

26 March 2020

Company Announcements Office
ASX Limited
Level 4,20 Bridge Street
Sydney, NSW 2000

Company Update

The Board of the Environmental Group Limited (**EGL**) advise that as a result of the present COVID-19 pandemic Mr Andrew Arapakis will no longer be joining the Company as CEO as announced to the ASX on the 24 February 2020.

Given the present COVID-19 pandemic and resultant economic environment the Company has moved to elect Mr Ellis Richardson as interim Managing Director. Mr Dean Dowie will revert to an executive director role as previously advised, effective immediately.

Mr Richardson is a former Managing Director of the Company and maintains a deep knowledge of the business and relationships with key clients and industry contacts which will be critical in maintaining the ongoing strength of the business in the present environment. Mr Richardson will not be paid for these services as Interim Managing Director other than Director fees.

Furthermore, the Directors of the Company will for the duration of the pandemic receive half the usual Directors fees.

These changes in conjunction with other cost reduction measures will decrease corporate overheads by over \$0.7M. It is expected that a companywide cost examination exercise will result in further additional savings in overhead and operational expenditures of over \$1M.

Your Board has a clear direction in these difficult times to maximise revenue and minimise expenditure whilst maintaining expert teams able to leverage the opportunities which will inevitably emerge as markets stabilise. Staff, supplier and customer safety, protection and wellbeing remains a core part of our EGL culture. We have directed some employees to work from home and will continue to abide by Government directives.

Business Unit Update

Baltec

We are pleased to advise that since 1st July 2019, Baltec has secured over \$17M of orders based on current exchange rates. The prospect of securing additional major contracts prior to June 30th is encouragingly high. Baltec secured very little work last year which impacted profitability. The latest upturn in contracts won is not surprising as Baltec is often counter cyclic in its order intake and is a welcome balance to the group in these tough times. Baltec customers have usually committed to projects over the previous years and have already purchased major capital equipment such as the gas

turbines. Power generation manufacturers take a long-term view of the market and recognise that gas turbines complement the renewable sector as they are able to produce power from zero to 100% in minutes. Other standby capacity such as battery power is costly, use rare earth elements and are difficult to dispose of environmentally.

TAPC

Reduced workloads will necessitate adjustments to existing staffing levels. We are looking to divert staff where possible to business units that have gained new contracts to protect core expertise.

TES

TES continues to secure work as boiler maintenance is essential to protect people and equipment. Work levels are reduced however our General Manager Peter Rankin is doing an excellent job of balancing workload with the taking of annual leave and negotiating reduced working hours.

EGL Water

Tests to remove total PFAS from contaminated bore water with the University of Victoria have clearly demonstrated a reduction from 18ppb to 3ppb (parts per billion). The tests included a capture of all outputs from our equipment to determine a mass balance endorsement of the results. This positively concludes our testing of bore water. The treated bore water from our equipment is suitable for a wide range of applications for example irrigation and recreational use.

Our team is currently in negotiations to seek sites for testing of bore water. This process is expected to take time. We have also secured PFAS contaminated soil so we will focus our testing in that market segment at the same time as our commercial team develops opportunities in the bore water market.

Expenditure

The immediate reductions in expenditure have been discussed earlier, but sadly more may be necessary as the market dictates. Your Board will attempt to achieve an equilibrium between staff leaving, reduced hours of work or stand downs to maintain our core expertise.

Outlook

Given the market turbulence the Company withdraws the previous earnings guidance on 18 February 2020. In these uncertain times it is impossible to predict outcomes however your Board will do all that it can to minimise the impact during these awful times.

The material terms of the Interim Managing Directors remuneration are appended to this announcement (Appendix A).

This announcement has been authorised for release by the Board.

For further information please contact

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Company Secretary

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About EGL

EGL has four business units, all committed to the protection of the environment by improving air quality, reducing carbon emissions, enhancing waste to energy production and lifting water quality.

- **Total Air Pollution Control** has a range of technologies which reduce dust, odours and harmful gasses from the environment.
- **Baltec IES** produces inlet and exhaust systems for gas turbines, which are used to complement and augment solar and wind energy production, without the use of rare mineral battery resources.
- **Tomlinson Energy Service** division is an essential link in our strategy to build a bio/waste to energy platform.
- **EGL Water** division continues to develop our patented technologies in conjunction with Victoria University. EGL recognises that one of the world's most valuable assets is water and will persist in our vision to reduce water pollution, leading to an improved environment, through low cost technology solutions.

Appendix A – Ellis Richardson MD material terms

Topic	Description
Full name:	Ellis Richardson
Employment type:	Executive Director
Role title:	Managing Director
Director Fees:	Reduced Director fees of \$24,000 until further notice paid to Baltec Inlet and Exhaust Systems Pty Ltd.
Short Term Incentives (STIs):	Nil
Termination Clause:	N/a
Other:	N/a