APPENDIX 4D

Half Year Report
Half year ended 31 December 2008

Name of Entity: Pacific Environment Limited
A.C.N 42 122 819 948
ASX Code PEH

Results for announcement to the market

	Dec-08 $'000	Dec-07 $'000	Movement %
Revenues from ordinary activities	**3,621**	26	362,002%
Loss after tax attributable to members of the Pacific Environment Limited Group	**(1,747)**	(168)	-174,800%
Record date for determining entitlements to dividends	**n/a**	n/a	
Net tangible assets per security	**$0.09**	$0.06	-91%

For further details, please refer to the following attached documents:
Director's Report
Interim Financial report

Pacific Environment Limited

ABN 42 122 919 948

ASX Code: PEH

Interim Report

for the half year ended 31 December 2008

Pacific Environment Limited

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Pacific Environment Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' report

Your directors present their report on the consolidated entity (the PEH Group) consisting of Pacific Environment Limited (the Company) and the entities it controlled at the end of, or during, the half year ended 31 December 2008.

Directors
The following persons were directors of Pacific Environment Limited during the whole of the half-year and up to the date of this report:

Executive Chairman	Darren Herft
Non – Executive Directors	Peter White Cameron Hancock

Geoff Masters was appointed as Managing Director on 13 November 2008 and continues in office at the date of this report. Michael Papandrea was a director from the beginning of the financial year until his resignation on 28 October 2008.

Review of operations

A summary of consolidated revenues and results for the half-year is set out on page 7 of this report.

The Pacific Environment Limited Group does not have any identifiable reporting segments.

There have been no discontinued operations in the current period.

Comments on the operations and the results of those operations are set out below:

As at 31 December, 2008 the PEH Group of companies had traded as a consolidated group for a little under twelve months. To 31 December 2008 the consolidated group earned revenue of $3.6 million, with an EBITDA loss of $1.08 million and EBIT loss $1.2 million.

It is encouraging that even through the challenging economic landscape experienced during July to December 2008 the Group's consolidated constituent businesses collectively continued to grow for the half year ended 31 December 2008.

Through the month of November the Company's management undertook a review of the Company's operating costs in light of the tightening capital markets and economic slowdown. From this internal review known as 'Project Baseline', the Company has lowered monthly corporate overhead costs, thus easing the Company's cost pressures on the consolidated group.

Importantly these steps to lower the Company's corporate cost base saw the Company devolve management back into the operating business units and as such the Company's ability to grow still remains and cost benefits have started to be achieved from January 2009.

In addition to these cost saving initiatives PEH was awarded an Australian Federal Government Climate Ready Grant for environmental technology development to a total value of $446,329. This will enable continued investment in PEH technologies, in particular the PEH software "EmissionsXpert".
EmissionsXpert is a real time air emission monitoring system which will be essential for large emitters who are serious about having the best technology available to monitor and report on their emissions in line with the Federal Government recent mandatory requirement announcement.

PEH's strategy has and continues to be a threefold one:
- consolidate and continue to grow the businesses acquired in February 2008;
- seek further complementary business acquisitions in the future; and
- continue to develop environmental monitoring and measuring products such as EnviroXpert and PlumeXpert.

During the period the Company announced it had acquired Commercial Energy Services Pty Ltd (CES), with CES having become a fully owned subsidiary of PEH effective 22nd December 2008.

CES provides client focused and tailored solutions to enhance the performance of power distribution equipment through a combination of condition auditing, site rectifications and monitoring techniques which in turn leads to prolonged life cycles of power distribution assets and management of the rational use of energy.

The acquisition of CES brings energy management and power quality solutions to PEH. An award winning team of project managers, engineers and technicians provide solutions to assist with compliance with environmental legislation and regulatory requirements.

The Company's management believe the acquisition of CES continues to strengthen PEH's capabilities in energy, carbon and emissions risk management, while recognising the convergence of information PEH's customers will need to satisfy the reporting requirements of Federal and State Government environmental legislation.

CES's turnover has increased steadily to $7m annually from the Company's establishment date of May of 2000 and employs approximately 30 people.

During August, 2008, the Company also announced that it had entered into an exclusive contract to acquire the company EcoVision Solutions Pty Ltd ("EcoVision"). EcoVision is the developer and owner of an award winning real-time electricity, water and gas usage monitoring system, and has monitoring technology suitable for residential through to large scale industrial and commercial clients.

PEH's interest in EcoVision demonstrates PEH's continuing recognition that industry and the consumer are searching for solutions to manage their energy, water and gas demands today and into the future and the implications of energy use on carbon emissions.

EcoVision's addition to the PEH Group of companies would further strengthen PEH's product capabilities in energy, carbon and emissions risk management. The Company expects to complete the acquisition in the second half of this financial year.

The Company sees exciting synergies across sales, implementation and support of the EcoVision technologies with CES providing both businesses with more capabilities to their respective clients and markets.

In April of 2008, the Company announced that it had signed an exclusive term sheet for the acquisition of Q-Armada Pty Ltd ("Q-Armada"), a technology asset management company.

PEH recognises that understanding a business's emissions goes much further than measuring the physical pollutants emitted: it requires an understanding of the positive and negative impacts of all the business's activities and assets whether they be inside or outside the business's place of business.

The Company's due diligence investigations of Q-Armada have slowed while the impact of the general economic climate is assessed relevant specifically to Q-Armada and its core existing customer base and target markets.

Although the current economic market is challenging, PEH has continued to grow its revenue and future pipeline. This is occurring not only through assisting existing clients to meet current regulatory and licensing requirements - a large number of Australian companies must also start carbon reporting this year in readiness for the start of carbon trading in 2010.

PEH is very well placed to service these companies and is experiencing a general increase in the opportunity pipeline.

The Group has expertise and many years of experience in emissions risk assessment and management. Carbon is just another, yet significant, emission to be tracked. Carbon has made all things that are within the expertise of PEH even more commercially attractive to industry. Knowledge is the Group's foundation for success and the Group's environmental engineering and scientific capabilities will continue to keep the Company very relevant for future market needs. PEH will continue to invest in its people and their knowledge so that it can stay at the forefront of the dynamic market in which it operates.

Post Balance Date Events

To date in February 2009, PEH has raised funds of $567,503 through a series of private placements. This has been achieved in a very difficult capital raising environment. In addition, PEH will shortly seek to raise up to a further $3 million in funds through the issue of a prospectus. The funds raised will be used to provide additional working capital, retire debt, and for funding of future acquisitions or other growth opportunities.

Outlook

The Company's recent Climate Ready Grant, the raising of funds in February in a very difficult investment market with the potential to raise more, starting the second half of the fiscal year with the Energy sector capabilities afforded the group with the completion of the CES acquisition, and the implemented corporate overhead savings to be realised, positions the Company for a solid second half of the year.

The directors take this opportunity to thank the Company's shareholders again for their support for the Company during its formative period and to the Company's staff for their hard work and dedication which is helping to position the Company as a major participant in the environmental technology services sphere.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest 1,000 dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Darren Herft

Chairman
27 February 2009

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Auditor's Independence Declaration

As lead auditor for the review of Pacific Environment Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pacific Environment Limited and the entities it controlled during the period.

Philip J Clarke
Partner
PricewaterhouseCoopers

Brisbane
27 February 2009

	Consolidated Half year 2008 $'000	Parent Half year 2007 $'000
Revenue from continuing operations	**3,621**	26
Changes in work in progress	**144**	-
Cost of goods sold	**(346)**	-
Employee benefits expense	**(2,913)**	(145)
Depreciation and amortisation expense	**(138)**	(24)
Directors & Company Secretary fees	**(179)**	-
Laboratory expenses	**(144)**	-
Consultancy fees	**(535)**	-
Travel costs	**(250)**	-
Finance costs	**(239)**	(2)
Bad debts written off	**(48)**	-
Impairment expense	**(676)**	-
Other expenses	**(431)**	(23)
Loss before income tax	**(2,133)**	(168)
Income tax (expense)/benefit	**386**	-
Loss for the period attributable to the Equity holders of Pacific Environment Limited	**(1,747)**	(168)

	Consolidated 31 Dec 2008 Cents	Parent 31 Dec 2007 Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:		
Basic earnings per share	**2.60**	0.35

The above consolidated income statement should be read in conjunction with the accompanying notes.

	31 December 2008 $'000	30 June 2008 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**(74)**	385
Trade and other receivables	**4,366**	1,981
Stock on Hand	**432**	-
Total current assets	**4,724**	2,366
Non current assets		
Receivables	**151**	-
Property, plant and equipment	**995**	541
Deferred tax assets	**1,526**	1,040
Intangible assets	**15,147**	10,081
Total non current assets	**17,819**	11,662
Total assets	**22,543**	14,028
LIABILITIES		
Current liabilities		
Trade and other payables	**6,283**	1,119
Borrowings	**575**	103
Provisions	**2,267**	271
Total current liabilities	**9,125**	1,493
Non current liabilities		
Borrowings	**4,322**	4,411
Provisions	**1,024**	30
Total non current liabilities	**5,346**	4,441
Total liabilities	**14,471**	5,934
Net assets	**8,072**	8,094
EQUITY		
Contributed equity	**11,275**	9,637
Reserves	**164**	77
Retained profits/(losses)	**(3,367)**	(1,620)
Total equity attributable to equity holders of Pacific Environment Limited	**8,072**	8,094

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Consolidated				
As at 1 July 2008	9,637	77	(1,620)	**8,094**
				-
Income and Expense recognised directly in equity				
Loss for the period	-	-	(1,747)	**(1,747)**
Total income and expense for the period	-	-	(1,747)	**(1,747)**
Equity Transactions (net of transaction costs)				
Issues of share capital (private placements)	49	-	-	**49**
Ordinary Shares awaiting allotment (note 7)	1,354	-	-	**1,354**
Issue of share capital (rights issue)	235	-	-	**235**
Employee Share Options – value of employee services	-	87	-	**87**
As at 31 December 2008	**11,275**	**164**	**(3,367)**	**8,072**
Parent Entity				
As at 1 July 2007	**575**	**-**	**(727)**	**(152)**
Income and Expense recognised directly in equity				
Loss for the period	-	-	(168)	**(168)**
Total income and expense for the period	-	-	(168)	**(168)**
Equity Transactions (net of transaction costs)				
Issues of share capital (private placements)	1,008	-	-	**1,008**
As at 31 December 2007	**1,583**	**-**	**(895)**	**688**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Consolidated Half year 2008 $'000	Parent Half year 2007 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	4,638	11
Payments to suppliers and employees (inclusive of goods and services tax)	(4,826)	(833)
	(188)	(822)
Other revenue	5	16
Interest paid	(24)	(1)
Income taxes paid	(59)	-
Net cash (outflow) inflow from operating activities	**(266)**	(807)
Cash flows from investing activities		
Payment for purchase of subsidiary, net of cash acquired	(188)	-
Payments for property, plant and equipment	(22)	(3)
Payments for Intangible assets	(249)	-
Loans to related parties	(60)	-
Other	4	-
Net cash (outflow) inflow from investing activities	**(515)**	(3)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	308	4,804
Proceeds from borrowings	109	22
Share issue transaction costs	(12)	(231)
Repayment of borrowings	(83)	-
Net cash inflow (outflow) from financing activities	**322**	4,595
Net increase (decrease) in cash and cash equivalents	**(459)**	3,785
Cash and cash equivalents at the beginning of the financial year	385	69
Cash and cash equivalents at end of the period	**(74)**	3,854

The above consolidated cashflow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

a) Basis of preparation of half year report

This general purpose financial report for the interim half year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Pacific Environment Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The report has been prepared on a consolidated basis. As the consolidated group has existed since 4 February 2008, consolidated comparative balances are not available. Comparative balances are for the Parent entity only, based on the Pacific Environment Limited accounts.

b) Going Concern

The consolidated entity has incurred an operating loss after income tax for the half year of $1,747,000 (2007 half year, parent entity only: $168,000 loss) and an operating cash outflow of $266,000 (2007 half year, parent only: $807,000 outflow). As at 31 December 2008 current liabilities exceed current assets by $4,401,000 (June 2008: current assets exceeded current liabilities by $873,000).

Whilst the Group's current liabilities exceed its current assets, the directors have determined to prepare this interim report on the basis that the Company is a going concern.

The directors believe that the Group will be able to meet its debts and commitments as they fall due based on the following:

- A surge in demand for Environmental and Energy services both nationally and internationally.
- Strong pipeline of AirXpert (EmissionsXpert) locally and internationally, with some Pilot programs initiated with large international corporate clients, and expectations that the pipeline becomes realised over the next 12 months;
- Successful application to receive $446,329 over the next 18 months from the Federal Government's Climate Ready Grant scheme.
- Capital raising endeavours currently underway for the Group and have raised $567,503 since 9 February 2009 and the Company is seeking to raise up to a further $3,000,000 prior to 30 June 2009.
- A strong increase in demand for the Group services in anticipation of the Australian Government's Emissions Trading Scheme.
- Continuing negotiations with financiers to obtain debtor financing to take advantage of high receivables balances along with extensions of existing facilities
- Extension of payment terms being negotiated with suppliers and Government authorities.
- Included in current liabilities in respect of the CES acquisition is a liability for $2,857,500 which it is expected will convert to equity upon the allotment of shares relating to settlement of the purchase consideration for this business combination

The directors believe that the above factors will contribute to achieving sufficient future cash flows to enable its obligations to be met.

As a result of the current financial results and position of the Company, there is material uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. However, the directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2008. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2 Segment information

The Pacific Environment Limited Group does not have any identifiable business segments on which to report.

3 Profit for the half year

	Half year 2008 $'000
Profit for the half year includes the following items that are unusual because of their nature, size or incidence:	
Expenses	
Impairment of Goodwill in subsidiaries:	
Toxikos Pty Ltd	(378)
New Environmental Quality Pty Ltd	(298)
	(676)

4 Dividends

There have been no dividends declared during the reporting period.

5 Equity securities issued

	Consolidated 2008 Shares	Parent 2007 Shares	**Consolidated 2008 $'000**	Parent 2007 $'000
Issues of ordinary shares during the half year				
Ordinary Shares awaiting allotment	**3,562,364**	-	**1,354**	-
Ordinary Shares issued through rights issue	**573,852**	-	**258**	**-**
Transaction costs associated with rights Issue	**-**	-	**(24)**	**-**
Ordinary Shares issued through private placements	**111,112**	**2,016,000**	**50**	1,008
	4,247,328	**2,016,000**	**1,638**	1,008

6 Discontinued operation

There have been no discontinued operations during the reporting period.

7 Business combination

On 22 December 2008 Pacific Environment Limited acquired all of the issued shares in Commercial Energy Services Pty Ltd (CES), a private company; the consideration paid is set out below.

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration (a)	
Component 1 - Initial Cash payment	200
Component 2 - Shares to be Issued	1,354
Component 3 - Subsequent payment	1,160
Component 4 - Earn out provisions	2,906
	5,620
Direct costs relating to the acquisition	109
Total purchase consideration	**5,729**
Fair value of net identifiable assets acquired (refer below)	(235)
Goodwill	**5,494**

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	27	27
Property, plant and equipment	599	599
Inventories	433	433
Receivables	2,687	2,687
Payables	(1,314)	(1,314)
Employee benefit liabilities, including superannuation	(309)	(309)
Borrowings	(1,935)	(1,935)
Net deferred tax assets	47	47
Net identifiable assets acquired	**235**	**235**

a) Purchase Consideration

Per the sale agreement Pacific Environment Limited is required to provide consideration in a number of forms as follows:

Component 1 - Initial Cash payment
An initial cash payment of $200,000.

Component 2 - Shares to be Issued
Shares to the value of $1,353,698 are to be issued to the vendors of CES. Such shares have been issued subsequent to the date of this report and are being held in voluntary escrow, refer to note 9 for further information

Component 3 – Subsequent payment
Payment of $700,000 plus interest at a rate of 3.4%, in monthly instalments of $80,000, to be fully paid by 30 September 2009. The aggregate of this component can be paid in any proportion of ordinary shares and cash, at the Vendor's option, in the event that shares are issued they will be issued at double the value of the remaining cash component due. At the date of this report it has been determined that this element of consideration is likely to be paid as follows:

Cash Amount (to be paid in installments)	240,000
Issue of Shares for remaining balance	920,000
	1,160,000

7 Business combination (continued)

a) Purchase Consideration (continued)

Component 4 – Earn out Provisions
The contract allows for distinct earn out and over-performance provision if EBIT targets are met or exceeded for financial years 2008/2009, 2009/2010 and 2010/2011. These payments are able to be made in any proportion of cash and shares at the Vendor's option, in the event that shares are issued, the value of those ordinary shares issued will be based on double the value due in cash. If EBIT targets are not met by the CES entity a penalty formula is in place to reduce the amount of the earn out payable.

The conditions for CES Vendors receiving the earn out in both financial years 2008/2009 and 2009/2010 are the same. To achieve the full benefit of the earn out payment, being $1,125,000 each year, the CES entity must achieve an EBIT of $1,000,000. At the time of this report forecasts indicate an EBIT of $400,000 will be reached for the current financial year and $400,000 for financial year 2009/2010. The penalty formula has consequently been applied in accordance with the earn out clause and a provision of $968,750 per financial year has been calculated .

The directors have determined that it is probable that the 2008/2009 earn out will be paid by way of ordinary shares and that the 2009/2010 earn out will be paid in cash. The provision balance is therefore:

Financial Year 2008/2009	1,937,500
Financial Year 2009/2010	968,750
	2,906,250

At the date of this report is it not possible to measure the value or determine the probability of Earn out further than 2009/2010 and the directors have deemed it improbable that the required target for the Over Performance provision will be met. Refer to note 8 for details of such contingent liabilities.

The business combination has been prepared on a provisional basis, and will be finalised within 12 months in accordance with the relief provided under AASB 3.

Prior period

Pacific Environment Limited did not make any business acquisitions for the half year ended 31 December 2007.

Business Combinations referred to in the 30 June 2008 annual report for the group are within the 12month relief period provided by AASB3 and therefore remain accounted for on a provisional basis within the report.

8 Contingencies

The entity has contingent liabilities in the form of earn out provisions within the Commercial Energy Services sale agreement, refer to note 7. If all general earn out targets are met the Group will be liable to pay an amount additional to that reflected as a current liability of $312,500 (additional $1,593,750 than the total liability if the vendors elect to be paid all earn out amounts by equity).

If the over performance target, being the greater of $1,000,000 EBIT or 125% of 2008/2009 EBIT, is met for financial year 2009/2010 the Group will be liable to pay 50% of the amount which CES' EBIT exceeds $1,250,000.

If the over performance target, being the greater of $1,562,500 EBIT or 125% of 2009/2010 EBIT, is met for financial year 2010/2011 the Group will be liable to pay 50% of the amount which CES' EBIT exceeds $1,562,500.

The payment for general and over performance earn outs can be paid in any proportion of cash or ordinary shares, if the payment s are made in ordinary shares the value of the Ordinary shares issued will be double the value of the remaining balance due in cash.

9 Events occurring after the balance sheet date

On 9 January 2009 Pacific Environment Limited was successful in its application to the Federal Government for “Climate Ready” grant of $446,329 to be received over 18months for the date of grant. $125,374 has been received since 31 December 2008. The grant will be used for a specific Economic Environmental Management and Reporting System (EERMS) project, which is a software tool designed to provide users with real-time information combining energy and financial data.

On 15 January 2009 Pacific Environment Limited issued 3,562,364 shares to the Vendor’s of Commercial Energy Services, being the initial share consideration of the purchase agreement. These shares are held in voluntary escrow of 12 and 24 months from 23 December 2008 in parcels of 1,781,182 respectively.

On 20 February 2009 Pacific Environment Limited issued 1,157,150 fully paid ordinary shares and the same number of options as private placements. The shares were issued at $0.35 each, being a total value of $405,000.50. The Options have an exercise price of $0.55 and expire on 31 December 2010.

On 27 February 2009 Pacific Environment Limited issued 646,289 fully paid ordinary shares and the same number of options as private placements. The shares were issued at $0.35 each, being a total value of $162 501.15. The Options have an exercise price of $0.55 and expire on 31 December 2010.

In the directors' opinion:

a) the financial statements and notes set out on pages 7 to 15 are in accordance with the *Corporations Act 2001,* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and

b) there are reasonable grounds to believe that Pacific Environment Limited will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the directors.

Darren Herft
Chairman

Brisbane
27 February 2009

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Independent auditor's review report to the members of Pacific Environment Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pacific Environment Limited, which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Pacific Environment Limited Group (the consolidated entity). The consolidated entity comprises both Pacific Environment Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of Pacific Environment Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company or the half-year ended 31 December 2008 included on Pacific Environment Limited's web site. The company's directors are responsible for the integrity of the Pacific Environment Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pacific Environment Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

Significant uncertainty regarding continuation as a going concern

Without qualification to our conclusion expressed above, we draw attention to Note 1(b) in the financial report which indicates that the ability of the company to meet their debts and commitments as and when they fall due is dependent upon a combination of its ability to raise further funds from existing or new investors, the ability to secure increased sales of its emissions monitoring software and proactive management of current and future cash flows.

These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a significant uncertainty whether the company will continue as a going concern, and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

Philip J Clarke
Partner

Brisbane
27 February 2009