

THE ENVIRONMENTAL GROUP LIMITED

ACN 000 013 427

NON-RENOUCEABLE RIGHTS ISSUE OFFER DOCUMENT

A non-renounceable pro rata offer of New Shares at an issue price of \$0.014 each on the basis of one (1) new fully paid ordinary share in the Company for every three (3) existing fully paid ordinary shares held in the Company on the Record Date to raise up to approximately \$754,000

This Rights Issue Offer Document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

**THE OFFER IS CURRENTLY SCHEDULED TO CLOSE AT 5.00PM AEST
ON 29 JULY 2015**

VALID APPLICATION FORMS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Rights Issue Offer Document and on the Entitlement and Acceptance Form regarding the acceptance of Shares under the Offer.

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT
SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD
CONSULT YOUR PROFESSIONAL ADVISER.**

IMPORTANT INFORMATION

Eligibility

Applications for New Shares by Eligible Shareholders can only be made on or in accordance with the original Entitlement and Acceptance Form, as sent with this Rights Issue Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Privacy

By completing an Entitlement and Acceptance Form, you are providing personal information to the Company and the Registry, which is contracted by the Company to manage acceptances. The Company and the Registry on their behalf, collect, hold and use that personal information to process your Entitlement and Acceptance Form, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

As a Shareholder, the Corporations Act and Australian taxation legislation requires information about you (including your name, address and details of the Shares you hold) to be included in The Environmental Group Limited public register. The information must continue to be included in The Environmental Group Limited public register if you cease to be a Shareholder.

The Company and the Registry may disclose your personal information for purposes related to your Shares to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- The Registry for ongoing administration of the Shareholder register;
- Other companies for the purpose of preparation and distribution of documents and for handling mail;
- Other companies for the purpose of analysing the Company's shareholder base; and
- Legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about The Environmental Group Limited's privacy practices by contacting the Registry. You may be required to pay a reasonable charge to the Registry in order to access your personal information. The Environmental Group Limited aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia or New Zealand.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Offer Document or any Entitlement and Acceptance Form in any country outside Australia or New Zealand, except in such other country as the Company may determine it is lawful and practical to make the Offer.

New Zealand

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

1. Details of Offer

1.1 Offer

Pursuant to this Offer Document, EGL is making a non-renounceable pro-rata offer of Shares to Shareholders whose registered address is in Australia or New Zealand on the basis of 1 New Share for every 3 Shares held at the Record Date at an issue price of \$0.014.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded up to the nearest whole New Share.

EGL will accept Entitlement and Acceptance Forms until 5.00pm AEST on the Closing Date in Section 1.2 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the ASX Listing Rules. Entitlement and Acceptance Forms must be accompanied by payment of the Application Monies.

Your Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this Rights Issue Offer Document. You may accept the Offer only by applying for Shares as described in Section 2.

Unless you apply to participate in the Shortfall Offer described on the Entitlement and Acceptance Form, acceptances must not exceed your maximum Entitlement (as shown on the Entitlement and Acceptance Form), although you may accept a lesser number of New Shares should you wish to take up only part of your Entitlement. If your acceptance of the Offer exceeds your Entitlement, and you have not applied to participate in the Shortfall Offer, your acceptance will be deemed to be for your maximum Entitlement and any surplus Application Monies will be applied as an application under the Shortfall Offer. Refer to Section 1.11 for information in relation to the Shortfall Offer.

Acceptance of a completed Entitlement and Acceptance Form by EGL creates a legally binding contract between you and EGL for the number of Shares accepted or deemed to be accepted by you. The Entitlement and Acceptance Form does not need to be signed by you to be legally binding. The Offer and the contract formed on acceptance are governed by the laws of New South Wales.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

New Shares offered by this Rights Issue Offer Document are expected to be issued, and security holder statements dispatched, on the date specified in the timetable in Section 1.2.

It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.2 Timetable

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

Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Shares.

1.3 Use of Funds

The gross proceeds of the Offer will be approximately \$754,000 which, after the costs of the Offer, will be used to provide additional working capital.

Cost of the Offer are approximately \$15,000 plus GST.

1.4 No Rights trading

This pro-rata offer of New Shares is non-renounceable. This means that you may not sell or transfer all or any part of your Entitlement to subscribe for New Shares under the Offer.

1.5 ASX quotation

Application will be made to ASX for the Official Quotation of the New Shares to be issued under the Offer. If permission is not granted by ASX for the Official Quotation of the New Shares, EGL will repay, as soon as practicable, without interest, all application monies received pursuant to the Offer.

1.6 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in EGL which are described in Section 3.

1.7 Underwriting

The Offer is fully underwritten at \$0.014 per Underwritten Share. The details regarding the underwriting arrangements are set out in Section 4.

1.8 Effect of the Offer on control of the Company

The Rights Issue will not have any material effect on the control of EGL as one of the Underwriters, Baltec Inlet & Exhaust Systems Pty Ltd is controlled by Ellis Richardson and his associates currently have effective control

of EGL due to their significant shareholding and lack of any other shareholder with a commensurate voting power.

The Offer does not meet the conditions to Item 10 of section 611 of the Corporations Act. The Company has obtained a declaration from ASIC under paragraph 655A(1)(b) of the Corporations Act such that Chapter 6 of the Corporations Act applies to EGL as if Item 10(b) in section 611 of the Corporations Act were modified by inserting after “offers are made to every person who holds securities”, the words “with a registered address in Australia or New Zealand”.

The potential effect the Offer will have on each Shareholders' percentage interest in the total issued capital is as follows:

- (a) If all Eligible Shareholders take up their Entitlement for New Shares under the Offer, each Eligible Shareholder's percentage in the total issued Shares of the Company will not be diluted (it will increase slightly due to the number of Shares held by Ineligible Shareholders) and the Offer will have no effect on the control of the Company.
- (b) To the extent that any Eligible Shareholder fails to take up their Entitlement to New Shares under the Offer, that Eligible Shareholder's percentage holding in the Company will be diluted by the New Shares issued under the Offer.
- (c) David Cartney, through his controlled entity, intends to take up his Entitlements in full. Sinan Boratav does not intend to take up any of his Entitlements.
- (d) EGL's major shareholder, Ellis Richardson through his controlled entity Baltec Inlet & Exhaust Systems Pty Ltd is one of the Underwriters of the Rights Issue. Ellis Richardson together with his associate Denise Richardson currently have voting power in EGL of 41.92%. The maximum voting power of Ellis Richardson and his associates following completion of the Rights Issue and allotment of the shortfall is approximately 55%. The voting power of Ellis Richardson and his associates upon completion of the Rights Issue and allotment of the Shortfall Shares will be less than 55% to the extent other Eligible Shareholders take up their Entitlements and apply for Shortfall Shares.
- (e) The issue of the Shortfall to the Underwriters may materially increase the voting power of Ellis Richardson and based on the intention of the other Directors to take up their Entitlements in full, will effect the voting power of the Board as described below:

Director	Ellis Richardson	David Cartney	Sinan Boratav	Lynn Richardson
Current Number of Shares	33,970,000	50,000	7,110,000	-
Current voting power together with voting power of associates	41.92%	0.03%	4.39%	41.92% ²

Maximum number of Shares following the issue of Shortfall	86,607,989	1,300,000	7,110,000	-
Maximum voting power including voting power of associates following the issue of Shortfall	55.84% ¹	0.60%	3.29%	55.84% ²

¹This calculation assumes that David Cartney subscribes for his full Entitlement, that no other Shareholder subscribes for Shares and that Baltec Inlet & Exhaust Systems Pty Ltd or its associates receive its entire allocation of the Underwritten Shares. Refer to section 4 for the details of the Underwritten Shares.

² Lynn Richardson does not hold any Shares but is an associate of Ellis Richardson.

1.9 Capital Structure

The capital structure on completion of the Offer will be as follows:

Securities currently on issue	162,060,389 Shares 20,000,000 Options
Total securities currently held by Shareholders eligible to participate in the Rights Issue	161,613,966 Shares
Number of securities that will be issued under the Rights Issue including to underwriters	53,871,322 Shares
Number of securities on issue following issue of the shortfall.	215,931,711 Shares 20,000,000 Options

There will be no change to the terms of the Options as a result of the Offer. The Options are currently exercisable at \$0.05 per Option. The Options do not carry any entitlement to participate in the Offer.

1.10 Taxation implications

Shareholders should consult their professional tax adviser regarding the taxation implications of subscribing for New Shares under this Rights Issue Offer Document.

1.11 Shortfall and Shortfall Offer

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will be taken up by the underwriters to the Offer unless it is allocated to other Eligible Shareholders.

You may, in addition to taking up your Entitlement in full, apply for additional Shares out of the Shortfall in excess of your Entitlement by completing the part of the Entitlement and Acceptance Form relevant to the Shortfall Offer.

Shortfall Shares will only be available where there is a Shortfall between Entitlement and Acceptance Form applications received from Eligible Shareholders and the number of Shares proposed to be issued under the Offer.

Shortfall Shares will be issued at the issue price of \$0.014 per Shortfall Share. Eligible Shareholders who apply for Shortfall Shares may be allocated a lesser number of Shortfall Shares than applied for, or may be allocated no Shortfall Shares at all, in which case excess Application Monies will be refunded without interest.

All decisions regarding the allocation of Shortfall Shares will be made by the Directors in their absolute discretion and will be final and binding on all Eligible Shareholders.

1.12 Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia or New Zealand.

The Company has decided that it is unreasonable to make the Offer to Shareholders outside Australia or New Zealand having regard to the relatively small number of Shareholders with addresses in other jurisdictions, the number and value of Shares they hold and the cost of complying with the legal requirements and the requirements of regulatory authorities to extend the Offer in those jurisdictions.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document.

The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Notwithstanding the above, the Company may (in its absolute discretion) extend the Offer to certain shareholders who have registered addresses outside of Australia or New Zealand in accordance with applicable law.

1.13 CHESS and issuer sponsorship

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. All trading on ASX in Shares will be settled through CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Rules.

The Registry operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute the Company's principal register of Shareholders.

Holders of Shares will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored or other participant in CHESS, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of Shares issued under this Rights Issue Offer Document, provide details of your holder identification number, and provide the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Registry and will contain the number of Shares issued to you under this Rights Issue Offer Document and your security holder reference number.

A CHESSE statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.14 Enquiries

Enquiries regarding your Entitlement or completing the Entitlement and Acceptance Form should be made to the Registry using the contact details on the Entitlement and Acceptance Form.

Please contact David Cartney, Non-Executive Chairman on 0407 828 762 or Allan Fink, Chief Financial Officer on 02 8852 3811 if you have any questions relating to the Offer.

2. Action Required

2.1 Acceptance of Offer under this Rights Issue Offer Document

You may accept all, part, or none of your Entitlement under this Offer. If you accept your Entitlement in full, you may also apply to participate in the Shortfall Offer.

2.2 If you wish to accept all of your Entitlement

Should you wish to accept all of your Entitlement to subscribe for Shares, then applications for Shares under this Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Offer Document or by completing a BPAY payment, in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form.

2.3 If you wish to accept of all of your Entitlement and apply for additional Shortfall Shares

Should you wish to apply for Shortfall Shares, you must first accept all of your Entitlement to subscribe for Shares, then an application for Shortfall Shares under this Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Offer Document or by completing a BPAY payment, in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form.

2.4 If you wish to take up only part of your Entitlement

Should you wish to only take up part of your Entitlement, then applications for Shares under this Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Offer Document or by completing a BPAY payment in respect of the portion of your Entitlement you wish to take up in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form.

2.5 Payment

If you wish to pay by cheque please complete the Entitlement and Acceptance Form which must be accompanied by a cheque in Australian dollars, crossed 'Not Negotiable' and made payable to **The Environmental Group Limited - Entitlement Offer A/C** and lodged at any time after the issue of this Offer Document and on or before the Closing Date at the Registry.

If you wish to pay via BPAY you must follow the instructions in the Entitlement and Acceptance Form.

Eligible Shareholders who elect to pay via BPAY will not need to return their completed Entitlement and Acceptance Form.

2.6 If you do not wish to take up your Entitlement

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. In that case, New Shares not accepted by the Closing Date will become Shortfall Shares and you will receive no benefit.

The number of Shares you hold and the rights attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement, however your percentage holding in the capital of EGL will be diluted.

3. Risk Factors

The activities of EGL and its controlled entities are subject to risks, which may impact on the Company's future performance.

You should read this Section and consider the following risk factors, in addition to the other information in this Offer Document and publically available information, in light of your personal circumstances and investment objectives (including financial and taxation issues). You should also seek professional advice from your accountant, stockbroker, lawyer or other professional adviser.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which you should be aware of in evaluating a further investment in the Company.

The list below is set out under "Company and Industry Risks" and "General Investment Risks."

3.1 Company and Industry Risks

- (a) Counterparty Risk: The Company conducts the significant proportion of its business with customers outside of Australia. This presents risks in the ability and the costs to the Company in recovering payments due to the Company. To date, the Company has not had any material difficulties in obtaining payment from its customers.

- (b) Competitor Risk: The acquisition of a competitor of Baltec by a turbine manufacturer would most likely exclude Baltec from the supply of inlet or exhaust manifolds to that manufacturer's turbine, thus limiting the market for Baltec's products and services.

Baltec's competitors operate in many foreign countries and at any point in time the economic climate and labour laws in those countries may result in lower labour costs than those in Australia or the countries in which Baltec's employees or contractors operate

- (c) Working Capital: The ability to grow the business may be limited by prohibitive cash flow requirements of larger contracts. Larger contracts tend to have greater cash flow demands upon contractors and there will be a point at which the Company cannot support the cash flow requirements without sacrificing other business units or raising additional capital. There is no guarantee that additional capital will be available, or available on reasonable commercial terms.
- (d) Financing Risk: There is no guarantee that the existing loans will be refinanced on commercial terms or otherwise repaid prior to their expiry.
- (e) Foreign Exchange Risk: The Australian dollar margin earned by the Company on any contracts denominated in foreign currencies will be adversely affected by an increase in the Australian dollar exchange rate relative to the foreign currency in which payments under the contract are made to the Company. Conversely, depreciation in the Australian dollar against the foreign currency would improve the Company's margin and cash flow

3.2 General Investment Risks

- (a) Financial Environment: Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of its assets. Factors which contribute to that general economic climate include:

- (i) Contractions in the world economy or increases in rates of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- (ii) International currency fluctuations and changes in interest rates;
- (iii) The demand for and supply of capital and finance;
- (iv) Changes in government legislation and regulatory policy, including with regard to rates and types of taxation; and
- (v) Domestic and international economic and political conditions.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by factors such as:

- (i) general economic outlook;
 - (ii) interest rates and inflation rates;
 - (iii) currency fluctuations;
 - (iv) changes in investor sentiment toward particular market sectors;
 - (v) the demand for, and supply of, capital; and
 - (vi) terrorism or other illegal acts.
- (b) **Government Legislation:** Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire or operate economic interests may affect the viability and profitability of the Company.
 - (c) **Accounting Standards and Tax Laws:** The Company is exposed to the risk of changes to accounting standards, applicable laws or their interpretation which may have a negative effect on the Company, its investments or returns to Shareholders including the risk of non-compliance with reporting or other legal obligations.
- Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns.
- (d) **Dilution:** The Company may in the future be required to raise capital for working capital or for other purposes such as acquisitions. The issue of further capital may result in the dilution of voting power of existing Shareholders and depending upon the price at which capital is raised, dilute the value of Shares.

4. Underwriting

4.1 Underwriting agreement

EGL has entered into underwriting agreements under which the Underwriters have agreed to fully underwrite the New Shares offered under the Offer (**Underwritten Shares**). There is no Underwriting Fee payable to the Underwriters.

Details of the Underwriters are set out in the table below:

Underwriter	Relationship to EGL	Underwritten Shares	Underwriting Fee
Baltec Inlet & Exhaust Systems Pty Ltd and Richmarsh Investments Pty Limited	<p>Baltec Inlet & Exhaust Systems Pty Ltd is controlled by EGL Director, Ellis Richardson.</p> <p>Richmarsh Investments Pty Limited is held 50% by EGL Director Lynn Richardson, the daughter of Ellis Richardson and 50% by Lesley Marshall, the former wife of Ellis Richardson. Ms Marshall and Ms Richardson are the only two directors of Richmarsh Investments Pty Ltd.</p> <p>Richmarsh Investments Pty Limited is an associate of Ellis Richardson.</p>	52,637,989 New Shares	Nil
Cabernet House Pty Limited	Cabernet House Pty Limited is controlled by EGL Director, David Cartney.	1,233,333 Shares	Nil

4.2 Underwriting Agreements

Baltec Inlet & Exhaust Systems Pty Ltd and Richmarsh Investments Pty Limited have jointly and severally agreed to subscribe for its allocation of Underwritten Shares if called for by EGL at \$0.014 per New Share by the issue date of the New Shares.. Baltec Inlet & Exhaust Systems Pty Ltd and Richmarsh Investments Pty Limited may, by notice in writing to EGL, nominate between them the proportion in which the Underwritten Shares are to be allotted to them.

Cabernet House Pty Ltd has agreed to subscribe for its allocation of Underwritten Shares if called for by EGL at \$0.014 per New Share within 14 Business Days of the Closing Date

The liability of the Underwriters is reduced by all valid applications under the Entitlement and Shortfall Shares in priority to the liability of the Underwriters. EGL must call upon Cabernet House Pty Limited to subscribe for its full number of Underwritten Shares before calling upon Baltec Inlet & Exhaust Systems Pty Ltd and Richmarsh Investments Pty Limited to subscribe as Underwriter.

The Underwriters are not entitled to direct the Company whether or not to accept any applications for Shortfall Shares.

The Underwriting Agreements contains termination clauses that relieve the Underwriters of their obligations if certain events occur. These include:

- (a) **ASX listing:** ASX does not give approval for the Underwritten Shares to be issued to the Underwriters to be listed for official quotation, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;

- (b) **Indictable offence:** a director of the Company or any Related Corporation is charged with an indictable offence;
- (c) **Return of capital or financial assistance:** the Company or a Related Corporation takes any steps to undertake a proposal contemplated under section 257A or passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriters;
- (d) **Change in laws:** any of the following occurs:
 - (i) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
 - (ii) the public announcement of prospective legislation or policy by the Federal Government, or the Government of any State or Territory; or
 - (iii) the adoption by the ASIC, its delegates, ASX, the Reserve Bank of Australia or any other regulatory authority of any regulations or policy,

which does or is likely to prohibit, restrict or regulate the principal business of the Company or the operation of stock markets generally;
- (e) **Failure to comply:** the Company or any Related Corporation fails to comply with any of the following:
 - (i) a provision of its constitution;
 - (ii) any statute;
 - (iii) a requirement, order or request, made by or on behalf of the ASIC or any Governmental Agency; or
 - (iv) any material agreement entered into by it;
- (f) **Alteration of capital structure or constitution:** the Company alters its capital structure or its constitution without the prior written consent of the Underwriters;
- (g) **Extended Force Majeure:** a Force Majeure, which prevents or delays an obligation under this Agreement, lasting in excess of three weeks occurs;
- (h) **Default:** the Company is in default of any of the terms and conditions of this Agreement or breaches any warranty or covenant given or made by it under this Agreement;
- (i) **Adverse change:** any adverse change occurs which materially impacts or is likely to materially impact the operational or financial condition, position, performance or prospects of the Company or a Related Corporation (including but not limited to an administrator, receiver, receiver and manager, trustee or similar official being appointed over any of the assets or undertaking of the Company or a Related Corporation);
- (j) **Investigation:** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a Related Corporation;
- (k) **Prescribed occurrence:** an event described in section 652C of the Corporations Act occurs;
- (l) **Suspension of debt payments:** the Company suspends payment of its debts generally;

- (m) **Litigation:** litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement for a claim exceeding \$200,000 is commenced against the Company or any Related Corporation;
- (n) **Board and senior management composition:** there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the New Shares under the underwriting agreement without the prior written consent of the Underwriters;
- (o) **Breach of Material Contracts:** any material contract to which the Company or a Related Corporation is a party is terminated or substantially modified;
- (p) **Event of Insolvency:** an event of insolvency occurs in respect of the Company or a Related Corporation;
- (q) **Judgment against a Related Corporation:** a judgment in an amount exceeding \$200,000.00 is obtained against the Company or a Related Corporation and is not set aside or satisfied within seven days; or
- (r) **Determination by ASIC:** the Offer is prevented from proceeding by reason of an order (actual or threatened, interim or final) made by ASIC under section 739 of the Corporations Act or ASIC makes a determination under section 713(6) of the Corporations Act in relation to the Company;
- (s) **Offer Document withdrawn:** the Offer is withdrawn by the Company;
- (t) **Timetable not met:** any event specified in the timetable at section 1.2 does not occur within 14 days after the date specified for that event (subject to some variation in timing for different events);

Due the Underwriters being related parties to the Company, the Company has not agreed to indemnify the Underwriters for any losses arising out of or in respect of the Offer or a breach of the underwriting agreement by the Company.

The Underwriting Agreements otherwise contains covenants, warranties, representations and other terms usually found in an underwriting agreement on arms length terms.

5. Glossary of terms

\$ means Australian dollars.

AEST means Australian Eastern Standard Time.

Application Monies means the payment for the New Shares and/or Shortfall Shares at \$0.014 per Share.

Applicant means a person who submits an Entitlement and Acceptance Form.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

Business Day has the same meaning as in the Listing Rules.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means 5:00pm (AEST) on the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Company or **EGL** means The Environmental Group Limited ACN 000 013 427.

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

Directors mean the directors of the Company as at the date of this Offer Document.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for 1 New Share for every 3 Shares held by an Eligible Shareholder on the Record Date.

Entitlement and Acceptance Form means the form, personalised for and sent to, each Eligible Shareholder and attached to or accompanying this Offer document

Ineligible Shareholder means a Shareholder who is not an Eligible Shareholder.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

New Share means a Share proposed to be issued pursuant to this Offer.

Offer is as defined in Section 1.1.

Offer Document means this document.

Official List means the official list of ASX.

Official Quotation means quotation of New Shares on the Official List.

Opening Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Record Date means 7:00pm (AEST) on the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Registry means the Company's share registry, Boardroom Limited.

Related Corporation means a "related body corporate" of the Company as defined in the Corporations Act.

Section means a section of this Offer Document.

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

Shareholder means a registered holder of Shares.

Shortfall or Shortfall Shares means those New Shares for which valid Applications have not been received by the Closing Date.

Shortfall Offer means the offer for the Shortfall pursuant to this Offer Document.

Underwriter means any of the persons referred to in the table in section 4.1, as relevant.

