



The Environmental Group Limited

16 November 2020

Dear Shareholders,

IMPACT OF COVID-19 RESTRICTIONS ON THE COMPANY'S EXTRAORDINARY GENERAL MEETING

The shareholder meeting is scheduled to be held on Friday 18 December 2020 at 10.00am (AEDT) (**Meeting**).

The Company is closely monitoring the impact of the COVID-19 virus in Victoria and following guidance from the Federal and State Governments. In light of the current circumstances, the Directors have made the decision to hold the Meeting virtually. Accordingly, there will not be a physical location where shareholders can attend the Meeting in person.

The Company **strongly encourages Shareholders to lodge a directed proxy form prior to the meeting**. Questions should also be submitted in advance of the Meeting as this will provide management with the best opportunity to prepare for the Meeting, for example by preparing answers in advance to Shareholders questions.

To view the **Notice of Meeting**, please use the following link:

<http://www.reportsonline.net.au/?documentid=7A802CD35E3E485B9D5EB179F01DAD12>

Shareholders who wish to participate in the EGM online may do so:

- (a) from their computer, by entering the URL into their browser: <https://web.lumiagm.com/332021660>; or
- (b) from their mobile device by either entering the URL in their browser: <https://web.lumiagm.com/332021660> or by using the Lumi AGM app, which is available by downloading the app from the Apple App Store or Google Play Store.

If you choose to participate in the AGM online or through the app, you can log in to the meeting by entering:

- (a) your username, which is your Voting Access Code (VAC), which can be located on the first page of your proxy form or Notice of Meeting email; and
- (b) your password, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the user guide for their password details.

If you have been nominated as a third party proxy, please contact Boardroom on 1300 737 760

Attending the meeting online enables shareholders to view the EGM live and to also ask questions and cast direct votes at the appropriate times whilst the meeting is in progress.

For more information on how to vote and participate in the virtual meeting please refer to the Online User Guide using the following link:

<http://www.reportsonline.net.au/?documentid=356A9F19A58443F38D96A7F2685413DF>

The Australian government and the respective State governments are implementing a wide range of measures to contain or delay the spread of COVID-19. If it becomes necessary or appropriate to make alternative arrangements to those set out in the Company's Notice of Meeting, the Company will notify Shareholders accordingly via the Company's website at www.environmental.com.au and the Company's ASX Announcement Platform at asx.com.au (ASX: EGL).

This announcement has been authorised for release by the Board.

For further information please contact
Stephen Strubel
Joint Company Secretary
Phone: 61 3 9763 6711
Email: stephenstrubel@egl.com.au

THE ENVIRONMENTAL GROUP LIMITED
ACN 000 013 427
NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an extraordinary general meeting of the company will be held at:

TIME: 10.00am
DATE: 18 December 2020
PLACE: Virtual meeting (details enclosed)

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm on 16 December 2020.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – REMOVAL OF DIRECTOR – LYNN RICHARDSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That in accordance with Section 203D of the Corporations Act 2001 (Cth) Lynn Richardson be removed as a director of the Company with immediate effect."

2. RESOLUTION 2 – REMOVAL OF DIRECTOR – ELLIS RICHARDSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That in accordance with Section 203D of the Corporations Act 2001 (Cth) Ellis Richardson be removed as a director of the Company with immediate effect."

3. RESOLUTION 3 – ELECTION OF DIRECTOR – LOUIS NIEDERER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, Louis Andrew Niederer, having consented to act, be elected as a director of the Company."

4. RESOLUTION 4 – ELECTION OF DIRECTOR – KENNY LEWIS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, Kenny Lewis, having consented to act, be elected as a director of the Company."

5. RESOLUTION 5 – VIRTUAL MEETINGS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company provide virtual meetings on a half yearly basis accessible to all shareholders and interested investors and to have presented and discuss the half year and full year results and prospects of the company."

6. RESOLUTION 6 – BUY-BACK OF UNMARKETABLE PARCELS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company immediately commence a buy-back of unmarketable parcels of ordinary shares."

7. RESOLUTION 7 – BOARD COMPOSITION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company immediately commence to establish an independent board of directors and complete the process within two months of the day of this meeting."

8. RESOLUTION 8 – INVESTOR RELATIONS CONSULTANT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company appoint a suitably qualified Investor Relations consultant."

9. RESOLUTION 9 – DIVIDEND POLICY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company adopt and declare a dividend policy such that the company pay a minimum of 50% of Net Profit After Tax and pay said dividend semi-annually with the first dividend payment to be made March. 2021."

10. RESOLUTION 10 – SPECIAL DIVIDEND

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company pay a special dividend of \$0.005 cents per share in September 2021 so as to utilise the pool of available Franking Credits."

11. RESOLUTION 11 – UNDERPERFORMING ASSETS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company immediately mandate Sequoia Corporate Finance Pty Ltd to provide advice to the Board of Directors on the likely realisable value of underperforming EGL subsidiaries and identify any potential buyers of same."

Dated: 16 November 2020

By order of the Board

Stephen Strubel
Joint Company Secretary

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

The Directors have resolved that Shareholders will not be able to attend the Meeting in person due to the Australian Government's implementation of prohibitions on public gatherings and social distancing measures in light of the COVID-19 pandemic.

Virtual attendance

Shareholders who wish to participate in the AGM online may do so:

- from their computer, by entering the URL into their browser: <https://web.lumiagm.com/3320216600r>
- from their mobile device by either entering the URL in their browser: <https://web.lumiagm.com/3320216600> or by using the Lumi AGM app, which is available by downloading the app from the Apple App Store or Google Play Store.

If you choose to participate in the AGM online or through the app, you can log in to the meeting by entering:

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Attending the meeting online enables shareholders to view the AGM live and to also ask questions and cast direct votes at the appropriate times whilst the meeting is in progress.

Questions

In order to provide an equal opportunity for all Shareholders to ask questions of the Board, we ask you to submit in writing any questions to the Company. Please send questions to admin@egl.com.au.

Questions must be received by no later than 5.00pm (Melbourne time) on Friday, 11 December 2020.

Your questions should relate to matters that are relevant to the business of the Extraordinary General Meeting, as outlined in this Notice of Meeting and Explanatory Memorandum.

In accordance with the Corporations Act and the Company's policy, a reasonable opportunity will also be provided to Shareholders attending the Extraordinary General Meeting to ask questions about, or make comments upon, matters in relation to the Company.

During the course of the Extraordinary General Meeting, the Chairman will seek to address as many Shareholder questions as reasonably practicable. However, there may not be sufficient time to answer all questions at the Extraordinary General Meeting. Please note that individual responses may not be sent to Shareholders.

Corporate representatives

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Joint Company Secretary on +61 0404 400 785.

EXPLANATORY STATEMENT

This Extraordinary General Meeting has been convened by the directors upon receipt of requisition notices from a member holding more than 5% of the issued share capital of the Company. The wording of the proposed resolutions has been taken directly from the requisition notices.

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions proposed at this meeting.

1. BACKGROUND MATTERS RELEVANT TO THE CONVENING OF MEETING

On 26 October 2020, Mr Louis Niederer, sole director of Allabah Pty Ltd, a shareholder owning more than 5% of the shares in the Company, issued a notice to the Company pursuant to Section 249D of the *Corporations Act 2001 (Cth)* (the **Act**) requiring the directors to convene a general meeting of members to consider the resolutions which now appear as resolutions 1 to 8 in this Notice of Meeting.

On 3 November 2020, Allabah Pty Ltd issued a second notice pursuant to Section 249D of the Act requiring the directors to convene a general meeting of members to consider the resolutions which now appear as resolutions 9 & 10 in this Notice of Meeting.

On 9 November 2020, Allabah Pty Ltd issued a third notice pursuant to Section 249D of the Act requiring the directors to convene a general meeting of members to consider the resolution which now appears as resolution 11 in this Notice of Meeting.

In order to mitigate the costs of convening and holding such extraordinary general meetings, the Board has resolved to convene a single general meeting of members to consider the resolutions sought by all three requisition notices.

2. VOTING RECOMMENDATION

The Board recommends that shareholders vote against all resolutions being proposed at this meeting.

Resolutions 1 to 4 concern the composition of the Board. The Board believes that the present Board has the requisite combination of experience, qualifications and ability to lead the Company. Under the tenure of the current Board the Company has:

- (a) completed the strategic acquisition of Tomlinson Energy Services;
- (b) acquired the technology being used to develop EGL Water; and
- (c) revitalised the Company's existing TAPC and Baltec IES businesses.

No biographical information has been submitted by Mr Lewis.

Neither Mr Niederer nor Mr Lewis have provided formal consents to act as a director of the Company.

Resolution 7 also concerns the composition of the Board. The current Board are in active discussions with several potential board members, but considers the timeframe required by this resolution to be both arbitrary and unnecessary.

Resolutions 5, 6 and 8 concern shareholders and investor relations. The Board is unaware of any outstanding shareholder queries that have not been addressed, and therefore considers the objects of these resolutions to be unnecessary. By the time of this meeting, the Company expects to have commenced a buy-back of unmarketable parcels of shares.

The Board considers resolutions 9 and 10 to be short-sighted and inappropriate in the present economic climate. EGL is not a retailer with seasonal but regular business activity. Many of the projects undertaken by the Company and its subsidiaries are major projects with timeframes significantly longer than the Company's financial year. Fettering the Company's ability to retain and reinvest profits where necessary poses a risk to the Company's ongoing viability for the sake of short-term shareholders gains.

3. CHAIRING MEETING

As one of the proposed resolutions is for the removal of the current Company Chairman, Ms Lynn Richardson, Ms Richardson has decided that it would be inappropriate for her to chair the EGM. The Board has determined that Mr Adrian Siah will chair the meeting.

Mr Siah intends to vote all undirected proxies given to the chairman against all proposed resolutions.

4. DIRECTOR'S STATEMENTS

Sub-section 203D(4) of the Act permits current directors to submit statements in support of their own candidacy. Statements by Ms Lynn Richardson and Mr Ellis Richardson are enclosed with this notice of meeting as attachments 1 and 2.

5. STATEMENTS OF REQUISITIONING SHAREHOLDER

Section 249P of the Act requires a Company to circulate statements submitted by a requisitions shareholder in support of resolutions to be proposed at a meeting convened as a result of a requisition notice. The Company has received several such notices, which are enclosed with this Notice of Meeting as attachment 3. The Board does not agree with or endorse the contents of these statements.

GLOSSARY

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time as observed in Melbourne, Victoria.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

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

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Listing Rules means the Listing Rules of ASX.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a registered holder of a Share.

Attachment 1 – Director statement of Lynn Richardson

Attachment 2 – Director statement of Ellis Richardson

Attachment 3 – Letter from Allabah Pty Ltd and bundle of explanatory statements submitted by Allabah Pty Ltd, the shareholder requisitioning the Extraordinary General Meeting.

Ms Lynn Richardson

CHAIRMAN

I was appointed to the Board on 2nd May 2015 and elected Chairman 23rd November 2017.

I am a graduate of the Australian Institute of Company Directors, have an MBA from the Australian Graduate School of Entrepreneurship and a post graduate qualification in professional accounting.

Prior to its sale to EGL, I was a key member of the Baltec IES executive committee, where I was involved in leading the strategic direction of that company. The executive committee provided a strategic overview of Baltec that enabled it to build a global footprint from small beginnings and to eventually become an attractive acquisition for EGL.

During my tenure as Chairman I have had significant leadership of EGL's strategic acquisition plan with a key goal being to provide diversified revenue streams. In particular, I worked closely with the EGL management team to successfully negotiate the 2019 purchase and integration of Tomlinson Energy Service. This acquisition has produced an additional \$20M revenue for the EGL group and profitability that has diversified the project-based revenue of Baltec IES and TAPC.

As Chairman, I have ensured that the group has always been on a solid footing with its bankers. Recently, EGL has secured improved banking facilities through a change in corporate bankers, providing additional cash flow and bonding facilities that support growth opportunities.

I am proud to be part of an organisation that has passionate environmental services. The group's commitment to environmental remediation has led to the development of a ground-breaking water treatment technology. This soon to be patented process has been developed for the treatment and destruction of PFAS, one of the most harmful groups of chemicals which are present in certain ground water, leachate, and contaminated soils.

Working with Sequoia Corporate Finance, I have undertaken investor roadshows culminating in a successful share placement in September this year and strong support from shareholders for a rights issue.

The introduction of new shareholders has promoted increased liquidity and improved trading, and investor confidence through increased diversity in the share register.

Now that the placement and rights issue are completed, we have commenced the buyback process for unmarketable share parcels. This will have a positive effect of reducing many smaller holdings, as well as saving on registry costs.

I am committed to generating value for all shareholders.

During my tenure as Chairman, EGL has paid dividends to shareholders in 2017, 2018 and 2019, and indicated the desire to declare a mid-year dividend in FY21 based on half year results.

I am currently leading the recruitment process for a Chief Executive Officer and actively sourcing an additional independent non-executive director.

The combination of initiatives executed by the board including the acquisition of Tomlinson Energy Service and the development of innovative water treatment technology provides a strong foundation for ongoing revenue growth and shareholder value.

As we move into the next exciting stage in EGL's growth, I seek shareholder support to vote **against** the resolution to remove me as a director.

Mr Ellis Richardson

INTERIM MANAGING DIRECTOR

I have served as a General Manager and Managing Director of some of Australia's major engineering companies as well as a period within the venture capital industry.

I am a foundation Fellow of The Institute of Company Directors, a Member of The Institute of Engineers Australia and a Chartered Engineer, which is an ideal qualification to be a board member of an engineering company such as EGL.

I was appointed to the Board on 29 November 2013, holding several roles as Chairman, Managing Director and Executive Director. Prior to joining EGL, I successfully built Baltec IES from an initial \$10,000 investment into a \$12M per annum revenue business with international operations, and a leader in its market.

Baltec IES was sold into EGL for scrip in 2013, becoming a major profit generator and growth business within the group. This has provided over \$120M in revenue and \$10M in EBIT since acquisition. My extensive contract knowledge and network of contacts in international markets and deep engineering knowledge continue to provide significant opportunity and value to the EGL group.

On 26th March 2020 I was appointed Interim Managing Director to provide stability, expertise and knowledge whilst the company navigated the uncertain market conditions brought about by the COVID pandemic.

The urgent priority was to return the company to profitability despite the continued COVID restrictions, particularly in Victorian and overseas operations.

This year's first quarter results compared to the same period last year are already indicating encouraging improvements with revenue up 50% in the first quarter of FY21 over the same period in FY20.

As we move into the next growth phase in EGL's development, I have streamlined EGL operational structures to provide increased flexibility and ability to leverage assets to provide greater shareholder return.

By effecting EGL strategic initiatives at the operational level, I have formed EGL Marketing, which brings together the considerable skills, experience, customer base and knowledge of each of the divisions to facilitate the sharing of ideas, opportunities, and the vision for EGL. I have also established EGL Engineering and Operations to harness the group's extensive ability to develop and successfully execute bespoke client solutions.

In creating focused marketing and engineering teams, I have recognised it is vital to maintain a degree of flexibility between each unit to enable support of the marketing team when there is a need to accelerate the pipeline build.

Conversely there will be periods when engineering and operations need augmentation within their teams. To encourage flexibility, I nominated a select core of experienced engineers from each team to be able to move seamlessly from one team to another. This also provides for continuous interaction and the exchange of information and skillsets that create a learning culture within the group.

Through a strong belief in mentoring and training the next generation, I have encouraged and nurtured the development of young engineers and managers who are vital for the sustainability of manufacturing and engineering in Australia

An exciting aspect of my role is to personally take the EGL Water technology from concept to a unique patented solution to remove harmful PFAS chemicals from contaminated water. This small division has the potential to become an outstanding contributor to the future of EGL.

It is impossible for me to accurately predict outcomes for the remainder of this year as the recovery from the Melbourne shut down, the continued limitations in interstate and international travel, the threat of a third wave and the increased restrictions in our overseas trading partners has a significant impact on any results for this year. There are however several areas which I have addressed and expected to be improved namely overheads, revenue gross margins and EBIT .

At the end of December when the results from an additional two months are known and hopefully some progress on the containment of COVID, I expect to be able to offer further clarification of the expected outcomes for FY21.

When the CEO appointment is finalised in the next month, I will return to the role of Director to support management by utilising my 30 years of experience

in local and international customer relationship to continue to build a successful blue-chip clientele for the whole group. My broad business experience in marketing, winning business, engineering, and successfully executing major projects in the rolling stock, power, pollution control and process industries brings a unique and relevant knowledge base to the board.

I seek your support in voting against the resolution to remove me as director of EGL.



LOUIS A. NIEDERER
302/3 OAK AVENUE
SURFERS PARADISE QLD 4217

November 9 2020

To the Shareholders
The Environmental Group Limited (EGL)
Level 1 Suite 1
10 Ferntree Place
Notting Hill VIC 3168

Dear Fellow Shareholders

Rationale for the EGM and the Proposed Motions

I have remained silent, for over seven years, following my handing of the Chairmanship of EGL to Ellis Richardson at the AGM in November 2013, when the share price closed at 5.6 cents (27/11/2013).

Since that time our investment has lost over 41% of its value (share price 3.3 cents at time of writing), we have suffered two dilutionary issues of stock (the first at 1.4 cps, the second at 2.5 cps), we have lost our independent board of directors, replaced by one dominated by nepotism, we have received parsimonious dividends (just a 9% payout of the cumulative seven years profit) and the share price has suffered from an undeniable lack of promotion of the stock through either broker or company engagement.

Seven years is more than long enough for any board and management to deliver growth.

Had we simply invested in a small cap index fund (say the iShares Small Ordinaries ETF (ISO)) over the past seven years we would now be 114% better off. That is one dollar invested in EGL over the past seven years has lost 41 cents whereas a dollar in the ISO ETF would have delivered a gain of 26 cents over the same period. The opportunity cost has been 67 cents for each dollar held in EGL over the past seven years.

You have been badly served and nothing from the current board and management provides any cause for optimism.

Equally you hold a stock that has an underlying net asset value of 6.5 cents per share (EGL Annual Report p.28.) and yet the shares trade at just 3.3 cps and this board saw fit to issue stock to new investors at 2.5 cents per share. You have to ask why? Why did they not do an underwritten pro-rata rights issue and treat everyone equally? These actions do not instil confidence in this board acting in the best interests of ALL shareholders. It calls into question their continued management of our money. Hence the need for this EGM.



We would be far better to sell all subsidiaries and returning the 6.5 cents to shareholders (I believe we would do better than that), than continue with the current board and management.

I seek your support to, firstly, return EGL to an independent board of directors, and, secondly, to implement much needed capital management that would see the commencement of a regular six monthly dividend, and the payment of a one-off special dividend to utilise some of the relatively large franking balance held on the balance sheet.

We also propose improving the economic return to shareholders by reviewing the asset portfolio and selling underperforming assets and redeploying the liberated capital to new investments we have already identified.

We believe that on any measure of performance the Richardsons have failed you the shareholder. Had they been working for any other company or fund manager and produced the same outcome, they would have been moved on well before seven years were allowed to pass.

We (the non-Richardson shareholders) own roughly 60% of the capital of EGL, that is, the majority. The Richardsons are a minority shareholder who are exerting control, to your financial detriment. I believe if we work together and exercise our rights as shareholders we can make the changes that are necessary.

It is time to retire the Richardson era and leave behind the decline and lack of engagement that has been the unfortunate hallmark of their governance. Those of you who know me, know that I value shareholder engagement very highly. By approving the changes I have requisitioned I believe all shareholders will benefit.

I look forward to your support and a return to growth and profitability. Vote For Change.

With much appreciation

Louis A. Niederer
Allabah Pty Limited
0411 590 250

Removal of Director: Lynn Richardson

Lynn Richardson, daughter of the major shareholder, was appointed Chairman on November 23rd 2017, exactly three years ago. After three years of her Chairmanship the value of your investment has declined 56% (at time of writing). That is an annual compound loss of 27% for each year of her leadership.

In the 2017 Annual Report the company introduced its three year strategic goals. The three most relevant to shareholders are listed below with the actual results.

- **Market Capitalisation: Goal = \$20 million - Result = \$6.6 million**
- **Revenue: Goal = \$50 million - Result = \$33 million**
- **EBIT margin: Goal = 8% - Result = negative 3.8%**

Based on these results and the share price performance over the past three years, Lynn Richardson's position as a Director and leader of the Board is untenable.

Ms. Richardson appointed herself as the Investor Relations contact for the company in 2017. I doubt many, if any of you know this. In the 2018 Annual Report, Recommendation 6.2 of the Corporate Governance Statement highlighted that "Investor Relations is currently considered the role of the Board." Ms. Richardson subsequently removed herself as the shareholder contact from the company's website (which is poorly maintained and frequently out of date) and the website recorded that that vital contact role was ascribed to the Company Secretary, Andrew Bush.

Indeed, the only time that Lynn appears to have engaged with shareholders in any meaningful way (other than the AGM) was last year, 2019, following the negotiated withdrawal of the potential vote against the Remuneration Report which would have precipitated a spill motion of the entire Board, there having already been a 74% vote against the Remuneration Report the previous year. In consideration for the removal of the threat to vote against the Remuneration Report, Ms Richardson agreed to appoint an Investor Relations (IR) consultant and commence regular meetings with investors.

The company appointed Sequoia Corporate Finance Pty Ltd (Sequoia) as corporate advisers (not appointed as IR consultants) and I along with other shareholders attended one of 15 investor meetings arranged by Sequoia in Sydney late last year. It became clear at that meeting that Ms. Richardson was not across the detail of the business particularly the numbers. Mid-way through that meeting and to everyone's surprise, Ms. Richardson, departed offering as explanation that she had a flight to catch. All attendees were shocked. It was the most unprofessional performance by a Chairman of a publicly traded company I have ever experienced in my 35 years in the investment industry.

I seek your vote to express to the Board the inappropriateness of Lynn Richardson remaining as a Director. Being the daughter of the major shareholder is no qualification for a public company board seat let alone Chairmanship of a public company.

Vote YES to remove Lynn Richardson.

Louis A. Niederer

Allabah Pty Limited
Director/Secretary



Removal of Director: Ellis Richardson

At the 2013 AGM of EGL I announced that Ellis Richardson would replace me as Chairman.

Just three months after that meeting and at the first Board meeting of 2014, Ellis Richardson announced to the directors that ...“there are two bulls in the paddock and the paddock is only large enough for one.” His solution was to remove me as a Director, and to remove the other two Independent Directors.

And so I left the board and have been patient these past seven years, waiting and watching in silence leaving Ellis Richardson a free hand to grow EGL without interference or criticism, free to show the knowledge, skill, and opportunities he professed available at the time of the acquisition of his company Baltec IES.

Regrettably, over the past seven years under his management and guidance, the share price has fallen by over 41%, a compound average annual decline of 7.3%.

Shareholders experienced the imposition of nepotism when his daughter was appointed Director and Chairman with the consequent elimination of board independence.

EGL under the control of Ellis Richardson has decayed from a listed public company engaged with the market to an essentially listed private company.

For shareholders the result has been a long slow financial decline which, due to a lack of engagement with the investing market, has meant liquidity does not exist for any shareholder with a reasonable holding wishing to move their investment to better opportunities.

Had Ellis Richardson been a fund manager, such a performance history would have seen investors withdraw their funds and reinvest in other managers. However, under his management characterised by a lack of market engagement that is so essential for listed small-cap stocks, shareholders have been trapped in a losing investment. Change is long overdue.

I look forward to your vote of support to remove Ellis as a director. I believe that EGL will be better served by engaging Ellis as a consultant to the Baltec subsidiary as EGL embarks on the next phase of its life with an independent board looking after your interests.

Vote YES to remove Ellis Richardson as a Director.

Louis A. Niederer

Allabah Pty Limited
Director/Secretary



Louis Niederer:

Thirty five years experience in the investment industry ranging from stockbroking, investment banking and funds management. Director of a number of publicly listed companies including chairmanship and leadership of three listed entities including former chairman of EGL. Currently heading the Niederer Family Investment Office.

Louis A. Niederer

A handwritten signature in black ink, appearing to read 'Louis A. Niederer', with a large, stylized initial 'L'.

Allabah Pty Limited
Director/Secretary

Updates and Forecast:

Some maintain that share prices accurately reflect company performance and prospects and all available information. This is a naive and ill-informed view. The efficient market hypothesis has long been discredited. It may, and mainly, applies to large predictable consistent profit generators who pay regular dividends and exhibit consistent and reliable growth. This is not EGL.

It is vital that small companies engage regularly with the market.

The micro-cap end of the market is a crowded space. There are 2,177 companies listed on the ASX. 1,313 have less than \$100 million and 1,022 less than \$50 million market capitalisation.

The market rewards engagement and that means that when capital is required to be raised it is done at a more reasonable price than for companies who ignore shareholder and market engagement. The market imposes a significant discount to the value of the shares of companies which fail to engage regularly with the market. This is EGL and the discount is most notable when raising capital.

Your board has just completed a placement to new shareholders at 2.5 cent per share when the Book Value per Share is 6.6 cents, a 62% discount (this is extraordinary). Inexplicably your non-independent Board chose to dilute existing shareholders economic interest by issuing cheap stock to new shareholders rather than undertaking a pro-rata rights issue underwritten for any shortfall by new shareholders, as a way of treating ALL shareholders equally. Imagine selling a \$660,000 house for \$250,000.

Our proposal is that EGL adopt a policy of holding a minimum of two virtual presentations with question time each year to present the full and half year results and provide guidance on the prospects for the six months and year ahead. This practice is becoming virtually ubiquitous (best practice) in the industry and allows other interested parties such as brokers, fund managers and investors alike, to participate, or view at a later date the presentations and so help build a depth of understanding within the investment community.

Vote YES for regular updates.

By voting for a regular presentation of information, following the half year results and the annual results, the market will be better informed and more engaged. The share price will better reflect value as a result.

Let's achieve best practice and vote for six-monthly updates via a conference call.

Vote FOR the the resolution to initiate recorded virtual meetings on a six monthly basis.

Louis A. Niederer

Allabah Pty Limited
Director/Secretary



Unmarketable Parcels:

At the 2018 Annual General Meeting, the newly appointed Chair, Lynn Richardson stated that the company would "buy back for resale untradeable share parcels to reduce the cost and increase liquidity."

To date that has not occurred.

Again at the 2019 Annual General Meeting the Chairman stated that "Plans to reduce unmarketable parcels were delayed due to Tomlinson acquisition, but now a focus of the board."

And here we are, another twelve months down the track and nothing has yet been done.

As at August 17, 2020 the company had a total of 2,200 shareholders. Of those 1,750 were unmarketable parcels. That is, 80% of the register are unmarketable parcels.

Unmarketable parcels of shares are uneconomic, especially when paying a dividend. It costs EGL more per unmarketable parcel to administer, post and process the dividend and effect its payment than the dividend itself. A ridiculous situation. The burden on everyday administration is costly. Notices of Meetings, Annual Reports, Dividend Statements, Shareholder Statement and each and every written communication printed and posted cost more than many of the actual parcels of shares they represent.

To accomplish this clearly beneficial cost saving action I propose we vote to have the buy back completed and the shares cancelled by February 15th 2021, that is before the next dividend distribution.

I look forward to your support so that we can finally put an end to the waste of money that such a dysfunctional register imposes on owners.

Vote YES to commence the buyback and cancellation of unmarketable parcels.

Louis A. Niederer.....



Allabah Pty Limited
Director/Secretary

Independent Directors:

EGL continues to breach the ASX Corporate Governance Recommendations.

Each and every year until 2020, EGL published in the Annual Report the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition.

The Recommendations were published in the Corporate Governance Statement (2018) in the Annual Report. The Governance Statement is now available only on the EGL website with a brief mention of it in the Annual Report.

One of the recommendations relates to Independent Directors.

Recommendation 2.4: A majority of the board of a listed entity should be Independent Directors.

And another to the Chair;

Recommendation 2.5: The chair of the board of a listed entity should be an Independent Director.

Our Board consists of just three people.

- Chairman: Daughter of the major shareholder, not independent
- Director: major shareholder, not independent.
- Director: Independent

EGL fails on both counts. The destruction of shareholder wealth meted out to shareholders by the Richardson family control must come to an end. Seven years is long enough for any manager or steward of public monies to prove their worth.

To give voice to all shareholders and effect to the appropriate and correct governance, vote to have the board reconstituted with a majority of Independent Directors and to the appointment of an Independent Chairman.

Vote YES to create and maintain an Independent Board of Directors.

Louis A. Niederer

Allabah Pty Limited
Director/Secretary



Investor Relations Consultant:

It is time to appoint a dedicated, experienced and committed Investor Relations Consultant to guide the company to gain recognition and a following in the investment community, and to promote and enable research and investment from brokers, individuals and professionals.

The micro-stock end of the market is a crowded space. There are 2,177 companies listed on the ASX. 1,313 have less than \$100 million, and 1,022 less than \$50 million market capitalisation. The market rewards engagement and that means that when capital is required it is done at a more reasonable price than for companies who ignore shareholder and market engagement.

Consider the fact that the Board makes considerable claim as to the skill and experience of the engineering capability of the company's talent pool, which we fully support. You can read these statements in every Annual Report they have produced over the seven years.

All aspects of the business require the best personnel available and IR is no exception. EGL trades at a considerable discount to Net Assets. As the Balance Sheet shows, Net Assets are \$14.2 million. On a per share basis that is 6.6 cents per share (prior to the recent raise) compared to the current share price of just 3.3 cents.

Promoting EGL to the investment community will garner a wider audience and effect a more healthy and diverse Share Register, improve trading and reduce the massive discount between the share price and the underlying asset value of the company.

When raising money at such a massive discount shareholders suffer dilution of their interests and transfer of assets to the new investors. A well informed market would mitigate this cost.

An additional benefit of engaging an expert is that knowledge and understanding will be transferred to those in EGL that are inexperienced and lack exposure to the proper function of public markets engagement.

Vote YES to the appointment of a suitably qualified Investor Relations consultant.

Louis A. Niederer

Allabah Pty Limited
Director/Secretary

A handwritten signature in black ink, appearing to be 'Louis A. Niederer', written over a dotted line.

Dividend Policy:

Dividend Policy is a key component of the sound capital management of any profitable company.

Over the past seven years under Richardson management EGL has produce a cumulative Net Profit After Tax of \$4.2 million.

Over the same period the owners (Shareholders) have received a total of just \$390,000 in dividends. That is a return of 9.3% over seven years or an annualised return of 1.3% per annum.

EGL is awash with franking credits, with the current balance standing at \$1.61 million. This resolution proposes to set a Dividend Policy such that the company distribute to the owners a minimum of 50% of Net Profit After Tax, annually, as a fully franked dividend.

Should management require funds for growth or working capital, they can seek to raise the capital from us, the owners, and explain the prospects for and purpose of the required capital.

No one minds leaving all the profits in the business so long as a decent return is being generated. Indeed it is a notable characteristic of growth companies that they pay no dividend and in fact seek capital from their shareholders when required for continued growth.

Sadly this is not the case with EGL.

I seek your support in setting a minimum dividend policy such that half the profits are distributed and half are retained . That seems a fair balance.

Vote YES to the proposed Dividend Policy.

.....
Louis A. Niederer

Allabah Pty Limited
Director/Secretary



Franking Credits: Special Dividend:

The franking credit balance currently stands at \$1.61 million (EGL Annual Report 2020 p.43.). As such the company has the ability to pay fully franked dividends of \$3.87 million or 1.5 cents per share.

Given that the share price is 3.3 cent (at the time of writing) the company has the ability to return nearly half the share price to you as a fully franked dividend.

Franking credits are of zero value to the company. Franking credits are only of use and value in the hands of owners, that is you and me.

My proposal is that we make a start to shift the franking credits out of the company and into your hands where they have real benefit in helping reduce your personal tax liability.

The Chairman has noted that this year will be a return to 2017 levels of profitability and may well be a record for revenue. My proposal takes advantage of the excellent year we are finally having by distributing some of the benefits to the owners.

EGL management have so far proved poor capital managers of the public capital they are entrusted with. Over the seven years of the Richardson reign, total cumulative NPAT equates to \$4.2 million, an average of \$600 thousand per annum. Equity as at June 30th 2020 is recorded at \$14.3 million. That means we are averaging a Return on Equity of just 4.2% per annum.

Should management require funds for growth following the payment of the special dividend then come to us and seek the required capital. Should they be doing well, then there will be no difficulty in providing it.

I seek your support in voting FOR a Special Dividend. Vote FOR good capital management.

Louis A. Niederer.....

Allabah Pty Limited
Director/Secretary

A handwritten signature in black ink, appearing to be 'L. Niederer', written over a horizontal line.



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am (AEDT) on Wednesday, 16 December 2020.**

🖥 TO VOTE ONLINE

📱 BY SMARTPHONE

STEP 1: VISIT <https://www.votingonline.com.au/eglegm2020>

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (AEDT) on Wednesday, 16 December 2020.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 🖥 **Online** <https://www.votingonline.com.au/eglegm2020>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

The Environmental Group Limited

ACN 000 013 427

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **The Environmental Group Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held **virtually on Friday, 18 December, 2020 at 10.00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies **against** each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Removal of Director – Lynn Richardson	☐	☐	☐
Resolution 2	Removal of Director – Ellis Richardson	☐	☐	☐
Resolution 3	Election of Director – Louis Niederer	☐	☐	☐
Resolution 4	Election of Director – Kenny Lewis	☐	☐	☐
Resolution 5	Virtual Meetings	☐	☐	☐
Resolution 6	Buy-Back of Unmarketable Parcels	☐	☐	☐
Resolution 7	Board Composition	☐	☐	☐
Resolution 8	Investor Relations Consultant	☐	☐	☐
Resolution 9	Dividend Policy	☐	☐	☐
Resolution 10	Special Dividend	☐	☐	☐
Resolution 11	Underperforming Assets	☐	☐	☐

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2020