

26 November 2007

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**PEV invests into profitable industrial mineral company**

Pacific Enviromin Limited ("PEV") has today signed a conditional agreement to invest into Australia's largest diatomaceous earth production company, Australian Diatomaceous Earth Pty Ltd ("ADE").

The investment in ADE represents the continuation of PEV's strategy to build an industrial minerals business. ADE is very well positioned in the Australian market and is highly complimentary to PEV's existing industrial minerals business.

PEV will invest \$6 million through a convertible note, primarily to enable ADE to undertake capital expansion to increase its production capacity.

The increase of the production capacity is required to meet anticipated demand from ADE's existing customers over the next two years and beyond. The five year convertible note will be secured and attract a floating interest payment based on the forecast profitability of ADE. After 31 December 2009, PEV will have the right to convert the note and acquire 100% of ADE with consideration being PEV shares at the then current market price.

ADE generated revenue of \$9 million for financial year 2007 on sales volume of 30,000 tonnes. However sales are being severely constrained by production capacity. The proposed capital expenditure on ADE's two production plants will lift capacity from 30,000 tonnes to 120,000 tonnes per annum by December 2008 and enable ADE to meet significant unfulfilled demand.

Diatomaceous earth ("DE") is an industrial mineral used in a multitude of applications including food and beverage filtration, agricultural pesticide and fertilizer, cosmetics, oil spill clean-up, and pet litter.

ADE has two production plants based at their DE deposits at Barraba in northern NSW and Mt Barker in southern WA, which have been operating for over 20 years and 10 years respectively, plus the large undeveloped Greenvale DE project in North Qld. ADE has developed a range of DE industrial products, and supplies pet litter into the retail market, pesticide and fertilizer to a number of agricultural businesses and primary producers, and oil spill absorbent products.

The investment is subject to due diligence, PEV shareholder approval and the necessary ASX, and legal approvals.

## Status of Other Projects

The Mantuan Downs bentonite resource is due to be granted mining approval in the near future. Once this has been granted PEV is confident that the Waterwise Home & Garden program and sample shipments for international bentonite users will commence, generating cash flow.

As previously announced, the Company is also conducting due diligence on the acquisition of a major sodium bicarbonate project in Southern Queensland, and a number of smaller PEV-owned industrial mineral projects are being analysed for economic benefit.

The Company announced recently that it would offer shareholders an opportunity to participate in PEV through a Shareholders' Share Purchase Plan ("SPP"). Given the substantial investment now proposed for ADE, the Board is currently determining the most appropriate funding structure for the Company. The issue of the SPP will therefore be deferred until the funding structure is finalized.

Yours faithfully



Brian Jones

Chairman