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The Environmental Group Limited

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Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

ASX Announcement: By: e-lodgement (ASX code: EGL)

Shareholder Update and Changes in Directors

Shareholders are aware, your Directors have been engaged in a number of corporate matters over the past few months, and are pleased to provide an update below.

a) The resolution of the event of default with Allabah Pty Limited which arose as a result of the board's unanimous decision to close a loss making, non-core business

Your board is pleased to advise that the Event of Default on the Allabah Pty Limited loan, announced on the 14 July 2014 to the ASX, has been resolved.

Baltec Inlet and Exhaust Systems Pty Limited (Baltec) (A company controlled by Mr Ellis Richardson) has provided a loan which has been used to repay the loan to Allabah Pty Limited plus ancillary costs. The result of this payment which was effected on 1 October 2014, is that the Loan from Allabah Pty Limited is now discharged and the security has been released. The funding has been advanced to EGL on more favourable terms compared to the loan advanced by Allabah Pty Limited.

The loan from Baltec Inlet and Exhaust Systems Pty Limited is in the amount of \$1,080,592.02 (**Tranche B Advance**) provided through an increase to the principal under the existing loan agreement between Baltec and Baltec IES Pty Ltd entered into before EGL's acquisition of Baltec IES Pty Ltd (**BIES Loan**). Interest on the Tranche B Advance is payable at the aggregate of the published cash rate of the Reserve Bank of Australia plus 6% (currently 8.5%) and the default interest rate is the aggregate of the published cash rate of the Reserve Bank of Australia plus 8%. Interest on the original facility under the BIES Loan (**Tranche A Advance**) remains at 12%. There has been no change to the collateral offered as security under the BIES Loan as a result of the Tranche B Advance. EGL, however, has provided assets as collateral to Baltec for the BIES Loan of up to a maximum value of approximately \$560,000. Your directors will be seeking shareholder approval under Listing Rule 10.1 to increase the value of the assets provided as security to a fixed and floating charge over all assets of EGL. The failure to obtain shareholder approval will not be an event of default under the BIES Loan.

The Directors of EGL provided the non-conflicted directors delegated authority to negotiate the terms of the Baltec loan and your directors are satisfied that the loan is on no more favourable terms than would have been the case had the funds been advanced by a third party. The Allabah loan had a standard interest of 12% and a default interest of 15%

This now resolves the Event of Default announced to Shareholders on 14 July 2014.

b) The Composition of the Board of Directors.

Following the acquisition of Baltec IES Pty Limited (Baltec) in November 2013 the Directors recognised that they required a board with a different mix of skills and experience.

In this regard, the Directors are pleased to advise that Mr Sinan Boratav has been appointed an Executive Director of EGL

Sinan commenced as a Project Engineer with Baltec and was soon promoted to the role of Project Manager, thereafter to the position of Operations Manager. He has been instrumental in the development and growth of Baltec into a well-respected, leading global business in the power industry.

He is currently the General Manager of Baltec IES Pty limited and is a shareholder of EGL.

EGL wishes to advise that Louis Niederer and Giles Woodgate resigned as a Directors of EGL on 01 October 2014. Louis will continue to assist EGL as a consultant to the Group for a period of 2 years

The Directors would like to take the opportunity to thank Louis for his contribution as Director and previous Executive Chairman, and also wish to thank Giles for his contribution as a non-executive Director and Chairman of the Audit and Risk Committee.

The new board comprising Ellis Richardson, David Cartney and Sinan Boratav are confident that the mix of skills and experience represented on the board will allow EGL to now move forward providing shareholders, employees and other stakeholders increased stability and renewed confidence in EGL.

c) Improved Corporate Governance through the proposed appointment of a Non-Executive Chairman and appointment of a Chief Financial Officer.

Your Directors wish to advise that it is the intention to appoint David Cartney as Non-Executive Chairman of EGL following the Annual General meeting. Ellis Richardson will resign as Executive Chairman but will continue to provide his mentoring, guidance and expertise as an Executive Director.

The strengthening of the Finance area of the business will be achieved through the appointment of Allan Fink as Chief Financial Officer of EGL

Allan is a Chartered Accountant who has served as the Financial Executive and Chief Financial Officer for a number of listed, private equity and privately owned businesses. Allan has over 25 years business experience in managing strategic, corporate and operational finance areas within businesses in Australia, South Africa and the United Kingdom.

He spent a number of years in the auditing profession as Partner an audit and accounting firm, thereafter joining a client as Financial Director, to prepare and manage the business after a successful listing on the stock exchange. Whilst working as a Financial Executive of a Sydney based direct marketing company, Mr. Fink was appointed General Manager to establish a new direct distribution business in the United Kingdom.

He joined EGL in September 2013, and manages the Company Secretarial and overall finance functions of the group.



Mr Ellis Richardson
Executive Chairman