

1 July 2015

Rights Offer and Market Update

EGL is pleased to announce a fully underwritten non renounceable rights issue to raise up to \$754,000 before costs. The details of the rights issue are contained in the Appendix 3B and further details of the offer will be included in the offer document to be sent to eligible shareholders on 10 July 2015

Further to our half yearly reports and accounts update of 26 February 2015, The Environmental Group Limited (EGL) wishes to advise the market of further developments, in conjunction with the rights issue.

In 2014 EGL was structured into its two major subsidiaries Baltec IES Pty Limited (Baltec) and Total Air Pollution Control (TAPC). Baltec continues to be well managed and profitable. As previously advised EGL is expecting a small profit this financial year despite some losses in TAPC. TAPC operates in declining Australian markets for their services. Targeting TAPC for improvement has led to an internal evaluation of the TAPC business and resulted in a restructure which led to the separation into two business units: Gas and Vapour (G&V) and Electrostatic Precipitators (ESP).

Our Executive Director Ellis Richardson has successfully implemented the internal changes needed in TAPC and now both business units have their own strategic focus, and general managers, who are responsible for their performance. As announced to shareholders in May, EGL appointed a Group Chief Executive Officer (CEO), Henk van Kruining, who together with the board and General Managers is developing business and strategic plans to provide a roadmap for the group for the next 3 years.

One of the resultant strategic initiatives is that ESP and G&V businesses units are developing off-shore sales opportunities. Their emphasis is specifically in markets that Baltec already has a history of successful project work, and also has strong contacts and local representation, all of which ESP and G&V are expected to leverage off to win business in the future. Although it is early days, the board has already seen initial quotations being submitted on projects into these markets. The board expects our new CEO to drive the off shore business development, drawing on his solid experience in expansion of these types of businesses in overseas markets.

The board of directors has made progress since the changes prior to the AGM of last year and the recent appointment of Lynn Richardson to the board is part of the planned development. Lynn brings strategic experience with Baltec prior to the merger into EGL.

The proposed timetable which will be included in the offer document is reflected below

Rights Issue Appendix 3B and notice under section 708AA(2)(f) of the Corporations Act lodged with ASX	1 July 2015
Notice sent to Eligible and Ineligible Shareholders	2 July 2015
"Ex" Date	3 July 2015
Record Date	7 July 2015
Mailing Date	10 July 2015
Last date to extend the Closing Date	24 July 2015
Closing Date of the Offer	29 July 2015
Securities quoted on a deferred settlement basis	30 July 2015
Notify ASX of under-subscriptions	4 August 2015
Issue Date and deferred settlement trading ends	6 August 2015

Yours sincerely,

David Cartney



Non-Executive Chairman