

31 August 2009

Company Announcements Office  
Australian Securities Exchange

**Subsidiary Company Commercial Energy Services Pty Ltd – Deed of Company Arrangement**

Pacific Environment Limited (“PEL”) previously advised on 17 June that the Board of its subsidiary company Commercial Energy Services Pty Ltd (“CES”) had appointed Voluntary Administrators to CES.

PEL advises that the creditors of CES have now approved a Deed of Company Arrangement pursuant to which the business of CES will be sold to a company unrelated to PEL, FSL Holdings Pty Ltd. Effectively this means that PEL will still own the shares in CES, but that CES will no longer carry on the business it has previously.

CES was acquired by PEL on 22 December 2008 and was placed into voluntary administration on 16th June 2009. As a result of the abovementioned matters CES will be reported as a discontinued operation in the PEL Group’s accounts for the financial year ended 30 June 2009.

Following inquiries and investigations PEL is of the opinion that certain misrepresentations were made to it in connection with the sale to it of CES, and PEL is currently considering its options in this regard.

Yours faithfully

**PACIFIC ENVIRONMENT LIMITED**



Darren Herft  
Executive Chairman