



## The Environmental Group Limited

Notice is given that the Annual General Meeting (AGM) of shareholders of The Environmental Group Limited ABN 89 000 013 427 (the *Company*) will be held at the Parkroyal Melbourne Airport, Arrival Drive Melbourne Airport, Tullamarine, Victoria 3045 Australia on Tuesday, 25 November 2014 commencing at 2:00pm AEDT.

**THIS NOTICE OF MEETING INCLUDES AN INDEPENDENT EXPERT'S OPINION REGARDING THE BUSINESS OF RESOLUTION 5 - GRANTING OF SUBSTANTIAL ASSETS AS COLLATERAL FOR LOAN FROM A PERSON IN A POSITION OF INFLUENCE. THE INDEPENDENT EXPERT'S OPINION IS THAT THE TRANSACTION IS FAIR AND REASONABLE TO THE SHAREHOLDERS WHO ARE ENTITLED TO VOTE ON RESOLUTION 5.**

### **A. CONSIDERATION OF REPORTS**

To receive and consider the Financial Report, the Directors' Report and the Independent Audit Report of the Company for the financial year ended 30 June 2014.

Unless the Company's Share Registry has been notified otherwise, shareholders will not be sent a hard copy of the Annual Report. All shareholders can view the Annual Report, which contains the Financial Report for the year ended 30 June 2014 on the website of the Company (<http://www.environmental.com.au>), under Shareholder Information / Annual Report.

### **B. QUESTIONS AND COMMENTS**

Following the consideration of reports, the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Independent Audit Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Audit Report or the conduct of the audit. A list of written questions, if any, submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

### **C. ITEMS FOR APPROVAL**

#### **1. Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an advisory resolution of the Company:

*"That, the Company's Remuneration Report for the financial year ended 30 June 2014 (set out in the Directors' Report) be adopted."*

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 1:

- a) by or on behalf of a member of the 'key management personnel'<sup>1</sup> (KMP) whose remuneration is included in the Remuneration Report;
  - b) by or on behalf of a closely related party<sup>2</sup> (such as close family members and any controlled companies) of a member of KMP whose remuneration is included in the Remuneration Report;
- or

<sup>1</sup> 'key management personnel' has the meaning as defined in Section 9 of the *Corporations Act* 2001.

- c) as a proxy of any of the above.

However, the Company need not disregard a vote cast on Resolution 1 if it is cast as a proxy for a person who is entitled to vote;

- in accordance with the directions (For, Against or Abstain) on the proxy appointment; or
- it is cast by the person chairing the meeting, and;
  - the proxy appointment does not specify how the proxy is to vote; and,
  - the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

## **2. Election of Mr Ellis Richardson**

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

*“That Ellis Richardson, who was appointed by the board as Executive Chairman and Executive Director of the Company in accordance with clause 19.2(a) of the Company’s Constitution, retires in accordance with clause 19.2(b) of the Company’s Constitution, and having offered himself for election and being eligible, is hereby elected as a Director of the Company.”*

## **3. Election of Mr David Cartney**

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

*“That David Cartney, who was appointed as a Director of the Company in accordance with clause 19.2(a) of the Company’s Constitution, retires in accordance with clause 19.2(b) of the Company’s Constitution, and having offered himself for election and being eligible, is hereby elected as a Director of the Company.”*

## **4. Election of Mr Sinan Boratav**

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

*“That Sinan Boratav, who was appointed as a Director of the Company in accordance with clause 19.2(a) of the Company’s Constitution, retires in accordance with clause 19.2(b) of the Company’s Constitution, and having offered himself for election and being eligible, is hereby elected as a Director of the Company.”*

## **5. Granting of Substantial Assets as Collateral for Loan from a Person in a Position of Influence.**

To consider, and if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That, for the purpose of Listing Rule 10.1, approval is given for the Company to grant the assets of the Company as collateral for the purpose and to the entity as described in the Explanatory Statement to the 2014 Notice of Annual General Meeting.”*

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by:

- a. A party to the transaction;
- b. an associate of a party to the transaction;

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board

**Allan Fink**  
**Company Secretary**  
24 October 2014

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<sup>2</sup> closely related party has the meaning as defined in Section 9 of the *Corporations Act* 2001.

## **ENTITLEMENT TO ATTEND AND VOTE**

In accordance with Reg 7.11.37 of the Corporations Regulations 2001, the Board has determined that persons who are registered holders of shares of the Company as at 2:00pm (AEDT) on 23 November 2014 will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

### **Voting By Proxy**

If you are a shareholder entitled to attend and vote at the AGM, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act 2001 to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company. A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the share registry of the Company no later than 2.00pm (AEDT) on 23 November 2014. Proxies must be received before that time by one of the following methods:

ONLINE	<a href="http://www.votingonline.com.au/eglagm2014">www.votingonline.com.au/eglagm2014</a>
BY MAIL	Share Registry – Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001 Australia
BY FAX	+ 61 2 9290 9655
IN PERSON	Share Registry – Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Australia

To be valid, a proxy must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

### **Voting by Attorney**

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 2.00pm (AEDT) on 23 November 2014 being 48 hours before the AGM.

### **Corporate Representatives**

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act 2001. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative.

## **EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared for the information of shareholders of the Company (**Shareholders**) in relation to the business to be conducted at the Company's 2014 Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions. The Directors recommend that Shareholders read this Explanatory Statement before determining whether or not to support the resolutions.

All resolutions are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by shareholders entitled to vote on the resolution. Resolution 1 is an advisory resolution and requires a simple majority of votes cast by shareholders entitled to vote on the resolution. Subject to the Corporations Act 2001, Resolution 1 is advisory only and does not bind the Directors or the Company.

### **RESOLUTION 1: REMUNERATION REPORT**

Section 250R(2) of the Corporations Act 2001 requires the shareholders to vote on an advisory resolution that the Remuneration Report (the Report) be adopted.

The Report details the remuneration policy for the Company and reports the remuneration arrangements for Key Management Personnel (identified for the purposes of the Accounting Standards) and other EGL employees. The Report is available from page 9 in the Company's Annual Report which can be viewed on the Company website (<http://www.environmental.com.au>), under Shareholder Information / Annual Report.

The Chairman will give shareholders a reasonable opportunity to ask questions about or make comments on the Report.

**The Directors unanimously recommend Shareholders vote in favour of this advisory resolution.**

### **RESOLUTION 2: ELECTION OF ELLIS RICHARDSON**

Mr Ellis Richardson was appointed by the Board as an Executive Director of the Company on 29 November 2014

In accordance with clause 19.2(b) of the Company's Constitution, Mr Richardson retires and, being eligible, offers himself for re-election as a Director by the Shareholders in accordance with clause 19.3(f) of the Company's Constitution.

Mr Richardson is a foundation Fellow of The Institute of Company Directors, a Member of The Institute of Engineers Australia and a Chartered Engineer. He has over 30 years of business experience as CEO of Comeng and Managing Director of Evans Deakin Industries and later in the venture capital industry. Comeng was Australia's premier rolling stock manufacturer producing trams, trains and locomotives. Evans Deakin Industries also produced Rolling stock in addition to power stations and draglines for the mining industry.

**The Directors, with Mr Richardson abstaining, unanimously recommend that Shareholders vote in favour of this Resolution.**

### **RESOLUTION 3: ELECTION OF DAVID CARTNEY**

Mr David Cartney was appointed by the Board as a Director of the Company on 22 September 2014

In accordance with clause 19.2(b) of the Company's Constitution, Mr Cartney retires and, being eligible, offers himself for re-election as a Director by the Shareholders in accordance with clause 19.3(f) of the Company's Constitution.

David is a Chartered Accountant and holds a number of other qualifications including a Doctor of Philosophy (Ph.D.), Finance from Ashley University as well as and an MA (Hons.) from the University of St Andrews.

David has more than 15 years' experience as an independent and non-executive board director and chairman, David will provide strong commercial acumen and corporate governance as well as adding value as an independent director strengthening EGL's leadership and risk management.

**The Directors, with Mr Cartney abstaining, unanimously recommend that Shareholders vote in favour of this Resolution.**

### **RESOLUTION 4: ELECTION OF SINAN BORATAV**

Mr Boratav was appointed by the Board as an Executive Director of the Company on 1 October 2014

In accordance with clause 19.2(b) of the Company's Constitution, Mr Boratav retires and, being eligible, offers himself for re-election as a Director by the Shareholders in accordance with clause 19.3(f) of the Company's Constitution.

Mr Boratav holds a B.C.E, MEng (Materials/Structural)

Mr Boratav graduated with honours degree in Civil Engineering in 1993 and completed his Master's degree in Materials/Structural in 1997. He has over 20 years' of experience in the power industry including Coal and Gas Turbine Power Plants.

Sinan commencing 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.

**The Directors, with Mr Boratav abstaining, unanimously recommend that Shareholders vote in favour of this Resolution.**

## **RESOLUTION 5: GRANTING OF SUBSTANTIAL ASSETS AS COLLATERAL FOR LOAN FROM A PERSON IN A POSITION OF INFLUENCE**

On 1 October 2014, The Environmental Group Limited entered into a General Security Deed with Baltec Inlet and Exhaust Systems Pty Ltd (Baltec) under which the Company pledged the assets of the Company as security for a loan of approximately \$1.1 Million by Baltec to the Company's wholly owned subsidiary, Baltec IES Pty Ltd (**Tranche B Advance**). The Tranche B Advance was provided as an increase to the principal under an existing loan arrangement between Baltec and Baltec IES Pty Ltd (**BIES Loan**).

The collateral is currently limited to assets to the value of \$560,683. If shareholder approval is not obtained under this Resolution 5, then the limitation on the value of the Collateral will remain and there will be no implications to the BIES Loan.

### **Listing Rules**

Listing Rule 10.1 prescribes that the Company must not dispose of a substantial asset to a Related Party or a substantial holder, or an associate of a Related Party or a substantial holder, without Shareholder approval. In general terms, Listing Rule 10.2 provides that a substantial asset is one where the value or consideration equals or exceeds 5% of the total equity disclosed in the most recent accounts of the Company. At the date of this Notice of Meeting, that threshold for the Company is \$560,683.10.

Listing Rule 19.2 defines "dispose" to include the using of an asset as collateral.

Baltec Inlet and Exhaust Systems Pty Ltd is a related party of the Company and an associate of a substantial holder as it is controlled by Ellis Richardson, a director and substantial holder of the Company.

### **Approval Sought**

Resolution 5 seeks approval under Listing Rule 10.1 to grant all the assets of EGL as collateral to Baltec as security for the loan by Baltec to Baltec IES (**Transaction**). The security interest in the collateral is extensive and set out in the table below are the material elements of the grant of assets as collateral.

<b>Collateral</b>	All of the Company's present and after acquired property. The property granted as collateral includes all securities held in the Company's subsidiaries but does not include the assets of the subsidiaries.
<b>Security Interest</b>	Fixed and floating charge over the Collateral to secure the payment of the Secured Money and the Obligations.
<b>Secured Money</b>	<p>All sums of money which the Company or Baltec IES may owe to Baltec (or a third party may owe to Baltec to secure the Secured Money).</p> <p>Baltec IES is currently indebted to Baltec in the amount of \$2,080,000 under the BIES Loan.</p> <p>The BIES Loan was provided in two tranches. The Tranche B Advance of \$1,080,592.02 (Tranche B Advance) accrues interest at the aggregate of the published cash rate of the Reserve Bank of Australia plus 6% and the default interest rate is the aggregate of the published cash rate of the</p>

	<p>Reserve Bank of Australia plus 8%. Interest on the original facility under the BIES Loan (Tranche A Advance) is 12%.</p> <p>The BIES Loan expires on 31 December 2016.</p>
<b>Obligations</b>	<p>Secure the obligations of performance and obligations to pay any money by the Company, Baltec IES or a third party arising out of the General Security Deed or the BIES Loan.</p> <p>The Obligations extend to a guarantee by the Company of the obligations of Baltec IES under the BIES Loan.</p>
<b>Event of Default</b>	<p>Events of default under the General Security Deed include but are not limited to, in general terms:</p> <ul style="list-style-type: none"> <li>• An event of default under the BIES Loan</li> <li>• The Company or a subsidiary of the Company ceasing or threatening to cease to carry on its business or a substantial part of its business.</li> <li>• A person becoming entitled to exercise a right over the Collateral to recover any monies owing</li> <li>• The Company reducing its capital</li> <li>• An action for an amount exceeding \$10,000 becomes enforceable against the Collateral.</li> <li>• An amount in excess of \$10,000 becomes due and payable by the Company or Baltec IES before its maturity.</li> </ul> <p>If an event of default occurs, the Company shall have 5 days to remedy the default after which, if not remedied, Baltec may enforce its security.</p>
<b>Powers of Enforcement</b>	<p>Baltec may enforce its security against the Collateral through, to the extent permitted by law:</p> <ul style="list-style-type: none"> <li>• The appointment or replacement of a receiver and the termination of the receivership</li> <li>• Exercising all powers that a beneficial owner of the Collateral could do including:</li> <li>• Dispose of or convert the Collateral into money</li> </ul>

	<ul style="list-style-type: none"> <li>• Do all things that a mortgagee could do</li> <li>• Take possession of any Collateral</li> <li>• Collect book debts</li> <li>• Perform any business activity of the Company</li> <li>• Operate any bank account, including withdraw money</li> <li>• Exercise any rights of a receiver under section 420 of the Corporations Act 2001</li> <li>• Exercise any rights as a secured party under the Personal Property Securities Act 2009</li> </ul> <p>The General Security Deed appoints Baltec as attorney for the Company to give effect to the obligations under the general Security Deed.</p> <p>There is no contractual obligation for Baltec to deal with the Collateral so as to maximise the money received on disposal of the assets.</p>
<b>Application of Monies Recovered</b>	<p>The surplus of monies recovered by a receiver or Baltec against the Collateral must be paid to the Company after the recovery of costs of Baltec, the remuneration of any receiver and the recovery of the Secured Money.</p>
<b>Other Security Interests</b>	<p>Baltec also has a fixed and floating charge over all the property of Baltec IES Pty Ltd under a separate security deed.</p> <p>The assets of Baltec IES Pty Ltd were provided as collateral for the BIES Loan before the Company acquired Baltec IES Pty Ltd.</p>

### Independent Expert's Report

In accordance with Listing Rule 10.10.2 an Independent Expert's Report has been prepared and is included with this Notice.

The Independent Expert has formed the view that the Proposed Transaction is fair and reasonable to the Shareholders who are entitled to vote on Resolution 5.

The Independent Expert's Report is available at: [www.egl.com.au](http://www.egl.com.au)

Any Shareholder may request a hard copy of the Independent Expert's Report be sent to them by contacting the Company Secretary, Allan Fink on [afink@egl.com.au](mailto:afink@egl.com.au).



## **Related Party Transaction**

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a related party unless an exception to the prohibitions which are set out in sections 210 to 216 of the Corporations Act apply to the issue. As Baltec is controlled by a Director of the Company, Baltec is a related party of the Company for the purposes of section 228(2) of the Corporations Act. The variation of the BIES Loan to accommodate the Tranche B Advance and the General Security Deed is the giving of a financial benefit to a related party for the purposes of section 229(3)(e) of the Corporations Act.

The Board has determined that the variation of the BIES Loan to accommodate the Tranche B Advance and the entry into of the General Security Deed is, and the increase to the Collateral as contemplated by this Resolution 5 will be, on arms length terms or terms less favourable to Baltec than arms length terms, within the meaning of section 210 of the Corporations Act.

Accordingly, the Directors are confident that shareholder approval is not required under section 208(1) of the Corporations Act.

**The Directors, with Ellis Richardson abstaining, unanimously recommend Shareholders vote in favour of this resolution. Mr Richardson will not chair the meeting for consideration of this resolution and will hand the chair to Mr Cartney.**

15 October 2014

The Directors  
The Environmental Group Limited  
Unit 1A, 9 Packard Avenue  
CASTLE HILL NSW 2154

Dear Sirs,

**Independent Expert's Report relating to the Granting of Security over Assets to a Related Party**

**1. INTRODUCTION**

***Background***

- 1.1 The Environmental Group Limited ("EGL" or "the Company") is an Australian Company listed on the Australian Securities Exchange ("ASX").
- 1.2 As announced to the market on 2 October 2014, EGL has resolved an Event of Default on a \$1,000,000 loan previously advanced by Allabah Pty Limited ("Allabah") by repaying this loan with funds advanced from Baltec Inlet and Exhaust Systems Pty Limited ("Baltec"). Baltec is controlled by Mr Ellis Richardson, Executive Chairman of EGL, and therefore a related party of EGL.
- 1.3 The loan from Baltec is in the amount of \$1,080,592 ("Tranche B Advance") and has been provided through an increase to the principal under an existing loan agreement between Baltec and Baltec IES Pty Ltd ("BIES Loan") entered into before EGL's acquisition of Baltec IES Pty Ltd in November 2013.
- 1.4 EGL has provided assets as collateral to Baltec for the BIES Loan of up to \$560,000. Shareholder approval is required under ASX 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 ("Collateral") under the terms of the General Security Deed entered into with Baltec on 1 October 2014 following the Tranche B Advance. On the date that Shareholder approval has been obtained, the limit on the value of the Collateral shall cease to apply.
- 1.5 The proposed granting of the Collateral to Baltec, a related party of EGL and an associate of a substantial shareholder of EGL, is referred to in this report as the "Transaction".

***Opinion***

- 1.6 In our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of EGL.

HALL CHADWICK  
CORPORATE (NSW) LIMITED

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SYDNEY

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A member of AGN  
International Ltd, a  
worldwide association of  
separate and independent  
accounting and consulting  
firms

- 1.7 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

***Purpose of Report***

- 1.8 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of EGL other than those associated with Baltec (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.9 HCC understands and has agreed that this report will be included in or accompany the notice to convene a meeting of EGL shareholders, to assist the Non-Associated Shareholders in their consideration of the Transaction.

## **2. OUTLINE OF THE TRANSACTION**

- 2.1 As at 30 June 2014 EGL had the following outstanding financial liabilities:
- Interest bearing loan of \$1,000,000 at an annual interest rate of 12% from Allabah of which Louis A Niederer is a Director (“Allabah Loan”).
  - Interest bearing loan of \$1,000,000 at an annual interest rate of 12% from Baltec of which Ellis Richardson is a Director (“BIES Loan”).
- 2.2 An Event of Default has occurred in respect of the Allabah Loan due to the ceasing of coal mining operations by EGL’s subsidiary, Mine Assist Mechanical Pty Limited. Default interest is payable on the Allabah loan at 15% per annum from the date of default.
- 2.3 Baltec offered the Tranche B Advance to EGL to resolve the Event of Default and pay out the Allabah Loan, including a favourable interest rate and extended payment terms. The Tranche B Advance totals \$1,080,592 and has been provided through an increase to the principal under the existing BIES Loan.
- 2.4 EGL entered into a General Security Deed with Baltec on 1 October 2014 under which the Company pledged the assets of the Company as security for the BIES Loan and Tranche B Advance in the form of a fixed and floating charge over all assets of EGL.
- 2.5 The Collateral is currently limited to assets to the value of \$560,683 relating to the original BIES Loan. If Shareholder approval is obtained for the Transaction the limit on the value of the Collateral shall cease to apply. If shareholder approval is not obtained, then the limitation on the value of the Collateral will remain.
- 2.6 Events of default under the General Security Deed include but are not limited to, in general terms:
- An event of default under the BIES Loan
  - The Company or a subsidiary of the Company ceasing or threatening to cease to carry on its business or a substantial part of its business.
  - A person becoming entitled to exercise a right over the Collateral to recover any monies owing
  - The Company reducing its capital
  - An action for an amount exceeding \$10,000 becomes enforceable against the Collateral.
  - An amount in excess of \$10,000 becomes due and payable by the Company or Baltec IES before its maturity.
- 2.7 Baltec may enforce its security against the Collateral through, to the extent permitted by law:
- The appointment or replacement of a receiver and the termination of the receivership
  - Exercising all powers that a beneficial owner of the Collateral could do including:
    - Dispose of or convert the Collateral into money
    - Do all things that a mortgagee could do
    - Take possession of any Collateral

- Collect and book debts
- Perform any business activity of the Company
- Operate any bank account, including withdraw money
- Exercise any rights of a receiver under section 420 of the *Corporations Act 2001*
- Exercise any rights as a secured party under the *Personal Property Securities Act 2009*

- 2.8 The General Security Deed appoints Baltec as attorney for the Company to give effect to the obligations under the general Security Deed. There is no contractual obligation for Baltec to deal with the Collateral so as to maximise the money received on disposal of the assets.
- 2.9 The surplus of monies recovered by a receiver or Baltec against the Collateral must be paid to the Company after the recovery of costs of Baltec, the remuneration of any receiver and the recovery of the Secured Money.
- 2.10 Baltec also has a fixed and floating charge over all the property of Baltec IES Pty Ltd under a separate security deed. The assets of Baltec IES Pty Ltd were provided as collateral for the BIES Loan before the Company acquired Baltec IES Pty Ltd.

## **STRUCTURE OF REPORT**

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 BASIS OF EVALUATION
- 5 OVERVIEW OF EGL
- 6 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 7 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

## **APPENDICES**

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

### **3 PURPOSE OF REPORT**

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of EGL of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the EGL shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 An offer is considered fair if the value of the consideration (in this case the security loans) is equal to or greater than the value of the assets (in this case the Collateral) that are the subject of the offer. To be reasonable the shareholders must obtain an overall benefit if the Transaction proceeds.
- 3.5 ASX Listing Rule 10.1 requires that a listed company must obtain shareholder approval before it acquires or disposes of a substantial asset to a related party, a substantial holder or an associate of a related party or substantial holder. An asset is a substantial asset if the value of the assets, in this case the Collateral, is equal to or greater than 5% of the equity interest of that company at the date of the last audited accounts.
- 3.6 For the purpose of ASX Listing Rule 10.1, the granting of the Collateral is considered to be the disposal of the assets comprising the Collateral.
- 3.7 ASX Listing Rule 10.10 requires a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to Non-Associated Shareholders of the listed company. This report provides such an opinion.

#### **4. BASIS OF EVALUATION**

- 4.1 In our assessment of whether the Transaction is fair and reasonable to EGL Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 4.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. Additionally, under Regulatory Guide 111 a transaction is “reasonable” if it is fair. It is possible for a transaction to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the transaction in the absence of any alternative proposals.
- 4.3 Our report has compared the likely advantages and disadvantages to Non-Associated Shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not.
- 4.4 We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in EGL will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 4.5 In our assessment of the Transaction we have considered, in particular the following:
- the underlying value of the Collateral;
  - the terms of the BIES Loan and Tranche B Advance;
  - The advantages and disadvantages associated with approving the Transaction;
  - the likely effect on EGL if the Transaction is not approved;
  - the likelihood of an emergence of an alternative proposal that could realise better value for EGL Shareholders.
  - Other qualitative and strategic issues associated with the Transaction.
- 4.6 The documents and information relied on for the purpose of this report are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 4.7 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report. To the extent we become aware of a material change in circumstances since the date of this report, we will issue a supplementary report at the request of EGL if so required.



## **5. OVERVIEW OF EGL**

### **5.1 Corporate History**

- 5.1.1 EGL is an ASX listed facility services and environmental solutions company that provides industrial services, clean air and clean water to the resource, industrial and municipal sectors.
- 5.1.2 EGL underwent considerable structural change over the last three years with the write down of unsupportable assets and the elimination and/or closure of loss making activities and operations in 2012 and 2013.
- 5.1.3 EGL's largest business was retained, Total Air Pollution Control Pty Ltd ("TAPC"). TAPC was acquired by EGL in 2007 and supplies a complete range of products and services for the removal of pollutants from industrial gas/air streams. TAPC consists of three business segments:
1. Electrostatic Precipitators ("ESP"): ESP is a particulate collection device that removes particles from a gas stream using the force of an induced electrostatic charge. Electrostatic precipitators are efficient filtration devices that operate at a very low pressure drop and remove fine particulate matter such as dust and smoke from the air stream. In contrast to wet scrubbers and fabric filters, which apply energy directly to the flowing fluid medium, an ESP applies energy only to the particulate matter being collected and therefore is very efficient in its consumption of energy (in the form of electricity).
  2. Filtration (also referred to as 'Fabric Filters'): Fabric Filters (also called baghouses and bagfilters) are air pollution control devices that remove particulate matter from a gas stream by passing the dirty air through a layer of cloth. The particulate matter deposits on the cloth surface and the clean air passes through. Of all the air pollution control technologies, fabric filters are the predominant particulate removal device used in industrial processes today. TAPC service and maintain all types of fabric filters and supply modern style Pulse Jet filters under their PowerJet™ range.
  3. Gas and Vapour (also referred to as 'Gas Scrubbing'): The process generally known as "Gas Scrubbing" is the removal of a gaseous pollutant from a larger gas stream. TAPC has been designing and building gas cleaning systems for industrial applications in Australia since 1968. They specialise in absorption (dissolving from within) and adsorption (dissolving on the surface), dust and particulate capture, mist elimination and specialist catalytic reduction and thermal oxidation destruction systems.

### **5.2 Baltec IES Acquisition**

- 5.2.1 EGL completed the acquisition of Baltec IES in November 2013. Baltec IES is involved in the design, fabrication, installation and commissioning of gas turbine power stations. Their gas turbine inlet and exhaust systems are used principally by gas turbine manufacturers and heat recovery boiler manufacturing companies.

- 5.2.2 Baltec IES products and systems include:
- Exhaust stacks including structure and silencer.
  - Diverter dampers, expansion joints, louvre dampers.
  - Exhaust ducting including silencers.
  - Filter houses.
  - Air filtration systems – pulse and static.
  - Inlet cooling systems – fogging, evaporative cooling and chilling.
  - Inlet ducting.
  - Acoustic enclosures and silencers.
- 5.2.3 The services provided by Baltec IES include marketing, design, manufacturing, supply, erection supervision and project management of inlet and exhaust systems. Most work is for export projects that are designed and project managed in Australia then manufactured close to the country of final installation.

### 5.3 Financial Information

- 5.3.1 Set out below is the Audited Consolidated Statements of Comprehensive Income of EGL for the financial years ended 30 June 2013 (“FY 2013”) and 30 June 2014 (“FY 2014”). FY2014 results include Baltec IES consolidated for seven months to 30 June 2014. Also included in the table below are the unaudited results of Baltec IES for FY2013.

THE ENVIRONMENTAL GROUP LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			BALTEC IES
	FY 2013	FY 2014	FY 2013
Revenue from continuing operations	11,901,660	17,936,746	12,749,269
Subcontracting and material costs	(5,450,299)	(10,982,633)	(10,306,173)
Gross profit	6,451,360	6,954,113	2,443,096
Recovered staffing costs <sup>1</sup>			988,711
Employee expenses	(3,604,426)	(4,410,878)	(1,462,399)
Occupancy expenses	(250,163)	(218,117)	(38,679)
Marketing Expenses	(12,901)	(71,453)	(126,027)
Professional fees	(932,480)	(904,535)	(54,111)
Depreciation and amortisation	(89,784)	(101,812)	(30,097)
Other expenses	(969,185)	(1,159,558)	(335,868)
<b>Earnings before interest and tax from continuing operations (“EBIT”)</b>	<b>592,422</b>	<b>87,760</b>	<b>1,384,626</b>
Interest expense	(46,874)	(238,964)	(153,935)
Interest income	8,419	10,357	7,128
<b>Profit / (loss) from operations</b>	<b>553,967</b>	<b>(140,847)</b>	<b>1,237,819</b>
Income tax expense	(300,030)	1,446,230	(371,346)
<b>Net profit from continuing operations</b>	<b>253,937</b>	<b>1,305,383</b>	<b>866,473</b>
Loss from discontinued operations	(1,049,584)	(467,413)	-
<b>Net profit / (loss) for the year</b>	<b>(795,647)</b>	<b>837,970</b>	<b>866,473</b>

<sup>1</sup> Recovered staffing costs in Baltec IES represents staffing costs recovered from customers as per contract terms. Management records these recovered costs separately to provide an accurate assessment of costs and returns from each project.

5.3.2 Set out below is the Audited Consolidated Statement of Financial Position of EGL as at 30 June 2014.

<b>THE ENVIRONMENTAL GROUP LIMITED</b>	
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	
	<b>As at 30 June 2014</b>
<b>Current Assets</b>	<b>\$</b>
Cash and cash equivalents	1,192,745
Trade and other receivables	3,248,826
Inventories	161,051
Other current assets	338,002
Other financial assets	957,824
	<b>5,898,448</b>
<b>Non-Current Assets</b>	
Plant and equipment	771,892
Intangibles <sup>1</sup>	9,109,118
Deferred Tax Assets	2,338,901
	<b>12,219,911</b>
<b>Total Assets</b>	<b>18,118,359</b>
<b>Current Liabilities</b>	
Trade and other payables	3,344,123
Financial liabilities <sup>2</sup>	1,077,782
Tax liabilities	61,721
Short-term provisions	916,996
	<b>5,400,622</b>
<b>Non-Current Liabilities</b>	
Financial liabilities <sup>2</sup>	1,268,703
Deferred tax liabilities	161,894
Long-term provisions	73,478
	<b>1,504,075</b>
<b>Total Liabilities</b>	<b>6,904,697</b>
<b>Net Assets</b>	<b>11,213,662</b>
<b>Equity</b>	
Issued Capital	21,005,632
Reserves	179,444
Retained Earnings	(9,967,270)
Minority interest	(4,144)
<b>Total Equity</b>	<b>11,213,662</b>
<b>Net Tangible Assets ("NTA")</b>	<b>2,104,544</b>

1. Intangible assets comprise predominantly goodwill (\$9,106,408) acquired.
2. Financial liabilities includes:
  - a) Interest bearing loan of \$1,000,000 at an annual interest rate of 12% from Allabah.
  - b) Interest bearing loan of \$1,000,000 at an annual interest rate of 12% from Baltec.

## **6 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION**

### **6.1 Approach to assessing Fairness and Reasonableness**

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

### **6.2 Advantages of the Transaction**

- 6.2.1 The Transaction allows EGL to resolve the Event of Default on the Allabah loan by using the Tranche B Advance to repay the Allabah loan and release the associated security;
- 6.2.2 The non-conflicting directors of EGL negotiated the terms of the BIES Loan and Tranche B Advance on terms that were no more favourable to Baltec than would have been the case had the funds been advanced by a third party.
- 6.2.3 The Tranche B Advance is on more favourable terms compared to the loan advanced by Allabah. The Allabah loan had a standard interest rate of 12% and a default interest rate of 15% payable from the date of the default. The Tranche B Advance is payable at the aggregate of the published cash rate of the Reserve Bank of Australia (currently 2.5%) plus 6% (therefore currently 8.5%). Interest on the original facility under the BIES Loan (“Tranche A Advance”) remains at 12%.

### **6.3 Disadvantages of the Transaction**

- 6.3.1 EGL has provided assets as collateral to Baltec for the BIES Loan and Tranche B Advance. In the event that EGL defaults on these loans it may need to liquidate assets or find alternate funding to repay them.
- 6.3.2 There may be other financing opportunities EGL will not be able to pursue if the increase to the value of the Collateral is approved due to the comprehensive nature of the fixed and floating charge.

## **7 CONCLUSION AS TO FAIRNESS AND REASONABLENESS**

### **7.1 Fairness**

- 7.1.1 In our opinion, the proposed Transaction to grant assets as collateral to Baltec is fair and reasonable to the Non-Associated Shareholders of EGL.
- 7.1.2 Our opinion is based solely on information available as at the date of this report.
- 7.1.3 The principal factors that we have considered in forming our opinion are summarised below.
- a) 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%). Based on discussions with management and a review of current lending rates in the market, it is unlikely that EGL would be able to obtain alternate funding at terms any more favourable than those agreed to with Baltec; and
  - b) If the EGL assets are sold in the event of a default to satisfy the Company's liabilities under the BIES Loan and Tranche B Advance, Baltec will receive a maximum amount equal to the total amount owing to it plus the costs associated with recovery and enforcement.

### **7.2 Reasonableness**

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the Transaction in the absence of an alternative proposal that could realise better value for EGL Shareholders.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- a) The Transaction allows EGL to resolve the Event of Default on the Allabah loan by using the Tranche B Advance to repay the Allabah loan and release the associated security;
- b) The non-conflicting directors of EGL negotiated the terms of the BIES Loan and Tranche B Advance on terms that were no more favourable to Baltec than would have been the case had the funds been advanced by a third party.
- c) The Tranche B Advance is on more favourable terms compared to the loan advanced by Allabah. The Allabah loan had a standard interest rate of 12% and a default interest rate of 15% payable from the date of the default. The Tranche B Advance is payable at the aggregate of the published cash rate of the Reserve Bank of Australia (currently 2.5%) plus 6% (therefore currently 8.5%). Interest on the original facility under the BIES Loan ("Tranche A Advance") remains at 12%.

- d) We are unaware of any alternative proposal at the date of this report that could realise better value for EGL shareholders. EGL advise they have been in discussions with alternative funders in relation to general business financing but were unable to secure funding from banks or other independent parties to repay the Allabah loan. The only offer for repayment of the Allabah loan was from Baltec.
- e) If shareholder approval is not obtained for the Transaction then the limitation on the value of the Collateral will remain and Baltec may seek to enforce the security they already hold over all the property of Baltec IES under a separate security deed if there is any future event of default. We note that failure to obtain shareholder approval for the Transaction will not be an event of default under the BIES Loan.

Having considered that the Transaction is fair and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of EGL should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully  
Hall Chadwick Corporate (NSW) Limited

A handwritten signature in blue ink, appearing to read 'Drew Townsend', with a long horizontal stroke extending to the right.

DREW TOWNSEND

## **APPENDIX I - SOURCES OF INFORMATION**

- The Environmental Group Limited Audited Financial Reports for the financial years ended 30 June 2013 and 30 June 2014;
- Baltec IES Unaudited Financial Report for the financial year ended 30 June 2013;
- The Environmental Group Limited Notice of General Meeting and Explanatory Memorandum;
- Agreement between The Environmental Group Limited (or its wholly owned subsidiary, Baltec IES Pty Ltd) and Baltec Inlet Exhaust Systems Pty Ltd:
  - General Security Deed dated 1 October 2014
  - Deed of Amendment and Restatement, Loan Agreement, Fixed and Floating Charge dated 1 October 2014
  - Loan Agreement dated 29 April 2011
- Publicly available information on EGL and Baltec, including media releases, ASX announcements and websites;
- S&P Capital IQ;
- ASIC Regulatory Guide 74 ‘Acquisitions Agreed to by Shareholders’;
- ASIC Regulatory Guide 111 ‘Content of Expert Reports’;
- ASIC Regulatory Guide 112 ‘Independence of Expert’s Reports’;

## **APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS**

### **Confirmation of Independence**

Prior to accepting this engagement HCC determined its independence with respect to EGL with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of EGL.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with EGL, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of EGL for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of EGL have not changed the methodology or conclusions reached by HCC.

### **Reliance on Information**

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by EGL as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

EGL has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by EGL to HCC in preparation of this report.



## **Qualifications**

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

## **Consent and Disclaimers**

The preparation of this report has been undertaken at the request of the Directors of EGL. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to EGL shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to EGL shareholders.

Shareholders should read all documents issued by EGL that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non-Associated Shareholders of EGL. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated Shareholder of EGL, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to its date.

## **APPENDIX III - FINANCIAL SERVICES GUIDE**

Dated 15 October 2014

### **What is a Financial Services Guide (FSG)?**

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help you make an informed decision in relation to a financial product.

### **Financial services that HCC is authorised to provide**

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

### **HCC's responsibility to you**

HCC has been engaged by the independent directors of The Environmental Group Limited ("EGL" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by EGL in relation to the proposed Transaction.

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

### **General Advice**

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

**Fees HCC may receive**

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$8,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary, a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership) or a dividend from a related company. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

**Referrals**

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

**Associations and relationships**

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. Over the past two years professional fees totalling \$25,000 (excluding GST) have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

**Complaints resolution**

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:

The Complaints Officer

Hall Chadwick Corporate (NSW) Limited

GPO Box 3555

Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

### **External complaints resolution process**

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Financial Ombudsman Service Limited  
GPO Box 3, Melbourne Victoria 3001  
Telephone: 1300 78 08 06  
Facsimile (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

### **Compensation arrangements**

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

### **Contact Details**

You may contact HCC at:  
Hall Chadwick Corporate (NSW) Limited  
GPO Box 3555  
Sydney NSW 2001  
Telephone: 02 9263 2600  
Facsimile: 02 9263 2800



#### All Correspondence to:

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,  
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://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 2:00pm AEDT on Sunday 23 November 2014.**

### 🖥 TO VOTE ONLINE

**STEP 1: VISIT** [www.votingonline.com.au/eglagm2014](http://www.votingonline.com.au/eglagm2014)

**STEP 2: Enter your holding/investment type:**

**STEP 3: Enter your Reference Number:**

**STEP 4: Enter your Voting Access Code:**

**PLEASE NOTE:** For security reasons it is important you keep the above information confidential.



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 Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman 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 Chairman 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:

(a) 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.

(b) 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 **2:00pm AEDT on Sunday 23 November 2014.** 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** [www.votingonline.com.au/eglagm2014](http://www.votingonline.com.au/eglagm2014)

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Level 7, 207 Kent Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# The Environmental Group Limited

ABN 89 000 013 427

☐

## 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** and entitled to attend and vote hereby appoint

☐

Appoint the **Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) 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 Chairman of the Meeting as my/our proxy at the Annual General Meeting of The Environmental Group Limited to be held at the **Parkroyal Melbourne Airport, Arrival Drive Melbourne Airport, Tullamarine, Victoria 3045 Australia on Tuesday, 25<sup>th</sup> of November, 2014 at 2:00pm 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.

**Chairman authorised to exercise undirected proxies on remuneration related matters:** If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1 I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of this resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel of The Environmental Group Limited.

**The Chairman of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1).** If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

### 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 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Election of Mr Ellis Richardson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Election of Mr David Cartney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Mr Sinan Boratav	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Granting of Substantial Assets as Collateral for Loan from a Person in a Position of Influence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 SIGNATURE OF SHAREHOLDERS

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 / / 2014