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Australian Stock Exchange
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Director Loans – Update

At a shareholder meeting held on 12 April 2011 resolutions were approved in relation to conversion of loans from related parties to equity. Specifically, shareholder approval was obtained for;

1. the issue of 10,491,651 ordinary shares at \$0.11 per share for the conversion to equity of a \$1,154,081.59 loan owing to Nichol Bay Holdings Pty Ltd, an entity controlled by Mr Les Capelli, a Director of AnaeCo Limited; and
2. the issue of 23,636,364 ordinary shares at \$0.11 per share for the conversion to equity of a \$2,600,000 loan owing to CF2 Pty Ltd atf The CF Trust, an entity controlled by Mr Ian Campbell, a Director of AnaeCo Limited.

The conversion of these loans to equity was also subject to a condition of the AnaeCo Board adopting a business plan for the Company, which is acceptable to each of Nichol Bay Holdings Pty Ltd and CF2 Pty Ltd atf the CF Trust, in their respective sole discretion. Further, it is a requirement of ASX Listing Rule 10.13 that the resolution approved by shareholders for the issue of shares to a related party be implemented within 1 month of that approval being given.

The condition relating to the adoption of a business plan for the Company which is acceptable to each of Nichol Bay Holdings Pty Ltd and CF2 Pty Ltd atf the CF Trust, has not been achieved within the 1 month timeframe permitted for implementing the resolution and accordingly conversion of the loans pursuant to the resolutions approved at the 12 April shareholder meeting has not occurred.

The status of these loans now is that they revert to the terms and conditions in existence prior to 18 February 2011, namely;



- (a) **(Maturity Date):** earlier of 30 June 2011 and the date on which the Company next raises new capital after 31 December 2010, provided that the Company's cash flow position will enable it to safely make the repayment of the loan and continue to meet its other cash commitments as and when they fall due.

If the Company is unable to repay the loan at 30 June 2011, at the lender's election it may call for the loan to be extinguished by the issue of Shares at a price which will be the 5 day volume weighted average for the 5 trading days immediately prior to a Shareholder resolution approving the issue of the Shares.

- (b) **(Interest Rate):** 12% per annum calculated daily and paid monthly in arrears or capitalised.
- (c) **(Security):** unsecured.

The two lending directors, Ian Campbell and Les Capelli, have indicated their willingness to convert their loans to equity, and the Company and the two directors are now working towards formulation of procedure to achieve this outcome. This will require a further approval by shareholders and information about this will be disclosed as soon as the details have been settled.

ENDS

For further information, please contact:

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About AnaeCo

AnaeCo delivers Alternative Waste Technology (AWT) facilities based on the patented DiCOM® bioconversion process. The system incorporates advanced sorting, recycling, anaerobic digestion and aerobic composting to recycle municipal solid waste (MSW) into renewable energy from biogas, agricultural grade compost and recyclables such as steel, aluminium, glass and plastics, thus ensuring maximum diversion from landfill and ensuring social, economic and environmentally sustainable management of MSW.

The DiCOM® process 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, construction, commissioning, operation and maintenance services for DiCOM® AWT facilities, as well as management of all outputs including renewable energy, compost, recyclable materials and non-recyclable residuals.

For further information go to www.anaeco.com