathology centres.

Financial performance

- 65 The financial performance of Toxfree for the four years ended 30 June 2017 (FY17) and half year to 31 December 2017 (1HY18), is set out below:

Toxfree – statement of financial performance ⁽¹⁾					
	FY14	FY15	FY16	FY17	1HY18
	Audited	Audited	Audited	Audited	Reviewed
	\$m	\$m	\$m	\$m	\$m
Total revenue	371.6	407.8	394.9	497.7	256.3
Underlying EBITDA⁽²⁾	66.3	71.7	72.5	82.4	40.4
Depreciation	(24.7)	(29.7)	(31.6)	(36.9)	(18.7)
Underlying EBITA⁽²⁾	41.5	42.0	40.9	45.5	21.7
Amortisation of acquired intangible assets	(2.7)	(2.1)	(1.9)	(4.4)	(2.5)
Underlying EBIT⁽²⁾⁽³⁾	38.8	39.9	39.0	41.1	19.2
Net financial expense	(6.1)	(6.3)	(5.8)	(6.8)	(4.2)
Significant items ⁽⁴⁾	(1.8)	(1.4)	(13.2)	(14.1)	(5.5)
Profit before tax	30.9	32.2	20.0	20.2	9.5
Income tax expense	(9.2)	(10.3)	(7.0)	(7.8)	(2.4)
Net profit after tax	21.7	22.0	13.1	12.4	7.1
<i>Revenue growth</i>	29.5%	9.7%	(3.2%)	26.0%	nm
<i>Underlying EBITDA growth</i>	14.9%	8.2%	1.2%	13.6%	nm
<i>Underlying EBITA growth</i>	11.6%	1.2%	(2.5%)	11.1%	nm
<i>Underlying EBITDA margin</i>	17.8%	17.6%	18.4%	16.6%	15.8%
<i>Underlying EBITA margin</i>	11.2%	10.3%	10.4%	9.1%	8.5%

¹¹ The acquisition was initially announced on 26 October 2016.

Note:

- 1 Rounding differences exist.
- 2 Before significant items.
- 3 Earnings before interest and tax (EBIT).
- 4 Significant items:

Acquisition, integration & rebranding	(0.8)	(1.4)	(4.7)	(8.5)	(1.9)
Asset write offs / make good costs	(1.0)	-	(1.0)	(2.0)	-
Reduction in contingent consideration	-	-	1.1	-	-
Impairment losses Port Hedland	-	-	(2.6)	-	-
Site closure costs	-	-	(1.4)	(0.5)	-
Redundancy and restructuring costs	-	-	(4.4)	(3.1)	(3.6)
Total significant items	(1.8)	(1.4)	(13.2)	(14.1)	(5.5)

nm – not meaningful due to the acquisition of Daniels partway through 1HY17.

66 In addition to the above, we set out below the key financial measures by operating division:

Toxfree – segment performance⁽¹⁾

	FY14	FY15	FY16	FY17	1H18
	\$m	\$m	\$m	\$m	\$m
Revenue:					
Waste Services	208.4	250.1	232.1	172.2	60.5
Technical and Environmental Services	63.8	53.4	67.8	125.8	46.2
Industrial Services	97.8	103.8	93.5	147.3	102.7
Health Services	-	-	-	50.8	45.9
Other income	1.6	0.5	1.6	1.6	1.0
Total	371.6	407.8	394.9	497.7	256.3
Underlying EBITDA:					
Waste Services	53.0	62.1	59.2	38.6	11.6
Technical and Environmental Services	22.4	19.9	21.2	30.3	9.9
Industrial Services	18.4	18.1	16.8	26.2	18.6
Health Services	-	-	-	13.8	13.2
Unallocated corporate costs	(27.6)	(28.4)	(24.8)	(26.6)	(12.9)
Total	66.3	71.7	72.5	82.4	40.4
Underlying EBITDA margins:					
Waste Services	25.4%	24.8%	25.5%	22.4%	19.2%
Technical and Environmental Services	35.2%	37.3%	31.3%	24.1%	21.3%
Industrial Services	18.9%	17.4%	18.0%	17.8%	18.1%
Health Services	na	na	na	27.2%	28.8%

Note:

- 1 Rounding differences exist.
- na – not available.

Historical performance

67 The financial results over the above period should be viewed in particular having regard to the material contribution to financial performance from recent acquisitions, which have included:

- (a) Wanless for \$85.0 million (which completed in May 2013) and was forecast to generate pro-forma FY13 revenue and underlying EBITDA of \$62.0 million and \$14.6 million respectively

- (b) Worth Recycling for \$70.0 million (March 2016) and was forecast to generate pro-forma FY16 revenue and underlying EBITDA of \$62.4 million and \$12.9 million respectively
 - (c) Daniels for \$188.0 million (December 2016) and generated pro-forma FY16 revenue and underlying EBITDA of \$83.4 million and \$20.7 million respectively.
- 68 The impact of these acquisitions has however been countered to some extent in recent years by declining waste volumes in resource and construction related activities, following the completion of a number of projects and key contracts (particularly in the Waste Services and Industrial Services divisions in WA).

Year to 30 June 2017 (FY17)

- 69 Revenue increased by 26.0% in FY17 primarily due to contributions from the Daniels¹² business and an additional nine months' contribution from Worth Recycling¹³. Organic revenue growth across the group continued to be constrained, with the growth in Technical and Environmental Services and Industrial Services largely offset by the significant decline in Waste Services. In particular we note that:
- (a) the decline in revenue for the Waste Services division was primarily due to a reduction in volumes of construction related waste from the oil and gas sector in WA. This in part reflected the transition of the resource industry from a construction to production phase
 - (b) growth in the Technical and Environmental Services division was driven by the acquisition of Worth Recycling, as well as the commissioning of new hazardous waste technology services, a strong pipeline of remediation projects (driven by east coast infrastructure and property development), new contracts and the implementation of NSW EPA community recycling centres across all of NSW
 - (c) growth in the Industrial Services division was driven by the acquisition of Worth Recycling as well as the strong civil infrastructure sector in NSW and Victoria and the addition of a number of new contracts (for example, a new five year contract for upstream production operations in the Surat Basin in Queensland).
- 70 Underlying EBITDA increased by 13.6% (\$9.9 million) compared to FY16 which reflected a combination of the following:
- (a) a seven months' contribution from the acquisition of Daniels (EBITDA of \$13.8 million)
 - (b) the full year contribution (an additional nine months in comparison to FY16) from Worth Recycling (\$7.6 million), which was reported within the Technical and Environmental Services and Industrial Services segments¹⁴
 - (c) increased organic earnings from the Technical and Environmental Services and Industrial Services segments (\$10.8 million)

¹² Daniels contributed \$50.8 million revenue in the seven months to 30 June 2017.

¹³ Worth Recycling was acquired in March 2016 and contributed \$16.5 million revenue in the three months to 30 June 2016.

¹⁴ Technical and Environmental Services EBITDA margins reduced as a result of the Worth Recycling acquisition, which operates at a lower margin than the existing Technical and Environmental Services business.

- (d) decreased earnings from the Waste Services segment (\$20.6 million), which reflected both the decline in revenue (due to a reduction in volumes) as well as a decline in margins (due to increased competition)
- (e) increased unallocated corporate costs primarily due to the growth of Toxfree's business development team (\$1.7 million).

Half year to 31 December 2017 (1HY18)

- 71 Revenue decreased by 1.2% in 1HY18 compared to 2HY17¹⁵, with growth in both the Health Services (growth of 5.5%) and Industrial Services (41.2%) divisions offset by declines in the Waste Services (negative 27.3%) and Technical and Environmental Services (negative 21.5%) segments. Growth in the Industrial Services division was attributable to high levels of activity within the civil infrastructure and resources sectors, the award of new contracts and improved levels of performance from existing contracts. The declines in revenue for the Waste Services and Technical and Environmental Services divisions were largely due to contract completions (as explained in more detail below).
- 72 Underlying EBITDA decreased by 10.3% (\$4.6 million) compared to 2HY17, which reflected a combination of the following:
- (a) growth in EBITDA for the Health Services segment of 11.9% (\$1.4 million), following an expansion of products and services, new contract wins with CSL and Austin Hospital and improved margins due to the realisation of operational synergies
 - (b) the Industrial Services division increased EBITDA by 39.1% (\$5.2 million), which related to further expansion projects for BHP at Olympic Dam, growth in the civil infrastructure market, increased resource sector activity within the Surat Basin region, the award of new contracts, as well as improved performance from existing contracts, and an effective asset swap with J.J. Richards in June 2017¹⁶
 - (c) EBITDA for the Waste Services segment decreased 38.2% (negative \$7.2 million), primarily due to the expiration of the Chevron Barrow Island contract on 1 July 2017 as well as the asset swap with J.J. Richards
 - (d) a decrease in EBITDA for the Technical and Environmental Services division of 31.7% (negative \$4.6 million) due to, inter alia, the cessation of the Chevron contract, completion of the Yarloop remediation contract and further weakness in the Pilbara region in WA
 - (e) EBITDA for shared services increased (\$0.5 million) due in part to a decision to postpone several longer-term information technology projects that were viewed as non-essential to Toxfree should the acquisition with Cleanaway complete. The reduction in overhead involved a downsizing of Toxfree's workforce, which is expected to provide operational cost savings of around \$6.0 million per annum, \$3.0 million of which will be realised in 2HY18.

¹⁵ As the 1HY17 result only reflected a one month contribution from Daniels, the 2HY17 result provides a better basis for comparison.

¹⁶ The asset swap was at equivalent EBITDA and asset value in which Toxfree acquired the operational assets of J.J. Richards' industrial business in Roma, Queensland in exchange for Toxfree's Rockhampton and Tasmanian Waste Service assets.

FY18 outlook

- 73 Toxfree management has not provided any specific earnings guidance for the year ending 30 June 2018 (FY18). However, on 30 August 2017 in its FY17 results commentary announcement, management stated that:

“Within the resources sector, the majority of construction activity has now finished. By the end of the calendar year, the business is expected to reach an inflection point in which declining revenues from this sector will have abated. This marks the end of Toxfree’s transition from the construction cycle to production, and we look forward to more stable market conditions. Over the last five years, Toxfree has strategically diversified the business into a broader range of market sectors, reducing the cyclical nature of revenue which we have endured over recent years.

FY18 earnings growth is expected from a full-year contribution from Daniels, realisation of synergies, expansion of TWM¹⁷ services, new contracts commencing and organic growth of the existing business within the civil infrastructure, regulated and industrial sectors. This will largely offset the decline in earnings from contracts and resource construction activity that has contributed to FY17 earnings but will not continue into FY18. Recognising this, the Company is forecasting FY18 growth in underlying EBITDA of up to 4%.”

- 74 In its report for the half year ended 31 December 2017, Toxfree management also stated that:

“The first half of the financial year 2018 is meeting expectations and the company is on track to achieve its guidance on underlying basis.

During this interim period, as the proposed acquisition of Toxfree by Cleanaway progresses, we are managing the business in a modified way to balance the needs of existing shareholders and the obligations we have to Cleanaway as part of the SID. We are focused on providing safe, reliable and sustainable services to our customers, supporting our employees and maximising earnings.

The company has been successful in the award of a number of new contracts with Inpex, Laing O’Rourke and extended its contracts with FMG. Momentum from existing contracts is also expected to increase in the second half from projects and contracts including Inpex in Darwin and the Barangaroo Soil Remediation contract in NSW.”

¹⁷ Total waste management (TWM).

Financial position

75 The financial position of Toxfree as at 31 December 2016, 30 June 2017 and 31 December 2017 is set out below:

Toxfree – statement of financial position⁽¹⁾			
	31 Dec 16	30 Jun 17	31 Dec 17
	\$m	\$m	\$m
Debtors and prepayments	107.0	100.8	110.1
Inventories	4.2	3.4	3.5
Creditors, accruals and provisions	(90.1)	(82.5)	(74.0)
Net working capital	21.1	21.7	39.6
Property, plant and equipment	190.0	186.0	188.9
Intangible assets / goodwill	355.5	355.0	353.2
Deferred tax liabilities (net)	(14.1)	(14.6)	(11.7)
Other payables (non-current)	(1.5)	(1.8)	(1.8)
Total funds employed	551.1	546.3	568.3
Cash and cash equivalents	31.8	33.9	22.0
Interest bearing liabilities	(192.4)	(191.2)	(204.6)
Derivative financial instruments (net)	(1.1)	(0.7)	(0.3)
Net cash / (borrowings)	(161.6)	(158.0)	(182.9)
Net assets	389.5	388.2	385.4
Non-controlling interests ⁽²⁾	(2.7)	(2.5)	(0.1)
Net assets attributable to Toxfree shareholders	386.8	385.7	385.2
Net assets per share (\$)	2.01	2.00	1.98
Net tangible assets per share (\$)	0.18	0.17	0.17

Note:

- 1 Rounding differences exist.
- 2 Non-controlling interests relates to a 60% interest in Pilbara Logistics Group (Pilbara Logistics). Pilbara Logistics is an indigenous waste management company with operations in the Pilbara region of WA. It has been servicing the Fortescue Metals Group Limited (FMG) total waste management contract through a joint venture with Toxfree.

Property, plant and equipment

76 The carrying value of Toxfree's property, plant and equipment is as follows:

Toxfree – property, plant & equipment			
	31 Dec 16	30 Jun 17	31 Dec 17
	\$m	\$m	\$m
Plant and equipment	180.6	176.7	180.0
Land, buildings and leasehold improvements	9.4	9.3	8.9
Property, plant and equipment	190.0	186.0	188.9

77 Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The majority of Toxfree's property, plant and equipment relates to plant and equipment, which comprises Toxfree's fleet of 895 vehicles, 81 operating locations, as well as assets such as traditional waste bins, medical and sharps waste bins, waste processing technologies and computer equipment.

Intangible assets

78 The composition of Toxfree's intangible assets is shown below:

Toxfree – intangible assets			
	31 Dec 16	30 Jun 17	31 Dec 17
	\$m	\$m	\$m
Goodwill	284.9	300.5	301.2
Customer contracts and relationships	43.4	35.1	33.2
Intellectual property	23.3	15.5	14.9
Business licenses	3.9	3.9	3.9
Intangible assets	355.5	355.0	353.2

79 The majority of Toxfree's intangible assets including goodwill, customer contracts and relationships and intellectual property relates to acquisitions. Goodwill is tested annually for impairment using the value in use method. As at 30 June 2017, a pre-tax discount rate of 10.0% was adopted for impairment testing purposes.

Net debt

80 Toxfree's net debt primarily relates to bank borrowings, noting that the Company had total loan facilities available of \$285.0 million as at 31 December 2017. As at 30 June 2017, the Company's borrowings and lease liabilities had a weighted average interest rate of 2.6% and 5.7% per annum respectively.

81 As at 31 December 2017, Toxfree's net debt of \$182.9 million had increased by \$24.9 million in comparison to 30 June 2017. We understand that this increase was primarily attributable to an increase in working capital associated with (inter alia) delays in the timing of customer payments.

Share capital and performance

82 As at 9 February 2018, Toxfree had 194.4 million fully paid ordinary shares on issue, of which 0.2 million are held by the Company as treasury shares. In addition the Company had 1.4 million performance rights and 1.2 million share appreciation rights issued to employees. Both the performance rights and share appreciation rights will vest under the Scheme. The performance rights convert to shares on a one for one basis with no consideration payable. The share appreciation rights convert to ordinary shares based on the 30-day volume weighted average price (VWAP) prior to vesting and have a strike price of \$3.09 per share¹⁸.

Substantial shareholders

83 As at 9 February 2018, there were two substantial shareholders in Toxfree (i.e. shareholders with an interest in Toxfree more than 5%) who held 16.2% of the ordinary shares on issue. The substantial shareholders of Toxfree (based upon substantial shareholder notices released to the ASX) were as follows:

¹⁸ Holders of the share appreciation rights will not be required to make any payment and will be compensated through the difference between the strike price and vesting price upon completion of the Scheme.

Toxfree – substantial shareholders⁽¹⁾

Shareholder	Shares held	
	Millions	% interest
Investors Mutual Limited	19.0	9.8
Catalina Nominees Pty Ltd	12.6	6.5
	<u>31.6</u>	<u>16.2</u>

Note:

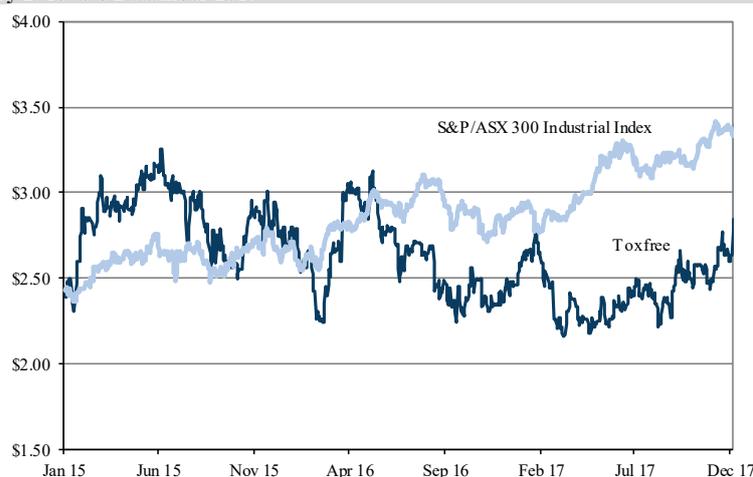
1 Rounding differences exist.

Share price performance

84 The following chart illustrates the movement in the share price of Toxfree from 1 January 2015 to 8 December 2017¹⁹:

Toxfree – share price history⁽¹⁾

1 January 2015 to 8 December 2017



Note:

1 Based on closing prices. The S&P / ASX300 Industrial Index has been rebased to Toxfree’s last traded price on 2 January 2015 (given the shares did not trade on 1 January 2015), being \$2.43.

Source: Bloomberg.

85 As indicated in the above chart, Toxfree shares have underperformed the S&P / ASX 300 Industrial Index since 1 January 2015. This appears to be attributable to a combination of factors including:

- (a) Toxfree’s level of exposure to the cyclical resources industry, with many resources projects moving from the construction to the production stage, which has reduced the available volume of work for the Waste Services division in WA and Queensland
- (b) Toxfree has made numerous acquisitions since listing on the ASX, including a number of material acquisitions since 2011. Subsequent to these acquisitions, however, it would

¹⁹ Being the last trading day prior to the announcement of the Scheme.

appear that Toxfree has been negatively impacted by a reduction in activity in the heavy industry sector, together with increased competition (particularly around Waste Services) and has not been able to retain 100% of the earnings from the businesses acquired

- (c) excluding the acquisitions of Wanless and Daniels, underlying EBITDA for Toxfree reduced in FY17 in comparison to the previous year.

Liquidity in Toxfree shares

86 The liquidity in Toxfree shares based on trading on the ASX over the 12 month period prior to 8 December 2017²⁰ is set out below:

Toxfree – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	9 Nov 17	8 Dec 17	4,674	194,419	2.4	28.8
3 months	9 Sep 17	8 Dec 17	16,957	194,326	8.7	34.9
6 months	9 Jun 17	8 Dec 17	40,973	194,213	21.1	42.2
1 year	9 Dec 16	8 Dec 17	114,341	194,114	58.9	58.9

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

87 As indicated in the table above, the implied level of liquidity in Toxfree shares on an annualised basis has consistently declined in recent periods (on a percentage of total shares on issue basis). Notwithstanding these lower liquidity levels, Toxfree has a relatively significant market capitalisation and the value of shares traded each month is significant. Accordingly, we consider it appropriate to have regard to share market trading in the company when assessing the value of the equity in Toxfree.

²⁰ Being the last trading day prior to the announcement of the Scheme.

IV Industry overview

Introduction

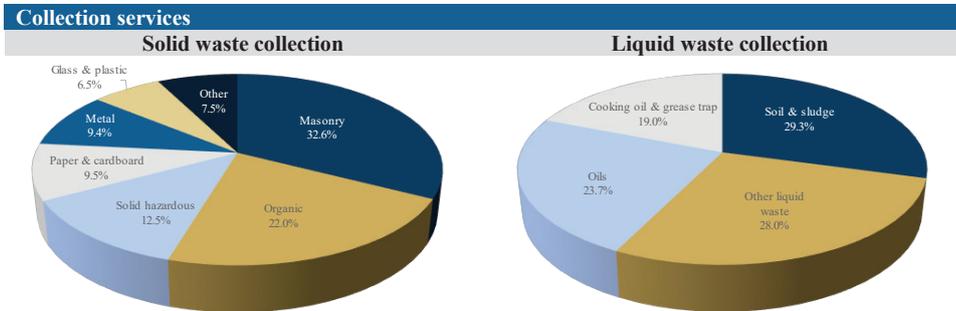
- 88 Toxfree and Cleanaway operate in the Australian waste management industry, providing total waste management services across the waste value chain, from waste collections to waste treatment and disposal. Both companies also provide waste related industrial services, such as high pressure cleaning, tank cleaning, vacuum loading, site remediation and sludge management.
- 89 Toxfree primarily targets the industrial, resources, infrastructure and health segments of the waste management industry. These sectors represent approximately 30% of the total Australian waste management industry. A proportion of Toxfree’s services are specialised and unique due to the use of intellectual property, other proprietary technology and operating licenses.

Waste management services

- 90 The waste management value chain is broadly separated into collection and post collection services, details of which are:
 - (a) **collection services** – these represent approximately 45% of industry revenue and involve the collection and transport of solid and liquid waste to post collection facilities. Bins are typically provided to customers and waste is delivered to a post collection facility in a specialised vehicle
 - (b) **post collection services** – these represent approximately 55% of industry revenue and involve the treatment and disposal of waste, waste remediation, materials recovery and energy generation. Post collection facilities include resource recovery and recycling centres, transfer stations and landfills. Resource recovery involves waste separation and the recovery of saleable products, with residual waste typically ending up at landfills or discharged to sewer.

Collection services

- 91 Collection services are comprised of solid and liquid waste collection services. A summary of the key services undertaken in each of these segments is as follows:

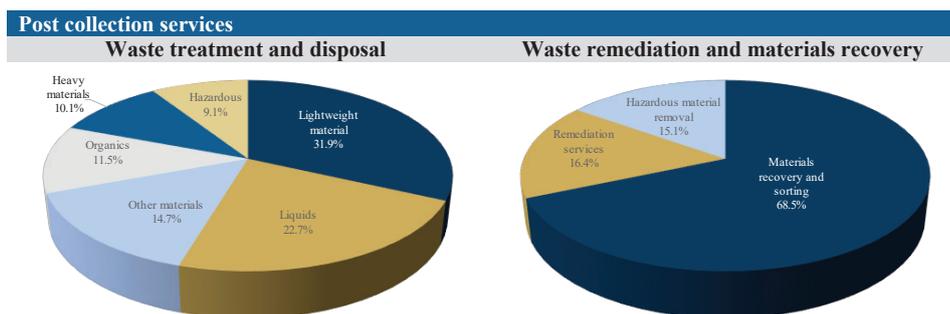


Source: IBISWorld.

- 92 Solid waste collection involves the collection and haulage of domestic (including organic, paper and cardboard and glass and plastic), commercial or industrial hazardous and non-hazardous solid waste (including masonry and metal waste). Solid waste collection services account for approximately 40% of total waste management industry revenue (FY17 revenue was \$5.1 billion) and represent the largest segment of the industry.
- 93 Liquid waste collection covers the haulage of domestic, commercial and industrial liquid waste and other waste types (excluding sewerage system and its related waste). Collection services are primarily undertaken in relation to soil and sludge, used industrial oils and used cooking oils. Liquid waste collection services generated estimated revenues of approximately \$0.7 billion in FY17.

Post collection services

- 94 Post collection services are comprised of waste treatment and disposal services, and waste remediation and materials recovery services. A summary of the key services undertaken in each of these segments is as follows:



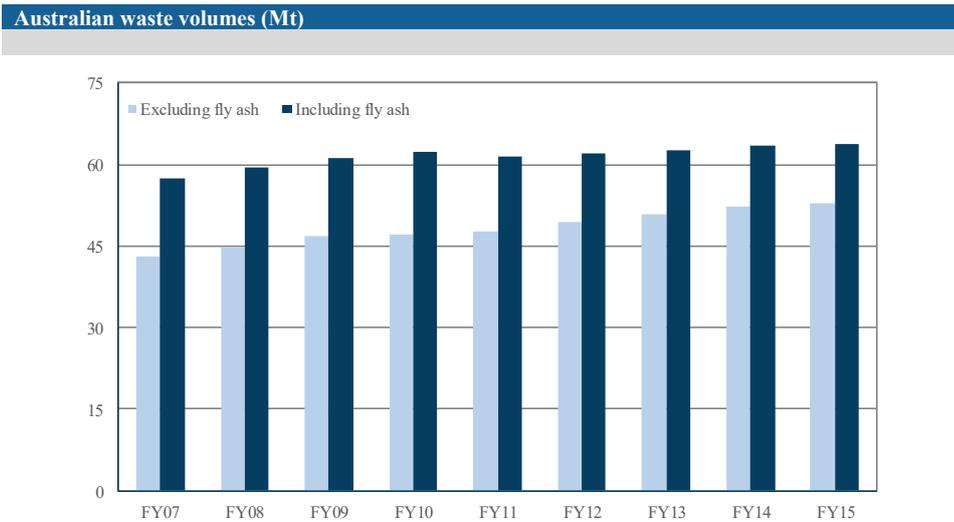
Source: IBISWorld.

- 95 Waste treatment and disposal covers the treatment or disposal of solid, liquid and other waste types (including hazardous waste), as well as the operation of landfills, incinerators, composting and other treatment facilities (excluding sewerage treatment facilities), including waste transfer stations. Waste treatment and disposal services generated estimated revenues of approximately \$2.5 billion in FY17.
- 96 Waste remediation and materials recovery involves the remediation and cleanup of contaminated buildings and mine sites, the removal of hazardous materials such as asbestos and lead paint and other toxic material abatement²¹. Waste remediation and materials recovery services generated estimated revenues of approximately \$5.0 billion in FY17, however a significant proportion of this revenue is attributable to metal recycling companies.

²¹ Operators also engage in the on selling of recovered scrap materials.

Australian waste management industry.

97 Waste generation volumes in Australia grew at a compound annual growth rate (CAGR) of 1.3% over the eight years to FY15²² and reached 63.9 million tonnes (Mt).

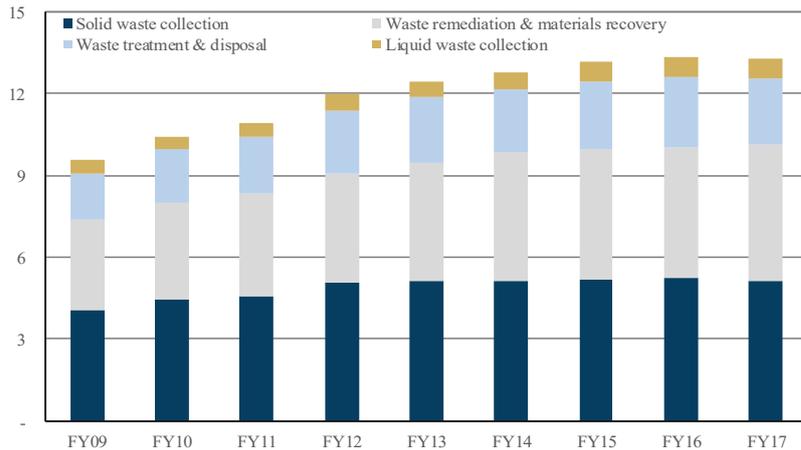


Source: Australian National Waste Report 2016.

- 98 The above chart shows the volume of Australia’s waste generation over the nine years to FY15, both including and excluding fly ash. Fly ash is a naturally occurring waste product from the coal combustion process and can be used in producing concrete. Due to a reduction in coal fired power generation, Australia’s fly ash waste has decreased from 14.4 Mt in FY07 to 10.9 Mt in FY15. As a result, the inclusion of fly ash in waste generation volumes over recent years tends to mask the extent of the actual increase in waste generation.
- 99 For example, Australia’s waste generation levels before inclusion of fly ash increased at a CAGR of 2.6% in the eight years to FY15. In comparison (as noted above), waste generation volumes including fly ash grew at a CAGR of 1.3% over the same period. On a per capita basis, including allowance for population growth of 1.7% per annum over the above period, waste generation excluding fly ash increased at a rate of 0.9% per annum.
- 100 Whilst total waste volumes in Australia have increased over the eight years to FY15, the volume of recycling over the same period has increased at a greater rate (CAGR of 3.3%), which has resulted in a reduction in the amount of waste sent to landfill annually.
- 101 Turnover for the Australian waste management industry was estimated at \$13.5 billion in FY17, having grown at an average real CAGR of 4.3% over the eight years to FY17.

²² Being the latest available data.

Australian waste collection, treatment and disposal services revenue (\$ billion)



Source: IBISWorld.

- 102 Over the three years to FY12 the Australian waste management industry benefited from robust industry conditions, with revenues growing at a real rate of around 8% per annum. This was attributable to a number of factors, including the introduction and subsequent increase of landfill levies (which increased industry costs that were essentially recouped at the household and business level), increased activity in the resources sector and greater investment in construction activities in regional areas.
- 103 In the five years to FY17 the Australian waste management industry has grown at a lower real CAGR of 2.1%, driven by growing population levels, increasing urbanisation, higher per capita waste generation and growth in key waste producing sectors such as construction. These growth drivers were somewhat offset by declines in the manufacturing industry, increased importation of goods and a shift towards individuals and businesses reducing waste.
- 104 By waste management industry segment we note that:
- (a) revenue from solid waste collection services grew at a real CAGR of 0.2% over the five years to FY17 (on a nominal basis, industry revenue growth would be materially higher) due to natural increases in waste volumes, with growth offset by increased competition and pricing pressure
 - (b) liquid waste collection revenues grew at a faster rate than the overall industry in the five years to FY17 (real CAGR of 3.1%), due to the earlier introduction of legislation that prompted liquid waste producers to outsource waste management services in order to comply with environmental guidelines, greater recycling rates and higher waste output from key customers (e.g. food and beverage manufacturers)
 - (c) over the five years to FY17, revenue growth for waste treatment and disposal services has been relatively volatile. This was primarily attributable to the diversion of waste volumes to waste remediation and materials recovery facilities in response to new government policies aimed at increasing recycling rates and reducing landfill

expansion²³. This has also been impacted by larger volumes generated from infrastructure and mining projects across Australia during this period

- (d) revenue from waste remediation and materials recovery services grew at a real CAGR of 4.5% over the five years to FY17 (and was the fastest growing industry segment), as government waste recovery targets resulted in the diversion of waste from landfill towards industry operated materials recovery facilities. These high growth levels occurred notwithstanding a decline in manufacturing activity and a general weakening of scrap metal prices over the period²⁴.

Competition

- 105 Industry participants tend to compete on price, geographical reach, service offering and the ability to provide total waste management services as clients increasingly seek to consolidate multiple contracts under one operator to reduce time, complications and costs. Ownership of key sites (such as those with EPA approval) and waste management intellectual property are also important differentiators amongst industry participants.
- 106 Due to the interrelated nature of the operations the key participants in the Australian waste management industry typically operate in both collection and post collection waste management services, as shown below.

Market share of key participants					
	Collection services		Post-collection services		Total waste mgmt industry %
	Solid waste collection %	Liquid waste collection %	Waste treatment & disposal %	Waste remediation & materials recovery %	
Cleanaway	15.3	19.1	12.3	3.0	10.4
Suez Recycling & Recovery Holdings	8.5	8.8	21.7	5.3	9.8
Veolia Environmental Services	8.6	9.7	8.5	4.1	7.0
J.J. Richards & Sons	7.7	9.9	6.0	2.0	5.4
Toxfree	4.5	4.8	5.0	na	2.9
Remondis Australia	2.1	na	4.0	na	1.6
Other key participants	2.0	1.2	-	20.6 ⁽¹⁾	8.5
Total	48.7	53.5	57.5	35.0	45.5
FY17 Industry revenue (\$m)	5,111	732	2,452	5,023	13,310

Note:

1 Includes Sims Metal Management (14.0% market share) and Pratt Holdings (6.6% market share).

Source: IBISWorld and LEA analysis.

- 107 The Australian waste management industry is highly fragmented, with the top five industry participants estimated to account for just 35.5% of industry revenue. However, in specified markets such as isolated or regional areas, participant concentration tends to be higher given

²³ Examples of such government policies include increasing landfill levies, providing paper and organic municipal recycling collection services and introducing stricter regulations for waste disposal methods.

²⁴ However, a shift away from manufacturing industries towards service-based industries does have the impact of increasing the volume of paper and cardboard being collected.

the limited number of waste facilities available and the uneconomical prospect of collecting and transporting waste across long distances for new entrants in those areas.

Relevant markets within the waste management industry

108 We set out below commentary in relation to specific niche segments of the waste management industry that are targeted by Toxfree. These segments include medical waste services, hazardous waste services and the industrial, resources and infrastructure sectors.

Medical waste services

- 109 Medical waste services relate to the collection, treatment and disposal of medical waste generated from healthcare facilities such as hospitals, clinics, veterinary clinics, dentist offices, research labs, private practices and pharmaceutical companies. The medical waste services segment derives approximately 45% of its turnover from solid waste collections, 10% from liquid waste collections and 45% from waste treatment and disposal services.
- 110 Medical waste service providers install and collect receptacle bins that store clinical and medical waste such as cytotoxic waste which has been contaminated by drugs and other waste products, human tissue, anatomical waste, needles, syringes, used bandages and pharmaceutical waste. The receptacle bins are then transported to a facility for sorting and treatment. The bins are cleaned and returned for further use or disposed.
- 111 Medical waste can be incinerated at high temperatures, shredded and disinfected through a matrix treatment process or sterilised in an autoclave. Fewer industry firms carry out treatment processes compared to collection services, due to the high costs associated with acquiring medical waste treatment equipment and the regulatory requirements that must be satisfied. Once treated, medical waste is disposed in an approved and licensed waste facility.
- 112 Turnover for the medical waste services segment was estimated at \$0.45 billion in FY17, having grown at an average real CAGR of 3.2% over the five years to FY17. This was driven, inter alia, by increased hospital and medical funding from government and non-government sources, as well as an ageing population.

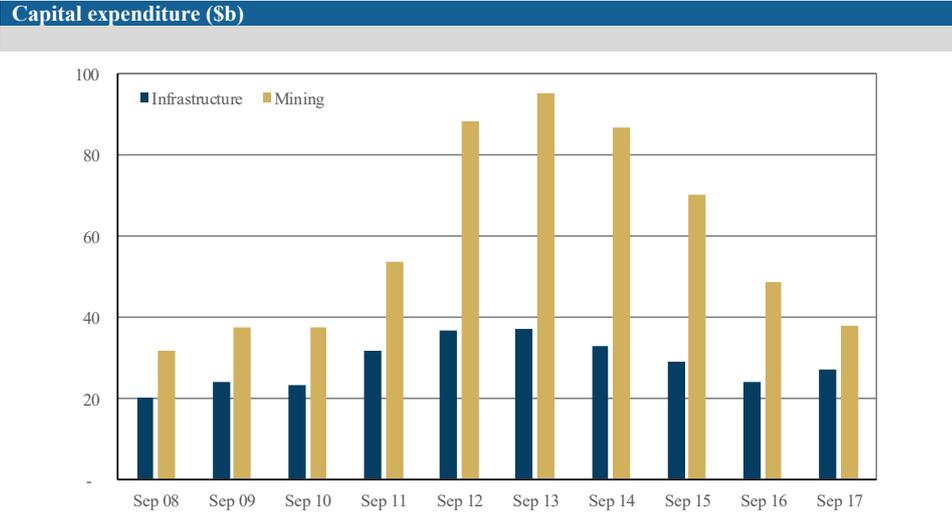
Hazardous waste services

- 113 The hazardous waste services industry collects, transports and processes hazardous waste. Waste is classified as hazardous if it poses a substantial threat to public health or the environment. There are four factors that determine whether a substance is hazardous, including ignitability, reactivity, corrosivity and toxicity. Hazardous waste services cover both solid and liquid wastes and are provided to a range of industry sectors. Such services cover paint, asbestos, contaminated soil, oils, chemicals, acids and caustic wastes. The major markets include hospitals and other medical facilities, the respective manufacturing, construction, automotive and hospitality industries and households.
- 114 The hazardous waste services industry benefits from government regulations that require companies or individuals to hold licenses to remove, haul and process hazardous waste. Such licenses encourage specialisation and require a higher standard of operations. As a result, margins in this industry segment are generally more attractive than other segments of the waste management industry.

115 Australia produced around 5.6 Mt of hazardous waste in FY15, which was around 9.0% of the total waste generated in that year. Despite a downturn in traditional industries that produce hazardous waste (such as heavy manufacturing), volumes of hazardous waste generated in Australia have grown at 9.0% per annum over the five years to FY15. This was attributable to sectoral shifts in the industrial mix, with the emergence of new wastes and industries, most markedly in the case of the coal seam gas industry in Queensland, and the large volumes of high-salinity waste it produces.

Resources, infrastructure and industrial sectors

116 The value of capital expenditure in the infrastructure and resources industries (as a proxy for the levels of industry activity) over the 10 years to 30 September 2017 is shown below:



Source: Australian Bureau of Statistics (ABS).

117 In recent years the resources industry has undergone an unprecedented period of growth, which has been primarily driven by the substantial investments by major companies operating in the iron ore, coal and liquid natural gas industries, as well as related infrastructure projects to support the export of such commodities. Resource industry capital expenditure peaked in 2013 and has now declined to around the levels reported in 2009 and 2010.

118 High levels of resource industry construction expenditure in the years up to 2013 led to an increase in waste management requirements for mining companies. Whilst mining construction levels have since decreased, and associated waste management requirements for such projects have since reduced, there are now a higher number of resource projects in the production stage that require ongoing waste management services.

119 In recent years there has been a growing level of Government funded non-resource infrastructure expenditure, particularly in the transport sector (roads, highways and rail) in Sydney and Melbourne. This follows a significant increase in residential building in the Sydney, Melbourne and Brisbane markets (which has reduced from peak levels), a substantial

proportion of which has been for high-rise, multi-unit developments. As such, overall building and construction levels have been relatively high in recent periods.

- 120 Australian manufacturing industry turnover has remained relatively constant over the 10 years to FY16. This is a function of growth in certain essential manufacturing industries, for example food and beverage manufacturing (which is also a large producer of waste) and declines in other manufacturing industries, such as heavy industry and car manufacturing (noting that upon closure there is usually a range of waste collection and post collection waste management services required).

Regulation

- 121 The Australian waste management industry is regulated at national, state and local government levels. The *National Environment Protection Council Act 1994* (Cth) was established to provide national environmental protection standards. It also regulates matters such as interstate transport of waste and provides the basis for national extended producer responsibility schemes. Amendments to the *Australian Hazardous Waste (Regulation of Exports and Imports) Act 1989* (Cth) came into force in December 1996. From that date, all exports, imports and transits of hazardous waste destined for recovery, recycling or final disposal require a permit issued by the Australian Federal Minister.
- 122 In 2009, the federal and state governments established the National Waste Policy which aimed to address concerns about the disposal of hazardous waste and e-waste, increase recycling and recovery rates and reduce waste generation. This policy led to increased government regulation at the state and local level, including the introduction of landfill levies²⁵ and recycling targets, which has encouraged the diversion of waste volumes from landfill to recycling and resource recovery facilities. In addition, in 2011 the National Television and Computer Recycling Scheme was established to provide Australian households and small businesses with access to industry-funded collection and recycling services for televisions and computers. This has driven e-waste collection volumes, diverted hazardous materials away from landfill and enabled the reuse of valuable resources contained in e-waste.
- 123 The degree of regulation varies and is largely dependent on the type of waste and the potential damage to people and the environment that can be incurred through unsuitable storage, transport, treatment and disposal. For instance, due to the highly toxic and dangerous nature of some medical waste and sharps, medical waste services are highly regulated by the various EPAs in each state and territory, with industry participants generally requiring appropriate licenses and permits. Hazardous waste types also require industry operators to hold EPA licenses. Whilst these licenses can be obtained upon application, it can be difficult to develop new waste facilities due to the considerable environmental impacts and resistance often faced from nearby communities. As a result, such licenses have increased industry barriers to entry.

Growth drivers

- 124 Growth in the Australian waste management industry is underpinned by a number of factors including economic growth, the size of the population, household formation and the level of urbanisation, growth of key industries (including construction, manufacturing and resources)

²⁵ Most states and territories in Australia have landfill levies except for Queensland and the NT.

and environmental issues and regulation. A summary of these drivers shown across the four key industry segments is as follows:

Growth drivers by industry segment				
	Solid waste collection	Liquid waste collection	Waste treatment & disposal	Waste remediation & materials recovery
Economic growth	✓	✓	✓	✓
Population	✓	✓	✓	✓
Number of households / urbanisation	✓	-	-	-
Construction activity	✓	-	✓	✓
Manufacturing activity	-	-	✓	✓
Basic chemical manufacturing	-	✓	-	-
Resources activity	-	✓	-	✓
Environmental issues / regulation	✓	-	✓	✓
Food & beverage services	-	✓	-	-
Solid waste collection	-	-	✓	-
Liquid waste collection	-	-	✓	-

- 125 All segments of the waste management industry benefit from economic growth and increasing population levels. The number of households and level of urbanisation also affects solid waste collections, whilst liquid waste collection services are more influenced by construction, manufacturing and resources activity levels. Post collection services are also impacted by construction, manufacturing and resources activity levels; however, the primary driver of these services is the level of government regulation and policies with respect to waste disposal and recycling.

Economic growth

- 126 The growth of Australia’s economy has historically contributed to increased waste volumes. This is due to a number of factors including, inter alia, rising incomes, which tends to drive demand for new material goods, advances in technology, which leads to larger product ranges and the shorter retention of goods, and increases in urban living and the related development of housing and infrastructure.

Population growth

- 127 Waste generation, particularly municipal waste, has a high correlation to population size. In general, a higher population translates to more waste. Australia’s population has grown at 1.7% per annum over the 10 years to FY17, which ranked amongst the highest in the developed world²⁶. Population growth is expected to continue at relatively high levels into the foreseeable future, in part due to Australia’s relatively high immigration levels.
- 128 The number of Australians aged 65 and over is projected to increase at 2.8% per annum from 3.8 million in FY17 (or 15% of the total population) to 7.2 million (or 20% of the total population) by FY40²⁷. Given this age group is a key driver of health expenditure, the ageing of Australia’s population is likely to increase demand for healthcare services and hence increase demand for medical waste services.

²⁶ Source: ABS.

²⁷ Source: ABS and LEA analysis.

Number of households

129 Due to continued population growth and a declining trend in household sizes, the number of households in Australia is expected to increase at a CAGR of 1.7% from 9.4 million in 2017 to approximately 11.0 million in 2026²⁸. Over the same period the number of single person households is expected to increase at a CAGR of 2.1%. This is expected to lead to greater demand for housing and associated consumables such as furniture, furnishing, whitegoods and electronics (all of which are likely to increase waste generation due to product replacement over the medium term).

Construction (including infrastructure), resources and industrial sectors

130 The level of construction related activity (including infrastructure) is expected to remain at relatively high levels in the short to medium term, driven by committed infrastructure spending by governments and a relatively high level of residential building activity (although this is now reducing).

131 In the resources sector, whilst there are limited opportunities for projects in the construction stage, there are now a higher number of resource projects in the production stage requiring ongoing waste management services.

132 With respect to manufacturing activity, as stated above, growth has been limited to certain essential manufacturing industries such as food and beverage manufacturing, with other manufacturing industries such as heavy industry in decline. Given Australia's relatively high wages and high cost environment (for example high power costs), these trends are expected to continue, at least in the short term.

Regulation

133 Due to heightened public concern about the environment²⁹ the amount of waste banned or restricted from landfill³⁰ is continually increasing. This has led to an increase in specialised waste management services which are more operationally complex and require unique treatment technologies. Landfill levies, which are set by state governments, have also been increasing in most states, resulting in higher costs to industry operators. This has also led to the increased use of recycling technologies to avoid unnecessary landfill.

134 The combined effect of the above factors has led to an increasing diversion of waste volumes from landfill to recycling and resource recovery facilities. Accordingly, firms that operate both landfills and waste recycling and treatment facilities are likely to be better positioned to compete for new contracts, given they can provide assurance to municipalities and organisations that they will be able to meet their recycling and recovery targets.

²⁸ Source: ABS and LEA analysis.

²⁹ For example, the Victorian Government is currently proposing to ban all mercury-containing light globes from landfill.

³⁰ Landfill bans and restrictions vary across the different states and territories of Australia. Examples of waste generally banned from landfill includes medical waste (sharps, human tissue, pharmaceuticals etc.), e-waste, liquid waste and tyres.

Other considerations

135 Other factors that support growth in the industry include:

- (a) the evolving scalability and effectiveness of waste treatment technologies making recovery and reprocessing more competitive and tailorable
- (b) increasing sophistication of customers and companies seeking sustainable environmentally friendly solutions
- (c) consumer trends around convenience and food consumption, which can have the impact of increasing waste volumes (e.g. take away food packaging versus fresh food); and
- (d) increased consumption of bulky imported consumer goods, such as electronics and furniture, which encourages increased turnover of such goods within households, thereby increasing the overall volumes of used goods being discarded.

V Valuation methodology

Valuation approaches

- 136 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 137 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 138 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 139 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 140 An asset-based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 141 The market value of Toxfree has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings.
- 142 The valuation of the business operations has been made on the basis of market value as a going concern. The primary valuation method used to value Toxfree's business operations is the capitalisation of future maintainable EBITDA. Under this methodology the value of the business is represented by its core underlying maintainable EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risks inherent in those earnings.
- 143 We have adopted this method when valuing the business operations of Toxfree for several reasons:
- (a) Toxfree has both a demonstrated history of profitability and an expectation of ongoing profitability
 - (b) Toxfree's key business divisions operate in a mature industry and have well-established market positions
 - (c) we do not have long-term cash flow projections which we regard as sufficiently robust to enable a DCF valuation to be undertaken
 - (d) the EBITDA multiples for listed companies exposed to similar industry sectors as the business divisions of Toxfree can be derived from publicly available information
 - (e) transaction evidence in the respective industry sectors is generally expressed in terms of EBITDA multiples.

Cross-checks

- 144 Given the level of investment in plant and equipment in the business operations of Toxfree, the resulting values have been cross-checked by reference to the capitalisation of EBITA³¹ method.
- 145 We have also compared our assessed value of the equity in Toxfree (on a per share basis) with the listed market prices of Toxfree shares on the ASX prior to the announcement of the Scheme, which we have adjusted to reflect a premium for control.

³¹ As transaction evidence (in particular) in the respective industry sectors in which Toxfree provides its services is generally expressed in terms of EBITDA multiples, it has not been practical to adopt the capitalisation of EBITA as our primary valuation approach.

VI Valuation of Toxfree

- 146 As stated in Section V, we have adopted the capitalisation of EBITDA method as our primary valuation method. Under this method the EBITDA (before non-recurring items) is capitalised at an appropriate EBITDA multiple. The value of the shares in Toxfree is then derived by adding the realisable value of any surplus assets and deducting net borrowings.
- 147 The resulting values have been cross-checked by reference to the capitalisation of EBITA method, and to the listed market prices of Toxfree shares on the ASX prior to the announcement of the Scheme, adjusted for a control premium.

Assessment of normalised EBITDA

- 148 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of each business unit, and have discussed each business unit's financial performance, operating environment and prospects with Toxfree management.
- 149 In order to assess the appropriate level of EBITDA for valuation purposes we have assessed the earnings from Health Services (i.e. Daniels) separate to the remaining business operations (which comprise the Technical and Environmental Services, Industrial Services and Waste Services segments).

Historical EBITDA

- 150 A summary of the reported revenue and underlying EBITDA³² for the four years ended 30 June 2017 and six months ended 31 December 2017 (1HY18) is summarised below:

Revenue and underlying EBITDA					
	FY14 Audited \$m	FY15 Audited \$m	FY16 Audited \$m	FY17 Audited \$m	1HY18 Reviewed ⁽¹⁾ \$m
Revenue:					
Health Services	-	-	-	50.8	45.9
Other Services ⁽²⁾	370.0	407.3	393.4	445.3	209.4
Other income	1.6	0.5	1.6	1.6	1.0
Total	371.6	407.8	394.9	497.7	256.3
Underlying EBITDA⁽³⁾:					
Health Services	-	-	-	13.8	13.2
Other Services ⁽²⁾	93.9	100.1	97.3	95.1	40.1
Unallocated corporate costs	(27.6)	(28.4)	(24.8)	(26.6)	(12.9)
Total	66.3	71.7	72.5	82.4 ⁽⁴⁾	40.4

Note:

- 1 The 1HY18 results have been reviewed by Toxfree's auditors, but have not been subject to a full audit process.
- 2 Comprises the Technical and Environmental Services, Industrial Services and Waste Services segments.
- 3 Before significant items.
- 4 The difference between the underlying EBITDA shown above and the underlying EBITDA of \$82.8 million disclosed in the FY17 results presentation related to interest income of \$0.4 million. Rounding differences may exist.

³² Before significant items.

FY18 earnings guidance

151 As set out in Section III, Toxfree management provided the following earnings guidance for FY18 on 30 August 2017 in its FY17 results commentary announcement:

“Within the resources sector, the majority of construction activity has now finished. By the end of the calendar year, the business is expected to reach an inflection point in which declining revenues from this sector will have abated. This marks the end of Toxfree’s transition from the construction cycle to production, and we look forward to more stable market conditions. Over the last five years, Toxfree has strategically diversified the business into a broader range of market sectors, reducing the cyclical nature of revenue which we have endured over recent years.

FY18 earnings growth is expected from a full-year contribution from Daniels, realisation of synergies, expansion of TWM services, new contracts commencing and organic growth of the existing business within the civil infrastructure, regulated and industrial sectors. This will largely offset the decline in earnings from contracts and resource construction activity that has contributed to FY17 earnings but will not continue into FY18. Recognising this, the Company is forecasting FY18 growth in underlying EBITDA of up to 4%.”

152 In Toxfree’s 1HY18 profit announcement management confirmed that the Company was on track to achieve this guidance on an underlying basis. The above guidance implies underlying EBITDA for Toxfree (in total) for FY18 in the range of approximately \$82 million to \$86 million.

153 The FY17 EBITDA does not include the full year benefit of the Daniels business (which was acquired effective 1 December 2016). When the FY17 result is adjusted to allow for the full year impact of the Daniels business, the adjusted underlying EBITDA for FY17 is \$92.1 million, calculated as follows:

Adjusted FY17 underlying EBITDA	
	\$m
Underlying EBITDA (as reported in FY17)	82.8
Full year impact of Daniels acquisition	9.3
Adjusted underlying EBITDA for FY17	92.1

154 Management’s guidance for underlying EBITDA in FY18 therefore implies a reduction in underlying EBITDA when compared on a like for like basis. The reduction in underlying EBITDA on a like for like basis is largely due to the decrease in resource related waste volumes following the completion of a number of material contracts (e.g. the Chevron Barrow Island contract). In contrast, Toxfree management expect further underlying EBITDA growth in FY18 in Health Services (Daniels), but to an earnings level that would not fully compensate for the reduced resource sector related activity.

155 Further information on the financial performance and outlook for the Health Services and Other Services businesses is set out below.

Health Services

156 We set out below adjusted pro-forma results for Health Services incorporating the full results from Daniels from 1 July 2014 (i.e. assuming that the business had been acquired on that date):

Health Services – historical revenue and EBITDA ⁽¹⁾					
	FY14	FY15	FY16	FY17	1HY18
	Pro-forma	Pro-forma	Pro-forma	Pro-forma	Actual
	\$m	\$m	\$m	\$m	\$m
Revenue	65.9	73.9	83.4	86.9	45.9
EBITDA	14.5	17.0	20.7	23.1	13.2
<i>EBITDA margin</i>	<i>22.0%</i>	<i>23.0%</i>	<i>24.8%</i>	<i>26.6%</i>	<i>28.8%</i>

Note:

1 Before significant items. Whilst the Health Services business was not acquired until 1 December 2016, the above results reflect the full year earnings contributions from the business over the period shown.

- 157 Over the three years to 30 June 2017, revenue grew at a CAGR of 9.7% per annum. Whilst the rate of growth declined to 4.2% in FY17, revenue increased 5.5% in 1HY18 compared to 2HY17 due to the expansion of products and services particularly in Victoria and WA.
- 158 EBITDA margins grew steadily over the period, with the improvement in 1HY18 being largely attributed to operational synergies following the acquisition of the business by Toxfree. Toxfree management expect the Health Services business to achieve further growth in underlying EBITDA in 2HY18 as additional synergies are realised.
- 159 Having regard to the above we have adopted EBITDA for valuation purposes of \$27.0 million. This is consistent with the financial performance in FY18 to date, and reflects the full year benefit of expected synergy benefits.³³

Other Services

160 We set out below adjusted pro-forma results for Other Services (which comprises the Technical and Environmental Services, Industrial Services and Waste Services segments) incorporating a full year contribution from Worth Recycling (i.e. assuming that the business had been acquired on 1 July 2014):

Other Services – historical revenue and EBITDA ⁽¹⁾⁽²⁾					
	FY14	FY15	FY16	FY17	1HY18
	\$m	\$m	\$m	\$m	\$m
Reported revenue	370.0	407.3	393.4	445.3	209.4
Adjustment to reflect full year contribution from Worth Recycling	54.2	50.5	47.8	-	-
Adjusted revenue	424.2	457.8	441.1	445.3	209.4

³³ At date of the Daniels acquisition, Toxfree expected to generate synergies of over \$4.0 million (on a full run rate basis and before implementation costs) within two years of ownership. A substantial proportion of these estimated synergies have now been achieved.

Other Services – historical revenue and EBITDA⁽¹⁾⁽²⁾					
	FY14	FY15	FY16	FY17	1HY18
	\$m	\$m	\$m	\$m	\$m
Reported EBITDA	93.9	100.1	97.3	95.1	40.1
Adjustment to reflect full year contribution from Worth Recycling	10.3	11.1	9.7	-	-
Adjusted EBITDA	104.2	111.2	107.0	95.1	40.1
<i>Adjusted EBITDA margin</i>	<i>24.6%</i>	<i>24.3%</i>	<i>24.2%</i>	<i>21.4%</i>	<i>19.1%</i>

Note:

- 1 Rounding differences may exist.
- 2 Before significant items.

- 161 Over the three-year period to 30 June 2017, adjusted revenue grew at a CAGR of 1.6% per annum. In addition, pro-forma EBITDA margins decreased in FY17 and again in 1HY18, largely due to increased competition in industrial and commercial sectors in Queensland.
- 162 As noted above, Toxfree management expects earnings from its resource related services to continue to decline in FY18 due to the completion of material contracts (e.g. the Chevron Barrow Island and Yarloop contracts) and waste volume reductions in resource contracts (such as the Wheatstone LNG project).
- 163 Management have indicated however that the impacts of the above will be partially offset by volume and price growth in existing contracts, in addition to new contracts and tender wins (e.g. Inpex, FMG, Barangaroo, Glencore and Shell Singapore).
- 164 Having regard to the above we have adopted EBITDA for valuation purposes of \$85.0 million. This reflects the pro-forma underlying EBITDA achieved in FY17 (\$95.1 million) adjusted to exclude the impact of completed contracts (net of new contract wins) and for lower resource waste volumes.

Unallocated corporate costs

- 165 Ongoing unallocated corporate costs (excluding costs associated with acquisitions) are currently around \$26.0 million per annum (which we have therefore adopted for valuation purposes). These largely comprise employee related expenses.

EBITDA adopted for valuation purposes

- 166 Having regard to the above, we have adopted the following EBITDA for valuation purposes:

Business division	\$m
Health Services	27.0
Other Services	85.0
Unallocated corporate costs	(26.0)
	<u>86.0</u>

EBITDA multiple

167 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- | | |
|---|---|
| | |
| <ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors | <ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc. • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings |

168 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Toxfree.

169 We have separately assessed the appropriate EBITDA multiple for Health Services and Other Services. Unallocated corporate costs have then been capitalised at the weighted average EBITDA multiple applied to both business divisions.

Listed company multiples

170 The EBITDA multiples for listed companies providing waste management services are set out in Appendix C. Given the relative size of Toxfree, the following table excludes companies listed overseas which have enterprise values exceeding \$10.0 billion.

171 As the level of EBITDA adopted for valuation purposes has particular regard to the 1HY18 financial performance of both businesses, we have had more regard to the EBITDA multiples based on each listed company’s average broker forecasts for FY18.

Listed company trading multiples ⁽¹⁾				
	Enterprise value ⁽²⁾ \$m	EBITDA multiples		Forecast growth ⁽⁴⁾ (%)
		FY17 ⁽³⁾ x	FY18 x	
Australian companies				
Cleanaway	2,656	8.8	8.3	6.0
Toxfree	713	8.7	8.4	3.6
Sims Metal Management	2,910	9.9	7.5	18.1
Bingo Industries	1,169	18.2	12.6	34.7
International companies				
Clean Harbors	5,490	10.1	9.0	9.0
Advanced Disposal Services	5,191	10.0	9.3	6.6
Renewi	2,295	15.1	7.9	49.4
Casella Waste Systems	1,953	12.0	11.3	5.8
US Ecology	1,732	11.7	10.7	6.6
Biffa	1,524	6.2	5.7	7.2
Lassila & Tikanoja	1,305	8.4	8.0	4.4
Seche Environment	962	6.3	6.2	3.1
Cleanaway Co	722	7.9	7.6	na
GPE Groupe Pizzorno	282	4.5	3.9	9.0
Average (of all above)		9.8	8.3	12.6
Median (of all above)		9.3	8.1	6.6

Note:

- 1 Enterprise value and earnings multiples calculated as at 5 February 2018 except for Toxfree and Cleanaway which are calculated as at 8 December 2017, being the last trading day prior to the announcement of the Scheme.
- 2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
- 3 Earnings are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts) with the exception of Cleanaway, Toxfree, Sims Metal Management and Bingo Industries, which are based on historical earnings for the year ended 30 June 2017, and Renewi and Biffa, which are based on historical earnings for the year ended 31 March 2017.
- 4 CAGR in EBITDA over the two years to FY19.

na – not available.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

172 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

173 In relation to the above listed EBITDA multiples we note that:

- (a) the FY18 EBITDA multiple for Toxfree prior to the announcement of the Scheme (8.4 times) is consistent with the FY18 forecast multiples for Cleanaway (8.3 times) and Sims Metal Management (7.5 times) in Australia, and the overall average (8.3 times) and median (8.1 times) FY18 EBITDA multiples

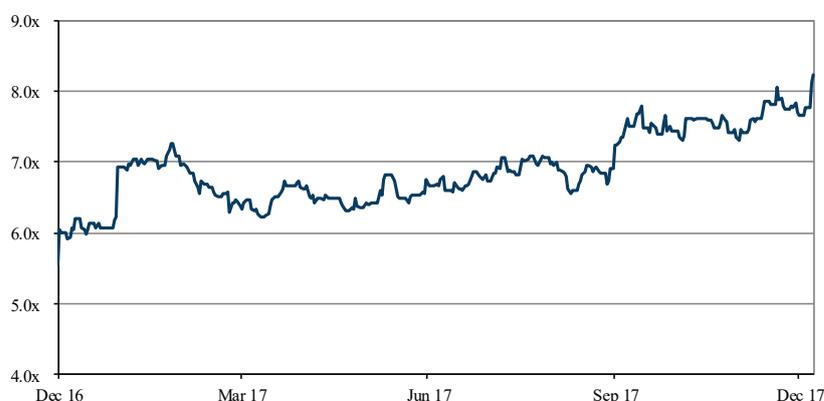
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- (b) Bingo Industries (in Australia) is trading on a significantly higher FY18 EBITDA multiple than Toxfree and the other companies. This appears to reflect Bingo Industries' significantly higher forecast earnings growth. In particular, we note that Bingo Industries recently acquired Patons Lane (a greenfield resource recovery centre and landfill in western Sydney) for \$90 million³⁴ and National Recycling Group (a building and demolition recycling and waste management business) for \$51 million. Patons Lane will not contribute to EBITDA until FY20 (when the resource recovery centre and landfill is expected to be operational), and the FY18 result will only reflect around a six month contribution from National Recycling Group. As a result the FY18 EBITDA multiple for Bingo Industries is not considered a reliable or relevant reference point for valuing Toxfree.

Toxfree trading multiples

174 We have also considered the observed trading multiples for Toxfree over time and set out below the one year forecast EBITDA multiple³⁵ for Toxfree (based on consensus broker forecasts) from 1 December 2016 (being the date the Daniels acquisition was completed) until 8 December 2017 (being the last trading day prior to the announcement of the Scheme):

**Toxfree – one year forecast EBITDA multiple⁽¹⁾
1 December 2016 to 8 December 2017**



Source: Bloomberg and LEA analysis.

- 175 Following the acquisition of Daniels, the forecast EBITDA trading multiples for Toxfree steadily increased, with more recent trading prior to the announcement of the Scheme being in the range of 7.0 to 8.0 times forecast EBITDA.
- 176 It should be noted that the EBITDA multiples in the above graph represent the overall EBITDA trading multiples for Toxfree (and therefore reflect a weighted average of the trading multiples for each respective business). Consistent with the listed companies above, they also exclude a premium for control. Adjusting the more recent share trading prior to the announcement of the Scheme for a 20% to 25% control premium (at the enterprise value

³⁴ Payable in three instalments.

³⁵ Being the enterprise value divided by EBITDA forecast for the subsequent 12 months.

level) would broadly imply a weighted average controlling interest multiple of around 8.5 to 10.0 times forecast EBITDA.

Transaction evidence

177 As set out in Appendix D there have been a number of transactions involving waste businesses operating in the Australian and NZ markets. A summary of the EBITDA multiples implied by more recent transactions (which in most cases reflected the acquisitions of controlling interests) is shown below:

Transaction multiples				
Date	Target	Principal activity	Purchase price ⁽¹⁾ \$m	EBITDA multiples ⁽²⁾ ×
Dec 10	WSN Environmental Solutions	Municipal waste / Landfill	235	7.8H
Dec 11	Dolomatrix International ⁽³⁾	Hazardous waste / Recycling	58	5.1F
Apr 12	Hydromet (83.4%)	Industrial waste / Recycling	29	6.5H
Jul 12	Thiess Waste Management	Municipal waste / Landfill	218	5.9H
Jan 13	Enviro Waste Services	Municipal waste / Landfill	398	10.0H
Apr 13	Wanless Enviro Services ⁽⁴⁾	Commercial / Industrial / Municipal	85	5.8F
Nov 13	Global Renewables (50%)	Municipal waste / AWT ⁽⁵⁾	170	8.3F
Mar 14	SteriHealth (53%)	Medical waste	61	5.3F
Mar 14	Waste Management NZ	Industrial / Hazardous / Landfill	885	8.4H
Dec 14	Melbourne Western Landfill	Landfill	165	9.3F ⁽⁶⁾
Nov 15	SembSITA Pacific (40%) ⁽⁷⁾	Commercial / Medical waste	485	8.0H
Mar 16	Worth Recycling	Industrial / Hazardous waste	70	5.4F
Apr 16	Perthwaste	Municipal waste	87	10.5H
Oct 16	Daniels	Medical waste	188	9.1H
Dec 17	Patons Lane	Landfill (commencing in FY20)	130 ⁽⁸⁾	6.5F
Jan 18	National Recycling Group	Building & demolition recycling / waste management	51	6.8F

Note:

- 1 Where less than 100% equity was acquired this is the implied price for 100% ownership.
- 2 H = historical, F = forecast.
- 3 Toxfree acquired Chemsal, BCD Technologies, Entech Industries and Waste Audit from Dolomatrix International.
- 4 Toxfree acquired the assets and business of Wanless Enviro Services Pty Ltd, Smart Skip Pty Ltd and Jones Enviro Services Pty Ltd, and certain assets of Wanless Enviro Asset Management Pty Ltd.
- 5 Alternative waste treatment (AWT).
- 6 Calculated on a pro-forma basis including fixed and volume-based royalty payments.
- 7 Suez Environnement acquired 40% of SembSITA Pacific, bringing Suez Environnement's total shareholding to 100%.
- 8 Includes development capital expenditure of \$40 million.

178 In relation to the transaction evidence it should be noted that:

- (a) except where noted, the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a premium for control
- (b) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year³⁶ at the date of the

³⁶ With the exception of the Patons Lane acquisition multiple, which is based on FY20 earnings (being the year the landfill is expected to be operational).

transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company's "maintainable" earnings

- (c) the Health Services business of Toxfree largely comprises the Daniels business, which was acquired on a historical EBITDA multiple of 9.1 times in December 2016³⁷
- (d) key acquisitions of the Other Services business of Toxfree since December 2011 include Dolomatrix (5.1 times forecast EBITDA), Wanless Enviro Services (5.8 times forecast EBITDA) and Worth Recycling (5.4 times forecast EBITDA). However, in our opinion, the Other Services business in aggregate would trade on a higher EBITDA multiple than these individual transaction multiples due to the much larger size of the combined Other Services business.

Potential synergies

- 179 In its presentation to the ASX dated 11 December 2017 in respect of the transaction, Cleanaway stated, "*the integration of the Cleanaway and Toxfree businesses is expected to deliver approximately \$35m in annual synergies to be realised over 2 years with total synergy benefits expected in FY21.*" These potential synergies are considered in Section VII of our report, but are clearly material when compared to Toxfree's standalone earnings.
- 180 As set out in RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair. In our view, a proportion of the potential synergies likely to be available should the Scheme be approved and implemented could be generated by other waste management companies (particularly those with an existing corporate reporting / management / shared services structure).
- 181 However, the existence of such synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company. Accordingly, in our opinion, it is inappropriate (in the circumstances of Toxfree) to incorporate a separate value for synergies over and above that implicitly reflected in the controlling interest multiple applied.

Conclusion on appropriate EBITDA multiples

- 182 As stated above, we have separately assessed the appropriate EBITDA multiple for Toxfree's Health Services and Other Services business segments. Unallocated corporate costs have then been capitalised at the weighted average EBITDA multiple applied to both segments.
- 183 In relation to the Health Services business we note that:
- (a) as the EBITDA adopted for valuation purposes has particular regard to the 1HY18 financial performance of the business, it is appropriate to apply a FY18 forecast EBITDA multiple
 - (b) following the acquisition of Daniels, the forecast EBITDA trading multiples for Toxfree have steadily increased with more recent trading prior to the announcement of the Scheme being generally in the range of 7.0 to 8.0 times forecast EBITDA. Adjusting this multiple for a control premium (approximately 20% to 25% at the enterprise value

³⁷ The Daniels acquisition was announced in October 2016, and completed in December 2016.

level) results in a forecast EBITDA multiple range of around 8.5 to 10.0. However, this represents a weighted average multiple for the two businesses. For the reasons set out below (paragraph 184) we believe that the Health Services business should trade on higher multiples than the Other Services businesses

- (c) whilst Daniels was acquired on a historical EBITDA multiple (in December 2016) of 9.1 times, values have generally increased since the acquisition date
- (d) an EBITDA multiple at the upper end of the range of implied transaction multiples (i.e. 10.0 times to 10.5 times) is considered appropriate given, inter alia:
 - (i) the businesses leading market positions
 - (ii) expectations of continued earnings growth
 - (iii) the recurring nature of the revenue streams.

184 In relation to the Other Services business we note that:

- (a) in our view, the Other Services business should trade on a lower EBITDA multiple than the Health Services business. This recognises that:
 - (i) whilst the Other Services business is materially larger than the Health Services business, the Other Services business exhibits greater revenue and earnings volatility driven by the award and completion of large contracts which typically range from three years to five years in length (plus renewal options in some cases)
 - (ii) EBITDA for the Other Services businesses has been declining in recent years
- (b) key acquisitions of the Other Services business of Toxfree since December 2011 include Dolomatrix (5.1 times forecast EBITDA), Wanless Enviro Services (5.8 times forecast EBITDA) and Worth Recycling (5.4 times forecast EBITDA). However, in our opinion, the Other Services business would trade on a higher EBITDA multiple than these individual transaction multiples due to the much larger size of the combined Other Services business
- (c) the level of EBITDA adopted for valuation purposes is some 15% below the average EBITDA over the pro-forma FY15 to FY18 (forecast) period.

185 Accordingly, in our opinion, it is appropriate to apply the following EBITDA multiples when valuing each business division on a controlling interest basis:

- (a) Health Services – 10.0 to 10.5
- (b) Other Services – 8.0 to 8.5.

186 As indicated in the following table, the application of the above EBITDA multiples implies an overall EBITDA multiple (on a controlling interest basis) of 8.5 to 9.0. This is towards the bottom end of the implied forecast EBITDA multiples for Toxfree based on share market trading prior to the announcement of the Scheme, adjusted for a control premium.

Enterprise value

187 On this basis the enterprise value of Toxfree on a controlling interest basis is as follows:

Enterprise value of Toxfree					
	EBITDA \$m	EBITDA multiple range		Valuation	
		Low x	High x	Low \$m	High \$m
Health Services	27.0	10.0	10.5	270.0	283.5
Other Services	85.0	8.0	8.5	680.0	722.5
Unallocated corporate costs ⁽¹⁾	(26.0)	8.5	9.0	(221.0)	(234.0)
Total	86.0			729.0	772.0

Note:

1 Unallocated corporate costs have been capitalised at the weighted average EBITDA multiple applied to the Health Services and Other Services businesses.

Surplus assets

188 As at 31 December 2017 Toxfree did not hold any surplus assets.

Net debt

189 As at 30 June 2017 and 31 December 2017 Toxfree had net debt of \$158.0 million and \$182.9 million respectively. The increase in net debt as at 31 December 2017 largely reflects higher levels of net working capital (some of which is expected to reverse in subsequent months as net working capital levels normalise).

190 Given the fluctuation in net working capital levels and net debt, for valuation purposes we are of the opinion that it is appropriate to consider the average net debt level throughout the year rather than the net debt level at a point in time when determining the value of the equity in Toxfree. On this basis we have adopted net debt of \$174 million.

Fully diluted shares on issue

191 As at 9 February 2018, Toxfree had 194.4 million fully paid ordinary shares on issue, of which approximately 0.2 million are held by the Company as treasury shares. In addition, the Company had 1.4 million performance rights and 1.2 million share appreciation rights issued to employees. Both the performance rights and share appreciation rights will vest under the Scheme.

192 The performance rights convert to shares on a one for one basis with no consideration payable. The share appreciation rights convert to ordinary shares based on the 30 day VWAP prior to vesting and have a strike price of \$3.09 per share³⁸.

193 As the share appreciation rights require the value of Toxfree shares to exceed \$3.09 per share before a benefit is received by the holder they do not have any material value in the context of our valuation.

³⁸ Holders of the share appreciation rights will not be required to make any payment and will be compensated through the difference between the strike price and vesting price.

194 Accordingly, for valuation purposes we have adopted 195.6 million fully diluted shares on issue (being the number of shares and performance rights on issue).

Value of Toxfree

195 On this basis, the value of 100% of Toxfree on a controlling interest basis is as follows:

Value of Toxfree		
	Low \$m	High \$m
Enterprise value	729.0	772.0
Less net debt	(174.0)	(174.0)
Equity value	555.0	598.0
Fully diluted shares on issue (million)	195.6	195.6
Equity value per share⁽¹⁾ (\$)	\$2.84	\$3.06

Note:

1 We have assessed the value of Toxfree shares on a cum-dividend basis (i.e. prior to paying the FY18 Interim Dividend), consistent with the basis on which the shares in Toxfree have traded during the period of preparation of this report. If the value of Toxfree was assessed on an ex-dividend basis (i.e. after paying the FY18 Interim Dividend) our assessed value of Toxfree would be 5 cents per share lower (being the amount of the FY18 Interim Dividend). The value of the Total Payments excluding the FY18 Interim Dividend would also be lower by 5 cents per share. Accordingly, there would be no change in our opinion on the Scheme if our assessment was undertaken on an ex-dividend basis.

Implied EBITA multiples

196 The EBITA multiples implied by our assessed value range are shown below:

Implied EBITA multiples		
	Low \$m	High \$m
Enterprise value	729.0	772.0
EBITDA	86.0	86.0
Depreciation ⁽¹⁾	(37.4)	(37.4)
EBITA adopted for valuation purposes	48.6	48.6
Implied EBITA multiples	15.0	15.9

Note:

1 Annualised depreciation for the six months to 31 December 2017.

197 Whilst the implied EBITA multiples above exceed the transaction multiples in Appendix D (e.g. the purchase price paid by Toxfree for Daniels in December 2016 reflected a historical EBITA multiple of 12.1 times), we note that the listed companies are generally trading on similar EBITA multiples (prior to the application of a control premium).

198 On balance (having regard to the growth prospects and risks associated with Toxfree's businesses) we consider the EBITA multiples implied by our valuation to be reasonable.

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Cross-check to pre-announcement share trading range

199 We have cross-checked our assessed value of the equity in Toxfree to the listed market price of Toxfree shares prior to the announcement of the Scheme, adjusted for a premium for control. We note that:

- (a) as set out in Section III, Toxfree shares are reasonably liquid, which indicates that the listed market price prior to the announcement of the Scheme is likely to be a reasonably reliable reference point for the portfolio value of Toxfree shares
- (b) prior to the announcement of the Scheme, Toxfree had a market capitalisation of around \$520 million, it is researched and analysed by eight share broking firms and has a number of institutional investors on its register
- (c) significant information has been disclosed in relation to Toxfree's operations in its financial reports and stock exchange announcements
- (d) Toxfree has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information concerning Toxfree of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of Toxfree.

200 In order to cross-check our valuation of Toxfree shares we have therefore considered the listed market price of Toxfree shares up to 8 December 2017 (the last day of trading prior to the announcement of the Scheme), adjusted for a premium for control.

201 The volume weighted average share prices for Toxfree in the one and three month periods up to 8 December 2017 were \$2.68 and \$2.58 respectively. Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover).

202 Adding a 30% to 35% premium for control to these share prices would therefore result in a theoretical "control" value of \$3.35 to \$3.62 per share. Whilst the Total Payments lies within this range, our assessed valuation range is lower than this theoretical "control" value, indicating that in the more recent period prior to the announcement of the Scheme, share market investors have placed a higher value on Toxfree than we consider both appropriate and supportable based on the underlying financial performance of Toxfree.

VII Evaluation of the Scheme

203 In our opinion, the Scheme is fair and reasonable and in the best interests of Toxfree shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Value of Toxfree

204 As set out in Section VI we have assessed the value of Toxfree at between \$2.84 and \$3.06 per share.

Value of Total Payments

- 205 If the Scheme becomes legally effective, Toxfree shareholders will receive an aggregate amount of \$3.425 for each Toxfree share they hold on the Scheme Record Date (Scheme Consideration), plus a fully franked interim dividend for the six months ended 31 December 2017 of \$0.05 for each Toxfree share (FY18 Interim Dividend)³⁹. The total amount payable to Toxfree shareholders will therefore be \$3.475 for each Toxfree share on the assumption that they continue to hold their Toxfree shares on both the Interim Dividend Record Date and on the Scheme Record Date (Total Payments).
- 206 Toxfree also expects to declare and pay a Special Dividend of \$0.58 per share on or shortly before the implementation date of the Scheme. The Scheme Consideration will be reduced by the amount of the Special Dividend⁴⁰. However, the Total Payments (including the FY18 Interim Dividend and Special Dividend) will still be \$3.475 for each Toxfree share.
- 207 Accordingly, we have assessed the value of the Total Payments at \$3.475 per share (which includes the FY18 Interim Dividend and Special Dividend). However, due to the benefit of franking credits, we note that the value of the Total Payments to some Australian resident shareholders may be greater than \$3.475 per share if a Special Dividend is paid.

Fair and reasonable opinion

Assessment of fairness

208 Pursuant to RG 111 the Scheme is “fair” if the value of the Total Payments is equal to, or greater than, the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Total Payments to value of Toxfree			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Total Payments	3.475	3.475	3.475
Value of 100% of Toxfree	2.84	3.06	2.95
Extent to which the Total Payments exceeds the value of Toxfree	0.635	0.415	0.525

³⁹ Which is payable to eligible Toxfree shareholders independently of the Scheme.

⁴⁰ The Special Dividend will be paid to Toxfree shareholders who hold shares in Toxfree on the Special Dividend Record Date. It is the current intention of the Company to suspend trading in Toxfree shares from the date the Scheme becomes legally effective.

209 As the Total Payments exceeds our assessed valuation range for Toxfree shares on a 100% controlling interest basis, in our opinion, the Total Payments is fair to Toxfree shareholders when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

- 210 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 211 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Toxfree shareholders in the absence of a superior proposal.
- 212 In assessing whether the Scheme is reasonable and in the best interests of Toxfree shareholders LEA has also considered, in particular:
- (a) the extent to which a control premium is being paid to Toxfree shareholders
 - (b) the extent to which Toxfree shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (c) the listed market price of the shares in Toxfree, both prior to and subsequent to the announcement of the proposed Scheme
 - (d) the likely market price of Toxfree securities if the proposed Scheme is not approved
 - (e) the value of Toxfree to an alternative offeror and the likelihood of a higher alternative offer being made for Toxfree prior to the date of the Scheme meeting
 - (f) the advantages and disadvantages of the Scheme from the perspective of Toxfree shareholders
 - (g) other qualitative and strategic issues associated with the Scheme.

213 These issues are discussed in detail below.

Extent to which a control premium is being paid

- 214 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company’s shares⁴¹ three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:
- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
 - (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
 - (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company

⁴¹ After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

(d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

215 In considering the control premium implied by the Scheme, we have had regard to the Total Payments of \$3.475 per share (as pursuant to the Scheme, Toxfree shareholders will receive both the Scheme Consideration and the FY18 Interim Dividend). We have calculated the premium implied by the Total Payments by reference to the market prices of Toxfree shares (as traded on the ASX) for periods up to and including 8 December 2017 (being the last trading day prior to the announcement of the Scheme with Cleanaway).

216 The implied offer premium relative to Toxfree share prices up to 8 December 2017 is shown below:

Implied offer premium relative to recent share prices ⁽¹⁾		
	Toxfree share price	Implied control premium
	\$	%
Closing share price on 8 December 2017 ⁽²⁾	2.84	22.4
1 month VWAP to 8 December 2017	2.68	29.8
3 months VWAP to 8 December 2017	2.58	34.7

Note:

- 1 Rounding differences may exist.
- 2 Being the closing price on the last day of trading prior to the announcement of the Scheme.

217 The offer premium implied by the closing price on 8 December 2017 is below the average takeover premium of 30% to 35% implied from empirical evidence. However:

- (a) in our view, more reliance should be placed on the premium implied by the share price over a longer period (i.e. the one month and three month VWAP prior to the announcement of the Scheme)
- (b) we note that the Toxfree share price increased by around 8.0% over the two days prior to the announcement of the Scheme (which some market commentators have suggested may have been attributable to speculation of the Scheme).

218 Accordingly, in our opinion, the Total Payments provides Toxfree shareholders with a premium that is consistent with observed premiums generally paid in comparable circumstances. Accordingly, in our view, Toxfree shareholders are being appropriately compensated for the fact that 100% control of Toxfree will pass to Cleanaway if the Scheme is approved.

Extent to which Toxfree shareholders are being paid a share of synergies

219 As noted above, the existence of synergies from business combinations is one of the reasons why bidders pay a control premium to acquire a company. In assessing the value of Toxfree for the purpose of this report, we have allowed an appropriate control premium in determining the value of a 100% interest in the company. Implicitly therefore, the value of potential synergies arising from the transaction has been reflected in our valuation assessment.

- 220 In the current circumstances however, the Total Payments exceeds our assessed value of a 100% controlling interest in Toxfree. We have therefore considered the extent to which this reflects an “additional” payment by Cleanaway in lieu of potential synergies over and above such a payment generally.
- 221 In its presentation to the ASX dated 11 December 2017 in respect of the transaction, Cleanaway stated, “*the integration of the Cleanaway and Toxfree businesses is expected to deliver approximately \$35m in annual synergies to be realised over 2 years with total synergy benefits expected in FY21.*” This indicated level of synergies is significant relative to the underlying earnings of Toxfree effectively being acquired by Cleanaway pursuant to the transaction. By way of example, as set out in Section III of our report, the reported underlying EBITA of Toxfree for FY17 was \$45.5 million. The potential synergies from the transaction therefore have the effect of increasing the incremental earnings of Cleanaway by in excess of 70% as compared to the underlying core earnings of Toxfree being acquired.
- 222 Based on the above, we are of the view that the Total Payments reflects the strategic value of Toxfree to Cleanaway including a significant share of the value of the synergy benefits expected to be realised by Cleanaway.

Recent share prices subsequent to the announcement of the Scheme

- 223 Shareholders should note that Toxfree shares have traded on the ASX in the range of \$3.37 to \$3.46 per share in the period since the Scheme was announced up to 7 February 2018.
- 224 In our view, this trading range suggests that, in the absence of a superior proposal, the consensus market view is that the Scheme is likely to be successful.

Likely price of Toxfree shares if the Scheme is not implemented

- 225 If the Scheme is not implemented we expect that, at least in the short term, Toxfree shares will trade at a significant discount to our valuation and the Total Payments due to the difference between the value of Toxfree shares on a portfolio basis and their value on a 100% controlling interest basis. In this regard we note that Toxfree shares last traded at \$2.84 per share on 8 December 2017 (being the last trading day prior to the announcement of the Scheme with Cleanaway).
- 226 If the Scheme is not implemented those Toxfree shareholders who wish to sell their Toxfree shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Scheme.

Likelihood of an alternative offer

- 227 We have been advised by the Directors of Toxfree that no formal alternative offers have been received subsequent to the announcement of the Scheme on 11 December 2017. We have been further advised that the Scheme reflects the outcome of negotiations between Toxfree and Cleanaway and that no formal sale process in respect of Toxfree was undertaken prior to entering into the Agreement with Cleanaway.
- 228 There has effectively been (and remains) therefore an opportunity for third parties contemplating an acquisition of Toxfree to table a proposal before the Toxfree Board. In this regard, however, Toxfree shareholders should note the exclusivity obligations on Toxfree pursuant to the Agreement, which are summarised in Section I above and discussed in further detail in the Scheme Booklet.

Summary of opinion on the Scheme

229 We summarise below the likely advantages and disadvantages for Toxfree shareholders if the Scheme proceeds.

Advantages

230 In our opinion, the Scheme has the following benefits for Toxfree shareholders:

- (a) the Total Payments of \$3.475 cash per share exceeds our assessed value range for Toxfree shares on a 100% controlling interest basis. Thus, in our view, Toxfree shareholders are being paid an appropriate price to compensate them for the fact that control of Toxfree will pass to Cleanaway if the Scheme is approved, which includes a significant share of the value of synergy benefits expected to be realised by Cleanaway
- (b) the Total Payments represents a significant premium to the recent market prices of Toxfree shares prior to the announcement of the Scheme on 11 December 2017
- (c) furthermore, the Total Payments implies an acquisition (takeover) premium which is consistent with the average premiums paid in successful takeovers generally
- (d) the Special Dividend may give rise to additional consideration to those Australian resident shareholders able to benefit from the related franking credits attaching to the Special Dividend
- (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Toxfree shares is likely to trade at a significant discount to our valuation and the Total Payments due to the portfolio nature of individual shareholdings.

Disadvantages

231 Toxfree shareholders should note that if the Scheme is implemented they will no longer hold an interest in Toxfree. As Toxfree shareholders will receive cash consideration they will also not hold shares in Cleanaway. Toxfree shareholders will therefore not participate in any future value created by Toxfree or Cleanaway over and above that reflected in the Total Payments.

Conclusion

232 Given the above analysis, we consider that the advantages of the Scheme significantly outweigh the disadvantages. Consequently, in our view, the acquisition of Toxfree shares by Cleanaway under the Scheme is fair and reasonable and in the best interest of Toxfree shareholders in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Toxfree shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$130,000 plus GST.
- 9 Neither LEA nor its directors and officers receive any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 23 years and 31 years of experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of Toxfree to accompany the Scheme Booklet to be sent to Toxfree shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Toxfree shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Toxfree agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Toxfree which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.



Appendix C

Listed company multiples – waste services

- 1 A summary of the implied EBITDA and EBITA multiples for listed companies operating in the Australian and International waste management industries (excluding companies with an enterprise value exceeding \$10 billion) is set out below, with a brief description of their business activities following:

	Listed company trading multiples ⁽¹⁾																		
	Latest full year results	Enterprise Value ⁽²⁾ A\$m	Gearing ⁽³⁾ %	EBITDA multiples				EBITA multiples				Forecast growth ⁽⁵⁾							
				FY17 ⁽⁴⁾ X	FY18 X	FY19 X	FY17 ⁽⁴⁾ X	FY18 X	FY19 X	EBITDA %	EBITA %								
Australian companies																			
Cleanaway	30-Jun-17	2,656	11.7	8.8	8.3	7.8	18.6	17.4	15.6	6.0	9.3								
Toxfree	30-Jun-17	713	22.2	8.7	8.4	8.1	15.7	15.7	14.6	3.6	3.7								
Sims Metal Management	30-Jun-17	2,910	(17.0)	9.9	7.5	7.1	15.2	10.4	9.9	18.1	23.9								
Bingo Industries	30-Jun-17	1,169	11.1	18.2	12.6	10.1	22.4	15.7	12.5	34.7	33.6								
International companies																			
Clean Harbors	31-Dec-16	5,490	29.3	10.1	9.0	8.5	26.6	19.5	16.5	9.0	26.9								
Advanced Disposal Services	31-Dec-16	5,191	47.9	10.0	9.3	8.8	24.1	20.0	19.3	6.6	11.7								
Renewi	31-Mar-17	2,295	41.6	15.1	7.9	6.8	31.9	24.0	15.7	49.4	42.4								
Casella Waste Systems	31-Dec-16	1,953	31.5	12.0	11.3	10.7	27.6	23.9	21.5	5.8	13.4								
US Ecology	31-Dec-16	1,732	19.6	11.7	10.7	10.3	19.3	16.4	16.1	6.6	9.4								
Biffa	31-Mar-17	1,524	33.1	6.2	5.7	5.4	11.7	10.6	9.9	7.2	8.5								
Lassila & Tikanoja	31-Dec-16	1,305	14.2	8.4	8.0	7.7	14.4	13.1	12.5	4.4	7.3								
Seche Environnement	31-Dec-16	962	59.9	6.3	6.2	6.0	15.7	15.1	14.7	3.1	3.5								
Cleanaway Co	31-Dec-16	722	(11.6)	7.9	7.6	na	10.1	9.8	na	na	na								
GPE Groupe Pizzorno	31-Dec-16	282	42.8	4.5	3.9	3.8	20.8	12.8	12.2	9.0	30.6								

Note:

- Enterprise value and earnings multiples calculated as at 5 February 2018 except for Toxfree and Cleanaway which are calculated as at 8 December 2017, being the last trading day prior to the announcement of the Scheme.
- Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, market capitalisation adjusted for material option dilution (for the purpose of reducing debt) and excludes surplus assets.
- Gearing equals net debt (cash adjusted for material option dilution) divided by enterprise value.
- Earnings are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts) with the exception of Cleanaway, Toxfree, Sims Metal Management and Bingo Industries, which are based on historical earnings for the year ended 30 June 2017, and Renewi and Biffa, which are based on historical earnings for the year ended 31 March 2017.
- CAGR over the two years to FY19.
na – not available.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

Appendix C

Comparable company descriptions⁴²

Cleanaway

- 2 Cleanaway is the largest provider of waste management services in Australia, operating a fleet of over 3,000 specialised waste collection vehicles from approximately 200 locations, including more than 90 licensed facilities. The company provides a full range of collection and post collection waste services across its two segments (Solids and Liquids and Industrial Services) and has one of the largest post collection asset bases in Australia with an extensive network of waste management facilities, including recycling facilities, transfer stations, engineered landfills, liquid treatment plants and refineries.

Sims Metal Management Limited

- 3 Sims Metal Management is the world's largest listed metals and electronics recycler. The company recycles both ferrous and non-ferrous metals by sorting, shredding, cutting, torching, baling or breaking recycled metals. Ferrous recycled metal is then sold to end users such as electric arc furnace mills, integrated steel mills, foundries and brokers. It also provides recycling services for plastics, cans, paper and end of life electrical and post-consumer electronic products. Sims Metal Management has operations in 20 countries across North America, Asia Pacific and Europe and employees over 4,500 staff.

Bingo Industries Limited

- 4 Bingo Industries provides end-to-end solutions across the waste management supply chain including waste collection, processing, separation and recycling. Its collection activities involve bin hire as well as collecting waste from construction sites, civil and infrastructure projects, households and commercial and industrial customers. Its post collection activities involve sorting and processing mixed waste to be reused, recycled, or sent to other facilities for further processing. As at September 2017, the company employed more than 700 staff and operated 13 resource recovery and recycling facilities across NSW and Victoria.

Clean Harbors, Inc.

- 5 Clean Harbors is a United States of America (US) based provider of environmental, energy and industrial services through four segments. Its Technical Services segment (the company's largest segment) provides packaging, collection, transport, treatment and disposal of hazardous and non-hazardous waste. The Industrial and Field Services segment provides industrial services such as high pressure cleaning, materials processing and decoking. Safety-Kleen provides a broad range of environmental services such as parts cleaning and used oil collection. The Oil, Gas and Lodging Services segment (which is not a material earnings contributor), provides fluid handling and directional boring services to the energy sector.

Advanced Disposal Services, Inc.

- 6 Advanced Disposal Services is an integrated provider of non-hazardous solid waste collection, transfer, recycling and disposal services for the commercial, industrial, municipal and residential sectors. The company's waste services include residential kerbside collection, commercial garbage collection, construction and demolition waste collection, landfill disposal, composting and recycling of paper, cardboard, plastic, aluminium and steel. In

⁴² Information in respect of Toxfree is set out in Section III.

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addition, the company sells energy generated from landfill gas. As of October 2017, the company operated 92 collection operations, 73 transfer stations, 22 recycling facilities and 40 landfills in the US.

Renewi Plc

- 7 Renewi is a United Kingdom (UK) based waste-to-product company that is engaged in collecting, recycling and treating commercial, hazardous and municipal waste. The company handles construction waste, plastic waste, food and garden waste, mixed household waste, wood, electrical equipment and hazardous waste such as contaminated soil and water. It serves customers in the industrial, commercial, construction and demolition, oil and gas sectors and operates waste treatment facilities for city and county councils under long-term municipal contracts (typically 25 years). The company operates more than 200 sites across nine countries and employs over 8,000 people.

US Ecology, Inc.

- 8 US Ecology provides environmental services to commercial and government entities through a network of facilities in the US, Canada and Mexico. The company's operations are performed through two operating segments. The Environmental Services segment provides hazardous material management services that include transportation, recycling, treatment and disposal of waste at its landfill sites and other treatment facilities. The Field and Industrial Services segment provides packaging and collection of hazardous waste and total waste management solutions. It also provides specialist services such as high-pressure cleaning, tank cleaning and spill cleanups.

Casella Waste Systems, Inc.

- 9 Casella Waste Systems is a vertically integrated solid waste services company that operates in the north-eastern US. It provides resource management expertise and services to residential, commercial, municipal and industrial councils for solid waste collection, transfer, recycling and organic services. The company also markets recyclable metals, aluminium, plastics, paper and corrugated cardboard that have been processed at one of its recycling facilities. As of October 2017, the company operated 31 solid waste collection operations, 46 transfer stations, 18 recycling facilities, four landfill gas-to-energy facilities and 10 landfill sites.

Biffa Plc

- 10 Biffa is an integrated UK based waste management company that provides collection, recycling, treatment, disposal and energy generation services. Its services cover general waste, mixed and segregated recyclables, food waste, medical waste and confidential documents. Its waste treatment and recycling activities include soil treatment and composting, materials recovery, transfer and treatment of hazardous waste, production of recycled plastic compounds and operating landfill sites. In addition, the company produces renewable energy from gas sourced from landfill and food waste.

Lassila & Tikanoja Plc

- 11 Lassila & Tikanoja is an environmental management and facility services company that operates through four business segments. The Environmental Services segment provides waste management and recycling services. The Industrial Services division provides industrial process cleaning services, collection and disposal of hazardous waste and repair

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services. The Facility Services segment provides cleaning, property maintenance and real estate management services. The Renewable Energy Sources segment provides wood-based fuels, recycled fuels and wood raw materials. The company is headquartered in Helsinki, Finland and employs approximately 8,000 people.

Seche Environnement SA

- 12 Seche Environnement is a France-based company that is engaged in the collection, storage and treatment of waste. The company handles hazardous waste, household waste, medical waste, polluted soil, asbestos and waste from electrical equipment. In addition, it provides radioactive waste risk management solutions through its wholly owned subsidiary, HPS Nuclear Services, and produces energy from recovered household waste. The company predominantly serves industrial customers and local councils in France and has approximately 2,400 employees.

Cleanaway Company Limited⁴³

- 13 Cleanaway Company is a Taiwan-based company engaged in the treatment and disposal of general, industrial and hazardous waste. Its services include, but are not limited to, hazardous waste treatment and disposal, waste recycling, dump site cleanups, soil remediation and treatment of fly ash from incinerators. It operates Taiwan's largest solidification treatment facility (which is used to treat hazardous heavy metal wastes) and also owns the country's largest private landfill sites.

Groupe Pizzorno Environnement SA

- 14 Groupe Pizzorno Environnement is a France-based company that provides integrated waste management solutions through two main segments. The Cleaning Services segment is engaged in collecting, transporting and sorting household and industrial waste as well as providing street cleaning, decontamination and industrial cleaning services. The Treatment Activities segment operates storage and treatment facilities for household waste, garbage, industrial waste, slurries and slag. In addition, the company provides bus transportation services. Groupe Pizzorno Environnement has operations in France, Morocco, Tunisia and Mauritania.

⁴³ The company has no connection to Cleanaway Waste Management Limited.

Appendix D

Transaction multiples

- 1 A summary of the EBITDA multiples implied by recent transactions in relation to the waste management businesses operating in the Australian and NZ markets is set out below, with a brief description following:

Transaction multiples					
Date	Target	Principal activity	Purchase price ⁽¹⁾ \$m	EBITDA multiple ⁽²⁾ x	EBITA multiple ⁽²⁾ x
Dec 10	WSN Environmental Solutions	Municipal waste / Landfill	235	7.8H	12.2H
Dec 11	Dolomatrix International ⁽³⁾	Hazardous waste / Recycling	58	5.1F	6.9F
Apr 12	Hydromet (83.4%)	Industrial waste / Recycling	29	6.5H	8.1H
Jul 12	Thiess Waste Management	Municipal waste / Landfill	218	5.9H	10.0H
Jan 13	Enviro Waste Services	Municipal waste / Landfill	398	10.0H	15.6H
Apr 13	Wanless Enviro Services ⁽⁴⁾	Commercial / Industrial / Municipal	85	5.8F	na
Nov 13	Global Renewables (50%)	Municipal waste / AWT	170	8.3F	13.4H
Mar 14	SteriHealth (53%)	Medical waste	61	5.3F	8.3F
Mar 14	Waste Management NZ	Industrial / Hazardous / Landfill	885	8.4H	11.3H
Dec 14	Melbourne Western Landfill	Landfill	165	9.3F ⁽⁵⁾	na
Nov 15	SembSITA Pacific (40%) ⁽⁶⁾	Commercial / Medical waste	485	8.0H	12.4H
Mar 16	Worth Recycling	Industrial / Hazardous waste	70	5.4F	7.7F
Apr 16	Perthwaste	Municipal waste	87	10.5H	22.5H
Oct 16	Daniels	Medical waste	188	9.1H	12.1H
Dec 17	Patons Lane	Landfill (commencing in FY20)	130 ⁽⁷⁾	6.5F	na
Jan 18	National Recycling Group	Building & demolition recycling / waste management	51	6.8F	na

Note:

- Where less than 100% equity was acquired this is the implied price for 100% ownership.
- H = historical, F = forecast.
- Toxfree acquired Chemsal, BCD Technologies, Entech Industries and Waste Audit from Dolomatrix International.
- Toxfree acquired the assets and business of Wanless Enviro Services Pty Ltd, Smart Skip Pty Ltd and Jones Enviro Services Pty Ltd, and certain assets of Wanless Enviro Asset Management Pty Ltd.
- Calculated on a pro-forma basis including fixed and volume-based royalty payments.
- Suez Environnement acquired 40% of SembSITA Pacific, bringing Suez Environnement's total shareholding to 100%.
- Includes development capital expenditure of \$40 million.
na – not available.

WSN Environmental Solutions

- 2 The NSW Government sold WSN Environmental Solutions to SITA, with the sale completed in February 2011. The assets acquired by SITA included three engineered landfill operations, two resource recovery ventures (the wholly owned ArrowBio Facility, and the Eastern Creek UR-3R waste contract), eight transfer stations and three material recovery facilities. The state

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government retained ownership and operation of two of the landfills; however, SITA obtained the exclusive rights to the landfill capacity and void space.

Dolomatrix

- 3 Toxfree acquired Chemsal, BCD Technologies, Entech Industries and Waste Audit from Dolomatrix International. The acquired companies provided environmental and waste management solutions, including consultancy, project management, treatment and destruction of hazardous waste and contaminated site remediation⁴⁴. The acquired operations included:
- (a) Chemsal – a specialised provider of recycling, re-use and treatment services for chemical waste which were used by municipal authorities and local council household collections
 - (b) BCD Technologies – which provided waste management services for persistent organic pollutants (POPs)⁴⁵ at two licensed treatment facilities in Queensland and Victoria
 - (c) Entech Industries – services included environmental and waste management consulting, auditing, training and project management solutions
 - (d) Waste Audit – a provider of waste audits and assessments, with customers throughout NSW, Victoria and Queensland.

Hydromet

- 4 Hydromet was an industrial residue treatment and recycling company. The company specialised in the processing of industrial waste, metals and smelter residues in Australia. Hydromet operated a recycling plant and a plant used for the recovery of precious metals, both located in NSW. The recycling plant recovered lead products from used lead acid batteries and recovered polypropylene (plastic) from battery casings. The precious metals recovery plant targeted selenium, copper and tellurium from copper / nickel smelter residues⁴⁶.

Thiess Waste Management

- 5 Established in 1987, Thiess Waste Management employed 600 staff and operated a range of waste management assets, including transfer stations, landfills, logistics depots and recycling facilities in Queensland, NSW and Victoria. The company's ReOrganic Energy technology captured gases produced in engineered landfill for use in generating renewable electricity.

Enviro Waste Services

- 6 Enviro Waste Services was a diversified, vertically integrated waste management business that operated in NZ. The company employed 500 staff and provided waste-related services to approximately half a million commercial and residential sites. Enviro Waste Services owned and operated a network of collection facilities at 18 locations nationwide, 14 transfer stations,

⁴⁴ These companies also licensed technology and provided services in China, Mexico and the US.

⁴⁵ POPs are hazardous substances due to their prolonged life cycle and the risk and ease of potential contamination transfer. In accordance with regulatory requirements, only speciality licensed facilities process POP waste.

⁴⁶ This process involves the separation of selenium, copper and tellurium from the precious metals bound up in the residues.

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three landfills and a fleet of over 290 vehicles. In addition, it also operated bulk waste haulage and landfill gas-to-electricity generation businesses.

Wanless / Smart Skip / Jones Enviro Services

- 7 Toxfree acquired the waste management assets and business of Wanless Enviro Services, Smart Skip and Jones Enviro Services, as well as certain assets of Wanless Enviro Asset Management in April 2013. These assets were located in Queensland and Tasmania and provided solid waste services for business customers, construction and demolition waste services, municipal waste recovery and recycling services. The companies serviced the manufacturing, retail, industrial, construction and utilities sectors.

Global Renewables

- 8 Global Renewables owned and operated an alternative waste treatment facility in Eastern Creek, Sydney that employed 80 people. The facility sorted and processed 220,000 tonnes per annum of municipal solid waste under a NSW Government-guaranteed long-term waste supply agreement. It diverted around 60% of the waste processed away from landfill disposal. The diverted waste was sorted through a patented process plant, called ResourceSort, which separated household waste into recyclables and organic materials (which were used for composting).

SteriHealth

- 9 SteriHealth provided clinical waste services in Australia, including the collection, treatment and disposal of clinical waste, and recycling of medical waste. The company employed over 200 staff across Australia. SteriHealth marketed proprietary technology to assist in the reduction of the risk of infection and injury in the disposal of clinical waste. It also provided equipment, including washed bins, to customers and supplied the inventory needs of laboratories. The company's clients included hospitals, medical centres, dentists, veterinary clinics and pharmaceutical companies.

Waste Management NZ

- 10 Waste Management NZ specialised in environmentally friendly landfill methods, odour management and hazardous waste handling. The company operated solid waste collection, processing, recycling and landfill disposal operations. It also provided liquid and hazardous waste collection, treatment, recycling and disposal services. Waste Management NZ owned three landfill sites (two of these via joint ventures) and operated from over 70 locations. It had a fleet of around 800 vehicles and employed over 1,000 staff. The company serviced the government, industrial and manufacturing sectors.

Melbourne Western Landfill

- 11 Transpacific Industries⁴⁷ acquired the Melbourne Western Landfill business (the largest in Melbourne), including existing licenses and permits, from Boral. Transpacific Industries expected the site to replace its existing Melbourne sites, which were planned to close in FY16. Consideration included \$150 million for the site and approximately \$15 million for site preparation work. Boral also received fixed and volume-based royalties for the life of the

⁴⁷ Transpacific Industries is a predecessor business / company to Cleanaway.

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landfill, with the earnings stream expected to be around \$15 million per annum at the time of the acquisition.

SembSITA Pacific

- 12 In September 2015, Suez Environnement bought out Sembcorp Industries' 40% interest in SembSITA Pacific to obtain 100% ownership. SembSITA Pacific owned SembSITA Australia, which provided solid waste collection services, including transportation, recycling, disposal and management of landfills. The business employed 1,798 staff as at December 2015. It also operated medical waste treatment and disposal facilities, via a subsidiary company.

Worth Corporation

- 13 Founded in 1976, Worth Corporation was an industrial and hazardous waste treatment, soil remediation and industrial services company operating in NSW. At the time of the acquisition Worth Corporation operated a fleet of 65 trucks (including vacuum and heavy vacuum tankers), employed 130 staff and provided services including:
- (a) collection and processing of oily sludge, oily waters, drill muds and contaminated solids and wastewater at the company's depot and treatment plant at Windsor, Sydney
 - (b) processing of waste oils, sludge and wastewaters from steelmaking production, as well as oily water wastes, at the company's treatment plant located at Port Kembla
 - (c) industrial waste treatment and chemical immobilisation at the company's St Marys treatment facility, which was approved for the treatment of up to 100,000 tonnes of hazardous waste, including contaminated soils, drill muds and packaged waste
 - (d) on-site liquid waste treatment at coal mines.

Perthwaste

- 14 Founded in 2001, Perthwaste provided collection, processing and disposal services for recyclables and waste products in the Perth metropolitan and southwest WA areas. The company serviced a large industrial customer base and serviced a population of 760,000 residents across numerous contracts with local authorities. Perthwaste's assets included two materials recycling facilities, an organics composting facility, two waste transfer stations, three depots and a landfill site, as well as a fleet of 68 trucks. Perthwaste employed 185 staff at the time of the acquisition.

Daniels

- 15 Daniels provided medical waste solutions, collections and treatments in Australia. It held the intellectual property rights to various collector systems, including the "Sharpsmart" and "Clinismart" series of reusable sharps and clinical waste containers. The company employed approximately 300 staff in Australia across 17 sites, including incineration facilities in Sydney and Melbourne, as well as three joint venture managed sites in NZ. Daniels serviced public and private hospitals, medical centres and aged care facilities.

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Patons Lane

- 16 Patons Lane is a 60-hectare site adjacent to the Western Sydney Priority Growth Area. It is approved for the development of a recycling centre and landfill, to receive building, demolition, commercial and industrial waste with approved resource recovery centre annual throughput of up to 350,000 tonnes per annum. It has a landfill capacity of 4.3 million tonnes with a maximum operational life of approximately 25 years. The site has development approvals in place and is expected to become operational in FY20 with forecast FY20 EBITDA of \$20 million (pre-synergies).

National Recycling Group

- 17 National Recycling Group is a building and demolition recycling and waste management business servicing more than 300 customers in NSW and Victoria, and operating under the DATS Environment Services, Melbourne Recycling Centres and Harpers Bin Hires brands. Its collections business has 48 vehicles and more than 3,200 skip bins across the Sydney and Melbourne metropolitan areas. Its post-collections business includes three resource recovery centres and transfer stations across NSW and Victoria.

Appendix E

Glossary

Term	Meaning
ABS	Australian Bureau of Statistics
Agreement	Scheme Implementation Deed between Toxfree and Cleanaway announced on 11 December 2017
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AWT	Alternative waste treatment
BidCo	Cleanaway (No. 1) Pty Ltd
CAGR	Compound annual growth rate
Cleanaway	Cleanaway Waste Management Limited
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
EPA	Environmental Protection Authority
FMG	Fortescue Metals Group Limited
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year ended 30 June
FY18 Interim Dividend	FY18 fully franked interim dividend of \$0.05 per Toxfree share
HY	Financial half year ended 31 December
IER	Independent expert's report
IT	Information technology
LEA	LonerGAN Edwards & Associates Limited
Mt	Million tonnes
NPV	Net present value
NSW	New South Wales
NT	Northern Territory
NZ	New Zealand
OEC	Oil Energy Corporation Pty Ltd
PCB	Polychlorinated biphenyl
POP	Persistent organic pollutants
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Scheme	Scheme of arrangement under which Cleanaway proposes to acquire 100% of the issued shares in Toxfree
Scheme Consideration	\$3.425 per Toxfree share
Special Dividend	\$0.58 per Toxfree share
Total Payments	The aggregate amount of \$3.475 cash for each Toxfree share comprised of the Scheme Consideration and FY18 Interim Dividend
Toxfree or Company	Toxfree Solutions Limited
TWM	Total waste management
UK	United Kingdom
US	United States of America
VWAP	Volume weighted average price
WA	Western Australia
WANOS	Weighted average number of shares outstanding

ANNEXURE C SCHEME

For personal use only



Scheme of arrangement

Tox Free Solutions Limited

Each person registered as a holder of fully paid ordinary shares in Target as at the Scheme Record Date

SYDNEY | MELBOURNE | PERTH

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Date:

Parties

- 1 **Tox Free Solutions Limited** ACN 058 596 124 of Level 1, 31 Cliff Street, Fremantle, Western Australia 6160 (**Target**)
- 2 Each person registered as a holder of fully paid ordinary shares in Target as at the Scheme Record Date (**Scheme Shareholders**)

The parties agree

1 Defined terms and interpretation

1.1 Defined terms

A term or expression starting with a capital letter which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this Scheme.

2 Preliminary matters

- (a) Target is an Australian public company limited by shares, and has been admitted to the official list of ASX. Target Shares are quoted for trading on the ASX.
- (b) As at 11 December 2017, there are:
 - (i) 194,418,716 Target Shares on issue;
 - (ii) 1,560,834 Target Performance Rights on issue or agreed to be granted; and
 - (iii) 1,293,859 Target Share Appreciation Rights on issue.
- (c) Bidder is an Australian private proprietary company.
- (d) If this Scheme becomes Effective:
 - (i) in consideration for the transfer of each Scheme Share to Bidder, Bidder will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme and the Deed Poll; and
 - (ii) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder and Target will enter the name of Bidder in the Share Register in respect of all the Scheme Shares.
- (e) Bidder and Target have entered into the Implementation Deed in respect of (among other things) the implementation of this Scheme.
- (f) This Scheme attributes actions to Bidder but does not itself impose any obligations on Bidder to perform those actions. By executing the Deed Poll, Bidder has agreed

to perform the actions attributed to it under this Scheme, including payment of the Scheme Consideration in accordance with the terms of this Scheme.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until and unless the following conditions precedent are satisfied:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in clause 3.1(b) of the Implementation Deed relating to Court approval of this Scheme) are satisfied or waived in accordance with the terms of the Implementation Deed by 8:00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll is terminated in accordance with its terms before 8.00am on the Second Court Date;
- (c) this Scheme is approved by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Target and Bidder;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Target and Bidder are satisfied or waived; and
- (e) the order of the Court made under section 411(4)(b) of the Corporations Act approving this Scheme comes into effect pursuant to section 411(10) of the Corporations Act.

3.2 Certificates

- (a) Each of Target and Bidder will provide a certificate (or such other evidence as the Court may require) to the Court at the Second Court Hearing confirming (in respect of matters within their knowledge) whether or not the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived.
- (b) The certificates given by Target and Bidder constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms, unless Bidder and Target otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

For the purposes of section 411(10) of the Corporations Act, Target must lodge with ASIC an office copy of the order made by the Court under section 411(4)(b) of the Corporations Act approving this Scheme as soon as possible and in any event before 5:00pm Perth time on the Business Day following the day on which the Court approves this Scheme or such later date as Target and Bidder agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5.2(a) and Target having provided Bidder with written confirmation thereof, the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (i) Target duly completing and executing the Scheme Transfer, duly executed on behalf of the Scheme Shareholders (as transferors), and delivering it to Bidder; and
 - (ii) Bidder duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to Target for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a), Target must enter, or procure the entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, each Scheme Shareholder will be entitled to the Scheme Consideration for each Scheme Share.

5.2 Provision of Scheme Consideration

- (a) Bidder will provide the Scheme Consideration by depositing in cleared funds an amount equal to the Aggregate Scheme Consideration into the Trust Account by no later than the Business Day before the Implementation Date (provided that any interest on the amount so deposited (less bank fees and other charges) (**Accrued Interest**) will accrue for the benefit of Bidder).
- (b) Subject to Bidder having provided the Scheme Consideration in accordance with clause 5.2(a), Target must, on the Implementation Date and from the Trust Account, pay or procure the payment to each Scheme Shareholder the proportion of the Aggregate Scheme Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Scheme Record Date, which obligation will be satisfied by Target:

- (i) where a Scheme Shareholder has, before the Scheme Record Date, made an election in accordance with the requirements of the Share Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) whether or not a Scheme Shareholder has made an election referred to in clause 5.2(b)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 5.3).
- (c) In the event that:
- (i) either:
 - (A) a Scheme Shareholder does not have a Registered Address; or
 - (B) Target as the trustee for the Scheme Shareholders believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address,

and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded; or
 - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.4(a),

Target as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1990 (WA)*. To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1990 (WA)*.

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1990 (WA)*, Target must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (d) To the extent that there is a surplus in the amount held by Target as the trustee for the Scheme Shareholders in the Trust Account, that surplus may be paid by Target as the trustee for the Scheme Shareholders to Bidder following the satisfaction of Target's obligations as the trustee for the Scheme Shareholders under this clause 5.2.
- (e) Target must pay any Accrued Interest to any account nominated by Bidder following satisfaction of Target's obligations under clause 5.2(b) (and, in any event, on the Implementation Date).

5.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Scheme Record Date; and
- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the Share Register as at the Scheme Record Date.

5.4 Cancellation and re-issue of cheques

- (a) Target may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Share Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under clause 5.4(a) must be reissued.

5.5 Unclaimed monies

- (a) The *Unclaimed Money Act 1990* (WA) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act 1990* (WA)).
- (b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

5.6 Orders of a court

If written notice is given to Target (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which sum would otherwise be payable to that Scheme Shareholder by Target in accordance with this clause 5, then Target will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or
- (b) prevents Target from making a payment to a particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, Target will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law.

6 Dealings in Target Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Target Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Target Shares at or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Scheme Record Date at the place where the Share Register is kept,

and Target must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received on or after the Scheme Record Date, or received prior to the Scheme Record Date but not in registrable or actionable form.

6.2 Share Register

- (a) Target must register registrable transmission applications or transfers of Target Shares in accordance with clause 6.1(b) at or before the Scheme Record Date, provided that nothing in this clause 6.2(a) requires Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, a Scheme Shareholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Target will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Target Shares (other than statements of holding in favour of Bidder) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Target Shares relating to that entry.
- (e) As soon as possible after the Scheme Record Date, and in any event within two Business Days after the Scheme Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Share Register as at the Scheme Record Date are available to Bidder in the form Bidder reasonably requires.

7 Quotation of Target Shares

- (a) Target will apply to ASX to suspend trading in Target Shares with effect from the close of trading on the Effective Date.
- (b) Target will apply:
 - (i) for termination of the official quotation of Target Shares on the ASX; and
 - (ii) to have itself removed from the official list of ASX,in each case with effect on and from the close of trading on the trading day immediately following the Implementation Date.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Target may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Target has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those shares in accordance with this Scheme;
 - (ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
 - (iii) agrees to, on the direction of the Bidder, destroy any share certificates relating to their Scheme Shares; and
 - (iv) acknowledges that this Scheme binds Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Bidder, and appointed and authorised Target as its attorney and agent to warrant to Bidder, that:
 - (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
 - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and

- (B) restrictions on transfer of any kind; and
- (ii) they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those shares.
- (iii) as at the Scheme Record Date, it has no existing right to be issued any other Scheme Shares or any other form of Target securities. Target undertakes that it will provide such warranty to Bidder as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Bidder, vest in Bidder free from all:
 - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind.
- (b) Upon the Scheme becoming Effective, Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Target of Bidder in the Share Register as the holder of the Scheme Shares. Bidder's entitlement to be registered in the Share Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

8.4 Appointment of sole proxy

Upon the Scheme becoming Effective and until Target registers Bidder as the holder of all Scheme Shares in the Share Register:

- (a) each Scheme Shareholder is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution whether in person, by proxy or by corporate representative;
- (b) no Scheme Shareholder may itself attend or vote at any shareholders' meetings or sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) each Scheme Shareholder must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) each Scheme Shareholder acknowledges and agrees that in exercising the powers conferred by clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to Target

On the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the Deed Poll against Bidder; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

and Target accepts such appointment. Target, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.6 Binding effect of this Scheme

This Scheme binds Target and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target.

9 General

9.1 Stamp duty

Bidder will:

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in connection with the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme or the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each Scheme Shareholder consents to Target doing all things necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the Share Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law and jurisdiction

- (a) This Scheme is governed by the laws in force in Western Australia.
- (b) Each party irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.4(b)(i).

9.5 Further action

Target must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

None of Target, Bidder or any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Schedule 1 Dictionary

1 Dictionary

Accrued Interest has the meaning given in clause 5.2(a).

Aggregate Scheme Consideration means the amount calculated by multiplying the number of Scheme Shares by the Scheme Consideration.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it known as the "Australian Securities Exchange".

Bidder means Cleanaway (No. 1) Pty Ltd ACN 623 274 466 of 441 St Kilda Road, Melbourne, Victoria 3004.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Perth or Melbourne, Australia.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Target and Bidder.

Deed Poll means the deed poll dated [insert date] under which Bidder covenants, and Guarantor jointly and severally covenants, in favour of Scheme Shareholders to provide the Scheme Consideration in accordance with the terms of this Scheme.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date has the meaning given in the Implementation Deed.

First Court Date means the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting is heard, with such hearing being the **First Court Hearing**.

Government Agency means:

- (a) any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including, for the avoidance of doubt, the ACCC and the Australian Competition Tribunal), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Guarantor means Cleanaway Waste Management Limited ACN 101 155 220 of 441 St Kilda Road, Melbourne, Victoria 3004.

Implementation Deed means the scheme implementation deed dated 11 December 2017 between Bidder, Guarantor and Target relating to (among other things) the implementation of this Scheme.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other day as the parties agree in writing.

Listing Rules means the official listing rules of ASX.

Registered Address means, in relation to a Target Shareholder, the address shown in the Share Register as at the Scheme Record Date.

Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Target.

Scheme Consideration has the meaning given in the Implementation Deed.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened at the First Court Hearing.

Scheme Record Date means 7:00pm on the fifth Business Day after the Effective Date.

Scheme Share means a Target Share held by a Scheme Shareholder as at the Scheme Record Date.

Scheme Shareholder means a Target Shareholder as at the Scheme Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Share Register means the register of members maintained by (or on behalf of) Target in accordance with the Corporations Act.

Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

Target Performance Right has the meaning given in the Implementation Deed.

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

Target Share Appreciation Right has the meaning given in the Implementation Deed.

Target Shareholder means a holder of one or more Target Shares, as shown in the Share Register.

Trust Account means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Target as trustee for the Scheme Shareholders, details of which Target must notify to Bidder no later than 5 Business Days

before the Implementation Date. To avoid doubt, any Accrued Interest on funds in the Trust Account will not be held by Target on trust for the Scheme Shareholders but rather will be held by Target on trust for Bidder.

2 Interpretation

In this Scheme, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this Scheme.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words “include”, “including” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
 - (i) a person includes a natural person, estate of a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this Scheme (as applicable);
 - (vi) this Scheme includes all schedules to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this Scheme) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a reference to a date or time is to that date or time in Perth, Australia;
 - (x) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends; and
 - (xi) a monetary amount is in Australian dollars.

ANNEXURE D

DEED POLL

For personal use only



Deed poll

Cleanaway (No. 1) Pty Ltd

Cleanaway Waste Management Limited

In favour of each person registered as a holder of fully paid ordinary shares in Tox Free Solutions Limited as at the Scheme Record Date

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Date:

Parties

- 1 **Cleanaway (No. 1) Pty Ltd** ACN 623 274 466 of 441 St Kilda Road, Melbourne, Victoria 3004 (**Bidder**)
 - 2 **Cleanaway Waste Management Limited** ACN 101 155 220 of 441 St Kilda Road, Melbourne, Victoria 3004 (**Guarantor**)
In favour of each person registered as a holder of fully paid ordinary shares in Tox Free Solutions Limited (**Target**) as at the Scheme Record Date (**Scheme Shareholders**)
-

Background

- A Bidder, Guarantor and Target have entered into the Implementation Deed, under which Bidder is to pay the Scheme Consideration and acquire all Scheme Shares held by Scheme Shareholders under the Scheme, and also under which Bidder and Guarantor have agreed to enter into this deed poll.
 - B Bidder and Guarantor are entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to procure and undertake the actions attributed to Bidder under the Scheme.
-

1 Defined terms and interpretation

1.1 Defined terms

Unless the context otherwise requires:

- (a) **Implementation Deed** means the scheme implementation deed dated 11 December 2017 between Bidder, Guarantor and Target relating to (among other things) the implementation of this Scheme;
- (b) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, in the form of Attachment B to the Implementation Deed, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act; and
- (c) terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 2 of Schedule 1 of the Scheme applies to the interpretation of this deed poll, except that references to 'Scheme' are to be read as references to 'deed poll'.

1.3 Nature of deed poll

Bidder and Guarantor acknowledge and agree that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder and Guarantor.

2 Conditions

2.1 Conditions

The obligations of Bidder and Guarantor under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder and Guarantor under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other available rights, powers or remedies:

- (a) Bidder and Guarantor are released from their obligations to further perform this deed poll except those obligations under clause 6.1 and any other obligations which by their nature survive termination; and
- (b) each Scheme Shareholder retains the rights they have against Bidder and Guarantor in respect of any breach of this deed poll which occurs before it was terminated.

3 Scheme obligations

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to, and Guarantor undertakes in favour of each Scheme Shareholder to unconditionally and irrevocably guarantee the obligation of Bidder to:

- (a) deposit (or procure the deposit of) the Aggregate Scheme Consideration payable to all of the Scheme Shareholders in cleared funds into the Trust Account no later than the Business Day before the Implementation Date; and
- (b) undertake all other actions attributed to it under the Scheme, as if named as a party to the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

4 Warranties

Each of Bidder and Guarantor represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;

- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll;
- (d) this deed poll is valid and binding on it and is enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any write, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder and Guarantor have each fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 General

6.1 Stamp duty

Bidder must (and Guarantor unconditionally and irrevocably guarantees the obligation of Bidder to):

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in connection with the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Notices

- (a) Any notice or other communication to Bidder or Guarantor in connection with this deed poll must be:
 - (i) in legible writing in English;
 - (ii) signed by the person making the communication or that person's duly authorised agent; and
 - (iii) given by hand delivery, pre-paid post or email in accordance with the details set out below:

Bidder / Guarantor

Attention: Mr Dan Last

Address: Level 4, 441 St Kilda Road, Melbourne VIC 3004 Australia

Fax: +61 3 8397 5180

Email: dan.last@cleanaway.com.au

with a copy (for information purposes only) to npathak@gtlaw.com.au (by email)

- (b) Subject to clause 6.2(c), any notice or other communication given in accordance with clause 6.2(a) will be deemed to have been duly given as follows:
- (i) if delivered by hand, on delivery;
 - (ii) if sent by pre-paid post, on receipt; and
 - (iii) if sent by email:
 - (A) when the sender receives an email from the recipient confirming receipt of the email; or
 - (B) two hours after the time sent (as recorded on the device from which the email was sent), provided that the sender does not receive an automated message that the email has not been delivered,
- whichever happens first.
- (c) Any notice or other communication that, pursuant to clause 6.2(b), would be deemed to be given:
- (i) other than on a Business Day or after 5:00pm on a Business Day is regarded as given at 9:00am on the following Business Day; and
 - (ii) before 9:00am on a Business Day is regarded as given at 9:00am on that Business Day,

where references to time are to time in the place the recipient is located.

6.3 Cumulative rights

The rights, powers and remedies of Bidder, Guarantor and the Scheme Shareholders under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

6.4 Waiver and variation

- (a) A party waives a right under this deed poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of:
 - (i) any right, power or remedy provided by law or under this deed poll; or

- (ii) any right, power, authority, discretion or remedy created or arising upon default under this deed poll,

by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

- (c) A provision of this deed poll may not be varied unless:

- (i) if before the First Court Date, the variation is agreed to by Target in writing; or
- (ii) if on or after the First Court Date, the variation is agreed to by Target in writing and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder and Guarantor must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

- (d) Neither Bidder nor Guarantor may rely on any conduct of another person as a defence to the exercise of a right, power, authority, discretion or remedy by that other person.
- (e) This clause 6.4 may not itself be waived except in writing.

6.5 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in Western Australia.
- (b) Each party irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.5(b)(i).

6.6 Assignment

- (a) The rights created by this deed poll are personal to Bidder, Guarantor and each Scheme Shareholder and must not be dealt with at law or in equity.
- (b) Any purported dealing in contravention of clause 6.6(a) is invalid.

6.7 Joint and several obligations

Bidder and Guarantor are jointly and severally liable for each obligation imposed on both of them by the terms of this deed poll.

6.8 Further action

Bidder and Guarantor must, at their own expense, promptly do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Execution page

Executed as a deed

Signed, sealed and delivered by **Cleanaway (No. 1) Pty Ltd** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:





Signature of director

Signature of ~~director~~/secretary

Vik Bansal

Dan Last

Name of director (print)

Name of ~~director~~/secretary (print)

Signed, sealed and delivered by **Cleanaway Waste Management Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:





Signature of director

Signature of ~~director~~/secretary

Vik Bansal

Dan Last

Name of director (print)

Name of ~~director~~/secretary (print)

ANNEXURE E

NOTICE OF SCHEME MEETING

TOX FREE SOLUTIONS LIMITED

ACN 058 596 124

NOTICE OF SCHEME MEETING

Notice of Court ordered Scheme Meeting of Toxfree Shareholders

Notice is hereby given, by an order of the Federal Court of Australia made on 2 March 2018 pursuant to section 411(1) of the Corporations Act, that a meeting of holders of ordinary shares in Tox Free Solutions Limited (**Toxfree**) (**Toxfree Shareholders**) will be held at 10.00 am (Perth time) on 6 April 2018 at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth, Western Australia.

The Court has also directed that Mr Robert McKinnon or, failing him, Mr Michael Humphris, act as the chair of the Scheme Meeting.

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve a scheme of arrangement (with or without any modifications or conditions approved by the Court which are acceptable to Toxfree and Cleanaway (No.1) Pty Ltd) proposed to be made between Toxfree and Toxfree Shareholders (**Scheme**).

To enable you to make an informed voting decision, further information on the Scheme is set out in the Scheme Booklet which this notice forms part of. Unless otherwise defined, capitalised terms used in this notice have the same meaning as set out in the defined terms in Section 10 of the Scheme Booklet.

Business of the meeting

Resolution – Approval of the Scheme

To consider and, if thought fit, to pass the following resolution (**Scheme Resolution**):

“That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act, the members approve the arrangement between Tox Free Solutions Limited and the holders of its fully paid ordinary shares, designated the “Scheme”, as contained in and more particularly described in the Scheme Booklet accompanying the Notice of Scheme Meeting (with or without any modifications or conditions approved at this meeting or approved by the Federal Court of Australia after this meeting, and which are acceptable to Toxfree and Cleanaway (No. 1) Pty Ltd) is approved and, subject to approval of the Scheme by the Court, the Toxfree Board is authorised to implement the Scheme with any such modifications or conditions.”

BY ORDER OF THE COURT

David McArthur
Company Secretary
Tox Free Solutions Limited

Dated 2 March 2018

EXPLANATORY NOTES

General

The Notice of Scheme Meeting relates to the Scheme and should be read in conjunction with the balance of the Scheme Booklet. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution, including the information prescribed by the Corporations Act and the Corporations Regulations.

A copy of the Scheme is set out in Annexure C of the Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be approved by:

- a. unless the Court orders otherwise, a majority in number (more than 50%) of Toxfree Shareholders present and voting at the Scheme Meeting (either in person, by proxy or attorney or in the case of corporate Toxfree Shareholders, by a duly appointed corporate representative); and
- b. at least 75% of the total number of votes cast on the Scheme Resolution by Toxfree Shareholders at the Scheme Meeting.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the Requisite Majorities and the other Conditions are satisfied or waived (as applicable), Toxfree intends to apply to the Court for approval of the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

VOTING

The Toxfree Directors believe that the Scheme is attractive and in the best interests of Toxfree Shareholders and recommend that Toxfree Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Toxfree Shareholders.

Each of the Toxfree Directors intend to vote all of the Toxfree Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude the Scheme is in the best interests of Toxfree Shareholders.

Voting entitlement

The Toxfree Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that Toxfree Shareholders who are registered on the Toxfree Share Register as at 5.00 pm (Perth time) on 4 April 2018 may vote at the Scheme Meeting in person, by attorney, by proxy or, in the case of a body corporate, by corporate representative.

How to vote

Toxfree Shareholders can vote by either:

- a. attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- b. appointing a proxy to attend and vote on their behalf using the Proxy Form accompanying this Notice of Scheme Meeting and by submitting the proxy appointment and voting instructions as set out below.

Voting in person (or by attorney)

Toxfree Shareholders, or their attorneys, who plan to attend the Scheme Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Scheme Meeting, so that their shareholding may be checked against the Toxfree Share Register and attendance recorded.

Shareholders wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Toxfree for notation, deliver to the Share Registry (at the address or fax number provided below) the original instrument appointing the attorney or a certified copy of it by 10.00 am (Perth time) on 4 April 2018.

Voting by a corporation

A Toxfree Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, their name and address and the identity of their appointer.

Voting by proxy

Toxfree Shareholders who wish to appoint a proxy to attend and vote at the Scheme Meeting, must complete and return the Proxy Form accompanying this Notice of Scheme Meeting to the Share Registry.

The Proxy Form must be received by the Share Registry (as indicated on the Proxy Form you receive) by no later than 10.00 am (Perth time) on 4 April 2018.

You must return the Proxy Form to the Share Registry by lodging, sending, delivering or faxing it as follows:

Online: www.investorvote.com.au

Mail to: Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Fax to: 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

Custodians: For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

A Proxy Form must be signed by the Toxfree Shareholder or the Toxfree Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act.

If a proxy appointment is signed by or validly authenticated by a Toxfree Shareholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Scheme Meeting may act as proxy.

If:

- a. a Toxfree Shareholder nominates the chairman of the Scheme Meeting as the Toxfree Shareholder's proxy; or
- b. a proxy appointment is signed by a Toxfree Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

the person acting as chairman in respect of an item of business at the Scheme Meeting must act as proxy under the appointment in respect of that item of business.

Proxy appointments in favour of the chairman of the Scheme Meeting, the Toxfree company secretary or any Toxfree Director which do not contain a direction will be voted in support of the resolution at the Scheme Meeting.

A Toxfree Shareholder who wishes to submit a proxy has the right to appoint a proxy (who need not be a Toxfree Shareholder) to represent him, her or it at the Scheme Meeting, other than the chairman of the Scheme Meeting, by inserting the name of his chosen proxy in the space provided for that purpose on the Proxy Form.

A Toxfree Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes (disregarding fractions). The Toxfree Shares represented by proxy will be voted for or against or withheld from voting in accordance with instructions of the Toxfree Shareholder on any ballot that may be called for, and if the Toxfree Shareholder specifies a choice with respect to any matter to be acted upon, the Toxfree Shares will be voted accordingly.

A Toxfree Shareholder who has deposited a Proxy Form may revoke it prior to its use, by instrument in writing executed by the Toxfree Shareholder or by his, her or its attorney duly authorised in writing or, if the Toxfree Shareholder is a company, executed by a duly authorised officer or attorney in compliance with applicable law and deposited at the Share Registry by 10.00 am (Perth time) on 4 April 2018 or with the chairman of the Scheme Meeting on the day of, and prior to the start of, the Scheme Meeting. A Toxfree Shareholder may also revoke a proxy in any other manner permitted by law.

Further information for Toxfree Shareholders

If you have any questions please contact the Toxfree Shareholder Information Line on 1300 153 326 (within Australia) or +61 3 9415 4343 (outside of Australia) between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

DIRECTORY

Tox Free Solutions Limited

Level 1, 31 Cliff Street
Fremantle WA 6160
AUSTRALIA

Company Secretary

David McArthur

Legal Adviser to Toxfree

Clayton Utz
Level 27, QV.1 Building
250 St Georges Terrace
Perth WA 6000
AUSTRALIA

Share Registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth WA 6000
AUSTRALIA

Website

<http://www.toxfree.com.au/>

Toxfree Shareholder Information Line

1300 153 326 (within Australia)
+61 3 9415 4343 (outside of Australia)

The Toxfree Shareholder Information Line is open between 5.30 am and 2.00 pm (Perth time) on Business Days prior to 1 April 2018 and between 6.30 am and 3.00 pm (Perth time) on Business Days after that date.

Directors

Robert McKinnon
Stephen Gostlow
Michael Humphris
Richard Allen
Katherine Hirschfeld

Financial Adviser to Toxfree

Morgan Stanley Australia Limited
Level 39, Chifley Tower
2 Chifley Square
Sydney NSW 2000
AUSTRALIA

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
AUSTRALIA

Independent Expert

Loneragan Edwards & Associates Limited
Level 7, 64 Castlereagh St
Sydney NSW 2000
AUSTRALIA

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Tox Free Solutions Limited
 ABN 27 058 596 124

TOX
 MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Lodge your Proxy:

Online:
www.investorvote.com.au

By Mail:
 Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

Alternatively you can fax your form to
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
 (custodians) www.intermediaryonline.com

For all enquiries call:
 (within Australia) 1300 850 505
 (outside Australia) +61 3 9415 4000

Proxy Form

XX



Lodge proxy form online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to lodge your Proxy form.



Your access information that you will need:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective your proxy must be received by 10:00am (Perth time) Wednesday 4

**April 2018
 How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO LODGE YOUR PROXY FORM,
 or turn over to complete the form →**

This Document is printed on Greenhouse Friendly™ ENVI Laser Carbon Neutral Paper

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Tox Free Solutions Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Tox Free Solutions Limited to be held at the Parmelia Hilton (Karri Room), 14 Mill Street, Perth, Western Australia on Friday, 6 April 2018 at 10:00am (Perth time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Resolution Approval of the Scheme

For Against Abstain

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /

TOX

999999A

Computershare +