

ASX Announcement

ASX Code: AEF

Date: 9 November 2007

Issue of shares and changes to unquoted options under employee share ownership plan; employee share scheme buy-back

Australian Ethical Investment Limited advises of an issue of shares and changes to its unquoted options as set out below.

ASX Code - AEFAI

Unquoted options (class AEFAI) are exercisable from 23 September 2007 through to 22 December 2007 at an exercise price of \$16.28. Prior to this announcement, there were 34,506 AEFAI options exercisable.

As at the time of this announcement, 24,644 options have been exercised. The company has issued 24,644 shares in response to the exercise of the options.

The company announced an employee share buyback scheme on 17 October 2007. Under the terms of that scheme, the company has bought back from employees 3,423 shares at \$52.28 per share. The company will cancel the shares that have been bought back.

The company is seeking quotation of 21,221 shares. This is the number of shares issued less the number of shares bought back and cancelled.

Attached to this announcement is an Appendix 3B for the issue of the shares, a daily share buy-back notice and a final share buy-back notice.

All unquoted options

The table below sets out the status of unquoted options issued by the company under the employee option plan as at the date of this announcement.

<i>ASX Code</i>	<i>Option Type</i>	<i>Number granted</i>	<i>Number exercised</i>	<i>Number expired</i>	<i>Number on issue</i>
AEFAI	Option expiring 22-Dec-2007 Exercise Price \$16.28	39,173	24,644	4,667	9,862
AEFAQ	Option expiring 20-Dec-2008 Exercise Price \$24.82	43,664	-	2,106	41,558
AEFAS	Option expiring 21-Dec-2009 Exercise Price \$32.50	45,825	-	4,429	41,396
AEFAT	Option expiring 23-Dec-2010 Exercise Price \$57.57	47,255	-	-	47,255

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 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

Australian Ethical Investment Ltd

ABN

47 003 188 930

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Number issued: 24,644
Number subject to buyback/cancellation: 3,423
Number for which quotation sought: 21,221 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully paid ordinary shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes – ordinary shares</p>				
<p>5 Issue price or consideration</p>	<p>\$16.28</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issue of shares following the exercise of options (AEFAI) previously issued under the employee share ownership plan.</p>				
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>9 November 2007</p>				
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="686 1422 989 1467">Number</th> <th data-bbox="989 1422 1283 1467">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1467 989 1693">974,141</td> <td data-bbox="989 1467 1283 1693">Ordinary shares</td> </tr> </tbody> </table>	Number	+Class	974,141	Ordinary shares
Number	+Class				
974,141	Ordinary shares				

+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	9,862 (AEFAI)	Options ex. @ \$16.28
	41,558 (AEFAQ)	Options ex. @ \$24.82
	41,396 (AEFAS)	Options ex. @ \$32.50
	47,255 (AEFAT)	Options ex. @ \$57.57
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Rank equally with other ordinary shares	

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	
12 Is the issue renounceable or non-renounceable?	
13 Ratio in which the +securities will be offered	
14 +Class of +securities to which the offer relates	
15 +Record date to determine entitlements	
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17 Policy for deciding entitlements in relation to fractions	
18 Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	
19 Closing date for receipt of acceptances or renunciations	

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

- | | | |
|----|---|--|
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |

+ See chapter 19 for defined terms.

32 How do +security holders dispose of their entitlements (except by sale through a broker)?

33 +Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

38 Number of securities for which
 +quotation is sought

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39 Class of +securities for which
 quotation is sought

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40 Do the +securities rank equally in all
 respects from the date of allotment
 with an existing +class of quoted
 +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next dividend,
 (in the case of a trust,
 distribution) or interest payment
- the extent to which they do not
 rank equally, other than in
 relation to the next dividend,
 distribution or interest payment

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41 Reason for request for quotation
 now

Example: In the case of restricted securities, end of
 restriction period

(if issued upon conversion of
 another security, clearly identify that
 other security)

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	Number	+Class
42	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)	

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Philip George Date: 9 November 2007
Company secretary

Print name: Philip George.

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+ See chapter 19 for defined terms.

Appendix 3E

Daily share buy-back notice (*except* minimum holding buy-back and selective buy-back)

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

Introduced 1/9/99. Origin: rule 3.6, Appendix 7C. Amended 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	Date Appendix 3C was given to ASX	17 October 2007

Total of all shares bought back, or in relation to which acceptances have been received, before, and on, previous day

	Before previous day	Previous day (8 November 2007)	
3	Number of shares bought back or if buy-back is an equal access scheme, in relation to which acceptances have been received	0	3,423
4	Total consideration paid or payable for the shares	0	\$178,954.44

+ See chapter 19 for defined terms.

Appendix 3E
Daily share buy-back notice

Before previous day	Previous day
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5 If buy-back is an on-market buy-back	highest price paid: date:	highest price paid:
	lowest price paid: date:	lowest price paid: highest price allowed under rule 7.33:

Participation by directors

6 Deleted 30/9/2001.	
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How many shares may still be bought back?

7 If the company has disclosed an intention to buy back a maximum number of shares - the remaining number of shares to be bought back	Nil
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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.

Sign here: Philip George
Company Secretary

Date: 9 November 2007

Print name: Philip George

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+ See chapter 19 for defined terms.

Appendix 3F

Final share buy-back notice (*except* minimum holding buy-back)

Introduced 1/9/99. Origin: Appendices 7D and 7E. Amended 30/9/2001.

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

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

We (the entity) give ASX the following information.

Description of buy-back

1	Type of buy-back	Employee share scheme buy-back
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Details of all shares bought back

2	Number of shares bought back	3,423
3	Total consideration paid or payable for the shares	\$178,954.44
4	If buy-back is an on-market buy-back - highest and lowest price paid	highest price: date: lowest price: date:

+ See chapter 19 for defined terms.

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.

Sign here: Philip George
Company Secretary

Date: 9 November 2007

Print name: Philip George

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