

THE ENVIRONMENTAL GROUP LIMITED

ACN 000 013 427

OFFER DOCUMENT

For a pro rata non-renounceable rights issue to Eligible Shareholders on the basis of 1 New Share for every 20 existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.025 per New Share to raise approximately \$312,665 (before costs) (**Offer**).

The Offer opens on Thursday, 17 September 2020 and closes at 5:00pm (EST) on Tuesday, 29 September 2020 (unless it is lawfully extended). Valid acceptances must be received before that time.

Applications for New Shares by Eligible Shareholders can only be made by using or following the instructions on an Entitlement and Acceptance Form or Shortfall Application Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Eligible Shareholders' Entitlement to participate in the Offer.

Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form.

This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document.

The New Shares offered by this Offer Document should be considered as speculative.

TABLE OF CONTENTS

1.	IMPORTANT INFORMATION.....	1
2.	CORPORATE DIRECTORY.....	4
3.	INDICATIVE TIMETABLE.....	5
4.	DETAILS OF THE OFFER.....	6
5.	ACTION REQUIRED BY SHAREHOLDERS	14
6.	RISK FACTORS	17
7.	DEFINED TERMS.....	21

1. IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

1.1 This document is not a prospectus

This Offer Document is dated 8 September 2020, has been prepared by The Environmental Group Limited and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document. The ASIC, the ASX and their officers, do not take responsibility for the contents of this Offer Document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in Section 6 of this document. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

1.2 Section 708AA of the Corporations Act

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84 (**ASIC Instrument 2016/84**). In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

1.3 Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholders' Entitlement to participate in the Offer.

1.4 Overseas Shareholders

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

The Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would

be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

New Zealand Shareholders

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.5 Notice to nominees and custodians

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.6 Forward-looking statements

This Offer Document contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Offer Document, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Offer Document will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6 of this Offer Document.

1.7 Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

2. CORPORATE DIRECTORY

Directors

Mr Ellis Richardson
(Managing Director)

Ms Lynn Richardson
(Chairman)

Mr Dean Dowie
(Non-Executive Director)

Company Secretaries

Mr Stephen Strubel

Mr Andrew Bush

Registered Office

Level 1
Suite 1
10 Ferntree Place
NOTTING HILL VIC 3168

Telephone: +61 3 9763 6711

Email: admin@egl.com.au

Website: www.environmental.com.au

ASX Code

EGL

Share Registry*

Boardroom Pty Limited
Level 12
225 George Street
SYDNEY NSW 2000

Legal Advisers

Steinepreis Paganin
Level 4
50 Market Street
MELBOURNE VIC 3000

Corporate Advisor

Sequoia Corporate Finance Pty Ltd Ltd
Level 8
525 Flinders Street
MELBOURNE VIC 3000

Auditor*

RSM Australia Partners
Level 13
60 Castlereagh Street
SYDNEY NSW 2000

*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

3. INDICATIVE TIMETABLE

Announcement of Offer & Appendix 3B	Thursday, 3 September 2020
Lodgement of Offer Document and Cleansing Notice with ASX	Tuesday, 8 September 2020
Ex date	Friday, 11 September 2020
Record Date for determining Entitlements	Monday, 14 September 2020
Offer Document despatched to Shareholders & Company announces despatch has been completed	Thursday, 17 September 2020
Last day to extend Closing Date	Thursday, 24 September 2020
Closing Date	Tuesday, 29 September 2020
Securities quoted on a deferred settlement basis from market open	Wednesday, 30 September 2020
Announcement of results of issue	Friday, 2 October 2020
Issue date and lodgement of Appendix 2A with ASX applying for quotation of the securities (before noon Sydney time)	Tuesday, 6 October 2020

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

4. DETAILS OF THE OFFER

4.1 Placement

As announced on 3 September 2020, the Company has received commitments from sophisticated and professional investors to raise approximately \$815,000 (before costs) through the issue of a total of 32,600,000 Shares at an issue price of \$0.025 per Share (**Placement**).

The funds raised from the Placement are planned to be used to pay down short-term debt and for day to day working capital.

It is anticipated that the Shares under the Placement will be issued on or around 9 September 2020 pursuant to the Company's available placement capacity under ASX Listing Rule 7.1.

Further details in respect of the Placement are set out in the Company's ASX announcement "Placement and entitlement issue to raise up to \$1.1m" dated 3 September 2020

4.2 The Offer

The Offer is being made as a non-renounceable entitlement offer of 1 New Share for every 20 Shares held by Eligible Shareholders registered at the Record Date at an issue price of \$0.025 per Share. Fractional Entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as set out in Section 4.7 of this Offer Document (which assumes that 32,600,000 Placement Shares have been issued), a maximum of approximately 12,506,586 Shares will be issued pursuant to this Offer to raise up to approximately \$312,645.

As at the date of this Offer Document, the Company has no Options on issue.

All of the Shares offered under this Offer Document will rank equally with the Shares on issue at the date of this Offer Document.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

4.3 Use of Funds

Completion of the Offer will result in an increase in cash in hand of up to approximately \$312,665 (before the payment of costs associated with the Offer).

The Company intends to apply the funds raised under the Offer as follows:

Items of Expenditure	\$	%
Working capital ¹	\$265,029	84.76%
Expenses of the Offer	\$47,636	15.24%
Total	\$312,665	100%

Note:

1. Funds allocated to working capital will be used for paying down the Company's overdraft facility with the Westpac Banking Corporation.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

4.4 Corporate Advisor

Sequoia Corporate Finance Pty Ltd (ACN 602 219 072) (**Sequoia**) was appointed as the Company's corporate advisor on 24 October 2019 under a corporate advisory mandate (**Corporate Advisory Mandate**).

The material terms of the Corporate Advisory Mandate are as follows:

- (a) **Term:** The Corporate Advisory Mandate came into effect on its execution and will continue for a minimum term of 12 months (**Minimum Term**). The term of the Mandate will be automatically renewed at the end of the Minimum Term and at the end of each subsequent month unless either party gives one month's notice to the other that the Mandate is not to continue after the end of the next month (**Term**).
- (b) **Monthly Retainer:** The Company must pay Sequoia \$4,000 (plus GST) at the end of each month.
- (c) **Completion Fees (Capital Raisings):** Sequoia is entitled to receive a completion fee equivalent to 6% (exclusive of GST) of the gross amount raised under a capital raising that the Company completes during the Term, in cash.
- (d) **Completion Fees (Acquisitions):** In the event that the Company enters into an agreement to complete an acquisition:
 - (i) and has specifically requested that Sequoia assist, the Company shall pay Sequoia a fee equal to 2% (exclusive of GST) of the aggregate consideration paid to the vendor parties to complete that acquisition; or
 - (ii) that has been identified and brought to the Company by Sequoia, the Company shall pay Sequoia a fee equal to 3% (exclusive of GST) of the aggregate consideration paid to the vendor parties to complete that acquisition.
- (e) **Termination:** The parties may terminate the Mandate at any time by mutual agreement in writing. On termination of the Mandate, Sequoia is entitled to receive all fees and expenses (including any unbilled fees) which have accrued to, or have been incurred before, the effective date of termination.

Sequoia has received firm commitments from investors to taking up an aggregate total of \$200,000 under the Shortfall Offer.

The Company and Sequoia have agreed that the fee set out in (c) above will only apply to the amounts raised from the firm commitments that have been introduced by Sequoia. As such, the maximum amount that is payable to Sequoia under the Offer is \$12,000 (being 6% of \$200,000).

4.5 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 0 of this Offer Document.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance Form accompanying this Offer Document.

You can also apply for Shortfall Shares under the Shortfall Offer in addition to your Entitlement by following the instructions set out in Section 0. The Shortfall Offer is described in Section 5.6 below.

4.6 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

4.7 Capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares	Number
Shares currently on issue ¹	250,131,711
New Shares offered pursuant to the Offer ²	12,506,586
Total Shares on issue after completion of the Offer¹	262,638,297

Notes:

1. This number includes the 32,600,000 Shares that are to be issued under the Placement prior to the Record Date.
2. This number may vary due to rounding of Entitlements and may increase as a result of the rounding up of New Shares offered under the Offer.

No Shares on issue are subject to escrow restrictions, either voluntary or ASX imposed.

4.8 Directors Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Offer Document and their Entitlement is set out in the table below.

Director	Shares	Voting Power (%) ¹	Entitlement	Value of Entitlement
Mr Ellis Richardson	100,503,500	41.61% ²	5,025,175	\$125,629.38
Ms Lynn Richardson	3,571,429	41.61% ²	178,572	\$4,464.30
Mr Dean Dowie	310,630	0.12%	15,532	\$388.30

Notes:

1. Assuming the Placement has completed prior to the Record Date. The Company notes that the Directors have not participated in the Placement.

2. Comprising of the following Shares that Mr Ellis Richardson and Ms Lynn Richardson have a direct or indirect relevant interest in:
 - (a) 45,293,334 Shares that are held by Mr Ellis Richardson;
 - (b) 45,293,334 Shares that are held by Ms Denise Richardson, Mr Ellis Richardson's wife;
 - (c) 9,916,832 Shares that are held by Baltec Inlet & Exhaust Systems Pty Ltd, an entity that is controlled by Mr Ellis Richardson; and
 - (d) 3,571,429 Shares that are held by Richmarsh Investments Pty Ltd, an entity that is controlled by Ms Lynn Richardson.
 (together, the **Richardson Entities**).

Richmarsh Investments Pty Ltd, an entity that is controlled by Lynn Richardson, intends on taking up its full Entitlement. For further information, refer to Section 4.9 below.

Dean Dowie currently intends on taking up his full Entitlement. If Mr Dowie takes up his full Entitlement and no other Shares are issued under the Offer and the Shortfall Offer, his voting power will increase to 0.13%.

Ellis Richardson and his respective entities do not intend on taking up their Entitlements.

4.9 Effect of the Offer on control and voting power in the Company

The Company's substantial holders and their Entitlement prior to the Offer are set out in the table below.

Substantial Holder	Shares	Voting Power (%) ³	Entitlement	Value of Entitlement
Richardson Entities ¹	104,074,929	41.61%	5,203,747	\$130,094
Allabah Pty Ltd ²	23,999,259	9.59%	\$1,199,963	\$29,999

Notes:

1. Richmarsh Investments Pty Ltd, an entity that is controlled by Lynn Richardson, has indicated that it will take up its full Entitlement but will not apply for additional Shares under the Shortfall Offer.

The other Richardson Entities have indicated that they will not take up their respective Entitlements or apply for additional Shares under the Shortfall Offer.

Assuming that Richmarsh Investments Pty Ltd takes up its full Entitlement, the other Richardson Entities do not participate in the Offer and an aggregate total of 12,506,586 Shares are issued under the Offer and the Shortfall Offer, the Richardson Entities' voting power will be reduced to 39.69%.
2. If Allabah Pty Ltd takes up its full Entitlement and no other Shares are issued under the Offer or Shortfall Offer, its voting power will increase up to 10.03%.
3. The voting power in the table is prior to settlement of the Offer and assumes that the Placement has completed prior to the Record Date.
4. Neither of the substantial holders participated in the Placement.

In the event that all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

The effect on the control of the Company in the event that Shareholders do not participate in the Offer is further described in Section 4.10 below.

4.10 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings

are likely to be diluted by approximately 4.76% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record date	Approximate % at Record Date ¹	Entitlements under the Offer	Holdings if Offer not taken Up	Approximate % post Offer
Shareholder 1	50,000,000	19.99%	2,500,000	50,000,000	19.04%
Shareholder 2	25,000,000	9.99%	1,250,000	25,000,000	9.52%
Shareholder 3	10,000,000	4.00%	500,000	10,000,000	3.81%
Shareholder 4	1,000,000	0.40%	50,000	1,000,000	0.38%

Notes:

1. This is based on a share capital of 250,131,711 Shares at the date of this Offer Document (which, for the avoidance of doubt, includes the Shares to be issued under the Placement). For further details relating to the Placement, refer to Section 4.1 above.

Furthermore, the table below sets out the voting power of the Richardson Entities (as defined in Section 4.8 above) in the Company as at the Record Date and the potential increase to its voting power based on the following assumptions:

- the 32,600,000 Shares that are to be issued under the Placement are issued prior to the Record Date;
- Richmarsh Investments Pty Ltd takes up its full Entitlement;
- the other Richardson Entities take up its Entitlement;
- no other Shares are issued under the Offer or Shortfall Offer.

Shareholder	Current Shares	Current voting power	Richmarsh's Share Entitlement	Post Offer Shares	Post Offer maximum voting power
Richardson Entities	104,074,929	41.61%	178,572	104,253,501	41.65%

To the extent that the Richardson Entities' voting power increases as a result of the Offer, the Company intends to rely on the '3% creep' exception pursuant to item 8 of section 611 of the Corporations Act.

4.11 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the respective dates of those sales were:

	(\$)	Date
Highest	\$0.035	4 September 2020
Lowest	\$0.023	30 June 2020, 1-2 July 2020 & 13-14 July 2020

	(\$)	Date
Last	\$0.032	7 September 2020

4.12 Opening and Closing Dates

The Offer opens on the Opening Date, being Thursday, 17 September 2020, and closes on the Closing Date, being 5:00pm (EST) on Tuesday, 29 September 2020 (or such other dates as the Directors in their discretion shall determine subject to the ASX Listing Rules). The Company will accept Entitlement and Acceptance Forms until the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the ASX Listing Rules.

4.13 Issue and dispatch

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 3 of this Offer Document. Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement and Acceptance Form.

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 3 of this Offer Document.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

4.14 ASX listing

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

4.15 CHESS

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

4.16 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are non-exhaustive. Please refer to Section 6 of this Offer Document for further details.

4.17 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

4.18 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.environmental.com.au or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

4.19 Enquiries concerning Offer Document

Enquiries relating to this Offer Document should be directed to the Company on +61 3 9763 6711.

5. ACTION REQUIRED BY SHAREHOLDERS

5.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. You may participate in the Offer as follows:

- (a) **if you wish to accept your Entitlement in full:**
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque or arrange payment by BPAY® for the amount indicated on the Entitlement and Acceptance Form; or
- (b) **if you wish to take your full Entitlement and apply for Shares under the Shortfall Offer:**
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.025 per New Share); or
- (c) **if you only wish to accept part of your Entitlement:**
 - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.025 per New Share); or
- (d) **if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.**

Your completed Entitlement and Acceptance Form and payment must reach the Registry no later than 5:00pm (EST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

5.2 Taking up all your Entitlement and applying for Shortfall Shares

Should you wish to accept all of your Entitlement and apply for Shortfall Shares, then applications for Shortfall Shares under this Offer Document must be made on the Application Form which accompanies this Offer Document or by completing a BPAY® payment in accordance with the instructions referred to in Section 5.1(b) above and on the Entitlement and Acceptance Form. Please read the instructions carefully.

The terms of the Shortfall Offer are set out in Section 5.6 below.

5.3 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application monies, the Application may not be varied or withdrawn except as required by law.

5.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "The Environmental Group Limited" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm WST on the Closing Date.

5.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 2:00pm (EST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

5.6 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Offer Document and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.025 being the price at which Shares have been offered under the Offer.

Applications for Shortfall Shares under this Offer Document must be made on the Application Form which accompanies this Offer Document or by completing a BPAY® payment in accordance with the Application Form.

The Company will allow Eligible Shareholders to apply for Shortfall Shares in the Shortfall Offer in priority to the satisfaction of obligations of Sequoia subject to such applications being received by the Closing Date. Details on how Eligible Shareholders can apply for Shortfall Shares is set out in Section 5.2 above.

In the event of oversubscription from these applications they will be scaled back on a pro-rata basis in consultation with Sequoia.

In addition to Eligible Shareholders applying for Shortfall Shares, Sequoia will offer Shortfall Shares to sophisticated and professional investors, who must complete a Shortfall Application Form to subscribe for Shortfall Shares.

The Company notes that no Shares will be issued to an applicant under this Offer Document or via the Shortfall Offer if the issue of Shares would contravene the takeovers prohibition in section 606 of the Corporations Act. Similarly, if none of the exceptions set out in Listing Rule 10.12 apply, no Shares will be issued via the Shortfall Offer to any related parties of the Company or other persons who fall within the ambit of Listing Rule 10.11.

6. RISK FACTORS

6.1 Introduction

The Shares offered under this Offer Document are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Offer Document and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

There are numerous risk factors involved with the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed. However, this summary is not exhaustive and potential investors should examine the contents of this Offer Document in its entirety and consult their professional advisors before deciding whether to apply for the New Shares.

6.2 Company and Industry Risks

(a) Coronavirus (COVID-19)

The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to the impact of COVID-19 on its revenue channels and any adverse impact on the Company. If any of these impacts appear material prior to close of the Offer, the Company will notify investors under a supplementary Offer Document.

(b) Counterparty Risk

The Company conducts the significant proportion of its business with customers outside of Australia. This presents risks in the ability and the costs to the Company in recovering payments due to the Company. To date, the Company has not had any material difficulties in obtaining payment from its customers.

(c) **Competitor Risk**

The acquisition of a competitor of Baltec by a turbine manufacturer would most likely exclude Baltec from the supply of inlet or exhaust manifolds to that manufacturer's turbine, thus limiting the market for Baltec's products and services.

Baltec's competitors operate in many foreign countries and at any point in time the economic climate and labour laws in those countries may result in lower labour costs than those in Australia or the countries in which Baltec's employees or contractors operate.

(d) **Working Capital**

The ability to grow the business may be limited by prohibitive cash flow requirements of larger contracts. Larger contracts tend to have greater cash flow demands upon contractors and there will be a point at which the Company cannot support the cash flow requirements without sacrificing other business units or raising additional capital. There is no guarantee that additional capital will be available, or available on reasonable commercial terms.

(e) **Financing Risk**

There is no guarantee that the existing loans will be refinanced on commercial terms or otherwise repaid prior to their expiry.

(f) **Foreign Exchange Risk**

The Australian dollar margin earned by the Company on any contracts denominated in foreign currencies will be adversely affected by an increase in the Australian dollar exchange rate relative to the foreign currency in which payments under the contract are made to the Company. Conversely, depreciation in the Australian dollar against the foreign currency would improve the Company's margin and cash flow.

(g) **Licences**

The Company's operations are subject to receiving and maintaining licences from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of licences from any existing operations, additional licences for any possible future changes to operations, or additional permits associated with new legislation.

6.3 General Risks

(a) **Additional requirements for capital**

The funds raised under the Offer are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) **Financial Environment**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of its assets. Factors which contribute to that general economic climate include:

- (i) Contractions in the world economy or increases in rates of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- (ii) International currency fluctuations and changes in interest rates;
- (iii) The demand for and supply of capital and finance;
- (iv) Changes in government legislation and regulatory policy, including with regard to rates and types of taxation; and
- (v) Domestic and international economic and political conditions.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other illegal acts.

(c) **Government Legislation**

Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire or operate economic interests may affect the viability and profitability of the Company.

(d) **Accounting Standards and Tax Laws**

The Company is exposed to the risk of changes to accounting standards, applicable laws or their interpretation which may have a negative effect on the Company, its investments or returns to Shareholders including the risk of non-compliance with reporting or other legal obligations.

Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns.

6.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Offer Document. Therefore, the securities to be issued pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Offer Document.

7. DEFINED TERMS

\$ means an Australian dollar.

Applicant refers to a person who submits an Entitlement and Acceptance Form, or submits a payment of subscription monies in respect of the Offer.

Application refers to the submission of an Entitlement and Acceptance Form or Shortfall Application Form (as the case may be).

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules means the Listing Rules of the ASX.

Closing Date means the closing date set out in Section 3 or such other date as may be determined by the Directors.

Company means The Environmental Group Limited (ACN 000 013 427).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for 1 New Share for every 20 Shares held by an Eligible Shareholder on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

EST means Eastern Standard Time.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer means the pro rata non-renounceable offer of New Shares at an issue price of \$0.025 each on the basis of 1 New Share for every 20 Shares held on the Record Date subscribed for pursuant to this Offer Document.

Offer Document means this Offer Document.

Opening Date means the opening date set out in Section 3 of this Offer Document.

Placement has its meaning given in Section 4.1.

Record Date means the record date set out in Section 3 of this Offer Document.

Richardson Entities has the meaning given in Section 4.8.

Section means a section of this Offer Document.

Sequoia means Sequoia Corporate Finance Pty Ltd Ltd (ACN 602 219 072).

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

Shareholder means a holder of Shares.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the Shortfall application form either attached to or accompanying this Offer Document.

Shortfall means the New Shares not applied for under the Offer (if any).

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 5.6 of this Offer Document.

Shortfall Shares means those New Shares issued pursuant to the Shortfall.