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Xiaqing Environmental Protection Technology Co Ltd to acquire majority interest in AnaeCo

AnaeCo Limited (**AnaeCo**) is very pleased to announce that a binding agreement has been signed that, subject to shareholder approval, will result in Xiaqing Environmental Protection Technology Co Ltd (XEPT) acquiring a 55% controlling interest in AnaeCo.

The transaction involves XEPT purchasing part of a loan owed by AnaeCo to Monadelphous Group Limited (MND), and converting it to equity. MND will also convert the remaining loan to equity, resulting in MND's shareholding in AnaeCo increasing to 30%. The issue of shares to both XEPT and MND will require shareholder approval and a meeting will be convened for this purpose. The estimated date for holding the extraordinary general meeting of shareholders is around the end of September 2016 and meeting materials will be dispatched shortly. The AnaeCo Board supports the transaction and will be recommending shareholders approve the resolutions.

XEPT, based in Beijing and led by Chairman Han Xiaoqing is a privately owned hi-tech enterprise established in 1989. Its focus has been on the design, construction and operation of water and waste water treatment plants, solid waste treatment and renewable energy projects in China. XEPT has been recognised as one of the earliest companies engaged in environmental engineering and protection projects in China. It has developed a number of proprietary technology solutions which it applies in its business in China.

Chairman Han Xiaoqing said, "We intend to combine the technical and commercial skills of XEPT who currently only operate in mainland China with those of AnaeCo to expand both businesses in Australia, China and South East Asia. I am looking forward to working with AnaeCo, and particularly their technical team, to expand and develop their operations in both Australia and elsewhere."

AnaeCo Managing Director, David Lymburn said, "We welcome this transaction which brings XEPT not only as a cornerstone shareholder, but also a substantial and successful organisation which is well established in the water, solid waste and renewable energy sectors in China. XEPT is well positioned to provide the commercial and technical resources we have been seeking to support AnaeCo's development and growth in Australia and the Asian region. Importantly, this transaction fully clears the debt owed to MND, and provides an appropriate level of working capital at Completion^{*1}. The AnaeCo team is enthusiastic about collaborating with XEPT on projects in Australia, China and elsewhere in the region. This transaction, in conjunction with the recent completion of the WRMC Project, is the start of the next phase of growth for AnaeCo and positions us to capture the value created through the Intellectual Property developed to date."



Other key elements of the transaction are:

- The conversion price for the debt to equity conversion for the shares to be issued to XEPT and MND will be \$0.00138 per share.
- AnaeCo will have approximately \$3.7 million in free cash at Completion.
- The loan owing by AnaeCo to MND is currently \$16.54 million. The total value of loan to be converted to equity for the share issues to XEPT and MND will be no more than \$17.23 million.
- AnaeCo will have no debt following Completion.
- The transaction implies a valuation for AnaeCo of \$20.91 million and current AnaeCo shares on issue will equate to approximately 17.6% of the shares post Completion.

*1 (“Completion” means the issue of shares to XEPT and MND once AnaeCo shareholder approval has been obtained and XEPT pays the purchase price for the loan to MND.)

Further details of the transaction will be disclosed in the Notice of Extraordinary General Meeting and Explanatory Statement, including an Independent Expert’s Report on the fairness and reasonableness of the transaction to existing AnaeCo shareholders. AnaeCo’s corporate advisor on this transaction has been Somerley International Limited, a member of Hong Kong based Somerley Group.

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For further information, please contact:

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About AnaeCo

AnaeCo delivers Alternative Waste Technology (AWT) facilities based on the AnaeCo™ System, incorporating the patented DiCOM™ bioconversion process. The AnaeCo™ System includes advanced sorting, recycling, anaerobic digestion and aerobic composting to recycle municipal solid waste (MSW) into renewable energy from biogas, organic fertiliser and recyclables such as steel, aluminium, glass and plastics, thus maximising diversion from landfill and ensuring social, economic and environmentally sustainable management of MSW.

The AnaeCo™ System enables resource recovery intervention closer to source, with enhancement of existing waste transfer stations now a viable waste management option. AnaeCo’s experienced team provides design, and commissioning services for AnaeCo™ AWT facilities.

For further information go to www.anaeco.com

For further information on XEPTG go to <http://xqhb.com> (select English language)