



Watson Brown HSM Ltd.

ECO12 Investor Pitch
March 22-23, 2012 in Berlin

The Company

- **Watson Brown HSM Ltd. founded 1997**
 - Goal to commercialize Dr. W.F. Watson's invention of mechanochemical processing of rubber
 - Resulted in development of High Shear Mixer (HSM)

- **Technology scaled up from laboratory to commercial scale machines in current 2 operations**
 - Larger machines in early design phase will provide commercial economies of scale

- **Patent protection granted** on machine and process in 1999 in key markets with updated patent granted in EU (2007) and pending elsewhere.

- **Independent commercial validation of the HSM process since 2003**

The Business

- **Scrap rate in rubber manufacturing is between 5-50% equals in a EUR 4B – EUR 5.5B in lost value, excluding the tire industry.**
- **We think we are the only company who can recover this value through a true closed loop recycling. We can do this with our unique devulcanisation process**
- **Technology and Business model is proven with several billion dollar reference customers, presently doing toll processing at 2 plants**
- **Profitable within next year, highly scalable**

The Market – Rubber Processing Industry

- Rubber industry is (a) a critical multi-billion dollar industry; and (b) a very heavy energy user.
- Demand for rubber products is soaring, with three billion more middle class consumers emerging in the next 20 years. Commodity prices have increased sharply, erasing all the declines of the 20th century and resource price volatility is at an all time high (McKinsey & Company, 2011)
- Some 2 to 3 million tonnes of rubber are wasted (**EUR 4B – EUR 5.5B in lost value**) each year in **production scrap**. It is not **truly** recycled (only down-cycled) because the process of rubber “vulcanisation” is perceived to be irreversible.



* Vulcanisation is the chemical process for converting or “setting” raw rubber or related polymers into more durable materials via the addition of sulfur or other equivalent “curatives.” These additives modify the polymer by forming crosslinks (bridges) between individual polymer chains

Product

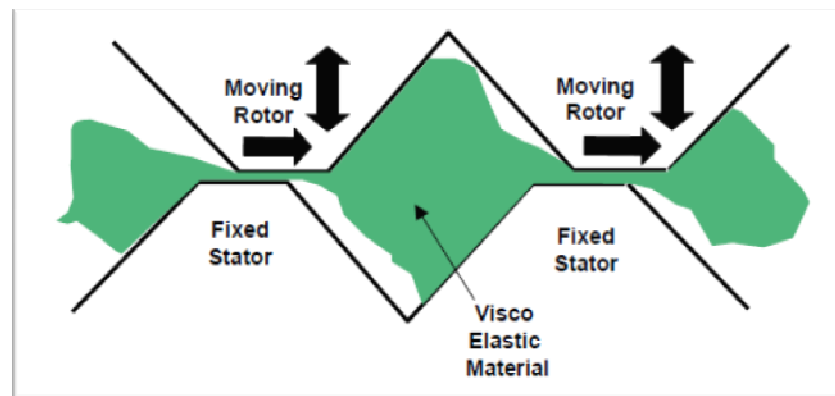
- Growing need to monetise scrap rubber and reuse it in production
- Watson Brown's unique, patented solution enables GENUINE rubber scrap recycling through reversing the process of vulcanisation
- Watson Brown provides rubber companies with a ZERO PRODUCTION WASTE solution without compromising product integrity and performance



Watson Brown's recycling process is believed to use between 1% and 10% of the energy required to manufacture a tonne of virgin rubber.

HSM Technology

- HSM machines incorporate Dr. Watson's patented machine rotor/stator geometry
- Proprietary software and process monitoring and control
- Embedded processing knowledge defines process regimes to achieve effective and efficient devulcanisation – these are a closely guarded trade secret and form the “black box” aspect of Watson Brown's IP



Management Team

- **Wayne Maddever – CEO**

Wayne Maddever received his Doctorate from the Department of Materials Science Engineering at the University of Toronto. He has considerable experience in the field of recycling and solid waste management, having headed a Division of St. Lawrence Starch, which developed and commercialized degradable plastics. Later, he was President of Resource Plastics, one of the first and largest, post-consumer plastics waste recycling facilities in North America. He has held senior management positions at a number of technically based private and publicly held companies. Dr. Maddever holds several patents and is the author of numerous technical papers in several fields and is co-author of a textbook on degradable plastics.

- **Ralf Kraemer – COO**

Ralf Kraemer received his Degree in Business & Engineering / Dipl.-Wirtsch.-Ing. (FH) from the University of Applied Science FHTW Berlin. He has considerable experience in the Semiconductor Chemical, Electronic, Plastics and Machinery Industry. He has held senior management positions at a number of technically based private and publicly held companies. He founded and was previously head of the India operation of KraussMaffei Munich. Ralf Kraemer was co-speaker on several international conferences in India and South Africa. He is a member of VDI (Association of German Engineers) and SAE (Society of Automotive Engineers).

Financial Projections

<u>Income Statement</u>	Currency = EUR	2011	2012	2013	2014	2015	2016
Revenues	UK						
	Germany	96.050	555.430	1.764.066	3.857.476	4.004.736	4.016.736
	Canada	11.915	404.832	1.135.326	3.568.039	3.824.123	2.851.503
	New Site 1	-	-	-	-	1.200.000	1.620.000
	New Site 2	-	-	-	112.500	1.012.500	1.597.500
	Machine sales	-	-	1.880.000	6.298.000	7.520.000	10.058.000
	Royalties on sold machines	-	-	7.500	180.000	525.000	922.500
Total revenues		107.965	960.262	5.199.392	14.381.015	17.506.359	21.066.239
Direct Costs		(82.156)	(360.588)	(2.310.610)	(6.338.030)	(7.531.110)	(9.506.798)
Gross Profit		25.808	599.674	2.888.782	8.042.985	9.975.249	11.559.441
<i>Margin</i>		24%	62%	56%	56%	57%	55%
Indirect Costs		(424.152)	(1.090.851)	(1.688.080)	(2.316.426)	(2.334.426)	(2.366.611)
EBITDA		(398.344)	(491.177)	1.200.702	5.726.558	7.640.823	9.192.830
<i>Margin</i>		(37%)	(51%)	23%	40%	43%	44%
Depreciation		(71.451)	(239.815)	(301.843)	(308.882)	(308.882)	(570.606)
EBIT		(469.795)	(724.915)	801.643	5.067.958	7.009.941	8.622.224

Summary

- **Customer Value Proposition**
 - WB technology offers customer 'closed loop' recycling and reduces raw material and scrap disposal costs.
 - Recognizes high value of rubber scrap
 - New generation of engineered compounds is possible.

- **Business Model and Strategy**
 - Healthy margin toll processing of customer rubber scrap materials in Watson Brown own-operated hubs.
 - Sale/lease of dedicated machine to large customers
 - Royalty fee for sold machines

- **Highly skilled management and technical team**
- **Funding amount EUR 5M**
- **Use of funds**
 - Working capital
 - Design and build larger HSM machine
 - Construction of new production facilities

Thank you for listening

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