

Further Update Unitywater Performance Bonds

Further to the Company's announcements on 5 July 2011 and 3 August 2011 and the Company's 2011 Annual Report, EGL Management Services Pty Limited (EGLMS) a subsidiary of The Environmental Group Limited (EGL) commenced NSW Supreme Court proceedings against Unitywater seeking relief that Unitywater account to EGLMS for the money received under the Performance Bonds and other security held.

Today Justice McDougall of the NSW Supreme Court delivered his decision in respect of EGLMS's application.

Justice McDougall found amongst other things:

Unitywater holds the cash proceeds of the Bonds (\$1million) and other bank guarantees as Security under EGLMS's Contract with Unitywater;


Unitywater is not required to repay the proceeds of conversion of the Bonds until the question of alleged breach of the Contract between EGLMS and Unitywater has been resolved but Unitywater must provide an explanation or reckoning of what it has done with the proceeds of the converted Bonds; and.

EGLMS's summons was dismissed with costs.

EGLMS and its advisors will carefully consider Justice Mc Dougall's decision and its implications and provide further market updates as appropriate. Either party has a right to appeal Justice McDougall's judgement within 28 days.

EGLMS is in a long standing dispute with Unitywater. In July 2011, Unitywater gave notice of default to EGLMS. That default notice must be addressed by EGLMS by 8 November 2011 by either remedying the alleged defaults or showing cause why Unitywater should not exercise its rights under the Contract if the alleged defaults were not rectified. EGLMS continues to operate and maintain the Redcliffe Wastewater Treatment Plant.

Further information on EGL is available at www.environmental.com.au or by contacting the Company's Chief Operating Officer, Mr Yuri van der Walt on Tel (02) 8858 3499.



Yuri van der Walt
Chief Operating Officer
2 November 2011