



The Environmental Group Limited

ASX LISTED COMPANY

Unit 3, 9 Packard Avenue,
Castle Hill NSW 2158
Australia

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Delivering innovative environmental solutions

25 October 2006

Dear Shareholder,

2006 ANNUAL GENERAL MEETING

I am pleased to invite you to attend the Annual General Meeting of The Environmental Group Limited (EGL) to be held on Thursday 30 November, 2006 at the Crowne Plaza Norwest Hotel, 1 Columbia Court, Baulkham Hills, New South Wales.

The meeting will commence in the Fairhaven & Heritage Rooms at 10.00am and registration will be available from 9.30am.

The Annual General Meeting is the primary forum for you to assess EGL's performance and gain a clearer understanding of EGL's future prospects. Accordingly, the Directors would welcome your participation at the forthcoming Annual General Meeting.

A proxy form is attached to the Notice of Meeting. I encourage you to complete the proxy form if you are unable to attend the meeting and forward it to EGL's Head Office. The proxy form should be forwarded to reach the Company by 9:00am Tuesday 28 November, 2006.

You may also appoint a representative to attend in your place. The proxy form provides for this and you should complete the appropriate section on the form.

The agenda for the Annual General Meeting is set out in the enclosed Notice of Meeting. It is important that you read the Explanatory Memorandum accompanying the Notice of Meeting.

On conclusion of the meeting, the Directors invite you to stay for light refreshments and to take the opportunity to meet with the Directors and Management of your Company.

Yours sincerely,


JOHN READ
CHAIRMAN



- * Gas/Vapour Control
- * Water/Wastewater Treatment
- * Pressure Sewers



Quality
Endorsed
Company
Lic QEC 7155
ISO 9001
Baulkham Hills Australia

The Environmental Group Limited

ABN 89 000 013 427

Notice of Annual General Meeting

Notice is hereby given that the 2006 Annual General Meeting of The Environmental Group Limited will be held in the Crowne Plaza Norwest Hotel, Fairhaven & Heritage Rooms, 1 Columbia Court, Baulkham Hills, NSW 2153, on Thursday 30 November 2006, at 10:00 am.

Business

The business of the meeting is to consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

1. Statutory Accounts

To receive and consider the Financial Report of the Company and the reports of the directors and of the auditor thereon in respect of the year ended 30 June 2006.

2. Remuneration Report

To adopt the Remuneration Report for the year ended 30 June 2006.

3. Election of Directors

a) that Mr John Read be re-elected as a director of the Company.

b) that Mr Richard Kell be re-elected as a director of the Company.

4. Appointment of Auditors

To approve the appointment of Ernst & Young as auditors of the Company and its consolidated entities.

5. Other Business

To consider any other matters which may be brought before the meeting in conformity with the Company's Constitution.

Appointment of Proxies

A member entitled to attend the meeting may appoint a Proxy to attend and vote instead of the member.

For the conditions relating to the appointment of proxies please refer to the notes on the reverse of the attached proxy form.

Record Date

Pursuant to Regulation 7.11.37 of the Corporations Regulations 2001, the shareholding of each shareholder for the purposes of ascertaining voting entitlements at the Annual General Meeting will be the registered holders of the shares in the Company at 9:00 am (Sydney time) on 28 November 2006.

Explanatory Memorandum

Please refer to the Explanatory Memorandum attached to this Notice of Meeting in relation to Resolutions 1 to 4.

By Order of the Board

Bjorn Borg
Company Secretary
Sydney, 25 October 2006

THE ENVIRONMENTAL GROUP LIMITED

(“EGL OR “THE COMPANY”)

EXPLANATORY MEMORANDUM

This explanatory memorandum contains an explanation of the resolutions that it is proposed will be put to the Company’s shareholders at the 2006 Annual General Meeting (“AGM”).

Record Date

For the purposes of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities as at 9:00am (Sydney time) on Tuesday 28 November 2006 will be taken, for the purposes of the AGM, to be held by the persons who held them at that time, accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the AGM.

ITEM 1 STATUTORY ACCOUNTS

This item does not require voting on by shareholders. It is intended to provide an opportunity for shareholders to raise questions on the reports themselves and on the performance and management of the Company.

The auditors of the Company will be present at the AGM and will also be available to answer any questions.

ITEM 2 ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2006

This is a requirement resulting from a change to the Corporations Act 2001 brought about by the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (Cth) (‘CLERP9’).

The Company's Directors' Report contains within it a separate and clearly identified section which contains the Remuneration Report.

The vote on these resolutions will be advisory only and does not bind the Directors or the Company. Shareholders will also be given a reasonable opportunity, as a whole, to ask questions about, and make comments on, the Remuneration Report.

ITEM 3 ELECTION OF DIRECTORS

a) John Read

Mr John Read was appointed a Director in March 2001 and became Chairman on 9 April 2001.

Age 48, Mr Read has over 25 years experience in leading and promoting high growth Australian enterprises including directorships of numerous companies listed on the Australian Stock Exchange. He is one of Australia's foremost and most experienced venture capitalists. Mr Read is currently Chairman of Pro-Pac Packaging Limited (ASX: PPG), and a Director of CVC Limited (ASX: CVC), an ASX top 300 company, CVC Private Equity Limited, CVC Sustainable Investments Limited, the Australian Institute of Commercialisation, and numerous public and private corporations. Mr Read is a member of the Audit Committee.

b) Mr Richard Kell

Age 68, Mr Kell was appointed to the Board on 6 April 1999. During his career he has directed or managed major engineering projects in Australia, Malaysia, Indonesia, Vietnam, Abu Dhabi, PNG and the Philippines. Mr Kell has established a network of contacts throughout Asia at both business and government level. He is a former Chairman of Cardno Limited (ASX: CDD) and a director of Cardno MBK International Pty Ltd and formally Non-Executive Chairman of Quality Assurance Services Pty Ltd. He is also Immediate Past President of the International Federation of Consulting Engineers (FIDIC). Mr Kell is Chairman of the Audit Committee.

ITEM 4 APPOINTMENT OF AUDITORS

The current auditors of the Company, PKF, have applied to the ASIC for consent to resign as auditors of the Company at the AGM. The resignation is expected to take effect on the day the ASIC consents to the resignation. Once the resignation takes effect, there will be a casual vacancy in the position of auditors for the Company to be filled by the Company at the AGM.

In accordance with section 328B(1) of the Corporations Act 2001, the Company received before the date of this notice of meeting, a written notice from a member of the Company nominating the firm of Ernst & Young to act as the Company's new auditor. As required by section 328B(3) of the Corporations Act 2001, a copy of the notice of nomination is attached.

Accordingly, the Directors have invited Ernst & Young to act as Auditors of the Company, subject to the resignation of PKF taking effect and Ernst & Young have consented to their appointment.

Ernst & Young is one of Australia's leading audit firms. They have extensive knowledge of high growth listed public companies.

In accordance with section 328(1)(b), the appointment of Ernst & Young as auditors of the Company, subject to the resignation of PKF taking effect, is put to members for approval. The Company's auditors during the 2006 financial period, PKF have agreed to step down and Ernst & Young have consented to act as the Company's auditors.

QUESTIONS AND COMMENTS BY SHAREHOLDERS AT THE MEETING

In accordance with Corporations Act 2001, a reasonable opportunity will be given to shareholders, as a whole, to ask questions or make comments on the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to shareholders, as a whole, to ask the Company's external auditor 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.

Shareholders may also submit a written question to the auditor if the question is relevant to:

- (i) the content of the auditor's report to be considered at the AGM; or
- (ii) the conduct of the audit of the annual financial report to be considered at the AGM.

Relevant written questions to the auditor must be received no later than 5:00pm (Sydney time) on Tuesday 21 November 2006. A list of those relevant written questions will be made available to shareholders attending the AGM.

If written answers are tabled at the AGM, they will be made available to shareholders via the Company's website as soon as practicable after the AGM.

Please send any written questions for the auditor to:

The Environmental Group Limited
Unit 3, 9 Packard Avenue
CASTLE HILL NSW 2154

Or by facsimile to (02) 9899 3463

By no later than 5:00pm (Sydney time) on Tuesday 21 November 2006

For the conditions relating to the appointment of proxies please refer to the notes on the reverse of the attached proxy form.

The Environmental Group Limited

ABN 89 000 013 427

PROXY FORM 2006 ANNUAL GENERAL MEETING

I / we:
(full name in block letters)

Of:
(Address)

Being a member of The Environmental Group Limited hereby appoint:

Proxy 1

(full name in block letters)

Of:
(Address)

Proxy 2

(full name in block letters)

Of:
(Address)

In respect of: Shares
(Number of Shares)

In respect of: Shares
(Number of Shares)

OR failing such appointment or in the absence of that person, the Chairman of the meeting as my / our proxy to vote on my / our behalf at the Annual General Meeting of the Company to be held at 10.00am on Thursday 30 November 2006 or at any adjournment thereof.

Please delete whichever is not required. If no deletion is made and the number of shares not inserted and only one proxy is appointed, it will be assumed that the proxy is for all shares registered in the name of the member.

If you do not wish to direct your proxy how to vote, please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman of the meeting intends to vote in favour of all resolutions.



If you desire to direct your proxy how to vote, please complete the following section of this form by placing a tick on the desired option. Unless otherwise instructed your proxy may vote as he / she thinks fit or abstain from voting

I / we instruct my / our proxy to vote as indicated below in respect of the resolutions.

Ordinary resolutions

| | | For | Against | Abstain |
|--------|---|--------------------------|--------------------------|--------------------------|
| Item 2 | To adopt the Remuneration Report for the year ended 30 June 2006. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 3 | a) To re-elect John Read as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | b) To re-elect Richard Kell as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Item 4 | Appointment of Auditors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Dated this day of 2006

Signature of Member(s).....

(If the appointee is a Corporation, this form must be signed either under seal or under the hand of an officer or attorney duly authorised.)

Proxy Instructions

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies.
2. A member who is entitled to cast two or more votes may appoint no more than two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a member appoints two proxies and the appointment does not specify the proportion or number of member votes each proxy may exercise one half of the votes (disregarding fractions).
3. A proxy need not be a member of the company.
4. Forms to appoint proxies and the Power of Attorney (if any) under which they are signed must be lodged at the registered office of the company in New South Wales not less than 48 hours before the time of the meeting. Facsimiles will be accepted at (02) 9899 3463.
5. If this form of proxy is executed under Power of Attorney, which has not been noted by the Company, the instrument must accompany the form of proxy.
6. In the case of joint holders, the signature of the senior shall be accepted to the exclusion of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding. Nevertheless, the names of all joint holders should be shown.

Note to Shareholders

When the proxy form is complete, you may forward the form to:

**The Secretary
The Environmental Group Ltd
Unit 3, 9 Packard Avenue
Castle Hill NSW 2154**

OR

Fax: 02 9899 3463

Cannington
Corporation Pty Limited

ABN 78 933 121 704

Level 42
AAP Centre
259 George Street
Sydney 2000 Australia
Telephone: (02) 9087 8000
Facsimile: (02) 9087 8088

19 October 2006

The Company Secretary
The Environmental Group Limited
Unit 3
9 Packard Avenue
CASTLE HILL NSW 2154

Dear Sir

NOMINATION OF AUDITOR

In accordance with the provisions of section 328 of the Corporations Act 2001, we, Cannington Corporation Pty Limited, being a shareholder of The Environmental Group Limited, hereby nominate Ernst & Young for appointment as auditors of the Company.

Yours sincerely



**JOHN D. READ
DIRECTOR**