

PACIFIC ENVIRONMENT LIMITED
ACN 42 122 919 948



NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

Date of Meeting:	Thursday, 20 October 2016
Time of Meeting:	3.00 pm (AEDT Time)
Place of Meeting:	Level 8, Goldfields House 1 Alfred Street Sydney, New South Wales

This Notice of Annual General Meeting should be read in its entirety. If you are in doubt as to how to vote at the meeting you should seek advice from your accountant, solicitor or other professional adviser before voting.

PACIFIC ENVIRONMENT LIMITED
ABN 42 122 919 948

NOTICE OF ANNUAL GENERAL MEETING

PART A – AGENDA

The 2016 Annual General Meeting of Pacific Environment Limited ("**the Company**") will be held at Level 8, Goldfields House, 1 Alfred Street, Sydney, New South Wales on Thursday, 20 October 2016 at 3.00 pm (New South Wales time).

The Company's 2016 Annual Report can be accessed via the Company's website at:

<https://www.pacific-environment.com/investor-centre/asx-announcements/>

Terms used in this Part A are defined in Part D.

1. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, Directors' Report and Independent Audit Report for the Company for the financial year ended 30 June 2016.

2. QUESTIONS AND COMMENTS

2.1 Shareholders will be given a reasonable opportunity to:

- (a) ask questions about or comment on the management of the Company; and
- (b) ask the Auditor's representative questions relevant to the Auditor's audit of the Financial Report.

2.2 The Auditor's representative will also be given a reasonable opportunity to answer any written questions submitted to the Auditor prior to the Meeting in accordance with the Corporations Act.

3. RESOLUTION 1 – RATIFICATION OF SHARE ISSUE

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

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the issue of 23,888,889 fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

4. RESOLUTION 2 – RE-ELECTION OF A. GALLAGHER AS DIRECTOR

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

"That Adam Gallagher, who retires in accordance with the Company's constitution and being eligible offers himself for election, is re-elected as a director of the Company with effect from the end of the Meeting."

5. RESOLUTION 3 – RE-ELECTION OF D. JOHNSTONE AS DIRECTOR

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

"That David Johnstone, who retires in accordance with the Company's constitution and being eligible offers himself for election, is re-elected as a director of the Company with effect from the end of the Meeting."

6. RESOLUTION 4 – CHANGE OF COMPANY NAME

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

"That, the name of the Company be changed to "EnviroSuite Limited", with effect from the date that ASIC alters the details of the Company's registration in accordance with section 157 of the Corporations Act."

7. RESOLUTION 5 – APPROVAL OF ADDITIONAL 10% PLACEMENT CAPACITY

To consider and, if thought fit, pass, with or without amendment, the following resolution as a **special resolution**:

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the Company to allot and issue, or agree to allot and issue, Equity Securities at any time in the period commencing on the date of the Meeting and ending on the first anniversary of that date, on one or more occasions, up to the maximum number of Shares calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions as more particularly set out in the Explanatory Statement accompanying this Notice."

8. RESOLUTION 6 – NON EXECUTIVE DIRECTOR REMUNERATION

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

"That, for the purposes of section 13.3 of the Company's constitution and Listing Rule 10.17, the aggregate maximum remuneration that may be paid or provided to the Non-Executive Directors of the Company as a whole in any financial year be increased by \$200,000 per annum, to \$400,000 per annum, with the increase to take effect on and from 1 January 2017 and to apply pro rata to the financial year ending 30 June 2017."

9. RESOLUTION 7 - REMUNERATION REPORT ADOPTION

To consider and, if thought fit, pass, with or without amendment, the following resolution, in accordance with section 250R(2) of the Corporations Act, as an **ordinary resolution**:

"That the Remuneration Report for the year ended 30 June 2016 be adopted."

**BY ORDER OF THE BOARD
PACIFIC ENVIRONMENT LIMITED**

Adam Gallagher
Company Secretary

14 September 2016

PART B – EXPLANATORY STATEMENT

This Explanatory Statement forms part of the notice convening the Company's annual general meeting to be held on Thursday, 20 October 2016.

The purpose of this Explanatory Statement is to assist Shareholders in understanding the background to and implications of the resolutions proposed at, and procedural matters concerning the Meeting.

Terms used in this Explanatory Statement are defined in Part D.

1. AGENDA ITEM 1 – CONSIDERATION OF REPORTS

1.1 The Financial Report, the Directors' Report and the Independent Audit Report for the financial year ended 30 June 2016 will be presented for consideration.

1.2 The above mentioned reports were released by the Company to the ASX on 31 August 2016. They may also be viewed on the Company's website at:

<https://www.pacific-environment.com/investor-centre/asx-announcements>

1.3 Shareholders are not required to vote on the reports however Shareholders will be given a reasonable opportunity to ask questions concerning the reports.

2. AGENDA ITEM 2 – QUESTIONS AND COMMENTS

2.1 The Chairman of the meeting ("**the Chairman**") will give Shareholders a reasonable opportunity to ask questions about or make comments on the management of the Company.

2.2 A representative of the Auditor will attend the Meeting. The Chairman will give Shareholders a reasonable opportunity to ask the Auditor's representative questions relevant to:

(a) the conduct of the audit; and

(b) the preparation and content of the Auditor's report; and

(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.

2.3 The Chairman will also give the Auditor's representative a reasonable opportunity to answer written questions submitted to the Auditor in accordance with the Corporations Act. A list of written questions, if any, submitted by Shareholders will be made available at the start of the meeting, and any written answer tabled by the Auditor's representative at the meeting will be made available to Shareholders as soon as practicable after the meeting.

2.4 Pursuant to section 250PA of the Corporations Act, a shareholder entitled to vote at the Meeting may submit a written question to the Company's auditor if the question is relevant to:

(a) the content of the Auditor's report to be considered at the Annual General Meeting;
or

(b) the conduct of the audit of the annual financial report to be considered at the Annual General Meeting.

2.5 If you are a Shareholder and you wish to submit a question to the Company's auditor, you must give the question to the Company (who will pass it on to the Auditor) no later than 5.00 pm (AEDT) on Friday, 17 October 2016.

- 2.6 If you are submitting a question, please deliver it, marked "Attention: The Company Secretary, Pacific Environment Limited", to the Company either personally or by post or facsimile to the address, facsimile number or email address designated in section 2.8 of Part C of this Notice. Alternatively, if you are submitting a proxy form, you may send the question together with the proxy form, provided it is received by 5.00 pm (AEDT) on Friday, 14 October 2016.

3. AGENDA ITEM 3 – RESOLUTION 1: RATIFICATION OF SHARE ISSUE

Background

- 3.1 The Company issued 23,888,889 ordinary shares on 9 May 2016, in accordance with Listing Rule 7.1.

Requirement for Shareholder approval

- 3.2 Listing Rule 7.1, known as the "15% Rule", limits the capacity of an ASX-listed company to issue Equity Securities without the approval of its shareholders.
- 3.3 In broad terms, Listing Rule 7.1 provides that a company may not issue or agree to issue Equity Securities equal to more than 15% of the total number of ordinary securities on issue in the capital of the Company 12 months prior to the proposed date of issue or agreement to issue (excluding any shares issued in reliance on the 15% Rule during that 12 month period) ("**15% annual placement capacity**"), unless the issue or agreement to issue is approved by shareholders or otherwise comes within one of the exceptions to Listing Rule 7.1.
- 3.4 Under the Listing Rules, a company in general meeting can ratify, by the passage of an ordinary resolution, any issue of Equity Securities made by it in the preceding 12 months without shareholder approval in reliance on its 15% annual placement capacity, so as to reverse the 'depletion' of that placement capacity resulting from the previous issue.
- 3.5 Listing Rule 7.4, known as the "subsequent approval of an issue of securities" rule, validates an issue of Equity Securities made without shareholder approval in reliance on the 15% annual placement capacity, as if it had been made with shareholder approval for the purposes of Listing Rule 7.1 if both of the following criteria are satisfied:
- (a) the issue was not made in breach of Listing Rule 7.1; and
 - (b) the holders of ordinary securities in the company subsequently approve that issue.
- 3.6 For the reasons above, Shareholders are asked to consider and vote upon Resolution 1.
- 3.7 The following information is provided to Shareholders for the purposes of Listing Rule 7.5:
- (a) *Number of securities issued*

On 9 May 2016 the Company issued 23,888,889 ordinary shares (referred to as "**Relevant Shares**" in this section 3.7).
 - (b) *Price at which securities were issued*

The Relevant Shares were issued at a price of \$0.09 each, raising a total of \$2,150,000.
 - (c) *Terms of the securities*

The Relevant Shares are fully paid ordinary shares and rank equally in all respects with the Company's existing Shares.
 - (d) *Persons to whom securities were issued*

The Relevant Shares were issued to sophisticated and professional investors, none of whom were related parties of the Company or its associates.

(e) *Use (or intended use) of funds raised*

The funds raised from the issue of the Relevant Shares were allocated to international expansion in key target markets of the Group, ongoing technology development for EnviroSuite and general working capital purposes.

Voting exclusion statement

3.8 The Company will disregard any votes cast on Resolution 1 by any person who participated in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 1 is passed, and any of their associates.

3.9 However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) 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.

Recommendation of Directors

3.10 Each Director recommends that Shareholders vote in favour of Resolution 1.

4. AGENDA ITEM 4 – RESOLUTION 2: RE-ELECTION OF A. GALLAGHER AS DIRECTOR

Background

4.1 In accordance with the Company's constitution, Adam Gallagher ("**Mr. Gallagher**") retires by rotation at the close of the Annual General Meeting and, being eligible, offers himself for re-election as a director of the Company.

4.2 Mr. Gallagher has been a director of the Company since 20 September 2012 and chairs the Audit and Risk Management Committee and is a member of the Remuneration and Nomination Committee.

4.3 Mr. Gallagher has over 16 years of diverse business experience. He commenced his career as a commercial banking graduate with Commonwealth Bank and held a number of management roles before moving into funds management and corporate advisory. He is an active corporate advisor and is a director of an investment company specialising in ASX microcaps and an ASX listed Technology company Agenix Limited (ASX:AGX).

4.4 Mr. Gallagher has held management and Board positions in a range of companies across financial services, mining, technology, government and media organisations.

Recommendation of Directors

4.5 Each Director (Mr. Gallagher abstaining) recommends that Shareholders vote in favour of Resolution 2.

5. AGENDA ITEM 5 – RESOLUTION 3: RE-ELECTION OF D. JOHNSTONE AS DIRECTOR

Background

5.1 In accordance with the Company's constitution David Johnstone ("**Mr. Johnstone**") retires by rotation at the close of the Annual General Meeting and, being eligible, offers himself for re-election as a director of the Company.

- 5.2 Mr. Johnstone has been a director of the Company since 10 February 2014 and Chairman of the Company since 2 September 2016. David is also the Chairman of the Remuneration and Nomination Committee and is a member of the Audit and Risk Management Committee.
- 5.3 Mr. Johnstone is an experienced company director and CEO. He was previously Group Head of Corporate Development and prior to that CEO of Centrepunkt Alliances' largest subsidiary, Professional Investment Services Ltd. He was also CEO of Bartercard Ltd after he successfully sold and merged his own business, Trade Ltd.
- 5.4 Mr. Johnstone is a past Chairman of the International Reciprocal Trade Association, a Global Industry Association based in the USA.
- 5.5 Mr. Johnstone continues to provide consulting and non-executive director services to many businesses both listed and unlisted.

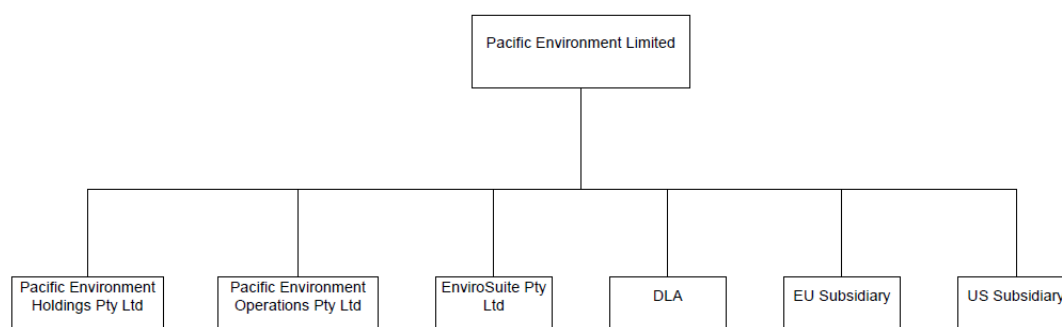
Recommendation of Directors

- 5.6 Each Director (Mr. Johnstone abstaining) recommends that Shareholders vote in favour of Resolution 3.

6. AGENDA ITEM 6 – RESOLUTION 4: CHANGE OF COMPANY NAME

Background

- 6.1 The current structure of the Group is as follows:



- 6.2 The Company proposes the following name changes to companies within the Group:

- (a) Pacific Environment Limited to be changed to "EnviroSuite Ltd";
- (b) Pacific Environment Operations Pty Ltd to be changed to "Pacific Environment Pty Ltd"; and
- (c) EnviroSuite Pty Ltd to be changed to "EnviroSuite Operations Pty Ltd".

- 6.3 The Board has proposed the above name changes as the Board believes those names will better reflect the nature and strategic direction of the Group.
- 6.4 Although Resolution 4 contemplates the change of name for the Company, Pacific Environment Operations Pty Ltd, the consulting and services division of the Company, will continue to operate under the 'Pacific Environment' brand, as it is a well-established and recognised name in the industry.
- 6.5 The Company will carry on as the same legal entity as before, and the change of name in no way affects the Company's existing property, rights or obligations or the rights or entitlements of the Shareholders.

- 6.6 The international subsidiaries, including one in the United States and one proposed for Europe, are or will be also named "EnviroSuite" with the relevant suffixes for the jurisdiction.

Requirement for Shareholder approval

- 6.7 Section 157 of the Corporations Act enables a company to change its name by special resolution passed at a general meeting.
- 6.8 In accordance with section 157, the Company seeks the approval of Shareholders to a change of the Company's name from 'Pacific Environment Limited' to 'EnviroSuite Limited'.

Recommendation of Directors

- 6.9 Each Director recommends that Shareholders vote in favour of Resolution 4.

7. AGENDA ITEM 7 – RESOLUTION 5: APPROVAL OF ADDITIONAL 10% PLACEMENT CAPACITY

Background and requirement for Shareholder approval

- 7.1 Listing Rule 7.1A provides Eligible Entities with the ability to seek shareholder approval, by means of a special resolution at an annual general meeting, to issue or agree to issue additional Equity Securities ("**Additional Issue Securities**"), over the 12 month period commencing on the date of that annual general meeting ("**Additional Issue Period**").
- 7.2 The Company is an Eligible Entity.
- 7.3 The Board believes that it is in the interests of the Company and Shareholders to provide the Company with the flexibility to issue Additional Issue Securities, as and when the need or opportunity arises over the Additional Issue Period without the need to convene a further general meeting.
- 7.4 The maximum number of Additional Issue Securities that may be issued at any given time during the Additional Issue Period will be determined in accordance with the formula as prescribed in Listing Rule 7.1A.2:

$$(A \times D) - E$$

where:

- (a) **A** is the aggregate of:
- (i) fully paid ordinary securities on issue 12 months before the date of issue or agreement to issue ("**Proposed Issue Date**");
 - (ii) fully paid ordinary securities issued in the 12 months prior to the Proposed Issue Date under an exception in Listing Rule 7.2;
 - (iii) partly paid ordinary securities that became fully paid in the 12 months prior to the Proposed Issue Date;
 - (iv) fully paid ordinary securities issued in the 12 months prior to the Proposed Issue Date with approval of holders of ordinary securities under Listing Rule 7.1 or 7.4,
- less the number of fully paid ordinary securities cancelled in the 12 months prior to the Proposed Issue Date;
- (b) **D** is 10%; and

- (c) E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the Proposed Issue Date that are not issued with the approval of holders of ordinary securities under Listing Rule 7.1 or 7.4.
- 7.5 Any Equity Securities issued under Listing Rule 7.1A.2 must be in an existing quoted class of the Company's Equity Securities. As at the date of this Notice, the Company has on issue one quoted class of Equity Securities, namely fully paid ordinary shares.
- 7.6 Under the Listing Rules, Resolution 5 is required to be passed as a special resolution which means that it must be approved by at least 75% of the votes cast by members present at the Meeting (either in person or by proxy) and entitled to vote on the resolution.

Additional disclosure

- 7.7 The following information is provided to Shareholders for the purposes of Listing Rule 7.3A:

(a) *Minimum issue price*

The minimum price at which the Additional Issue Securities may be issued for the purposes of Listing Rule 7.1A.3 is 75% of the volume weighted average price for securities in that class calculated over the 15 trading days on which trades in that class were recorded on the ASX immediately before:

- (i) the date on which the issue price of the relevant Additional Issue Securities was agreed; or
- (ii) if the Additional Issue Securities are not issued within five trading days of the date on which the issue price was agreed, the date of issue of the relevant Additional Issue Securities.

If Additional Issue Securities are issued for non-cash consideration the Company will provide to the market, in accordance with the Listing Rules, a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with the above requirement.

(b) *Dilution of existing Shareholders*

If Additional Issue Securities are issued by the Company, there is a risk that:

- (i) the economic interest and voting power of existing ordinary security holders will be diluted;
- (ii) the market price for Equity Securities in that class may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and
- (iii) the Additional Issue Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.

The following table:

- (i) shows the potential dilution of existing shareholders calculated in accordance with the formula in ASX Listing Rule 7.1A.2 (assuming that Resolution 5 is passed by shareholders), on the basis of the current market price of shares and the current number of equity securities on issue as at the date of this Notice of Meeting; and
- (ii) then compares the above scenario with the possible dilutionary effect on existing Shareholders assuming that.

- (A) the total ordinary share capital of the Company has increased by 50% and by 100% and all newly issued Shares are held by non-existing Shareholders; and
- (B) the issue price of fully paid ordinary securities has decreased by 50% (i.e. halved), and increased by 100% (i.e. doubled), as against the closing price of Shares on the last trading day before the date of this Notice.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		Issue Price of \$0.041 (50% of the closing price of the Company's shares on 14 September 2016)	Issue Price of \$0.082 (the closing price of the Company's shares on 14 September 2016)	Issue Price of \$0.164 (100% increase in the closing price of the Company's shares on 14 September 2016)
182,259,474 (total number of Shares as at the date of Meeting Notice 14/9/16)	Shares issued – 10% voting dilution	18,424,743 Shares	18,424,743 Shares	18,424,743 Shares
	Funds raised	\$755,414	\$1,510,828	\$3,021,657
273,389,211 (50% increase in the total number of Shares)	Shares issued – 10% voting dilution	27,637,114 Shares	27,637,114 Shares	27,637,114 Shares
	Funds raised	\$1,133,121	\$2,266,243	\$4,532,486
364,518,948 (100% increase in the total number of Shares)	Shares issued – 10% voting dilution	36,849,485 Shares	36,849,485 Shares	36,849,485 Shares
	Funds raised	\$1,510,828	\$3,021,657	\$6,043,315

The table has been prepared based on the following assumptions:

- The Company issues (as Shares) the maximum number of Equity Securities available under the 10% placement capacity to persons other than existing Shareholders so as to show the most possible dilution to existing Shareholders.
- No unquoted options are exercised into fully paid ordinary shares before the date of the issue of securities under Listing Rule 7.1A. The Company has 45,655,000 unquoted options on issue at the date of this Notice of Meeting.
- No shares are issued through conversion of the convertible note issued by the Company. The Company may be required to issue up to 13,353,115 shares at the discretion of the note holder in settlement of the outstanding balance as at 14 September 2016.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

- (c) Last date for issuing the securities

The date the Additional Issue Securities may be issued by (assuming Resolution 5 is passed at the Meeting) is the earlier of the following:

- the date that is 12 months after the date of the Meeting; and
- the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking).

Shareholder approval under Resolution 5 to issue Additional Issue Securities will cease to be valid in the event that holders of the Company's ordinary shares approve a transaction under Listing Rules 11.1.2 or 11.2.

(d) *Purposes for which the Additional Issue Securities may be issued*

The Additional Issue Securities may be issued by the Company for one or more of the following purposes (although the Company has no proposal to do so as at the date of this Notice):

- (i) to raise capital to fund any one or more of the following:
 - (A) technology development activities;
 - (B) working capital;
 - (C) acquisition of new businesses; and
- (ii) as non-cash consideration (either wholly or partly) for any one or more of the following:
 - (A) the acquisition of goods and/or services;
 - (B) to incentivise or retain key staff;
 - (C) the acquisition of new businesses.

(e) *Allocation policy*

The Company's allocation policy for Additional Issue Securities pursuant to approval under Resolution 5 will depend on prevailing market conditions and the Company's circumstances at the time of any proposed issue.

The identity of the allottees of Additional Issue Securities will be determined on a case by case basis having regard to a range of factors, including one or more of the following:

- (i) the methods of raising funds available to the Company including, but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Additional Issue Securities on the control of the Company and the Group;
- (iii) the financial situation of the Group; and
- (iv) advice from any one or more of the Company's professional advisers.

Allottees of the Additional Issue Securities have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not Related Parties or associates of a Related Party of the Company. In addition, if the Company is successful in acquiring new assets or investments it is possible that allottees under the additional placement facility will be or include vendors of the new assets or investments.

The Company reserves the right to determine, at the time of any issue of Additional Issue Securities and having regard to the circumstances existing at that time, the terms of the allocation policy that will apply to that particular issue.

(f) Listing rule 7.3A.6 requires entities to provide details of issues of all equity securities (quoted and unquoted) made in the 12 months preceding the date of the meeting.

This applies to issues of all equity securities, including those under listing rule 7.1. Thus in accordance with LR 7.3A.6, a summary of all security issues in the past 12 months is set out in the following table:

Number issued:	10,682,492	200,000	13,353,115	1,000,000	23,888,889	1,987,952
Class/Type of equity security:	Ordinary shares	Ordinary shares	Ordinary shares	Unlisted options	Ordinary shares	Ordinary shares
Summary of terms:	Conversion under convertible note Deed	Exercise of unlisted options	Conversion under convertible note Deed	ex \$0.16, exp 10/11/20 vesting over 3 yrs at 33% pa	Fully paid ordinary shares	Fully paid ordinary shares
Names of persons who received securities or basis on which those persons was determined:	Managing Director, Robin Ormerod	Options held by Company staff	Managing Director, Robin Ormerod	Incentive to key staff member	Institutional and professional investors	Settlement payment to former CEO Peter White
Price:	\$0.0337	\$0.09	\$0.0337	Nil	\$0.09	\$0.083
Discount to market price (if any):	81%	47%	69%	n/a	10%	Nil
For cash issues:						
Total cash consideration received:	n/a	\$18,000	n/a	n/a	\$2,150,000	n/a
Amount of cash consideration spent:	n/a	\$18,000	n/a	n/a	Approximately \$1,500,000	n/a
Use of cash consideration:	n/a	Working capital	n/a	n/a	Tech sales, distribution, development and working capital	n/a
Intended use for remaining amount of cash (if any):	n/a	n/a	n/a	n/a	Tech expansion and working capital	n/a
For non-cash issues:						
Non-cash consideration paid:	\$360,000	n/a	\$450,000	Nil	n/a	\$165,000
Current value of that non-cash consideration:	\$360,000	n/a	\$450,000	Nil	n/a	\$165,000

Voting exclusion statement

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

- (a) a person or entity who may participate in the proposed issue of any Additional Issue Securities and a person or entity who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 5 is passed; and
- (b) an associate (as defined in the Listing Rules) of any such person or entity.

7.9 As at the date of this notice, the Company has not identified any particular person or class of persons who may participate in an issue made pursuant to, or otherwise benefit from, the passing of Resolution 5. As such, no existing Shareholders are excluded from voting on Resolution 5.

Recommendation of Directors

7.10 Each Director recommends that Shareholders vote in favour of Resolution 5.

8. AGENDA ITEM 8 – RESOLUTION 6: NON EXECUTIVE DIRECTOR REMUNERATION

Background

- 8.1 The Company's constitution provides that each Director is entitled to such remuneration from for his or her service as a Director as the Directors decide but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting.
- 8.2 The aggregate amount approved by Shareholders excludes remuneration paid to executive Directors.
- 8.3 At present, the maximum aggregate amount of fees ("**Total Fee Pool**") that may be paid to the non-executive Directors of the Company is \$200,000. The Board proposes, by Resolution 6, to increase the Total Fee Pool by \$200,000 so that the Total Fee Pool will be \$400,000. This proposed increased pool reflects a maximum limit only and the Board does not intend to increase fees payable to that limit.
- 8.4 The increase is proposed to allow for:
- (a) increases in the size of the Board, if and when appropriate; and
 - (b) some future increases in fees to maintain market competitiveness, and in line with market data, to reflect increasing demands on non-executive Directors, with a view to attracting and retaining high quality non-executive Directors with an appropriate range of skills, experience, expertise and diversity.

Requirement for Shareholder approval

- 8.5 Shareholder approval is being sought for the purposes of section 13.3 of the Company's constitution and Listing Rule 10.17.
- 8.6 Section 13.3 of the Company's constitution provides that the Directors' remuneration for their services as Directors is by fixed sum and may not be increased except at a general meeting where particulars of the proposed increase have been given to the Shareholders in the notice convening the meeting.
- 8.7 Listing Rule 10.17 provides that an entity may not increase the total aggregate amount of directors' fees payable to all of its non-executive directors without the approval of its shareholders.
- 8.8 Accordingly, for the reasons above, Shareholder approval is being sought to increase the Total Fee Pool to \$400,000.

Voting exclusion statement

- 8.9 The Company will disregard any votes on Resolution 6 by any director of the Company or an associate of any of the Directors.
- 8.10 However, the Company need not disregard a vote if:
- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (b) 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.

Recommendation of Directors

- 8.11 Each Director declines to make a recommendation to the Shareholders in relation to Resolution 6 due to their material personal interest in the outcome on the basis that they may receive additional remuneration should Resolution 6 be passed.

9. AGENDA ITEM 9 – RESOLUTION 7: REMUNERATION REPORT ADOPTION

Background

- 9.1 The Remuneration Report is contained in the Company's 2016 Annual Report commencing on page 13. The Remuneration Report's contents include:
- (a) an explanation of the Board's policy for remuneration of the Key Management Personnel; and
 - (b) details of remuneration paid to the Key Management Personnel.
- 9.2 Under section 250R(2) of the Corporations Act a resolution that the Remuneration Report be adopted must be put to a vote of shareholders at the Company's Annual General Meeting.
- 9.3 The Chairman will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

Requirement for Shareholder approval

- 9.4 The vote on Resolution 7 is advisory only and does not bind the Company or the Company's directors.
- 9.5 If Resolution 7 is not passed, the Directors are not obliged to alter any of the arrangements specified in the Remuneration Report. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.
- 9.6 If, at the Meeting, more than 25% of Shareholders vote *against* the adoption of the Remuneration Report contained in the Company's 2016 Annual Report, the first part of the Board spill provisions contained in the Corporations Act ("two strikes rule") will be triggered ("**25% No Vote**").

While this will not impact the adoption of the Remuneration Report at the current year's Meeting, the implications of the 25% No Vote is that, if, at next year's annual general meeting, the Remuneration Report for that year again receives a 25% No Vote, the Company will be required to put a resolution to Shareholders to vote on whether to hold another general meeting within 90 days of that annual general meeting at which all of the Directors of the Company at that time (other than the Managing Director) must stand for re-election.

Voting exclusion statement

- 9.7 Section 250R(4) of the Corporations Act provides that a vote must not be cast (in any capacity) on Resolution 7 by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or a Closely Related Party of such a person.
- 9.8 However, section 250R(5) of the Corporations Act provides that a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or a Closely Related Party of such a person (each "**the Voter**") may cast a vote on Resolution 7 as a proxy if the vote is not cast on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or a Closely Related Party of such a person and either:
- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or

- (b) the Voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) 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 Key Management Personnel.

9.9 In accordance with section 250R(8) of the Corporations Act, a vote cast in contravention of section 250R(4) of the Corporations Act will not be counted.

PART C – VOTING NOTES

1. VOTING RIGHTS

The Board has determined that all of the shares of the Company will be taken, for the purposes of determining the right of Shareholders to attend and vote at the Meeting, to be held by the persons who are registered in the Company's register of shareholders at 7.00pm (AEDT) on 18 October 2016 as the owners of those shares. Therefore transfers registered after that time will be disregarded in determining shareholders entitled to attend and vote at the Meeting.

2. PROXIES

2.1 A Shareholder entitled to attend and vote at the Meeting may appoint:

- (a) one proxy if the Shareholder is only entitled to one vote at the meeting; or
- (b) one or two proxies if the Shareholder is entitled to more than one vote at the meeting, to attend and vote at the meeting for the Shareholder.

2.2 A Shareholder may appoint an individual person or a body corporate as the Shareholder's proxy.

2.3 A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been provided to the Company.

2.4 A Shareholder who appoints two proxies may state on the proxy form what proportion or number of the Shareholder's votes the proxy may exercise. If a Shareholder appoints two proxies and does not specify the number or proportion of votes each proxy may exercise, each of the proxies may exercise half of the Shareholder's votes.

2.5 A proxy need not be a Shareholder.

2.6 Section 250BB(i) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and **if it does:**

- (a) the proxy need not vote on a show of hands but if the proxy does so the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on the proxy must vote on a poll and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chair the proxy need not vote on the poll but if the proxy does so the proxy must vote that way (i.e. as directed).

2.7 Section 250BC of the Corporations Act provides that if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, if a poll is duly demanded on the question that the resolution be passed; and
- (d) either of the following apply:

- (i) if a record of attendance is made for the meeting – the proxy is not recorded as attending;
- (ii) the proxy does not vote on the resolution;

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed the proxy for the purposes of voting on the resolution at that meeting.

2.8 A proxy form is enclosed. If you wish to appoint a proxy or proxies you must complete the proxy form and deliver it to the Company, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy), by no later than 3.00pm (AEDT) on Tuesday, 18 October 2016:

(a) by post or delivery:

Pacific Environment Limited
Level 1, 146 Arthur Street
North Sydney, NSW 2060; or

(b) by facsimile:

(02) 9870 0999; or

(c) by email:

(d) shareholder.info@pacific-environment.com

3. CORPORATE REPRESENTATIVE

A Shareholder which is a body corporate may appoint an individual as the Shareholder's representative to attend and vote at the Meeting. The representative must bring the formal notice of appointment to the meeting, unless it has previously been provided to the Company.

4. OTHER INFORMATION

Queries in relation to the lodgement of proxies or other matters concerning the Meeting may be directed to the Company Secretary on telephone (+61 428 130 447) or email adam.gallagher@pacific-environment.com.

PART D – INTERPRETATION

In this notice of meeting the following expressions have the following meanings:

"ASX" means the ASX Limited (ACN 008 624 691) or the securities exchange market operated by it as the context requires.

"Auditor" means the Company's auditor.

"Board" means the Directors of the Company from time to time acting as a board.

"Closely Related Party" of a member of the Key Management Personnel of the Group has the meaning ascribed to it in the Corporations Act, and the expression includes, for example, certain Key Management Personnel's family members, dependents and companies they control.

"Company" means Pacific Environment Limited ABN 42 122 919 948.

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

"Directors" means the directors of the Company.

"Eligible Entity" means an entity whose securities are listed on the ASX and who, at the time that this Meeting is held, has a market capitalisation of \$300 million or less and is not included in the S&P/ASX 300 Index.

"Equity Security" has the meaning given in Listing Rule 19.12.

"Group" means the Company and each of its subsidiaries comprising the consolidated entity referred to in the Company's 2016 Annual Report.

"Key Management Personnel" means those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

"Listing Rule" refers to the listing rules of the ASX as amended from time to time.

"Meeting" means the annual general meeting of Shareholders convened for Thursday, 20 October 2016 and any adjournment thereof.

"Notice" means this Notice of Annual General Meeting and includes Parts A to D inclusive.

"Related Party" has the meaning ascribed to it in Listing Rule 19.

"Shares" means fully paid ordinary shares in the capital of the Company.

"Shareholder" means a shareholder of the Company.

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 3:00pm (AEDT) on Tuesday, 18 October 2016**

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 security holder 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 **3:00pm (AEDT) on Tuesday, 18 October 2016**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged:

 By Fax	+ 61 2 9870 0999
 By Mail	Pacific Environment Limited Level 1, 146 Arthur Street NORTH SYDNEY NSW 2060
 In Person	Pacific Environment Limited Level 1, 146 Arthur Street NORTH SYDNEY NSW 2060
 By Email	shareholder.info@pacific-environment.com

Attending the Meeting

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

Pacific Environment Limited

ABN 42 122 919 948

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 **Pacific Environment 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 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 Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at **Level 8, Goldfields House, 1 Alfred Street, SYDNEY NSW 2000 on Thursday, 20 October 2016 at 3:00pm (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.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 6 & 7, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 6 & 7). If you wish to appoint the Chair 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	Ratification of Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Adam Gallagher as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of David Johnstone as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	(Special Resolution) Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	(Special Resolution) Approval of additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Non Executive Director Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Remuneration Report Adoption	<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 / / 2016