

ASX Announcement

ASX Code: AEF

Date: 17 October 2007

Employee options and employee share scheme buyback

On 23 September 2007, 34,506 options issued to employees under the company's employee share ownership plan became exercisable (code AEFAL). The options are exercisable from 23 September 2007 through to 22 December 2007. The exercise price of the options is \$16.28.

Similar to last year, the company has decided to institute an employee share scheme buy back to buy back up to a maximum of 10,745 shares issued to employees upon the exercise of the options. An Appendix 3C is attached.

/end.

Company Background

Australian Ethical is a funds manager that specialises exclusively in ethical funds management. It offers managed investment schemes and corresponding superannuation strategies (for accumulation and pension accounts). The Australian Ethical Charter is the foundation of the investment process. It aims to avoid harmful investments and actively seeks investments that benefit society and the environment. Uniquely, the company's constitution requires that 10% of profit is donated to charitable and conservation initiatives.

Appendix 3C

Announcement of buy-back (*except minimum holding buy-back*)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001.

Name of entity	ABN
Australian Ethical Investment Limited	47 003 188 930

We (the entity) give ASX the following information.

Information about buy-back

1	Type of buy-back	Employee share scheme buy back
2	⁺ Class of shares which is the subject of the buy-back (<i>eg, ordinary/preference</i>)	Ordinary shares
3	Voting rights (<i>eg, one for one</i>)	One for one
4	Fully paid/partly paid (<i>and if partly paid, details of how much has been paid and how much is outstanding</i>)	Fully paid
5	Number of shares in the ⁺ class on issue	945,411
6	Whether shareholder approval is required for buy-back	No
7	Reason for buy-back	Support for the employee share ownership plan and to partially offset the overall increase in capital resulting from the exercise of options under the plan.

⁺ See chapter 19 for defined terms.
30/9/2001

Appendix 3C

Announcement of buy-back

- 8 Any other information material to a shareholder's decision whether to accept the offer (*eg, details of any proposed takeover bid*)
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On-market buy-back

- 9 Name of broker who will act on the company's behalf
- 10 Deleted 30/9/2001.
- 11 If the company intends to buy back a maximum number of shares - that number
Note: This requires a figure to be included, not a percentage.
- 12 If the company intends to buy back shares within a period of time - that period of time; if the company intends that the buy-back be of unlimited duration - that intention
- 13 If the company intends to buy back shares if conditions are met - those conditions

Employee share scheme buy-back

- 14 Number of shares proposed to be bought back
- 10,745
- 15 Price to be offered for shares
- \$52.28 per share, subject to any material change in share price prior to finalisation of buy back agreements. If the price changes, a further announcement will be made.

⁺ See chapter 19 for defined terms.

Selective buy-back

- 16 Name of person or description of class of person whose shares are proposed to be bought back
- 17 Number of shares proposed to be bought back
- 18 Price to be offered for shares

Equal access scheme

- 19 Percentage of shares proposed to be bought back
- 20 Total number of shares proposed to be bought back if all offers are accepted
- 21 Price to be offered for shares
- 22 ⁺Record date for participation in offer
Cross reference: Appendix 7A, clause 9.

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.
2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

The required notice will be lodged with the Australian Securities and Investments Commission at least 14 days prior to entry into buy-back agreements.

Sign here: Philip George, Company Secretary Date: 17/10/2007

Print name: Philip George

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⁺ See chapter 19 for defined terms.