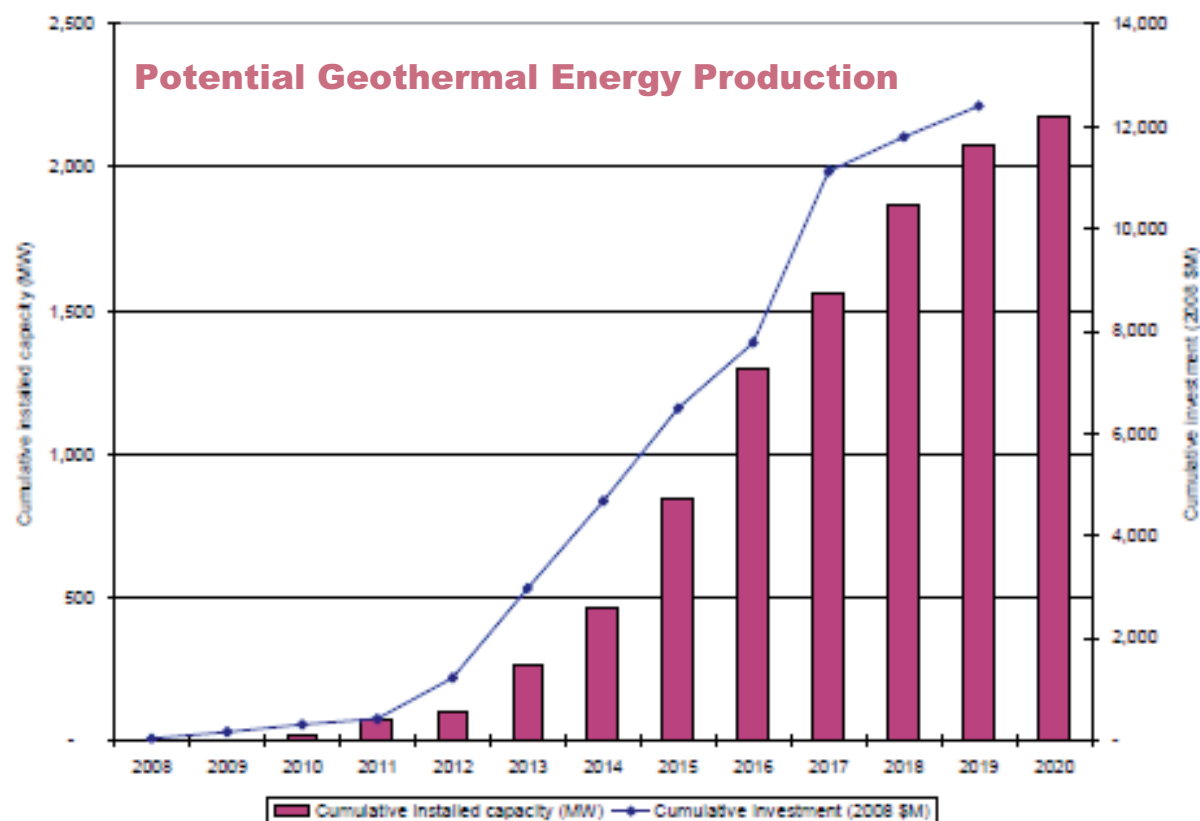


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Investments That Solve Environmental Problems

Figure 1 - Cumulative MW installed and cumulative investment



Inside This Issue:

Editorial	3
Industry Focus	4
ASX 300 Companies	8
Emerging Companies	10
Micro Cap Companies	12
Initial Public Offerings	15
Unlisted Companies	17
Unlisted Funds	19
International Funds	21
International Companies	21
News	22
The Future	29
Letters	32

Next Page - Left Mouse Click

Previous Page - Right Mouse Click

Exit Full Screen Mode - Escape



A photo simulatin of how Leonards Hill will look with two wind turbines in the background

port Fund subject to achieving development and construction milestones.

The Hepburn Community Wind Park Co-operative Ltd (Hepburn Wind) was started by the Hepburn Renewable Energy Association. Future Energy Pty Ltd has assisted Hepburn Wind to obtain the grant and planning permit, and once sufficient funding has been raised, will also manage construction and commissioning.

Hepburn Wind is seeking to raise \$9,679,000 at \$1 per share. The co-op says that together with the Victorian Government grant this will cover the Wind Park's establishment costs. A bank loan to cover the balance will be sort if the capital raising falls short, says the prospectus.

The minimum number of shares that can be applied for is 1,000, and the offer closes at the end of October. The co-operative structure means that it has a one-shareholder-one-vote system rather than a one-share-one-vote system.

Adrian Nelson, director of Future Energy, said that

by mid September commitments for between \$1-2 million had already been received from about 200 shareholders.

Although the shares will be unlisted, Hepburn Wind will provide some liquidity by possibly repurchasing shares from sellers and by maintaining a register of buyers and sellers.

Any dividends will be at the board's discretion, but the majority of earnings after tax are expected to be paid as dividends. The co-op's financial models forecast earnings per share before tax of between 7.2 cents and 19.4 cents over the project's life with an annual average of 13.9 cents per share.

An advantage of the offer is that there is little dilution for investors as apart from the 9.679 million shares issued under the prospectus the only other shares on issue will be 9,500 founding members' shares and 160,000 shares issued to Future Energy as part of the Project Transfer Agreement. The strong local community support is also a big plus

But there is also some construction risk, although

Mr Nelson said that as the project involves only two turbines and the small site has good road access the construction risk is small. More significant is timely delivery of the turbines as around the world there is a queue so it is important to join the queue as soon as possible.

Knetic Adds Ocean Power

Knetic Renewables Ltd, a Gold Coast developer of mobile biogas systems (Eco Investor Aug 2008), is adding ocean power to its repertoire of renewable technologies.

The company is developing a pneumatic ocean power system to capture wave energy and generate electricity through a low cost, mass-produced, floating device. The pneumatic devices pump air to a turbine generator and related infrastructure on shore.

The system has the potential to service quite large coastal communities, said Knetic Renewables. A pilot plant is currently being constructed at the company's Gold Coast based facilities.

The clean energy generating processes have been developed by Knetic Renewables's major shareholder and managing director, Greg Paxton, who is seeking a patent for the technologies.

Mr Paxton's background is in heavy mechanical equipment maintenance and power generating technologies and in 1998, in a joint venture with the CSIRO, co-developed a hybrid coal-gas turbine that used mine ventilation air as a fuel source for electricity generation. The turbine technology was sold in 2006 to a US company to which Mr Paxton provides technical consultancy services.

The company's biomass-fueled power generating

plant will utilise a new process that overcomes high maintenance problems that have made some other biomass conversion systems unviable. The technology will also avoid excessive use of food crops as biofuel and allow clean energy-generating power plants to be built at individual industry sites.

“While use of solid animal waste as fuel is the primary focus of KRL, other renewable non-food-crop biofuels can be used with equal success,” said Mr Paxton.

The biomass conversion technology enables operations such as feedlots and pulp mills to meet their own electricity requirements, with any excess energy available for sale. Mr Paxton said the generators would ultimately be capable of meeting the electricity needs of residential communities and supplement the national power grid using fuels including sewage and organic landfill.

Knetic Renewables is undertaking a capital raising from sophisticated investors. A public unlisted company, it plans to list on the National Stock Exchange in November.



Unlisted Funds

New Venture Fund with Cleantech Interest

A new venture capital fund with an interest in clean technology is among three new venture capital funds to win backing from the latest round of the Federal Government’s Innovation Investment Fund (IIF) program.

The Andover Venture Fund will receive backing of \$20 million from the government if over the next six months it can match this dollar for dollar by raising another \$20 from private investors. If successful it will receive an IIF licence and have a minimum of \$40 million to invest in early stage technology companies. However, the Fund would like to raise a total of \$80 million.

Andover’s areas of interest are new media, information technology and telecommunications, and clean technology. The investment focus is on early and expansion stage companies with high growth potential, strong competitive advantages, intellectual property ownership, proven entrepreneurial management teams, and the potential to generate high free cashflow. Investments will range up to \$5 million in size.

The Andover Venture Fund I is managed by Andover Venture Partners Pty Ltd, which was recently formed through a merger of venture capital firm OneVentures with the investment banking business Andover Group.

Managing partner of Andover Venture Partners, Dr Michelle Deaker, said the Fund is now “seeing some very high quality deal flow in the cleantech space”. OneVentures and the Andover Group also have small venture capital legacy portfolios, and these will likely present follow-on funding opportunities for the new

Fund in due course, she said.

The new Fund says it aims to “generate substantial capital growth for investors by providing financial and human capital to support managers of globally scalable technology businesses”. Its target is a 30 per cent average compound growth rate over the 10 year life of the Fund.

As with other venture funds, it will spend the first few years making investments with the aim to “commence delivering successful exits and returns within the first four to five years”.

The new Fund is open to institutional and high net worth investors with a minimum of \$0.5 million to commit. However, there is a strong likelihood that a feeder fund will be formed for high net worth investors with \$100,000 or more, said Dr Deaker.

The Fund is structured as an Early Stage Venture Capital Limited Partnership, a structure that offers investors significant benefits. These include no capital gains tax on the sale of investments, although this is balanced with the inability to claim capital losses. The Government does not participate in the success of the fund, requiring only that its capital be repaid with interest at the long term bond rate. This means that all gains above this, including gains on the Government’s \$20 million, are available for distribution to investors and to the manager through performance fees.

Dr Deaker said the Fund will likely have a standard venture capital fee structure of a 2 per cent management fee and a 20 per cent performance fee above a hurdle.

The management team comprises the managing partners, Jeremy Ingall who is also executive chairman, and Dr Deaker, the founder of OneVentures. The general partners are Dr Paul Kelly (ex-Gemini Genomics), Michael Smellie (ex-Sony-BMG) and a third general