

10 November 2015

Ms Anjuli Sinniah  
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Dear Ms Sinniah,

We refer to your letter dated 6 November 2015 and provide the following answers to your questions. Our responses correspond with your numbering.

Firstly we make a clarification to point 2 of your letter. The \$500,000 extension was first disclosed to the market on 31 August 2015 in the Company's Preliminary Final Report, which included commentary in the Review of Financial Position and in Note 2 to the financial statements that total facilities from Monadelphous Group Limited ('MND') were \$10,100,000 at the date of the accounts.

#### Responses to questions

1.1 No.

1.2 No.

1.3 No.

2. Basis for responses to 1.1, 1.2 and 1.3

The answer lies in the entirety of disclosure around the Company's financial position over a period of time, including its ongoing relationships with MND.

2.1 The Company and MND are jointly delivering a Design & Construct contract to design, build and commission a waste treatment facility using AnaeCo technology ("the WMRC Project"). This D&C contract commenced in December 2010, and has been reported in annual reports since 30 June 2011. For accounting purposes the parties' involvement in the project is described as a "Joint Arrangement" being undertaken by the AnaeCo-Monadelphous Joint Venture.

From the Company's perspective this long term engineering services contract became onerous quite early in the project schedule and loss provisions have been recorded for several years. Since September 2012 the Company has borrowed funds from MND to assist with completion of its responsibilities on the project, as well as for working capital purposes. There have been cost over-runs which have led to payments by the Company to MND in cash as well as by the issue of shares. Terms of these settlements have been disclosed in previous years' annual reports. As a result of the share issues MND is currently the largest shareholder in AnaeCo holding 14.7%.

Since September 2012 the Company has borrowed funds from MND on a number of occasions. There have been new borrowings, repayments and revisions to the dates for repayment. These arrangements have been disclosed in the annual reports since 2013.

It is abundantly clear that the Company has relied heavily on its relationship with MND over a number of years for financial support, and that this support is linked to completion of the WMRC Project.

We note this relationship continues in the current financial year and point to an announcement made on 2 September 2015 regarding a potential corporate transaction involving the loan owing to MND, and to ASX's query letter on the Company's 2015 audited financial statements and the Company's response which were released to the market on 30 October 2015.

2.2 The 31 December 2014 Half Yearly Report released on 27 February 2015 disclosed:

- shareholders' deficit of \$727,707,
- net current liabilities of \$4,650,138, and
- details of the borrowing facility at that time with MND, including under note 2(a) Going Concern, a comment that the full amount of the loan facility of \$7,600,000 was expected to be drawn by 31 July 2015.

Therefore, based on the director's reasonable expectation of being able to continue as a going concern, for the reasons laid out in note 2(a), there is an explicit reasonable expectation that additional funds will be raised to meet the net current liabilities of \$4.65m, as well as ongoing running costs of the business. Disclosure of the expectation that the MND facility would be fully drawn by 31 July 2015 can be read as a statement that further funding will need to be in place by that date.

2.3 The 30 June 2015 Preliminary Final Report released on 31 August 2015 disclosed:

- shareholders' deficit of \$5,565,299
- net current liabilities of \$9,145,947, which includes a provision for loss on engineering services contract \$4,338,951,
- borrowings from MND at \$8,000,000 principal, plus accrued interest and
- an operating loss after income tax of \$7,807,993.

The operating loss is partly the result of an increase in the provision for loss on engineering services contract in the period to 30 June 2015.

Note 2(a) Going Concern, explains the basis upon which the directors consider the Company is a going concern. Completion of the WMRC Project and obtaining sufficient funding to do so, are specific matters covered in this evaluation.

In other words, the directors have expressed a reasonable expectation of being able to raise sufficient funding to pay for the costs to complete the WMRC Project (estimated at \$4,338,951) and to pay for the running costs of the Company. Given the total facility with MND at the date of the accounts (31 August 2015) was \$10,100,000 and the amount of principal drawn at 30 June 2015 was \$8,000,000, it is, in the Company's view, a reasonable and logical conclusion that additional funding had to be raised.

Note 2(a) includes the following statement:

*“The Group has entered into loan agreements with Monadelphous Group Limited to provide funding of \$10,100,000. The full amount of this loan is forecast to be drawn by 30 September 2015. Monadelphous has indicated its intention to continue to provide financial support to AnaeCo during the remainder of the WMRC Project commissioning period.”*

This note was repeated in the audited annual financial statements for the year ended 30 June 2015 released to ASX on 24 September 2015.

- 2.4 Given all of the above, it is the Company’s view that its shareholders have a clear appreciation of the Company’s state of financial affairs, its relationship with MND, and its reliance on continued financial support from MND in order to meet its primary objective of completing the WMRC Project successfully. This includes an appreciation of periodic extensions of the existing MND funding facilities as and when required. Accordingly, it is the Company’s view that individual extensions of these funding facilities do not require separate ASX announcements.
- 2.5 The Company’s conclusion explained at 2.4 above is supported by an analysis of the Company’s share price movements on the key dates ASX has identified when the extensions were disclosed, that is 31 July, 31 August and 29 October.

In all cases the Company’s closing share price did not change from the day prior to the disclosure until at least 2 days after disclosure.

Further,

- since 27 August 2015 the Company’s share price has traded in the narrow range of \$0.002 to \$0.003, and
- other than three days in August when the closing price dropped to \$0.001, since 28 July 2015 the Company’s share price has traded in the narrow range of \$0.002 to \$0.003.

This tends to support the conclusion that a reasonable person would not expect disclosures of these loan facility extensions (involving a significant shareholder and existing lender) on their own, to have a material effect on the price or value of the Companies securities.

3. Not applicable.
4. Not applicable.
5. The Company is in compliance with the Listing Rules and in particular, Listing Rule 3.1.

Yours sincerely



David Lymburn  
Managing Director



6 November 2015

Mr David Lymburn  
Managing Director  
AnaeCo Limited  
3 Turner Avenue  
Technology Park  
BENTLEY WA

By email: dlymburn@anaeco.com

Dear Mr Lymburn

**AnaeCo Limited (the “Entity”): ASX aware query**

ASX Limited (“ASX”) refers to the following:

1. The Entity’s announcement entitled “Appendix 4C – quarterly” lodged with ASX Market Announcements Platform and released at 12:00 pm AEST on 31 July 2015 (the “First Announcement”), disclosing the Entity had extended the funding facility provided by Monadelphous Group Limited (“Funding Facility”) by \$2,000,000 during the period April to June 2015 (“\$2,000,000 Extension”).
2. The Entity’s announcement entitled “Appendix 4C – quarterly” lodged with ASX Market Announcements Platform and released at 5:43pm pm AEST on 29 October 2015 (the “Second Announcement”), disclosing the Entity had extended the Funding Facility by \$500,000 during the period July to September 2015 (“\$500,000 Extension”). The Second Announcement also stated that during October 2015, the funding Facility was extended by \$3,500,000 (“\$3,500,000 Extension”).
3. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
4. The definition of “aware” in Chapter 19 of the Listing Rules. This definition states that:

*“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.”*

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

5. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.



*“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:*

*3.1A.1 One or more of the following applies:*

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

5. ASX’s policy position on the concept of “confidentiality” which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* “Listing Rule 3.1A.2 – the requirement for information to be confidential”. In particular, the Guidance Note states that:

*“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”*

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the information or part thereof of each of the following:
  - 1.1 \$2,000,000 Extension;
  - 1.2 \$500,000 Extension; and/or
  - 1.3 \$3,500,000 Extension,

to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Please provide an answer to each subsection of section 1 above.

2. If an answer to questions 1.1, 1.2 and/or 1.3 respectively is “no”, please advise the basis for that view.



3. If an answer to questions 1.1, 1.2 and/or 1.3 respectively is “yes”, when did the Entity first become aware of the:
  - 3.1 \$2,000,000 Extension;
  - 3.2 \$500,000 Extension; and
  - 3.3 \$3,500,000 Extension

of the Funding Facility described in the First and Second Announcement.

Please provide an answer to each subsection of section 3 above and please specify the time and date the Entity first became aware of each Extension.

4. If an answer to questions 1.1, 1.2 and/or 1.3 respectively is “yes” and the Entity first became aware of the \$2,000,000 Extension, \$500,000 Extension or \$3,500,000 Extension of the Funding Facility before the relevant date for each Extension, did the Entity make any announcement prior to the relevant date of each Extension which disclosed the information? If so, please provide details relating to each Extension. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the information relevant to the \$2,000,000 Extension, \$500,000 Extension and \$3,500,000 Extension, respectively, under Listing Rules 3.1 and 3.1A, and what steps the Entity took to ensure that the information relating to the \$2,000,000 Extension, \$500,000 Extension and \$3,500,000 Extension, respectively, was released promptly and without delay.
5. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

#### **When and where to send your response**

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before **4p.m. WST on Tuesday 10 November 2015**). If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [anjuli.sinniah@asx.com.au](mailto:anjuli.sinniah@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is



in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[Sent electronically without signature]*

Anjuli Sinniah  
**Adviser, Listings Compliance (Perth)**