
THE ENVIRONMENTAL GROUP LIMITED
ACN 000 013 427
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 9.00am AEST

DATE: 29 July 2021

PLACE: Quest Notting Hill, 5 Acacia Place, Notting Hill, Vic 3168

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm(AEST) on 27 July 2021.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – PERFORMANCE SECURITIES

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

“That Shareholders ratify the issue of the following Performance Securities on the terms and conditions set out in the Explanatory Statement:

- (a) Performance Securities over 5,000,000 shares in the Company relating to the financial year ending 30 June 2021 issued to Jalie Pty Ltd as trustee of Jalie 2 Trust;*
- (a) Performance Securities over 2,500,000 shares in the Company relating to the financial year ending 30 June 2021 issued to Paul Gaskett as trustee of Geriab Trust;*
- (a) Performance Securities over 5,000,000 shares in the Company relating to the financial year ending 30 June 2022 issued to Jalie Pty Ltd as trustee of Jalie 2 Trust; and*
- (a) Performance Securities over 2,500,000 shares in the Company relating to the financial year ending 30 June 2022 issued to Jalie Pty Ltd as trustee of Jalie 2 Trust.”*

2. RESOLUTION 2 – ELECTION OF DIRECTOR – GRAEME NAYLER

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

“That Graeme Nayler, a Director who was appointed as an additional Director on 9 March, retires, and being eligible, is elected as a Director.”

3. RESOLUTION 3 – ELECTION OF DIRECTOR – VINCENT D’ROZARIO

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

“That Vincent D’Rozario, a Director who was appointed as an additional Director on 9 March 2021, retires and being eligible, is elected as a Director.”

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES – LISTING RULE 7.1

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 16,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

5. RESOLUTION 5 – APPROVAL OF 7.1A MANDATE

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

6. RESOLUTION 6 – EMPLOYEE SHARE PLAN

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

“That, for the purposes of Listing Rule 7.2 Exception 13(b) and for all other purposes, Shareholders approve;

a) The establishment of a plan, to be called the EGL Employee Incentive Plan, for the provision of incentives to management and employees of the Company; and

b) the issue of securities under the Employee Incentive Plan,

in accordance with the terms of the Employee Incentive Plan described in the Explanatory Statement.”

Dated: 28 June 2021

By order of the Board

**Stephen Strubel
Joint Company Secretary**

Voting Exclusion Statement

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

Resolution 1 – Performance Shares

A person who participated in the issue or is a counterparty to the agreement being approved (namely the recipients of the Performance Rights or an associate of that person or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 – Ratification of Prior Issue of Shares

A person who participated in the issue or is a counterparty to the agreement being approved (namely the Placement participants) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (d) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (e) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (f) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6 – Employee Incentive Scheme

Any person who is eligible to participate in the Employee Incentive Plan or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (g) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (h) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (i) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

You may still attend the meeting and vote in person even if you have lodged [a direct vote or] appointed a proxy. If you have previously submitted a Proxy Form, your attendance will [cancel your direct vote (unless you instruct the Company or [insert share registry] otherwise or] not revoke your proxy appointment unless you actually vote at the meeting for which the proxy is proposed to be used, in which case, the proxy's appointment is deemed to be revoked with respect to voting on that resolution.

Please bring your personalised Proxy Form with you as it will help you to register your attendance at the meeting. If you do not bring your Proxy Form with you, you can still attend the meeting but representatives from Boardroom Pty Limited will need to verify your identity. You can register from 8.00am (AEST) on the day of the meeting.

Due to COVID Restrictions it is essential that you register your attendance in advance of the meeting to ensure appropriate provisions can be made. You can do so by emailing stephenstrubel@egl.com.au.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Joint Company Secretary on +61 0404 400 785.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 - PERFORMANCE SECURITIES

1.1 General

On 8 February 2021, the Company entered into an agreement to acquire 100% of the issued share capital of Active Environmental Solutions Pty Ltd ACN 646 037 327 (AES). Completion of the purchase occurred on 9 February 2021. Prior to the acquisition, two-thirds of the shares in AES were held by Jalie Pty Ltd ACN 646 004 953 as trustee of Jalie 2 Trust (Jalie), and the remaining one-third of the shares in AES were held by Paul Gaskett as trustee of Geriab Trust (Geriab). Jalie is an entity associated with Mr Jason Dixon. Geriab is an entity associated with Mr Paul Gaskett.

The consideration for the purchase comprised an initial allocation of 16,000,000 shares in EGL and performance rights over a further 15,000,000 shares in EGL. Both parts of this consideration were issued to Jalie as to two-thirds and to Geriab as to one-third.

The company sought in-principal advice from ASX that the proposed issue of performance rights was appropriate and equitable pursuant to Listing Rule 6.1. . The company received in-principle confirmation from ASX that the proposed issue of performance rights was appropriate and equitable subject to several conditions, one of which was that shareholders approve the issue of the performance rights.

Under the sale deed, the issue of the performance rights was made subject to receiving shareholder approval.

1.2 Material details

- (a) The party/parties to whom the Performance Rights are to be issued and the number of Performance Rights to be issued each of them, are as follows:

Type of issue	Jalie	Gaskett	Total
Performance rights FY21	5,000,000	2,500,000	7,500,000
Performance rights FY22	5,000,000	2,500,000	7,500,000
Totals	10,000,000	5,000,000	15,000,000

- (b) Relationships that recipients of the Performance Rights (or an associate of the recipient) has with the Company:

Mr Jason Dixon is the director and secretary of Jalie. Shortly after the acquisition of AES, Mr Dixon was appointed as CEO of the Company.

Shortly after the acquisition of AES, Mr Gaskett was appointed as National Sales and Marketing Manager of the Company.

1.3 The reason why shareholder approval is being sought and what will happen if the approval is given or is not given:

Shareholder approval is being sought because ASX approval for the issue of the Performance Rights required shareholder approval.

If shareholder approval is given at the meeting and the Performance Milestones (set out below) are met, then the Performance Rights will convert into shares in the company.

If shareholder approval is not given at the meeting and the Performance Milestones are met, the Company must pay the equivalent share value in cash to the recipients (based on the Company's Volume Weighted Average Price for the 5-day trading period ending on the date of the meeting at which shareholder approval was refused).

1.4 Terms of Performance Rights

(a) In relation to the Performance Rights:

- (i) the Performance Rights were issued in connection with the acquisition of AES;
- (ii) the Performance Rights were issued as deferred consideration for the acquisition of shares in AES on the basis that AES:
 - (1) had \$200,000 in unencumbered working capital;
 - (2) owned exclusive title to its business plans and strategies;
 - (3) held operational, risk management and occupational health and safety policies and procedures and other documentation and know-how and intellectual property in environmental consultancy;
 - (4) was currently in advanced negotiations to establish business relationships with a potential European partner;
 - (5) was in a position to introduce a substantial pipeline of prospective new business to the Company which had significant synergies with the company's existing subsidiaries and business groups (principally Total Air Pollution Control, EGL Water and Tomlinson Energy Services); and
 - (6) had assets being acquired which were principally in the form of intellectual property and potential new business, the full value of which was unknown at the time of the transaction. The Company structured the price for the acquisition so that nearly half of the total consideration was in the form of performance rights with performance milestones to mitigate the risks of overpaying for those assets;

- (iii) the Company calculated the number of Performance Rights to be issued primarily by reference to the profitability and shareholder value to be generated if the commercial purposes of the acquisition are achieved; namely that the pipeline of work held by AES at the time of the acquisition (with Turmec and other potential customers) was able to be exploited by the company and that the acquisition of these opportunities and AES' other intellectual property would translate into increased company profits. The cost to the Company of issuing the shares and performance rights associated with the transaction will be in the order of approximately \$1,023,000 over its duration. The expected additional EBITDA to be generated in FY2021 and FY2022 from this acquisition is hoped to be in the order of an aggregate total of over \$6M, representing a 6-fold return; and
- (iv) none of the Performance Rights will be issued to parties who did not have an ownership interest in AES.

(b) Performance Milestones for Performance Rights

- (i) The Performance Rights are subject to 3 Performance Milestones being achieved:
 - (1) AES successfully introducing a European partner named Turmec to the Company (or a similar new business acquisition with revenues exceeding \$4 million);
 - (2) Milestone 1 plus the Company achieving actual EBITDA as a percentage of the EBITDA Target for FY2021 set out below.
 - (3) Milestone 1 plus the Company achieving actual EBITDA as a percentage of the EBITDA Target for FY2022 set out below.
- (ii) One performance right will convert into one ordinary share in the Company, subject to the performance milestones being achieved.
- (iii) As announced to the market on 24 February 2021, Milestone 1 has already been achieved.
- (iv) The Company's actual EBITDA will be measured against target EBITDA, as determined independently by the Company's appointed auditors. If the Company does not meet the EBITDA Targets, then no shares will be issued.
- (v) In each of FY2021 and FY2020, the company's actual EBITDA will be measured against Target EBITDA for that year, and the maximum share allocation will be made if the Company achieves or exceeds 100% of that target. If less than 100% is achieved, then the share allocation will be reduced by a like proportion, down to a minimum of 70%. If the Company's actual EBITDA is less than 70% of the target EBITDA, then no shares will be issued.

(vi) The EBITDA Targets are as follows:

Financial Year	EBITDA Target	Low (70%)	High (100%)
FY2021	\$3.7M	5,250,000	7,500,000
FY2022	\$5.0M	5,250,000	7,500,000

(vii) The calculation of EBITDA will be adjusted to specifically exclude abnormal or extraordinary items of revenue or expenses, as determined independently by the Company's appointed auditors.

(viii) The Performance Rights are be subject to a change of control event, where the right to convert the Performance Rights into ordinary shares will be triggered without the Performance Milestones being met if the Company suffers a change in control event (where 50.1% or more of the voting power of the Company is acquired by a person).

(ix) If the Performance Milestones are achieved, then ordinary shares in the Company will be issued (with full voting and dividend rights). No other equity security classes are being created.

(c) The number of shares that the Performance Rights will convert into if the applicable performance milestones are met, and the impact that will have on the Company's capital structure, is as follows:

Period	Existing shares	Low	Med	High	Max %
FY2021	276,975,129	-	5,250,000	7,500,000	2.71%
FY2022	284,475,129	-	5,250,000	7,500,000	2.64%
Max after FY22	291,975,129				

(d) The full terms of the Performance Rights are as follows:

- (i) the Performance Rights are not quoted;
- (ii) the Performance Rights are not transferrable;
- (iii) the Performance Rights do not confer any right to vote, except as otherwise required by law;
- (iv) the Performance Rights do not permit the holder to participate in new issues or capital such as bonus issued and entitlement issues;
- (v) the Performance Rights do not carry an entitlement to dividend;
- (vi) the Performance Rights do not permit the holder to participate in the surplus profit or asset of the Company upon winding up of the Company;
- (vii) each Performance Right is converted into one fully paid ordinary share on achievement of the relevant Performance Milestones; and

- (viii) if the relevant class of Performance Rights is not converted into a share by the relevant expiry dates then all the Performance Rights will lapse entirely.

1.5 Voting Exclusion Statement

A Voting Exclusion applies to this Resolution.

1.6 Board recommendation

The Board recommends that shareholders vote in favour of Resolution 1 approving the issuing of Performance Rights to the vendors of AES. The Chair intends to vote all undirected Proxies in favour of Resolution 1.

2. RESOLUTION 2 – ELECTION OF DIRECTOR – GRAEME NAYLER

2.1 General

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Graeme Nayler, having been appointed by other Directors on 9 March 2021, will retire and being eligible, seeks election from Shareholders.

2.2 Qualifications and other material directorships

Mr Graeme Nayler is an accomplished Executive Manager and Board Director with a track recording of driving significant growth and value. Graeme has recently completed his role at Babcock where he grew the business from \$30M to over \$500M annually over an 8-year period. Graeme held roles as both a Managing Director and Executive Director for Strategy and Future Business including a board member of the Australasian business. Graeme was recently appointed to the position of Chief Strategy Officer for a technology start-up, Silentium Defence based in Adelaide to support rapid growth and business building. Graeme has significant experience across many industries, including defence, government, mining and construction, emergency services, oil and gas, airports, automotive, ports, and engineering consultancy.

Prior to Babcock, Mr Nayler was an Executive at Nova Systems and an Officer in the Australian Defence Force for over 15 years.

Mr Nayler brings 30 years' experience in a diverse range of industries and environments and has extensive strategy, business development, commercial, corporate affairs and program management experience. This is supported by his deep technical knowledge in engineering, operations, safety management and enterprise risk. Mr Nayler's experience provides EGL with a solid foundation to support ongoing governance critical for a rapidly growing business

2.3 Independence

Mr Nayler has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

If elected the Board considers that Mr Nayler will be an independent Director.

2.4 Other material information

The Company conducts appropriate checks on the background and experience of candidates before their appointment to the Board. These include checks as to a person's experience, educational qualifications, character, criminal record and bankruptcy history. The Company undertook such checks prior to the appointment of Mr Nayler.

2.5 Board recommendation

The Board supports the election of Mr Nayler and recommends that Shareholders vote in favour of Resolution 2. The Chair intends to vote all undirected Proxies in favour of Resolution 2.

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – VINCENT D'ROZARIO

3.1 General

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr D'Rozario, having been appointed by other Directors on 9 March 2021 will retire and being eligible, seeks election from Shareholders.

3.2 Qualifications and other material directorships

Mr D'Rozario is currently the Regional Managing Director APAC for CHC Helicopters Australia and a Board Director/Secretary for CHC Helicopters and Australian parent company Lloyd Helicopters Australia. Prior to joining CHC, Mr D'Rozario was Vice President Projects at Jacobs Engineering; procuring and leading a diverse portfolio of projects in the oil and gas, mineral processing, pharmaceutical and infrastructure sectors across Asia Pacific, Europe, Africa and North America.

Mr D'Rozario has also held senior management roles with Aker Solutions and Global Process Systems where he was the general manager and managing director for their business in Singapore and Indonesia. His engineering career spanned 26 years prior to diversifying into the aviation sector for the past four years.

Mr D'Rozario has an electrical engineering degree from the University of Victoria and is a graduate of the Australian Institute of Company Directors.

3.3 Independence

Mr D'Rozario has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

If elected the Board considers Mr D'Rozario will be an independent Director.

3.4 Other material information

The Company conducts appropriate checks on the background and experience of candidates before their appointment to the Board. These include checks as to a person's experience, educational qualifications, character, criminal record and bankruptcy history. The Company undertook such checks prior to the appointment of Mr D'Rozario.

3.5 Board recommendation

The Board supports the election of Mr D'Rozario and recommends that shareholders vote in favour of Resolution 3. The Chair intends to vote all undirected Proxies in favour of Resolution 3.

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES

4.1 General

On 10 February 2021, the Company issued 16,000,000 Shares at an issue price of \$0.025 per Share for a value of \$400,000. (**Placement Shares**).

The Company issued the shares as consideration for the acquisition of Active Environmental Solutions Pty Ltd ACN 646 037 327 (**AES**) as announced to ASX on 10 February 2021.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Shares under the Placement (**Placement Shares**) does not fit within any of the exceptions set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the Placement Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for

such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

Resolution 4 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

4.2 Technical information required by Listing Rule 14.1A

If Resolution 4 is passed, the Placement Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

If Resolution 4 is not passed, the Placement Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

4.3 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- (a) The Placement Shares were issued to the vendors of shares in Active Environmental Solutions Pty Ltd ACN 646 037 327 (**AES**) and in accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that the recipients were:
 - (i) not related parties of the Company at the time that the Placement Shares were issued;
 - (ii) not a substantial holder of the Company, advisers of the Company or an associate of any of these parties; and
 - (iii) issued more than 1% of the issued capital of the Company;
- (b) However, a recipient and an associate of a recipient were subsequently employed as members of the Company's Key Management Personnel, being the Chief Executive Officer (CEO) Mr Jason Dixon and the National Sales and Marketing Manager, Mr Paul Gaskett.
- (c) 16,000,000 Placement Shares were issued and the Placement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Placement Shares were issued on 10 February 2021;
- (e) the issue price was \$0.025 per Placement Share. The Company has not and will not receive any other consideration for the issue of the Placement Shares;
- (f) the purpose of the issue of the Placement Shares was for consideration for the purchase of all the issued share capital in AES. and

- (g) the Placement Shares were issued under an agreement, the terms of which were announced to the market on 8 February 2021 and are set out in Annexure 2.

4.4 Voting Exclusion Statement

A Voting Exclusion applies to this Resolution.

4.5 Board recommendation

The Board recommends that shareholders vote in favour of Resolution 4. The Chair intends to vote all undirected Proxies in favour of Resolution 4.

5. RESOLUTION 5 – APPROVAL OF 7.1A MANDATE

5.1 General

As stated in Section 4.1, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

Resolution 5 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 5 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 5 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

5.2 Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 5:

(a) **Period for which the 7.1A Mandate is valid**

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and

- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

(b) **Minimum Price**

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued for a cash consideration per security which is not less than 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in Section 5.2(b)(i), the date on which the Equity Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate for

- (i) the acquisition of new resources, assets and investments (including expenses associated with such an acquisition);
- (ii) the development of the Company's current business; and
- (iii) general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 2 June 2021 of \$0.086.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

Number of Shares on Issue (Variable A in Listing Rule 7.1A.2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.043	\$0.086	\$0.129
			50% decrease	Issue Price	50% increase
		Funds Raised			
Current	276,975,129 Shares	27,697,513 Shares	\$1,190,993	\$2,381,986	\$3,572,979
50% increase	415,462,694 Shares	41,546,269 Shares	\$1,786,490	\$3,572,979	\$5,359,469
100% increase	553,950,258 Shares	55,395,026 Shares	\$2,381,986	\$4,763,972	\$7,145,958

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 276,975,129 Shares on issue.
2. The issue price set out above is the closing market price of the Shares on the ASX on 2 June 2021.
3. The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
4. The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
8. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous approval under Listing Rule 7.1A**

The Company did not obtain approval under Listing Rule 7.1A at its annual general meeting held on 26 November 2020. Accordingly, the Company has not issued any Equity Securities under Listing Rule 7.1A.2 in the twelve months preceding the date of the Meeting.

5.3 Voting Exclusion Statement

As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A. Accordingly, a voting exclusion statement is not included in this Notice.

5.4 Board recommendation

The Board recommends that shareholders vote in favour of Resolution 5. The Chair intends to vote all undirected Proxies in favour of Resolution 5.

6. RESOLUTION 6 – EMPLOYEE SHARE PLAN

6.1 Background

The Board has adopted an Employee Incentive Plan to enable the Company to issue Shares to eligible employees.

The Employee Incentive Plan is intended to provide an opportunity to eligible participants to participate in the Company's future. Further, the Employee

Incentive Plan acts as mechanism to ensure the interests of Shareholders and the management and employees of the Company are aligned.

A summary of the Employee Incentive Plan is set out in Annexure 1.

The Employee Incentive Plan will operate in accordance with ASIC class order CO 14/1000.

6.2 Regulatory Requirements

Shareholder approval is not required under the Corporations Act or the Listing Rules for the operation of the Employee Incentive Plan. However, Shareholder approval is being sought to allow the Company to rely on an exception to the calculation of the Listing Rules 7.1 and 7.1A on the number of securities that may be issued without Shareholder Approval. Listing Rule 7.2 exception 13(b) provides that Listing Rules 7.1 and 7.1A do not apply to an issue of securities under an employee incentive scheme that has been approved by Shareholders, where the issue of securities is within 3 years from that date of Shareholder approval of the issue of securities under the employee incentive scheme.

The Employee Incentive Plan participation is limited to Directors, management and employees of the Company. If an issue is to be made to Directors, then separate Shareholder approval will need to be obtained.

A summary of the key terms of the Employee Incentive Plan is shown in Annexure 1. As this is a new plan being put to Shareholders, no securities have been issued under it to date. A maximum of 13,848,756 securities would be available to be issued under the plan if approved by Shareholders, determined as 5% of the ordinary shares on issue at 2 June 2021.

The passing of Resolution 6 will allow the Company to issue securities for the benefit of participants of the Employee Incentive Plan whilst preserving the Company's placement limits for issuing securities and provide flexibility in the manner in which the Employee Incentive Plan is managed.

If Resolution 6 is not passed, the Company may still issue securities to key personnel other than Directors on the terms as set out in Annexure 1, however those securities will count towards the Company's 15% placement capacity under Listing Rule 7.1

6.3 Voting Exclusion Statement

A Voting Exclusion applies to this Resolution.

6.4 Board recommendation

The Board recommends that shareholders vote in favour of Resolution 6. The Chair intends to vote all undirected Proxies in favour of Resolution 6.

GLOSSARY

\$ means Australian dollars.

7.1A Mandate has the meaning given in Section 5.1.

AEST means Australian Eastern Standard Time as observed in Melbourne, Victoria.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means The Environmental Group Limited (ACN 000 013 427).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or

indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement has its meaning given in Section 4.1.

Placement Shares has its meaning given in Section 4.1.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in Listing Rule 7.1A.2.

EGL Employee Incentive Plan - Summary

1. Introduction

- 1.1 The Board of EGL has approved EGL's Employee Incentive Plan [the "Plan"]. The Board intends to submit the Plan at EGL's next General Meeting for shareholder approval.
- 1.2 This document is intended to be a summary of the intended operation of the Plan and the relevant Plan Rules governing the Plan. Further details on any of the matters set out in this summary can be found in the Plan Rules.
- 1.3 The Plan is intended to operate as a long-term incentive aimed at:
 - (a) increasing shareholder value in EGL; and
 - (b) fostering stronger connections between EGL and its employees.

2. Structure of Plan

- 2.1 The Plan allows for EGL to issue shares to eligible employees.
- 2.2 The Board has a general discretion to select which employees it intends to issue shares to and the terms or conditions of those issues.
- 2.3 It is the Board's intention that no payment will be required for the issue of shares under the Plan.
- 2.4 It is also the intention of the Board that any shares issued under the Plan would be subject to certain performance hurdles which will be based on the company achieving the goals set out in EGL's current strategic plan.
- 2.5 Once the performance hurdles have been achieved, any restrictions attaching to the shares will be lifted.

3. Implications for employees

- 3.1 The Plan has been prepared to comply with ASIC Class Order [CO14/1000], which means that offers of shares to be issued under the Plan will not exceed 5% of the issued share capital in EGL.
- 3.2 At the time of invitation, eligible employees will be able to nominate whether they wish to acquire shares in their own name, or in the name of a compliant self-managed superannuation fund.

4. Advice for employees

- 4.1 EGL does not hold an Australian Financial Services Licence and is unable to provide financial advice on any financial product, including its own shares. Employees should consider obtaining their own financial advice on the implications of any shares issued under the Plan.
- 4.2 The Plan Rules allow the company to administer, vary, suspend and/or terminate the Plan.
- 4.3 EGL is unable to provide any advice as to the potential taxation implications of shares issued under this Plan. Employees should obtain their own taxation advice on such matters.

Annexure 2 – summary of material terms of acquisition of Active Environmental Solutions Pty Ltd released to ASX on 8 February 2021

Topic	Description									
Company name:	Active Environmental Solutions Pty Ltd									
Acquisition:	100% of shares in the legal entity									
Assets:	All assets and rights owned by the company including not less than \$200,000 in working capital									
Consideration:	A total of 31,000,000 shares in EGL at 2.5 cents per share Initial allocation of 16,000,000 shares issued on completion Performance rights over 15,000,000 shares will be issued as set out below									
Performance shares:	<p>Performance rights over 15M shares will be issued for the financial years ending 30 June 2021 and 30 June 2022, subject to shareholder approval and the following milestones being achieved:</p> <p>Milestone 1: AES introducing:</p> <p>(a) a contract with a European company or associated entities on commercial terms acceptable to EGL including retainer, services or commission revenue of at least \$120,000 per annum being paid or payable for a period of not less than 12 months; or</p> <p>(b) an acquisition, contract or partner on commercial terms acceptable to EGL with annual revenue in excess of \$4 million.</p> <p>Milestone 2: Milestone 1 plus EGL achieving actual EBITDA as a percentage of the EBITDA Target for FY2021 set out below.</p> <p>Milestone 3: Milestone 2 plus EGL achieving actual EBITDA as a percentage of the EBITDA Target for FY2022 set out below.</p> <p>In all cases, the assessment of actual EBITDA will be adjusted to exclude various abnormal items of income or expenditure and be determined by EGL's appointed auditors.</p> <p>If Shareholder approval is not given and the performance milestones are achieved, EGL will pay the equivalent share value in cash based on EGL's Volume Weighted Average Price for the 5-day trading period ending on the date of the meeting at which Shareholder Approval was refused.</p>									
EBITDA Targets:	<table border="1"> <thead> <tr> <th>Year</th> <th>EBITDA Target</th> <th>Shares</th> </tr> </thead> <tbody> <tr> <td>2021 Financial Year:</td> <td>\$3.7million</td> <td>5,000,000</td> </tr> <tr> <td>2022 Financial Year:</td> <td>\$5.0million</td> <td>10,000,000</td> </tr> </tbody> </table>	Year	EBITDA Target	Shares	2021 Financial Year:	\$3.7million	5,000,000	2022 Financial Year:	\$5.0million	10,000,000
Year	EBITDA Target	Shares								
2021 Financial Year:	\$3.7million	5,000,000								
2022 Financial Year:	\$5.0million	10,000,000								
Calculation of performance shares:	<p>Where the EBITDA Percentage in relation to a Financial Year is:</p> <p>(a) less than 70% it will be deemed to be 0%; and</p> <p>(b) greater than 100% it will be deemed to be 100%.</p>									



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:00am (AEST) on Tuesday, 27 July 2021.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/eglgm2021>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the 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 securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **9:00am (AEST) on Tuesday, 27 July 2021.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 🖥 **Online** <https://www.votingonline.com.au/eglgm2021>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

The Environmental Group Limited

ACN 000 013 427

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **The Environmental Group Limited** (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 securityholder) 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 General Meeting of the Company to be held at **Quest Notting Hill, 5 Acacia Place, Notting Hill, VIC 3168 on Thursday, 29 July, 2021 at 9.00am (AEST)** 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.

The Chair of the Meeting intends to vote undirected proxies **for** each of the items of business.

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	Performance Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Director – Graeme Nayler	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director – Vincent D'Rozario	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Prior Issue of Shares – Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of 7.1A Mandate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

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 / / 2021