

30 October 2009

Dear Shareholder

**Notice of Annual General Meeting – Supplementary Information**

As you are aware Pacific Environment Limited (“the Company”)’s 2009 annual general meeting will be held on 17 November 2009. A Notice of Annual General Meeting and Proxy Form were previously sent to you.

Agenda item 7 (Resolution 5) in the Notice of Annual General Meeting seeks shareholder approval for the purposes of ASX Listing Rule 7.1 for the issue of up to \$2,500,000 worth of ordinary shares in the Company and 1 free attaching option for each two shares issued.

Subsequent to the issue of the Notice of Annual General Meeting the Company’s Board of Directors has resolved to make further arrangements in relation to the proposed capital raising which is the subject of agenda item 7 (Resolution 5), and the purpose of this letter is to inform you of those arrangements in case they are relevant to your consideration of how to vote on Resolution 5. This letter should be read together with the Notice of Annual General Meeting.

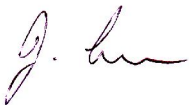
In relation to the proposed capital raising the subject of Resolution 5 the Company’s Board of Directors has decided that:

1. AMMA Private Investment Pty Ltd (“AMMA”) will be engaged to manage the capital raising on behalf of the Company. (AMMA has managed capital raisings on behalf of the Company in the past). The Company’s Executive Chairman, Mr. Darren Herft, is a director and shareholder of AMMA. The fee payable to AMMA by the Company will be 10% of the investment funds raised together with reimbursement of a maximum of \$10,000 of out of pocket expenses incurred by AMMA by 30 November 2009. Reimbursement of any out of pocket expenses incurred after that date will be negotiated. Of the 10% fee paid by the Company to AMMA, between 2.5% and 5% will be paid by AMMA to accounting firms which introduce investors who subscribe investment funds under the capital raising.
2. The Company will also issue as an introduction fee to each accounting firm which introduces (through AMMA) investors who subscribe investment funds under the capital raising:
  - (i) three options (exercisable at \$0.40 (40 cents) per option; expiring 31 December 2011; the other terms of which are as set out in Appendix A of the Notice of Annual General Meeting) and one fully paid ordinary share for each \$4 of subscription funds received from an investor introduced by the accounting firm, provided the accounting firm guarantees an investment of at least \$60,000; and otherwise
  - (ii) three options and one share for each \$8 of subscription funds received from an investor introduced by the accounting firm.

The approval sought in Resolution 5 for the issue of the securities for the purposes of ASX Listing Rule 7.1 does not extend to approval of the securities to be issued to the accounting firms.

If you have already lodged a proxy with the Company and would like to lodge a new proxy please contact the Company Secretary on (07) 3833 3872 to receive a new proxy form.

Yours faithfully  
**PACIFIC ENVIRONMENT LIMITED**



John Lemon  
Company Secretary