atmosphere
Pacific Environment Limited Shareholder Newsletter
Issue 2 2009

WELCOME TO THIS SECOND EDITION OF ATMOSPHERE, THE EXCLUSIVE NEWSLETTER FOR SHAREHOLDERS OF PACIFIC ENVIRONMENT LIMITED (PEL) TRADING AS ASX CODE PEH.

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2008/2009 Financial Results

PEL has now completed its first full year of trading since going public in early 2008. The results have been impacted by several non-operating losses which have resulted in impairment or write downs of certain assets totalling $5.26M. As such, the total loss for 2008/2009 with impairment was $9.148M. Contributing to this loss was a tax reversal benefit of $1.17M which PEL will be able to reclaim in future years against future profits. The major assets impaired were CES, which was written down by $3.32M after CES entered into a deed of company arrangement, and EcoVision, which although seen as a major future revenue and profit stream for PEL was unable to report any revenues for the year whilst still in inception stage.

2009/2010 - The Future Looks Bright...

PEL has commenced the new financial year in a far more favourable position with encouraging signs for shareholders. July results alone show a profit of $137,743. These results are after all operating costs of the PEL Group have been taken up and highlight the commitment to the long term business strategy being implemented. Start up costs incurred in the first 12 months since the Company's listing on the ASX have now been largely removed and PEL has been able to streamline processes and remove operational inefficiencies.

Each operating business unit acquired at listing is expected to provide positive cash flows to the PEL Group in 2009/2010 and are now well placed for the significant increase expected for environmental services in the new financial year. July revenues provide confidence that the environment market is now starting to build and the future looks bright for companies including PEL who are well positioned to prosper from the expected environmental growth.

PEL Technologies – New opportunities ramp up...

In the last 90 days PEL has secured a strategic agreement with one of Australia's leading energy companies. For confidentiality reasons this company cannot be disclosed at this point but PEL can reveal that the project started with a commitment for a 10 site pilot installation of EcoVision systems and within 90 days that had already been increased to a 50 site installation. The opportunity could extend to many thousands of homes across the company's region in the future.

PEL can confirm that it receives revenues and profits from both installation and also ongoing monthly services provided which will build healthy recurring revenue streams for PEL.

In addition, provision of the EcoVision system is now at final stage negotiations within several other key sectors including Property Development, Government Services and with other Energy Companies. PEL expects further solid pipeline and sales fulfilment for the 2009/2010 financial year.

PEL Technologies – emissionsXpert central to Greenhouse reporting requirements

The National Greenhouse Emissions Reporting (NGER) requirements are now well known, however what is not clear is how companies are going to resource the technology, consultancy and measurement services required to ensure they are meeting the NGER requirements.

PEL's emissionsXpert Technology will be beneficial to all large corporations looking to report their emissions and greenhouse reporting in a most accurate and precise manner.

The NGER outlines 4 key methods for quantifying greenhouse gas emissions:

- Default factors (Method 1)
- Site-Specific factors (Methods 2 & 3)
- Continuous Monitoring Systems (Method 4)

For Year 1, all facilities will be reporting emissions based on the default factors provided by the Commonwealth for use in calculating the emissions. This however may not be the most advantageous way to progress from Year 2 onwards. The default factors are based on industry-wide values and may not provide the accuracy necessary for corporate Australia to use as the basis for a proposed trading scheme.

This is where PEL technology serves as the basis for an integrated service incorporating consulting (PAEHolmes) and measurement (newEQ) to produce results based on accuracy and transparency (the type of reporting that most analysts are predicting will become mandatory, if not by government then by investor expectations).

As such, PEL is now working closely with several of Australia's leading Enterprise Management Software providers to determine how PEL can provide solutions including Site Specific Consulting, Industry Specific IP (being tailored versions of the current platform) and real time monitoring systems.

PEL envisages being able to announce some key strategic partnerships in the coming months both nationally and internationally to provide specialist IP and other services to meet NGER reporting in Australia and similar legislation in other countries.

Acquisitions Update

With the recent increase in demand for PEL Technologies (both EcoVision and emissionsXpert) PEL has taken a steady approach to current acquisitions. PEL is continuing to evaluate the proposed FVS acquisition and will provide updates to shareholders as they come to hand.

With PEL technology solutions now scaling up, PEL has taken the step of concentrating on the core activities of building environmental technology and environmental services or consultancy, whilst completing due diligence on potential acquisitions.

PEL remains on the lookout for specialist boutique environment services companies that can further strengthen the current core group of companies. PEL will seek to add further companies if suitable acquisitions can be found in areas such as air quality and environmental measurement.

New Board Appointment

Since your last shareholder update, there have been several changes at Board Level. PEL would like to thank past directors who have contributed to PEL strategy and assisted PEL through the start up phase, including IPO.

PEL is now pleased to announce that Dr Merv Jones has recently joined the Board in the capacity of Non Executive Director. 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.

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 is also on the board of another Australian listed public company and several non listed entities. His experience in the industry together with his management and governance background brings valuable industry knowledge and further business acumen to the PEL Board.

In the Field with Ben McMahon

PEL-owned subsidiary PAEHolmes has just won the tender to develop the greenhouse gas inventory for a major player in coal seam methane production in the Surat Basin. Ben McMahon, PAEHolmes's Principal Consultant responsible for managing the emissions team in the Brisbane office, is the project manager for this project.

Ben and his team of chemical and environmental engineers are working with the coal seam methane engineers to provide an outcome that will not only satisfy the Commonwealth's NGER requirements but also provide a solid baseline to assist the company move forward in readiness for the proposed Carbon Pollution Reduction Scheme and the Emissions Trading Scheme.

Ben's previous work developing greenhouse gas inventories for large oil and gas clients in the UK has given him not only first hand experience in readying a client for greenhouse reporting but has also allowed him the opportunity to see how the EU's trading scheme was implemented in the UK. Translating this to the design and management of the coal seam methane project is advantageous for this client.

Shareholder Information

We thank you for your continued support for PEL as the company builds into this exciting next phase. Should you require any further information regarding the PEL articles contained within please contact Milka Despic at PEL. Should you require any information pertaining to your shares please contact the share registry – REGISTRIES LIMITED. We look forward to providing you with more frequent shareholder updates during the 2009/2010 financial year.