

**Solco sign Agreement to Re-capitalise Company**

Solco Ltd (ASX: SOO): On 22nd August 2006 the Company entered into a conditional Heads of Agreement with interests associated with non executive director, Mr. David Richardson to re-capitalise the Solco Group. Under the arrangement:

- (i) Mr Richardson's interests will procure for Solco to be provided up to \$1.5 million in loan funds (on a secured basis) for immediate working capital requirements to alleviate Solco's current financial pressures.
- (ii) The Company will be seeking shareholder approval to raise \$1.5 million in equity by placing approximately 62 million shares or 43.5% of the diluted capital of Solco with interests associated with Mr. Richardson with the proceeds being applied to retire the \$1.5 million loan in (i) above and otherwise for working capital purposes.
- (iii) Mr. Richardson will become the Managing Director of Solco effective from 28<sup>th</sup> August 2006 until 30 June 2007, with Mr Richardson's remuneration to be reinvested in Solco equity representing a further 3.5% of the diluted capital base of Solco. Mr. Richardson has over thirty years of high level business experience. Most recently, Mr. Richardson was a senior executive with a large publicly listed engineering company.
- (iv) A shareholder rights issue by Solco is contemplated in the first half of 2007 to further recapitalise the Company for future growth business ventures. The present intention of Mr Richardson and his interests is to support such a rights issue to maintain their percentage holding in Solco. They have also undertaken to use their influence to seek to procure third party underwriting support for such capital raising.

The Heads of Agreement and associated transactions are conditional upon all requisite regulatory (ASIC and ASX) and shareholder approvals as well as completion of satisfactory due diligence by the Richardson interests on the Solco Group. The proposed timetable for the transactions is as follows:

- Signing of formal documents (by 28 August 2006);
- Issue of notice of shareholder meeting (by end of September 2006);
- Solco shareholders' meeting ( by end of October 2006); and
- Completion (by early November 2006).

The independent Directors believe the Company must be lead by a suitably experienced and financially committed businessman to have the best opportunity to complete Solco's business turnaround and then fully capitalise on Solco's position in the emerging decentralised sustainable power and water market. The Directors believe that Mr. Richardson has the proven strategic business, management and technical skills in closely related activities to successfully develop and execute Solco's short and longer term plans to deliver value for all Solco shareholders.

The Company suspended trading in its securities on 7<sup>th</sup> August 2006 pending an announcement as to the outcome of a financial review and recapitalisation negotiations. It is anticipated that Solco will apply to the ASX to lift its current trading suspension after completion of the transactions in November 2006. For further information on Solco visit [www.solco.com.au](http://www.solco.com.au).

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