

16 October 2009

Company Announcements Office
Australian Securities Exchange

ANNUAL GENERAL MEETING

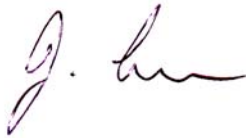
The Company's 2009 Annual General Meeting will be held on 17 November 2009.

Please find attached the following documents which have been sent to the Company's shareholders:

1. Notice of Annual General Meeting;
2. Proxy Form.

Yours Faithfully

Pacific Environment Limited



John Lemon
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING

Date of Meeting: Tuesday, 17 November 2009

Time of Meeting: 2.30 pm (Brisbane Time)

Place of Meeting: Patterson Room
Level 1
Novotel Hotel
200 Creek Street
Brisbane, Qld 4000

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

PACIFIC ENVIRONMENT LIMITED
ABN 42 122 919 948

NOTICE OF ANNUAL GENERAL MEETING

The third Annual General Meeting of Pacific Environment Limited ("the Company") will be held at the Patterson Room, Level 1, Novotel Hotel, 200 Creek Street, Brisbane, Queensland on Tuesday, 17 November 2009 at 2.30 pm (Brisbane time).

The Company's 2009 Annual Report can be accessed via the Company's website at <http://pelgroup.com/company-announcements.html>.

AGENDA

1 CONSIDERATION OF REPORTS

To receive and consider the Financial Report, Directors' Report and Independent Audit Report for the Company for the financial year ended 30 June 2009.

2 QUESTIONS AND COMMENTS

Shareholders will be given a reasonable opportunity to:

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

The Auditor's representative will also be given a reasonable opportunity to answer any written questions submitted to the Auditor prior to the Meeting in accordance with the Corporations Act 2001 (Cwth).

3 RESOLUTION 1 – ELECTION OF GEOFF MASTERS AS DIRECTOR

To consider and, if thought appropriate, pass the following resolution as an ordinary resolution:

"That Mr Geoff Masters, who was appointed a director of the Company by the Directors on 13 November 2008 pursuant to rule 13.2 of the Company's constitution, is hereby elected as a director of the Company."

4 RESOLUTION 2 – ELECTION OF MERV JONES AS DIRECTOR

To consider and, if thought appropriate, pass the following resolution as an ordinary resolution:

"That Dr Mervyn Jones, who was appointed a director of the Company by the Directors on 3 July 2009 pursuant to rule 13.2 of the Company's constitution, is hereby elected as a director of the Company."

5 RESOLUTION 3 – RATIFICATION OF ISSUE OF SHARES AND OPTIONS

To consider and, if thought appropriate, pass the following resolution as an ordinary resolution:

"That the issue of 3,255,710 fully paid ordinary shares in the capital of the Company and 2,905,710 options to subscribe for ordinary shares in the capital of the Company to various investors on the terms and conditions contained in this Notice of Meeting during the period 12 March 2009 – 8 October 2009 inclusive is hereby approved for the purposes of ASX Listing Rule 7.4 and for all other purposes."

6 RESOLUTION 4 – ISSUE OF OPTIONS TO DIRECTOR M. JONES

Subject to the passing of Resolution 2, to consider and, if thought appropriate, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11, and for all other purposes, the Company is authorised to issue 200,000 options to subscribe for ordinary shares in the capital of the Company to Mervyn Thomas Jones on the terms and conditions contained in this Notice of Meeting.”

7 RESOLUTION 5 – ISSUE OF SHARES AND OPTIONS

To consider and, if thought appropriate, pass the following resolution as an ordinary resolution:

“That in accordance with the provisions of ASX Listing Rule 7.1, and for all other purposes, the Company is authorised to issue up to:

- (i) \$2,500,000 worth of fully paid ordinary shares in the capital of the Company; and*
- (ii) 1 free attaching option to subscribe for an ordinary share in the capital of the Company for each two Shares issued,*

to sophisticated and/or professional investors (as defined in the Corporations Act 2001 (Cwth)), and otherwise on the terms and conditions contained in this Notice of Meeting.”

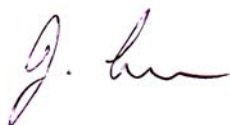
8 RESOLUTION 6 – adoption of REMUNERATION REPORT

To consider and, if thought appropriate, pass the following resolution as an ordinary resolution:

“That the Remuneration Report for the year ended 30 June 2009 be adopted.”

Note: the vote on this resolution is advisory only and does not bind the Company or the Company's directors.

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



John Lemon
Company Secretary

16 October 2009

PACIFIC ENVIRONMENT LIMITED
ABN 42 122 919 948

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY STATEMENT

INTRODUCTION

This Explanatory Statement forms part of the notice convening the Company's Annual General Meeting to be held on Tuesday 17 November, 2009. This Explanatory Statement is to assist Shareholders in understanding the background to and implications of the resolutions proposed, and procedural matters concerning the Meeting. Terms used in this Explanatory Statement are defined in Section 13.

1 AGENDA ITEM 1 – CONSIDERATION OF REPORTS

- 1.1 The Financial Report, the Directors' Report and the Independent Audit Report for the financial year ended 30 June 2009 will be presented for consideration.
- 1.2 The abovementioned reports were released by the Company to the Australian Securities Exchange (ASX) on 1 October 2009. They may also be viewed on the Company's website at <http://pelgroup.com/company-announcements.html>. Shareholders are not required to vote on the reports, however Shareholders will be given a reasonable opportunity to ask questions concerning the reports.

2 AGENDA ITEM 2 - QUESTIONS AND COMMENTS

- 2.1 The chairman of the meeting ("the Chairman") will give Shareholders a reasonable opportunity to ask questions about or make comments on the management of the Company.
- 2.2 A representative of the Company's auditor will attend the Meeting. The Chairman will give Shareholders a reasonable opportunity to ask the Auditor's representative questions relevant to:
 - (i) the conduct of the audit; and
 - (ii) the preparation and content of the Auditor's report; and
 - (iii) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (iv) the independence of the Auditor in relation to the conduct of the audit.
- 2.3 The Chairman will also give the Auditor's representative a reasonable opportunity to answer written questions submitted to the Auditor in accordance with the Corporations Act 2001 (Cwth). A list of written questions, if any, submitted by Shareholders will be made available at the start of the meeting, and any written answer tabled by the Auditor's representative at the meeting will be made available to Shareholders as soon as practicable after the meeting.
- 2.4 Pursuant to section 250PA Corporations Act 2001 (Cwth) a shareholder entitled to vote at the Meeting may submit a written question to the Company's auditor if the question is relevant to:
 - (i) the content of the Auditor's report to be considered at the Annual General Meeting; or
 - (ii) the conduct of the audit of the annual financial report to be considered at the Annual General Meeting.

A shareholder must give the question to the Company (who will pass it on to the Auditor) no later than 5.00 pm on Tuesday, 10 November 2009. If you wish to submit a question to the Company's auditor please deliver it, marked "Attention: The Company Secretary, Pacific Environment Limited", to the Company either personally or by post or facsimile to the address or facsimile number designated in Section 10.6 of this Explanatory Memorandum. Alternatively, if you are submitting a Proxy Form (see section 10 of this Explanatory Memorandum) you may send it together with the Proxy Form, provided it is received by 5.00 pm on Tuesday, 10 November 2009.

3 AGENDA ITEM 3 (RESOLUTION 1) – ELECTION OF GEOFF MASTERS AS DIRECTOR

- 3.1 Geoff Masters was appointed by the Company's directors as a director of the Company on 13 November 2008 pursuant to rule 13.2 of the Company's constitution which allows the Company's directors to appoint a person as a Director to fill a casual vacancy. Under the Company's constitution Mr Masters will hold office as a Director until the Annual General Meeting on 17 November 2009, and may be re-elected as a Director at that meeting.
- 3.2 Mr Masters has been involved in the information technology sector for the past 23 years. Prior to joining Pacific Environment Limited Mr Masters was Managing Director and Vice President of Altiris Asia Pacific. During that time he was responsible for the dramatic growth of the NASDAQ - listed Altiris Inc throughout the Asia Pacific region. This included establishing and growing operations in countries such as Singapore, China, Japan, India, Australia and New Zealand. For part of his time with Altiris Inc Mr Masters was based in Tokyo, Japan.
- 3.3 Mr Masters has also been Managing Director and Vice President of Sterling Software Development Asia Pacific, General Manager of Computer Associates Australia, General Manager of Tandem Computers Australia, Director of the Australian Computer Foundation, and Chairman of TAB Limited's Information Technology Advisory Council. Mr Masters has also conducted advisory work for Siemens Business Services and Mission Australia.
- 3.4 Most recently Mr Masters was the Company's Chief Executive Officer from March 2007 to September 2009 and during that time guided the Company through its initial public offering and maiden year and one half of operations as a listed company.
- 3.5 Mr Masters has a proven track record of senior leadership in highly competitive markets, working in roles that have required the ability to grow a business through technology, services, integration and acquisition. The Company's Board believes that Mr masters' experience gained in his executive role with the Company and his experience generally will continue to help develop the Company's longer term strategic goals.
- 3.6 The Company's directors (with Mr Masters abstaining) recommend that Shareholders vote in favour of Resolution 1.

4 AGENDA ITEM 4 (RESOLUTION 2) – ELECTION OF MERV JONES AS DIRECTOR

- 4.1 Merv Jones was appointed by the Company's directors as a director of the Company on 3 July 2009 pursuant to rule 13.2 of the Company's constitution which allows the Company's directors to appoint a person as a Director to fill a casual vacancy. Under the Company's constitution Dr Jones will hold office as a Director until the Annual General Meeting on 17 November 2009, and may be re-elected as a Director at that meeting.
- 4.2 Dr Jones is a chemical engineer who has close to 40 years experience in the air pollution field, including research, engineering studies, consultancy, management and enforcement. He is widely regarded as one of the most experienced air quality consultants in New Zealand and Australia. In 2005 and 2007 he was recognised by Engineers Australia as one of Australia's 100 most influential engineers.
- 4.3 Dr Jones also has wide experience as a senior executive with a successful leadership track record of growth and profitability in Australia, New Zealand and Asia. His most recent full-time executive position was for seven years as the Asia Pacific Managing Director of URS Corporation, one of the largest engineering design and environmental companies in the world. Dr Jones has extensive experience in development and management of organic business growth in the Asia Pacific region, as well as acquisition experience in both Australia and China.
- 4.3 The Company's directors (with Dr Jones abstaining) recommend that Shareholders vote in favour of Resolution 2.

5 AGENDA ITEM 5 (RESOLUTION 3) – RATIFICATION OF ISSUE OF SHARES AND OPTIONS

- 5.1 Subject to a number of exceptions, ASX Listing Rule 7.1 provides that a company must not issue equity securities (shares, options, etc) without shareholder approval if the number of securities issued would, of itself or when added to the number of other equity securities issued by the company in the previous 12 months, exceed 15% of the number of ordinary shares of the Company on issue at the commencement of the 12 month period. ASX Listing Rule 7.4.2

provides that shareholders may approve an issue of securities after the fact (provided the issue did not breach the 15% limit) so that the securities which were issued are regarded as having been issued with shareholder approval for the purpose of Listing Rule 7.1.

- 5.2 From 12 March 2009 to 8 October 2009 inclusive the Company issued a total of 3,255,710 shares and 2,905,710 options for various purposes to sophisticated investors and other investors to whom under the Corporations Act 2001 (Cwth) a prospectus or other disclosure document is not required to be given for an investment in the Company to be made. The shares and options were issued without Shareholder approval or other exemption under the ASX Listing Rules. The issue of those shares and options was within the 15% limit permitted by ASX Listing Rule 7.1. Nevertheless, the Company is requesting that Shareholders ratify the issue of the shares and options for the purpose of ASX Listing Rule 7.4.2 so that the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.
- 5.3 As required by ASX Listing Rule 7.5, the following information is provided:

Date	No. of Securities Allotted	Price at which Securities Issued	Terms of the Securities	Names of Allottees/ Basis on which Allottees determined	Use of Funds Raised
12/03/09	142,858 shares	\$0.35	a (see below)	Private placements to 1 sophisticated and 1 non-sophisticated investor	Fund new acquisitions; debt retirement; working capital
	142,858 options	\$0.00 (free attaching options)	b (see below)		No funds raised
17/04/09	1. 85,716 shares	\$0.35	a	1. Private placements to a total of 6 sophisticated and non-sophisticated investors	Fund new acquisitions; debt retirement; working capital
	85,716 options	\$0.00 (free attaching options)	b		No funds Raised
	2. 85,710 shares	\$0.00 (bonus shares)	a	2. Issued to same private places to put on same terms as investors under the Company's prospectus dated 6 March 2009	No funds Raised
	85,710 options	\$0.00 (free attaching options)	b		No funds raised

Date	No. of Securities Allotted	Price at which Securities Issued	Term of the Securities	Names of Allottees/ Basis on which Allottees determined	Use of Funds Raised
30/04/09	1,250,000 shares	\$0.00 (issued as partial consideration for acquisition of EcoVision Solutions Pty Ltd)	a	3 Shareholders of EcoVision Solutions Pty Ltd & their nominees	No funds raised
09/06/09	1. 85,716 shares	\$0.35	a	1. Private placements to a total of 6 sophisticated and non-sophisticated investors	Fund new acquisitions; debt retirement; working capital
	85,716 options	\$0.00 (free attaching options)	b		No funds Raised
	2. 85,710 shares	\$0.00 (bonus shares)	a	2. Issued to same private placees to put on same terms as investors under the Company's prospectus dated 6 March 2009	No funds raised
	85,710 options	\$0.00 (free attaching options)	b		No funds raised
22/06/09	300,000 shares	\$0.30	a	Private placements to 1 non-sophisticated investor	Fund new acquisitions; debt retirement; working capital
	300,000 options	\$0.00 (free attaching options)	b		No funds Raised
28/07/09	420,000 shares	\$0.25	a	Private placement to 1 sophisticated investor	Fund new acquisitions; debt retirement; working capital
	420,000 options	\$0.00 (free attaching options)	c		No funds Raised

Date	No. of Securities Allotted	Price at which Securities Issued	Terms of the Securities	Names of Allottees/ Basis on which Allottees determined	Use of Funds Raised
17/08/09	200,000 shares	\$0.25	a	Private placement to 1 sophisticated investor	Fund new acquisitions; debt retirement; working capital
	200,000 options	\$0.00 (free attaching options)	c		No funds Raised
20/08/09	1,500,000 options	\$0.00 (partial consideration for professional services rendered to the Company)	d	Provider of professional services to the Company	No funds Raised
08/10/09	600,000 shares	\$0.00 (consideration for change to acquisition terms for EcoVision Solutions Pty Ltd)	a	3 vendors of EcoVision Solutions Pty Ltd & their nominees	No funds Raised

a = fully paid ordinary shares, subject to the same rights and obligations and ranking equally with all other shares in the capital of the Company

b = options exercisable @ \$0.55; expiring 31/12/10; otherwise subject to the terms referred to in Section 5.4 (below)

c = options exercisable @ \$0.40; expiring 31/12/11; otherwise subject to the terms referred to in Section 5.4 (below)

d = options exercisable @ \$0.40; expiring 19/08/14; otherwise subject to the terms referred to in Section 5.4 (below)

5.4 The terms of issue of all options referred to in the table in Section 5.3 (above), other than the terms set out in that table, are set out in Appendix A.

5.5 Voting Exclusion Statement

As required by the ASX Listing Rules the Company will disregard any votes cast on this resolution by:

- an allottee of any of the securities referred to in the table in Section 5.3 (above) ; and
- an associate (as defined in the ASX Listing Rules) of any such allottee.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5.6 The Company's directors recommend that Shareholders vote in favour of Resolution 3.

6 AGENDA ITEM 6 (RESOLUTION 4) – ISSUE OF OPTIONS TO DIRECTOR M JONES

- 6.1 Shareholder approval is sought in Agenda item 6, subject to the passing of Resolution 2, for the issue of 200,000 options to Director, Dr Mervyn Thomas Jones.
- 6.2 Dr Jones was appointed a director of the Company on 3 July 2009. It is a term of the contract of appointment of Dr Jones as a director of the Company that the Company will provide to Dr Jones the following remuneration:
- (i) payment of Director's fees of \$42,000 per annum; and
 - (ii) subject to shareholder approval, issue to Dr Jones 200,000 options to subscribe for shares in the Company on the same terms and conditions as options issued to the Company's other non-executive directors.
- 6.3 ASX Listing Rule 10.11 provides that an ASX-listed company must not issue or agree to issue "equity securities" (including options) to a director of the company without the approval of the Company's holders of ordinary shares. The notice of the meeting to obtain shareholders' approval must comply with Listing Rule 10.13. Therefore, as required by Listing Rule 10.13, the following information is provided:
- (i) The name of the proposed issuee is Mervyn Thomas Jones.
 - (ii) The maximum number of options to be issued is 200,000.
 - (iii) The Company will issue the options as soon as possible after the Meeting, but no later than one month after the date of the Meeting.
 - (iv) The options will be issued for no cash consideration, the consideration for their issue being Dr Jones' agreement to serve as a director of the Company. Details of the 200,000 options proposed to be issued to Dr Jones are as follows:
 - 50,000 options exercisable @\$0.75 each; vesting immediately upon issue;
 - 50,000 options exercisable @\$1.00 each; vesting 14/01/10;
 - 50,000 options exercisable @\$1.25 each; vesting 14/01/11;
 - 50,000 options exercisable @\$1.50 each; vesting 14/01/12

The options will be exercisable on or before 5 February 2018 and will not be quoted on ASX. Otherwise the terms of issue of the options are set out in Appendix B.

(v) **Voting Exclusion Statement**

As required by the ASX Listing Rules the Company will disregard any votes cast on this resolution by:

- Mervyn Thomas Jones ; and
- an associate (as defined in the ASX Listing Rules) of Mervyn Thomas Jones.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

(vi) No funds will be raised by the issue of the options.

- 6.4 If approval is given under ASX Listing Rule 10.11, approval is not required under Listing Rule 7.1 (please see Section 5.1 (above) for details of ASX Listing Rule 7.1).

6.5 Chapter 2E Corporations Act

Under Chapter 2E Corporations Act a public company must not give a financial benefit to a "related party" (e.g. a director of the company) without shareholder approval unless an exception applies. One of the exceptions is where the benefit is remuneration to a related party as an officer or employee of the company and to give the remuneration would be reasonable given the circumstances of the company and the related party's circumstances (including the responsibilities involved in the office or employment). In this case:

- (i) the Company has caused the options to be issued to Dr Jones to be valued. The valuation was done using the Black-Scholes Pricing Model ("Black-Scholes Model"), which is a recognized model for pricing options, as at 17 November 2009. The value of an option calculated by the Black-Scholes Model is a function of a number of variables. The assessment of the value of the options to be granted to Dr Jones has been prepared using the following assumptions:

Input	Value/Date
Grant Date (proposed)	17 November 2009
Share Price	\$0.215
Exercise Price	\$0.75 – \$1.50
Risk Free Rate	5.41%
Volatility	30%
Expiry Date	5 February 2018

Based on the above assumptions and comments, the value of each option is \$0.017808. The total value of the options to be granted to Dr Jones is \$3,562.

The above valuation does not necessarily represent the market value of the options or the tax value for taxation purposes to the option holder. The future value of the options may be up or down on the value noted above as it will primarily depend on the future value of a Share, and the time to expiry of the options.

- (ii) the issue of shares in lieu of cash would enable the Company to conserve cash which can otherwise be deployed for the Company's other stated purposes such as retirement of debt, funding of acquisitions, provision of working capital, whilst at the same time incentivising Dr Jones to achieve outcomes which are for the benefit of Shareholders.

Accordingly the Directors consider that the issue of options to Dr Jones as proposed would represent reasonable remuneration for the purposes of Chapter 2E Corporations Act, and therefore Shareholder approval is not required for the purpose of Chapter 2E Corporations Act.

- 6.6 The Company's directors (with Dr Jones abstaining) recommend that Shareholders vote in favour of Resolution 4.

7 AGENDA ITEM 7 (RESOLUTION 5) - ISSUE OF SHARES AND OPTIONS

- 7.1 Please see Section 5.1 (above) for details of ASX Listing Rule 7.1.
- 7.2 The Company's directors propose to raise up to \$2,500,000 in the short term through the issue of shares and free attaching options to investors. Offers to subscribe for securities in the Company will be made to sophisticated and/or professional investors as defined in the *Corporations Act 2001* (Cwth) to whom a prospectus is not required to be issued. The proposed use of the funds is stated below.

7.3 For the purposes of ASX Listing Rule 7.1 the Company seeks shareholder approval for the issue of (i) up to \$2,500,000 worth of shares, and (ii) free attaching options, so that the shares and options will not count towards the 15% issue limit.

7.4 As required by ASX Listing Rule 7.3 the following information is provided:

- (i) The maximum number of securities to be issued by the Company if Resolution 5 is approved is that number of Shares calculated by dividing \$2,500,000 by the issue price of the shares, and 1 option for every 2 Shares issued. The formula for calculating the minimum issue price of the shares is set out in Section 7.4(iii) (below). Therefore, for example, if all shares to be issued are issued at \$0.25 (25 cents) each the maximum number of shares to be issued will be 10,000,000 and the maximum number of options to be issued will be 5,000,000.
- (ii) The Company will issue the securities no later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver of modification of the ASX Listing Rules).
- (iii) The issue price of shares to be issued will be a minimum of 80% of the average market price for the Company's fully paid ordinary shares calculated over the last 5 days on which sales in the Company's fully paid ordinary shares were recorded before the day on which the shares are issued. No price will be payable for the issue of the options as they will be free attaching options.
- (iv) The identity of the allottees of the shares and options is not yet known to the Company. The allottees will be sophisticated and/or professional investors as defined in the Corporations Act 2001 determined at the Directors' discretion, but will not be related parties of the Company.
- (v) The shares will be fully paid ordinary shares and will be subject to the same rights and obligations and rank equally with all existing fully paid ordinary shares in the capital of the Company. The terms of issue of the options will be as set out in Appendix A, other than the following terms:
 - The exercise price of the options will be forty cents (\$0.40) per option;
 - The options will expire on 31 December 2011.
- (vi) Funds raised through the issue of the securities will be used by the Company as follows:
 - 80% of the funds raised will be used in association with the Company's EcoVision technology, namely further research and development of the technology, working capital to fund the growth in demand for the EcoVision technology (production and associated capital costs) and payment of the final instalment due to the vendors to the Company of EcoVision Solutions Pty Ltd. (the Company acquired EcoVision Solutions Pty Ltd and the technology owned by it on 30 April 2009).
 - 20% of the funds raised will be used for working capital for the Company generally.
- (vii) Allotments of the securities will occur progressively.
- (viii) **Voting Exclusion Statement**

As required by the ASX Listing Rules the Company will disregard any votes cast on this resolution by:

- Any party proposing to participate in the issue of the securities ; and
- an associate (as defined in the ASX Listing Rules) of any such party.

However, the Company need not disregard a vote if:

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

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7.5 The Company's directors recommend that Shareholders vote in favour of Resolution 5.

8 AGENDA ITEM 8 (RESOLUTION 6) – ADOPTION OF REMUNERATION REPORT

8.1 The Remuneration Report is contained in the Company's 2009 Annual Report commencing on page 11. The Remuneration Report's contents include:

- an explanation of the Board's policy for remuneration of the Company's directors and management; and
- details of remuneration paid to the Company's directors and executives.

8.2 Under the *Corporations Act 2001* (Cwth) a resolution that the Remuneration Report be adopted must be put to a vote of shareholders at the Company's Annual General Meeting.

8.3 The Chairman will give shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

8.4 The vote on the resolution is advisory only and does not bind the Company or the Company's directors. However the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

8.5 The Company's directors recommend that Shareholders vote in favour of Resolution 6.

9 VOTING RIGHTS

9.1 The Board has determined that all of the shares of the Company will be taken, for the purposes of determining the right of shareholders to attend and vote at the Meeting, to be held by the persons who are registered in the Company's register of shareholders at 7.00pm (AEST) on 15 November 2009 as the owners of those shares. Therefore transfers registered after that time will be disregarded in determining shareholders entitled to attend and vote at the Meeting.

10 PROXIES

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

10.1.1 one proxy if the Shareholder is only entitled to one vote at the meeting; or

10.1.2 one or two proxies if the Shareholder is entitled to more than one vote at the meeting, to attend and vote at the meeting for the Shareholder.

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

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

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

10.5 A proxy need not be a shareholder of the Company.

10.6 A Proxy Form is enclosed. If you wish to appoint a proxy or proxies you must complete the Proxy Form and deliver it to the Company, together with the power of attorney or other

authority (if any) under which it is signed (or a certified copy), by no later than 9.00 am on Monday, 16 November 2009:

10.6.1 **by post:**
Pacific Environment Limited
PO Box 5048
Robina, QLD 4230; or

10.6.2 **by delivery:**
Pacific Environment Limited
Level 2,
1 Lawson Street
Southport, QLD; or

10.6.3 **by facsimile:**
(07) 5528 2868.

11 CORPORATE REPRESENTATIVE

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

12 OTHER INFORMATION

Queries in relation to the lodgement of proxies or other matters concerning the Meeting may be directed to the Company Secretary (Telephone: (07) 3833 3872).

13 INTERPRETATION

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

"ASX" means the Australian Securities Exchange.

"Auditor" means the Company's auditor.

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

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

"Corporations Act" means *Corporations Act 2001* (Cwth)

"Directors" means the directors of the Company.

"Meeting" means the annual general meeting of Shareholders convened for 17 November 2009 and any adjournment thereof.

"Section" means a section of this Explanatory Statement.

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

"Shareholder" means a shareholder of the Company.

APPENDIX A
TERMS OF ISSUE OF OPTIONS (Sections 5.4 & 7.4(v))

- The options are options to subscribe for Shares and each option gives the option holder the right to subscribe for one Share;
- Shares issued on exercise of the options will rank pari passu with all existing ordinary shares of the Company from the date of issue;
- The options may be exercised wholly or in part by notice in writing to the Company received at any time on or before 5.00 pm (EST) on the options' expiry date (Expiry Date) together with payment for the exercise price for the number of options being exercised and the options certificate (if any) for those options for cancellation by the Company. Any option not exercised before the Expiry Date will automatically lapse on the Expiry Date;
- The options held by each option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. In the event the option holder holds less than 1,000 options the options must be exercised in whole if exercised;
- The Company will allot the number of Shares the subject of any exercise notice, and at its cost apply for quotation on ASX of the Shares so allotted;
- The option holder will be permitted to participate in new issues of securities of the Company on the prior exercise of the options, in which case the option holder will be afforded the period of at least 6 Business Days notice prior to and inclusive of the books record date (to determine entitlements to the issue) to exercise the options.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - the number of options, the exercise price of the options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the option holders which are not conferred on Shareholders; and
 - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the options will remain unchanged.
- In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the options, the exercise price of the options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2;
- If there is a bonus issue to Shareholders, the number of Shares over which an option is exercisable may be increased by the number of Shares which the option holder would have received if the option had been exercised before the record date for the bonus issue.
- The terms of the options shall only be changed if Shareholders (whose votes are not to be disregarded) approve of such a change. However, the terms of the options shall not be changed to reduce the exercise price, increase the number of options or change any period for exercise of the options.

APPENDIX B
TERMS OF ISSUE OF OPTIONS TO DR M JONES (Section 6.3 (iv))

1 DEFINITIONS

In these Terms and Conditions:

Term	Definition
ASX	means ASX Limited ACN 008 624 691.
Board	means the board of directors of the Company.
Business Day	has that meaning as defined in the Listing Rules.
Buy-Back	means the purchase by the Company or Substituted Corporation of an option prior to its exercise.
Company	means Pacific Environment Limited ACN 122 919 948.
Control	has the meaning given in section 50AA Corporations Act.
Constitution	means the Constitution of the Company.
Corporations Act	means Corporations Act 2001 (Cth) and Corporations Regulations 2001 (Cth).
Director	has the meaning given in section 9 Corporations Act.
Exercise Date	means the date on or after which the Option Holder may exercise an Option.
Exercise Period	means the period during which the Option Holder may exercise an Option.
Exercise Price	means the price at which each Share, the subject of an Option, may be exercised.
Expiry Date	means the date on or by which an Option Holder must exercise an Option.
Fair Value	means where the Company or Substituted Corporation is listed on ASX or any other recognised stock exchange, the quoted price of the Shares at the close of business on the previous day that the Shares were traded or if the company or Substituted Corporation is not listed on a ASX or any other stock exchange the value of the Shares as determined by the Board having regard to the last Annual Valuation.
Grant Date	means the date on which the Option Holder is granted an Option.
Group	means the Company and any Related Body Corporate.
Listing Rules	means the Official Listing Rules of ASX as varied from time to time and includes any waivers or rulings made by ASX.
Net Gain	means the amount given by subtracting the Exercise Price of an option granted under these terms and conditions from the Fair Value of the Share which is the subject of the Option.
Notice of Exercise	means a duly completed and executed notice of exercise of the Option by an Option Holder or, as applicable, a Permitted Nominee, in such form approved by the Board from time to time.
Option	means an option granted by the Company to subscribe for and be allotted the number of Shares the subject of the option.
Option Holder	means a person who holds Options under the terms and conditions.
Permitted Nominee	means a proprietary limited company which is nominated by an Option Holder to hold an Option or a Share which may be issued pursuant to the exercise of the Option, in place of the Option Holder, and which has first been approved by the Board to be the holder of such Option or Shares, provided however,

Term	Definition
	that the Option Holder: controls, either alone or jointly with their immediate family, the composition of the board, and exercises and continues to exercise all management powers, of the nominee company; or holds either alone, or together with their immediate family, all shares in the nominee company but subject to the proviso that the Option Holder, either alone or jointly with members of their immediate family, is at all times able to cast sufficient votes to enable them to pass an ordinary or special resolution in all general meetings of the nominee company.
Related Body Corporate	has the meaning given to it by the Corporations Act.
Relevant Requirements	means those events that must be satisfied before exercise of an Option can occur and which may include any or all of the following: achievement of vesting requirements; and sale of the Company or any entity which may control the Company resulting in change of control either in the ability of the current controllers of the Company to pass ordinary resolutions in general meetings or in the ability of the current controllers to control the composition of the board of the Company.
Security Interest	means a mortgage, charge, pledge, lien or other encumbrance of any nature.
Share	means a fully paid ordinary share in the Company.
Subsidiary	means a company which is a subsidiary of a body corporate for the purposes of the Corporations Act.
Substituted Corporation	means a body corporate which becomes a parent company of the Company following commencement of these terms and conditions and whose shares become the subject of the Options granted to the Option Holders.

2 GRANT OF OPTIONS

The Company grants the Options to the Option Holder on the terms set out in the relevant Minute of Directors' Meeting.

3 EXERCISE OF OPTIONS

- 3.1 An Option entitles the holder of that Option to acquire the total number of Shares the subject of an Option:
- 3.1.1 *subject to the satisfaction of the Relevant Requirements;*
 - 3.1.2 *provided any acquisition of Shares does not breach Corporations Act or the Listing Rules, if applicable;*
 - 3.1.3 *during the Exercise Period;*
 - 3.1.4 *at the Exercise Price; and*
 - 3.1.5 *otherwise in the manner required by the Board and specified in writing to the Option Holder.*
- 3.2 Subject to clauses 3, 3.2, 3.4 and 3.5, the holder of an Option may exercise their Option at any time during the Exercise Period.

- 3.3 Subject to a determination to the contrary by the Board in its absolute discretion if, during the period between the Grant Date and the Exercise Date:
- 3.2.1 *the Option Holder resigns as a director or the secretary of the Company, or is removed from or otherwise ceases to hold that office otherwise than as contemplated by clauses 3.2.2 or 3.2.3, the Option Holder's Options will immediately lapse;*
 - 3.1.2 *the Option Holder dies, their Options will immediately lapse (unless within 60 days of the Option Holder's death, the Board in its absolute discretion decides to allow the representative of the Option Holder's estate to exercise an Option within a specified number of days of the Option Holder's death or the Expiry Date);*
 - 3.1.3 *the Option Holder becomes disabled and (in the opinion of a medical practitioner nominated by the Board) is unable to perform their normal duties, their Options will immediately lapse (unless within 60 days of the Option Holder's disability the Board in its absolute discretion decides to allow the Option Holder to exercise an Option within a specified number of days of the Option Holder's disability or the Expiry Date); or*
 - 3.1.4 *the Option Holder ceases to exercise control of their Permitted Nominee then the Options will immediately lapse (unless the Option Holder notifies the Company of the change of control prior to or on such change occurring and within 60 days of such notification the Board in its absolute discretion allows the Option Holder to exercise an Option within a specified number of days of the notification or the Expiry Date).*
- 3.4 Subject to a determination to the contrary by the Board in its absolute discretion if, during the Exercise Period:
- 3.4.1 *the Option Holder resigns as a director or the secretary of the Company, or is removed from or otherwise ceases to hold that office otherwise than as contemplated by clauses 3.4.2 or 3.4.3, the Option Holder's Options will immediately lapse;*
 - 3.4.2 *the Option Holder dies, the representative of the Option Holder's estate may exercise an Option on or by the Expiry Date;*
 - 3.4.3 *the Option Holder becomes disabled and (in the opinion of a medical practitioner nominated by the Board) is unable to perform their normal duties, the Option Holder may exercise an Option within 60 days of determination by the Board having regard to that opinion;*
 - 3.4.4 *the Option Holder ceases to exercise control of the Permitted Nominee the Options will immediately lapse (unless the Option Holder notifies the Company of the change of control prior to or on such change occurring and within 60 days of such notification the Board in its absolute discretion allows the Option Holder to exercise an Option within a specified number of days of the notification or the Expiry Date).*
- 3.5 Except where the Board has provided its prior written consent, an Option Holder may not exercise an Option within one month of the release to the market of:
- 3.5.1 *the half-yearly financial statement; or*
 - 3.5.2 *the annual financial statement,*
- of the Company or any Related Body Corporate.

4 RIGHTS ATTACHING TO OPTIONS

- 4.1 In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of Options or the Exercise Price or both will be adjusted (as appropriate) to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation. In all other respects the terms for the exercise of the Options remain unchanged.

- 4.2 Until Shares are issued pursuant to the exercise of Options, the holders of an Option shall not participate in dividends on Shares or, subject to clause 4.3, new issues of securities by the Company.
- 4.3 In the event of any pro rata bonus or cash issues of securities by the Company, the number of Shares over which an Option exists and the Exercise Price will be adjusted in the manner specified in Listing Rule 6.22 and in writing to the Eligible Employee at the time the Option is granted.
- 4.4 Options may be transferred only with the prior written consent of the Board.
- 4.5 The Company will not apply to ASX for official quotation of any of the Options.
- 4.6 Options will not entitle the Option Holder to participate in any new pro-rata issue of securities in the Company. However, an entitlement to participate will apply following the exercise of the Options.

5 CHANGE OF CONTROL

- 5.1 A Change of Control Event occurs where:
- 5.1.1 *the Company becomes a Subsidiary of another corporation;*
 - 5.1.2 *there is a sale of the business of the Company other than to a company in the Group;*
 - 5.1.3 *a company which is a Subsidiary ceases to be a Subsidiary of the Company; or*
 - 5.1.4 *any other reorganisation of the Group occurs which results in an Option Holder ceasing to be a director or secretary of the Company.*
- 5.2 Effect of a Change in Control
- 5.2.1 *Where a Change of Control event has or in the opinion of the Board will occur the Board may determine the manner in which the Options will be dealt with, so that the Option Holder remains as at the date of the determination in a financial position in respect of the options which is as near as possible as to that which existed prior to the Change of Control Event occurring.*
 - 5.2.2 *In making their determination the Board may choose one of the following methods of dealing with the Options;*
 - 5.2.2.1 *allowing the Option Holders affected by the Change of Control to exercise either all or a proportion of their Options within such time as determined by the Board after which the Options will lapse;*
 - 5.2.2.2 *arranging for the new parent company of the Company (or new parent of the Subsidiary) to become a Substituted Corporation whereby it agrees to assume the obligations of the Company under these terms and conditions, to be bound by any determination made by the Board of the Company prior to it agreeing to become a Substituted Corporation, and to issue to the Option Holder Shares in the Substituted Corporation on exercise of the option (as set out in clause 5.2.3 (below) or alternatively options to acquire shares in the Substituted Corporation (as set out in clause 5.2.4 below);*
 - 5.2.2.3 *conducting a Buy-Back of the Options under these Rules;*
 - 5.2.2.4 *allowing the Option Holders affected by the Change of Control to transfer their Options.*
 - 5.2.3 *Where Shares in a Substituted Corporation are to be issued on exercise of Options following a Change of Control Event occurring the Board shall arrange for the Exercise Price of the Options to be suitably adjusted prior to exercise and / or an appropriate number of Shares in the Substituted Corporation to be transferred and issued on exercise of the Option, to reflect differences at that time in the Fair Values of the*

Shares in the Company and Substituted Corporation, any foreign exchange effects and the capital structures of the Company and Substituted Corporation.

- 5.2.4 *Where options in another corporation are to be substituted for Options following a Change of Control Event occurring the Board shall arrange for the number and terms of options substituted, the exercise price of those options and the number of Shares in the other corporation into which the new options are exercisable to as nearly as possible ensure the financial position of the Option holder whose options are substituted remains the same if they were able to exercise the substituted options at the date of substitution.*

6 BUY BACK

- 6.1 The Board may cause the Company to Buy-Back Options held by an Option Holder for:
- 6.1.1 *an amount agreed with the Option Holder at any time; or*
 - 6.1.2 *the amount of the Net Gain applicable to the Option on the day prior to the date on which the Shares of the Company or Substituted Corporation are quoted if the Fair Value of a Share is greater than the Exercise Price of an Option without the agreement of an Option Holder.*
- 6.2 Where the company Buys-Back Options issued in accordance with these terms and conditions it shall:
- 6.2.1 *immediately notify the Option Holder whose options it has bought-back of the Buy-Back of the Options;*
 - 6.2.2 *account to the Option Holder for the amount payable on the Buy-Back;*
 - 6.2.3 *prepare all necessary transfer documents and arrange for an agent or attorney of the Participant to complete the transfer documents on their behalf;*
 - 6.2.4 *pay all relevant taxes, duties or other imposts in respect of the transfer other than any taxes, duties or imposts which are for the account of the Option Holder; and*
 - 6.2.5 *cancel the Options which are bought back.*

7 ISSUE OF SHARES

- 7.1 The Board will issue Shares to an Option Holder or their Permitted Nominee after each Option has been exercised in accordance with clause 3, once the relevant Exercise Price for each Share the subject of the Option has been paid to the Company, at the next succeeding Board meeting or within 15 Business Days after receiving Notice of Exercise, whichever first occurs.
- 7.2 If the Company's Shares are officially quoted by ASX at the time any Shares are issued pursuant to the exercise of Options, the Company will apply to ASX for official quotation of such Shares issued pursuant to the exercise of Options within the time prescribed by the Listing Rules but, in any event, within 10 Business Days of the issue of those Shares.
- 7.3 A Share issued pursuant to the exercise of any Option ranks equally with all existing Shares of that class from the date of allotment.

8 NO INTEREST IN SHARES

An Option Holder will have no interest in Shares the subject of an Option unless and until those Options are exercised and Shares are allotted to that Option Holder as a result thereof.

9 RIGHTS OF PARTICIPANTS

9.1 Nothing in these terms and conditions:

9.1.1 *confers on any Option Holder the right to continue as an employee or office holder of the Company or any Related Body Corporate;*

9.1.2 *affects any rights which the Company or any Related Body Corporate may have to remove the office holder from his or her office with the Company; or*

9.1.3 *may be used to increase damages in any action brought against the Company or any Related Body Corporate in respect of any such removal.*

10 GENERAL

The entitlements of the Option Holder are subject to the Constitution, the Listing Rules (if applicable) and the Corporations Act.

11 SECURITY INTERESTS AND DEALINGS

11.1 Option Holders may, with the prior written approval of the Board, grant Security Interests in or over, or otherwise assign, dispose or deal with any Options or any interest therein.

11.2 For avoidance of doubt, clause 11.1 is subject to the Corporations Act, Listing Rules, the Company's policies regarding securities dealing and any escrow agreement applicable to the Options or Shares.

12 INTERPRETATION

12.1 In these terms and conditions, except to the extent the context otherwise requires:

12.1.1 *words importing the singular include the plural and vice versa, words importing any gender include other genders and 'person' includes a corporation;*

12.1.2 *headings are for convenience only and do not affect the interpretation.*

PACIFIC ENVIRONMENT LIMITED
ABN 42 122 919 948

**Level 2, 1 Lawson Street,
Southport, Qld, Australia 4215**

**Telephone: (07) 5656 9800
Fax: (07) 5528 2868**

PROXY FORM

I/We _____

of _____

being a shareholder/(s) of Pacific Environment Limited ("**the Company**") and entitled to

_____ shares in the Company hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Patterson Room, Level 1, Novotel Hotel, 200 Creek Street, Brisbane, Queensland on Tuesday, 17 November 2009 at 2.30 pm (Brisbane time) and at any adjournment thereof in respect of _____ of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [] %.
(The Company on request will supply an additional proxy form.)

If you wish to indicate how your proxy is to vote, please tick the appropriate boxes below.

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain. By signing this appointment you acknowledge that the Proxy (whether voting in accordance with your directions or voting in their discretion under an undirected Proxy) may exercise your proxy even if he/she has an interest in the outcome of the resolution and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest. However, if the Proxy you appoint is excluded from voting on a resolution and you do not direct the Proxy how to vote on that resolution, your vote will also be excluded.

The chairman of the Meeting intends to vote undirected proxies in favour of all proposed resolutions.

[Continued on reverse side]

I/we direct my/our proxy to vote as indicated below:

RESOLUTION	FOR	AGAINST	ABSTAIN
1. Elect G Masters as Director (Agenda item 3)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Elect M Jones as Director (Agenda item 4)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratify issue of shares and options (Agenda item 5)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Issue of options to Director M Jones (Agenda item 6)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Issue of shares & options (Agenda item 7)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Adopt Remuneration Report (Agenda item 8)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/s this _____ day of _____ 2009

If a natural person(s):

SIGNED by _____)
_____)

_____)
in the presence of: _____)

_____)
Witness _____)

Name (Printed)

If a company:

EXECUTED by _____)
_____)
in accordance with its _____)
Constitution _____)

Director

Director/Secretary

Name (Printed)

Name (Printed)

If by power of attorney:

SIGNED for and on behalf of _____)
by _____)
under a Power of Attorney _____)
dated _____ and who declares that he/she has _____)
not received any revocation of such Power of _____)
Attorney in the presence of : _____)

Signature of Attorney

Signature of Witness

[N.B. After completing this Proxy Form please deliver it to the Company in accordance with Section 10.6 of the Explanatory Statement in the accompanying Notice of Annual General Meeting]