

ANAECO LIMITED
ABN 36 087 244 228

**NOTICE OF GENERAL MEETING
AND
PROXY FORM**

This Notice of General Meeting is an important document and requires your immediate attention. Please read it carefully. If you are in doubt as to what you should do, please consult your investment or other professional adviser.

**For a General Meeting of Shareholders to be held on 25 June 2009 at
9.30 am, at 3 Turner Avenue, Bentley, Western Australia**

ANAECO LIMITED
ABN 36 087 244 228

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of AnaeCo Limited (**AnaeCo** or **Company**) will be held at 3 Turner Avenue, Bentley, Western Australia, 6102, at 9.30 a.m. on 25 June 2009.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5.00 pm (WST) on 23 June 2009.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Resolution 1– Issue of Director Options – Mr Gianmario Alessio Capelli

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 750,000 Director Options to Mr Gianmario Alessio Capelli (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Gianmario Alessio Capelli (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 2 – Issue of Director Options – Dr Ian Lindsay Campbell

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 750,000 Director Options to Dr Ian Lindsay Campbell (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Ian Lindsay Campbell (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 3 – Ratification of prior issue – Share Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 17,940,000 Shares to the parties, and on the terms and conditions, set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 4 – Share Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue Shares raising a total of up to \$5 million on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 5 – Issue of Shares to a Director – Dr Ian Lindsay Campbell

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional on the passing of Resolution 4, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for Dr Ian Lindsay Campbell, being a Director of the Company, to participate in the issue of Shares referred to in Resolution 4 on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Ian Lindsay Campbell (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**DATED THIS 26th MAY 2009
BY ORDER OF THE BOARD**

**DAVID LYMBURN
COMPANY SECRETARY**

NOTES:

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. For the purposes of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the General Meeting. The snapshot date is 5.00 pm on 23 June 2009.
3. To vote by proxy, please complete and sign the attached proxy form as soon as possible and either:
 - send the proxy form by facsimile to the Company on facsimile number (08) 9361 4888 (International: + 61 8 9361 4888); or
 - deliver the proxy form personally to the Company's registered office, 3 Turner Avenue, Bentley, Western Australia 6102,

so that it is received not later than 9.30 am (WST) on 23 June 2009. Proxy forms received later than this time will be invalid.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 9.30 am (WST) on 25 June 2009 at 3 Turner Avenue, Bentley, Western Australia, 6102.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. RESOLUTIONS 1 AND 2 – ISSUE OF DIRECTOR OPTIONS – MR GIANMARIO ALESSIO CAPELLI AND DR IAN LINDSAY CAMPBELL

1.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue 750,000 Options (**Director Options**) to each of Mr Gianmario Alessio Capelli and Dr Ian Lindsay Campbell (each of them a **Related Party** or together **Related Parties**) on the terms and conditions set out below.

Mr Capelli was appointed as a Director of the Company on 28 November 2008 and Dr Campbell was appointed as a Director of the Company on 13 May 2009.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as a Director, each of Mr Capelli and Dr Campbell are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to each Related Party.

1.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Mr Capelli and Dr Campbell and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 750,000 Director Options to Mr Capelli; and
 - (ii) 750,000 Director Options to Dr Campbell;
- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on the same date;
- (d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 1;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 2;
- (g) the relevant interests of the Related Party in securities of the Company are set out below;

Related Party	Shares	Options
Mr Capelli	9,643,152	955,396 Class A listed options ¹ 955,396 Class B listed options ²
Dr Campbell	10,530,000	nil

¹ 955,396 Options exercisable at \$0.50 each on or before 31 May 2010.

² 955,396 Options exercisable at \$1.00 each on or before 31 May 2012.

- (h) the remuneration and emoluments from the Company to the Related Parties for the period since they became Related Parties is as follows:

Related Party	Current Financial Year (to 30 April 2009)	Previous Financial Year
Mr Capelli (appointed 28 November 2008)	\$29,167 ^{1,2}	n/a
Dr Campbell (appointed 13 May 2009)	nil	n/a

¹ Director's fees

² In April 2009, AnaeCo entered into a short term loan agreement with Nichol Bay Holdings Pty Ltd, a company controlled by Mr Capelli, to borrow \$500,000. The loan which is provided for working capital support was drawn in May 2009 and is repayable by 30 September 2009. The loan is unsecured and bears interest at a rate equivalent to the rate charged by the Commonwealth Bank on overdrafts of this magnitude.

- (i) if the Director Options granted to the Related Parties are exercised, a total of 1,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 137,680,533 to 139,180,533 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Total Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Mr Capelli	9,643,152	750,000	139,180,533	0.54%
Dr Campbell	10,530,000	750,000	139,180,533	0.54%
TOTAL	20,173,152	1,500,000		1.08%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

The Board resolved to issue the Director Options to Mr Capelli and Dr Campbell, subject to Shareholder approval, on equivalent terms and conditions as the Director Options that were issued to the other Directors of the Company, with Shareholder approval, in July 2008. As at the date of this Notice of Meeting, the Share price is trading on ASX above the exercise price of the Director Options. However, the exercise of the Director Options is subject to the vesting criteria as set out in Schedule 1. The grant of the Director Options to Mr Capelli and Dr Campbell is intended to align their interests with the other Directors who already hold Options on equivalent terms;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Lowest	7.5 cents	21 and 24 November 2008
Highest	38.5 cents	2 April 2009
Last	32 cents	19 May 2009

- (k) the primary purpose of the grant of Director Options to the Related Parties is to provide a market linked incentive package in their capacity as Directors and for the future performance by each of them in their respective roles. The Board (other than Mr Capelli and Dr Campbell) considered the extensive experience and reputation of the Related Parties within the industry when considering the grant of the Director Options to them. The Board considers the grant of the Director Options to the Related

Parties to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- (l) the Board acknowledges the grant of Director Options to Mr Capelli and Dr Campbell as Non-Executive Directors is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Mr Capelli and Dr Campbell is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;
- (m) Mr Capelli declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 1, recommend that Shareholders vote in favour of Resolution 1. The Board (other than Mr Capelli) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (n) Dr Campbell declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2. The Board (other than Mr Campbell) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

2. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES

2.1 General

As previously announced to ASX, on 23 January 2009, the Company issued 17,940,000 Shares in a placement to sophisticated and professional investors.

The allottees pursuant to this issue were not related parties of the Company.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, without the prior approval of Shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 17,940,000 Shares were allotted;
- (b) the issue price was \$0.10 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and are freely tradeable on the ASX;
- (d) the Shares were allotted and issued to various parties who qualify to participate in an excluded offer pursuant to Section 708 of the Corporations Act - sophisticated and professional investors, none of whom were related parties of the company; and
- (e) the funds raised from the issue were used for working capital to support the performance testing of the Western Metropolitan Regional Council (WMRC) Stage 1 project, preparation for the commencement of WMRC Stage 2, the feasibility study and pre-development phase of the Barwon Regional Waste Management Group project, as well as general administration costs and costs of the issue.

3. RESOLUTION 4 – SHARE PLACEMENT

3.1 General

Resolution 4 seeks Shareholder approval for the purposes of Listing Rule 7.1, for the allotment and issue of Shares raising a total of up to \$5 million (**Share Placement**).

With the exception of the Shares proposed to be issued to Dr Campbell (or his nominee) for which Shareholder approval is sought under Resolution 5, none of the subscribers pursuant to this issue will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in the explanatory statement for Resolution 3 above.

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is up to that number of Shares which, when multiplied by the issue price, equals \$5 million;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date. It is the Company's present intention to complete the offer and acceptance procedures for the Share Placement prior to the date of this General Meeting, on the basis that the Share Placement will be offered subject only to Shareholder approval;
- (c) the issue price will be not less than 26 cents which is 80% of the average market price for Shares calculated over the 30 days on which sales in the Shares were recorded before 12 May 2009;
- (d) the Shares will be allotted and issued to various parties who qualify to participate in an excluded offer pursuant to Section 708 of the Corporations Act – sophisticated and professional investors, none of whom will be related parties of the Company, with the exception of the Shares proposed to be issued to Dr Campbell (or his nominee) for which Shareholder approval is sought under Resolution 5;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and, upon quotation, will be freely tradeable on the ASX; and
- (f) the Company intends to use the funds raised from the Share Placement as follows;

Working capital, project development expenses and administration	\$3,200,000
Business development of emerging markets	\$1,000,000
Loan repayment	\$500,000
Costs of the issue	\$300,000
Total	\$5,000,000

4. RESOLUTION 5 – ISSUE OF SHARES TO A DIRECTOR – DR IAN LINDSAY CAMPBELL

4.1 General

Resolution 5 seeks Shareholder approval for the participation of Dr Campbell (a Director of the Company) or his nominee in the issue of Shares pursuant to the Share Placement referred to in Section 3 of this Explanatory Statement.

Shareholder approval for the proposed issue to Dr Campbell (or his nominee) is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Dr Campbell is considered to be a related party of the Company by virtue of being a Director.

It is the view of the Directors that Shareholder approval is not required under Chapter 2E of the Corporations Act as the proposed issue of Shares to Dr Campbell will be on terms equivalent to the offer to the other sophisticated investors participating in the Share Placement pursuant to Resolution 4 and will therefore come within the arm's length terms exception in Section 210 of the Corporations Act.

4.2 Technical information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 5:

- (a) the related party is Dr Campbell (or his nominee), and he is a related party by virtue of being a Director;
- (b) the maximum number of Shares to be issued is up to that number of Shares which, when multiplied by the issue price, equals \$1,000,000;
- (c) the Shares will be issued no later than 1 month after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be not less than 26 cents which is 80% of the average market price for Shares calculated over the 30 days on which sales in the Shares were recorded before 12 May 2009;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Share Placement in accordance with Section 3.2(f) above.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to Dr Campbell (or his nominee) as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Dr Campbell (or his nominee) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

5. ENQUIRIES

Shareholders are invited to contact David Lymburn (Company Secretary) on +618 9361 4777 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company and **AnaeCo** means AnaeCo Limited (ABN 36 087 244 228).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director Option means an Option granted pursuant to Resolutions 1 and 2 with the terms and conditions set out in Schedule 1.

Directors mean the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting means the meeting convened by the Notice of Meeting.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an Option or Director Option as the context requires.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

1. Issue Price and Exercise Price

- (a) The Director Options will be issued free of charge.
- (b) The exercise price of the Director Options shall be \$0.25.

2. Exercise of Options

- (a) Subject to the vesting criteria the Director Options may be exercised at any time on or before 31 December 2011.
- (b) A Director Option is exercisable by the holder lodging with the Company a notice of exercise of Director Options in the form set out in the Notice of Exercise or in such form as is approved by the Directors from time to time, together the relevant Director Option Certificate or such other evidence of ownership that the Directors may determine from time to time. If not all of the holder's Directors Options are being exercised, a holder must exercise Options in multiples of 1,000.

3. Vesting Criteria

The Director Options shall vest with the Director in equal portions of one half respectively upon the achievement of each of two vesting hurdles, subject to the Director remaining as a Director of the Company from the date of grant of the Director Options, until the date of achieving each vesting hurdle.

The two vesting hurdles are;

- (a) Share price trades at an average of \$0.50 or higher on any consecutive 10 day period, after 31 December 2009.
- (b) Share price trades at an average of \$1.00 or higher on any consecutive 10 day period, after 31 December 2009.

If at any time more than 50% of the Company's issued Shares are acquired by a single Shareholder (or a group of Shareholders acting in a consortium) such that control of the Company rests with the said Shareholder or group of Shareholders acting in a consortium, the vesting hurdles with respect to the date 31 December 2009 will be deemed to have been passed and the Director Options shall vest with the Director.

4. Expiration of Director Options

Director Options shall lapse upon the earlier of:

- (a) the expiry of the exercise period (31 December 2011);
- (b) the expiry of 30 days after the Director ceases to be an Director of the Company; and
- (c) a determination by the Directors that the Optionholder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or an Associated Body Corporate.

5. Entitlement

Each Director Option entitles the holder to be allotted one Share.

6. Ranking

Shares issued pursuant to the exercise of Director Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.

7. Participation in Future Issues

There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

8. Bonus Issues

If there is a bonus issue to holders of ordinary Shares the number of shares over which each Director Option is exercisable may be increased by the number of Shares which the holder of the Director Option would have received if the Director Option had been exercised before the record date for the bonus issue.

9. Reconstructions

In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of the Optionholder will be varied to the extent necessary in order to comply with the ASX Listing Rules.

10. Quotation

Director Options will not be quoted on ASX. However, application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of Director Options if the Company's Shares are listed on ASX at that time.

11. Assignment and Transfer

An Director Option may not be transferred or assigned except that a legal personal representative of a holder of an Director Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Director Option after the production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.

SCHEDULE 2 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 3 and 4, have been independently valued by Pitcher Partners Corporate Pty Ltd.

Using the theoretical Monte Carlo Simulation Model, which enables the analysis of value where there are vesting conditions which are dependent upon the timing at which a target share price will or may be achieved, and based on the assumptions set out below, the Director Options were ascribed a value as follows:

Assumptions:		
Valuation date	3 April 2009	
Market price of Shares	36 cents	
Exercise price	25 cents	
Expiry date	31 December 2011	
Risk free interest rate	3.53%	
Volatility	71%	
	Tranche 1	Tranche 2
Market Vesting Condition	Share price trades at an average of \$0.50 or higher on any consecutive 10 day period, after 31 December 2009	Share price trades at an average of \$1.00 or higher on any consecutive 10 day period, after 31 December 2009.
Expected Early Exercise Factor	2.5	5
Dividend Yield	0%	0%
Indicative value per Director Option	18.2 cents	16.5 cents
Discount for probability of remaining in office	80%	80%
Total Value of Director Options	\$109,200	\$99,000
- Mr G.A. Capelli	\$54,600	\$49,500
- Dr I.L. Campbell	\$54,600	\$49,500

Note: The valuations noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

PROXY FORM

**APPOINTMENT OF PROXY
ANAECO LIMITED
ABN 36 087 244 228**

GENERAL MEETING

I/We
of

being a member of AnaeCo Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 9.30 am on 25 June 2009 at 3 Turner Avenue, Bentley, Western Australia and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

If the Chair of the Extraordinary General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of the Resolutions please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 1 and that votes cast by the Chair of the Annual General Meeting for Resolution 1 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

OR

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Issue of Director Options - Mr Gianmario Alessio Capelli	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Issue of Director Options - Dr Ian Lindsay Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of Shares to a Director - Dr Ian Lindsay Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Signature of Member(s): _____ **Date:** _____

Individual or Member 1	Member 2	Member 3
Sole Director/Company Secretary	Director	Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

ANAECO LIMITED
ABN 36 087 244 228

Instructions for Completing 'Appointment of Proxy' Form

A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

A duly appointed proxy need not be a member of the Company. In the case of joint holders, all should sign.

Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.

Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.