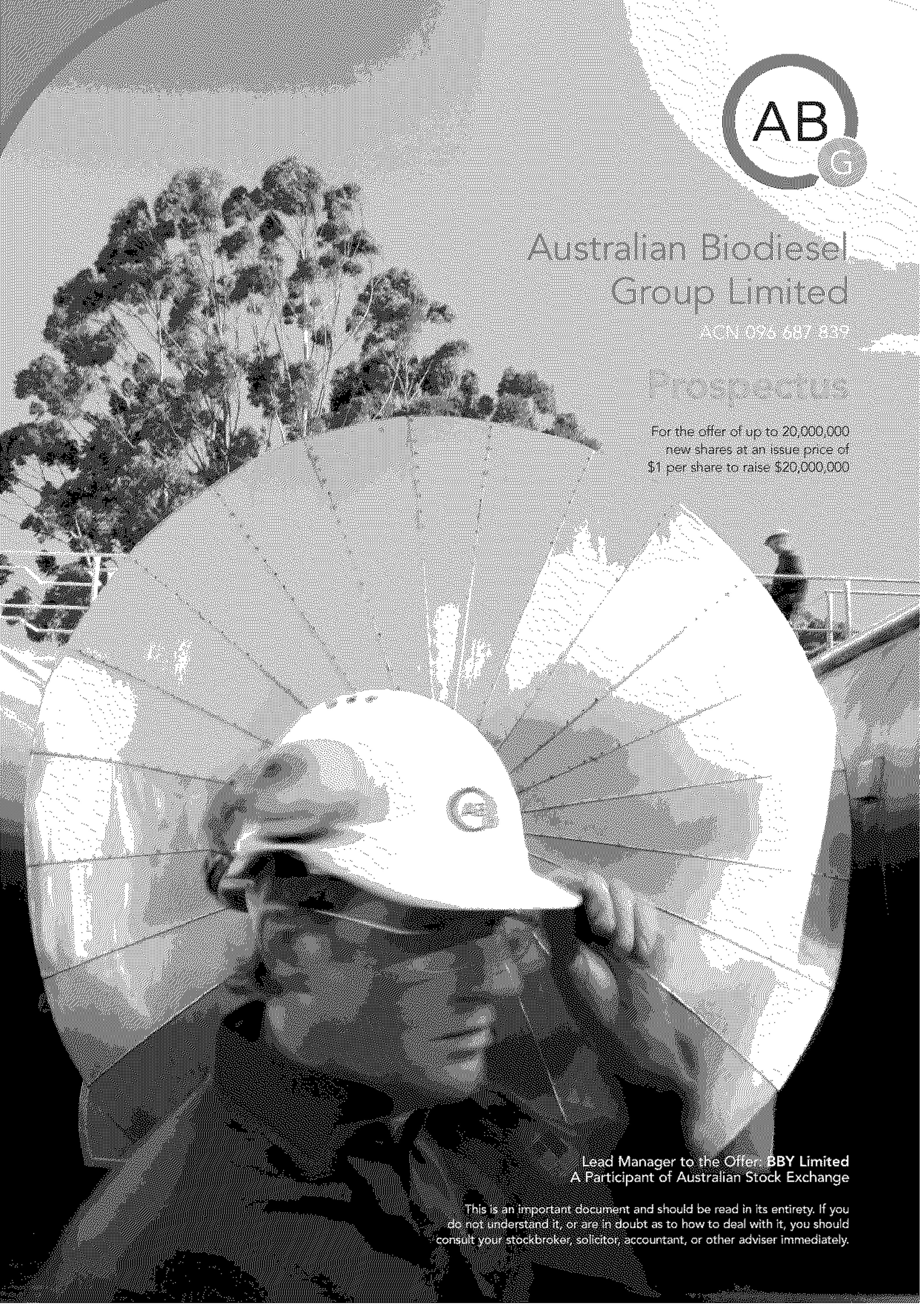


Australian Biodiesel Group Limited

ACN 096 687 839

Prospectus

For the offer of up to 20,000,000 new shares at an issue price of $1 per share to raise $20,000,000

Lead Manager to the Offer: **BBY Limited**
A Participant of Australian Stock Exchange

This is an important document and should be read in its entirety. If you do not understand it, or are in doubt as to how to deal with it, you should consult your stockbroker, solicitor, accountant, or other adviser immediately.

Corporate Directory

Directors and Officers

Dr John Kenny, Non Executive Chairman
Dr Jack Humphreys, Chief Executive Officer
Mr George Muirhead, Executive Director
Mr Bevan Dooley, Executive Director
Mr Warwick Richards, Non Executive Director
Ms Susan [illegible], Non Executive Director
Mr Phillip Hawley, Company Secretary

Registered Office

Level 15
39 Berry Street
North Sydney NSW 2060
T (02) [illegible] F (02) [illegible]

Website

www.[illegible].com

Corporate Advisers

[illegible] Capital Pty Ltd
Level [illegible]
33 York Street
Sydney NSW 2000

Lead Manager to the Offer

BBY Limited
Level 17
MLC Centre
60 Margaret Street
Sydney NSW 2000

Independent Engineer

Biomass Energy Services & Technology
5 [illegible] Avenue
[illegible] NSW [illegible]

Compliance Advisers

Corporate Compliance Partners
Chester House
133 Hargrave Street
Paddington NSW 2021

Independent Feedstock Expert

The [illegible] Group Pty Ltd
Level 24
Tower 2
Darling Park
201 Sussex Street
Sydney NSW 2000

Independent Accountant

PKF Investment Services Pty Ltd
Level 6
123 Edward Street
Brisbane QLD 4000

Legal Advisers

[illegible] Wilkinson Lowry
Level 13
175 Eagle Street
Brisbane QLD 4000

Auditors

Grant Thornton NSW
Level 17
383 Kent Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 9
333 George Street
Sydney NSW 2000
T 1300 [illegible] F (02) 9287 0303

biodiesel doesn't cost the earth

Contents

Important Information

Conversion to a Public Company

As at the date of this Prospectus the Company has resolved to become a public company, adopted an ASX compliant public company constitution, and lodged all notifications with the ASIC to satisfy due process. It was Gazetted to convert to a public company on Tuesday 25 October 2005 from which date 1 month must expire, when the Company will officially become a public company. No offer of securities is made under this Prospectus until this occurs.

General

This Prospectus is dated 2 November 2005. A copy of this Prospectus was lodged with the ASIC on that date. ASIC, ASX and their officers take no responsibility for the contents of this Prospectus.

This Prospectus will be issued in paper form and as an Electronic Prospectus, which may be viewed online at www.abgbiodiesel.com. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus or accompanying Application Form in electronic form within Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company's share registry Link Market Services Limited by telephoning 1300 784 494 or at www.abgbiodiesel.com.

No Shares will be issued or granted on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made within seven days after the date of this Prospectus for the Company to be admitted to the Official List of ASX and for the Shares offered by this Prospectus to be granted Official Quotation by ASX.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation in relation to the Offer which is not contained in this Prospectus may not be relied on as having been authorised by the Company or its Directors in connection with the Offer.

Foreign Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

Exposure Period

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of seven days from the date of lodgement with the ASIC. This period may be extended by the ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with Section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Speculative Investment

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or future value.

Glossary

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 13 of this Prospectus.

Privacy

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities.

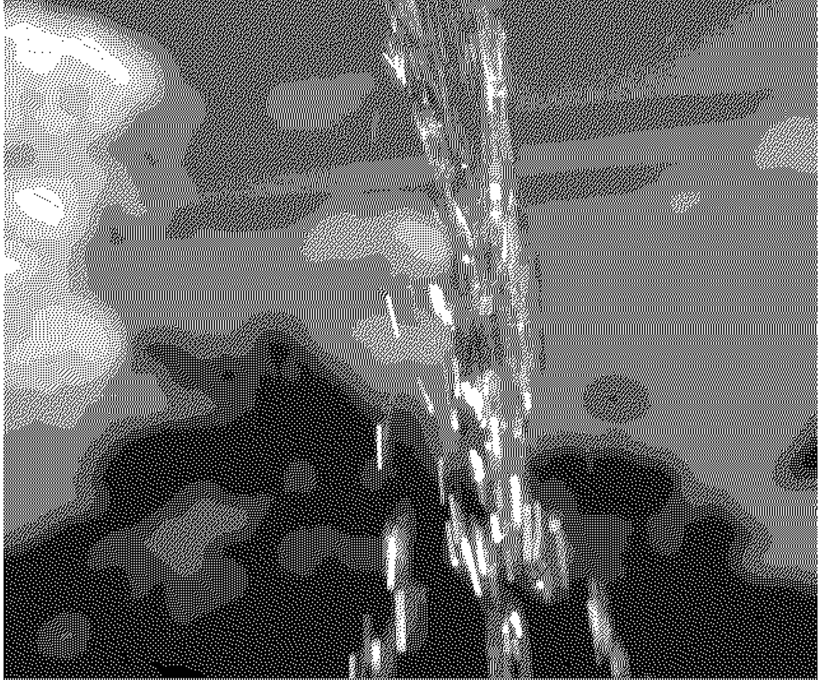
If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company and the Share Registry. You can request access to your personal information by telephoning or writing to the Company through the Share Registry as follows:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

This Prospectus is dedicated to the memory of Frank Fenton who provided so much to the Australian Biodiesel Group in its history as an employee (Laboratory Chemist), investor and a key member of the ABG family. Frank was sadly taken from us in October 2005 just prior to this Prospectus being issued. Thank you Frank for the part you played in getting ABG to this point.

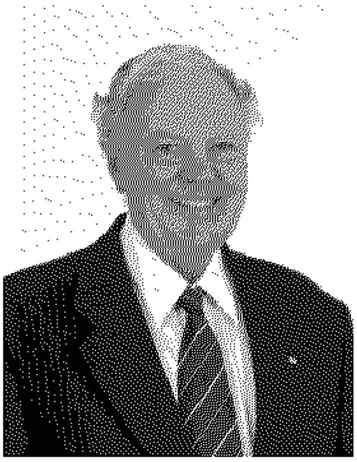


Key Offer Statistics and Important Dates

Offer Price per Share	**$1.00**
Number of Shares being offered under this Prospectus	**20 million**
Amount to be raised under the Offer	**$20 million**
Number of Shares on issue post the Offer	**110 million**
Market Capitalisation of the Company at Offer Price	**$110 million**
Forecast CY 2006 Revenue**	**$54.2 million**
Forecast CY 2006 NPAT**	**$8.17 million**
P/E Ratio Full Year 2006	**13.5 times**
Forecast CY Dec Qtr 2006 Revenue**	**$21.20 million**
Forecast CY Dec Qtr 2006 NPAT**	**$3.54 million**
P/E Ratio Dec Qtr 2006 Annualised run rate	**7.77 times**
Prospectus Lodged with ASIC*	**2 Nov 2005**
Offer Opens*	**28 Nov 2005**
Estimated Closing Date*	**5 Dec 2005**
Shares expected to commence trading on ASX	**14 Dec 2005**

* *The above dates are indicative only and subject to change. The Company in consultation with its advisers and Lead Manager reserves the right to close the Offer early or extend the Closing Date without notice.*

** *Applicants are referred to Section 6 of this Prospectus for full details on all assumptions used in the preparation of the financial forecasts contained within the Prospectus as well as Section 10 of this Prospectus setting out the various risks faced by the Company and its operations.*



Chairman's Letter

Dear Investor,

On behalf of the Directors of Australian Biodiesel Group Limited (ABG), it gives me great pleasure to extend this opportunity to you to become a Shareholder in the Company.

As a member of the Biofuels Taskforce that recently submitted a biofuels report to the Australian Government, I am looking forward to being involved in the development of a business where demand for this type of fuel will be supported by the community and industry.

ABG has been producing Biodiesel since 2002 where it evolved its internally developed technology from pilot plant scale to the current 40ML per annum commercial scale operation located at Berkeley Vale on the NSW Central Coast. ABG has already commenced construction of its new 160ML per annum capacity plant located at Narangba in Queensland. Funds raised from this offering will in part be used to complete this project, which is expected to occur in the second quarter of 2006.

Biodiesel and petroleum diesel attract an excise at the rate of 38.143 cents per litre. However qualifying producers of Biodiesel, including ABG, are entitled to receive a government grant pursuant to the Cleaner Fuels Grant Scheme, which will provide a 38.143 cents per litre benefit until 2011 and subsequently reducing to 19.071 cents per litre by 2015.

ABG has entered into feedstock supply agreements with Gardner Smith for a significant portion of its forecast production and feedstock requirements. ABG's technology enables it to process multiple feedstocks including Tallow, Used Cooking Oils, Canola, Palm and Cotton Seed oils. This will provide the opportunity to manage costs when a particular feedstock is in high demand. In addition, ABG is intending to purchase a leading used cooking oil aggregation business, as part of the ongoing feedstock management strategy.

Feedstock prices do not have a direct correlation to the oil price. However the Biodiesel price is linked to the underlying oil price. This means the recently rising oil prices are making Biodiesel a profitable and viable commodity.

ABG has entered into Biodiesel offtake agreements setting out the terms upon which certain parties may purchase up to 50 million litres of Biodiesel per annum which equates to approximately 78% of its forecast sales for the 2006 calendar year. In addition, product trials are underway with Sydney Ferries, certain State Municipal Authorities and a name brand oil major.

The prospectus contains detailed information about ABG and its business and its prospects.
I encourage you to read it carefully before making your investment decision and look forward to welcoming you as a Shareholder in ABG.

Yours sincerely,

Dr John Keniry
Chairman

Investment Highlights

1

Leading Australian Biodiesel Producer

- ABG is currently one of the most advanced commercial scale participants in the emerging Australian Biodiesel industry. ABG has been producing Biodiesel since 2002 where it evolved its internally developed technology from 'pilot plant' scale to its current completed commercial scale activities.

Internally Developed Technology

- By using its internally developed continuous transesterification process ('CTP') technology, ABG is forecast to be one of the lowest capital cost Biodiesel producers in Australia particularly as there are no upfront technology or license fees payable.
- Having developed its own CTP technology, ABG has the potential to license this technology to other parties domestically or internationally.

Process Multiple Feedstocks

- The ABG CTP technology is able to process various feedstocks including Tallow, Used Cooking Oils, Canola, Palm and Cotton Seed oil.

First production facility completed and producing, second facility underway

- ABG's 40 million litre per annum plant located at Berkeley Vale NSW, is currently producing at 75% of its design capacity. With 100% capacity, expected to occur by July 2006.
- ABG's second production facility, a 160 million litre per annum plant, on which site-works and construction planning have commenced, is located at Narangba in Queensland. All development and environmental approvals to proceed with construction have already been granted. Project management timelines forecast plant commissioning to begin in the quarter ending June 2006.

Favourable Market Conditions

- Historically high and recently rising oil prices are making Biodiesel an even more attractive and compelling alternative to traditional petroleum diesel.
- The Biodiesel industry is strongly supported by the Australian Government with 'excise holidays' currently in place until 2011. ABG is registered for the Cleaner Fuels Grant Scheme and is currently receiving excise grants for its Biodiesel production under this scheme.

Compelling Financial Forecasts

- The Company is forecasting Biodiesel production for the 2006 calendar year of 63.8 million litres of Biodiesel to generate $54.2 million in revenue and deliver $8.17 million NPAT. These forecasts assume a nameplate capacity utilisation of approximately 89% for Berkeley Vale and 15% for Narangba.

Product Offtake and Feedstock agreements in place and further testing underway

- ABG has entered into Biodiesel off-take agreements setting out the terms upon which certain parties may purchase up to 50 million litres of its forecast production, and feedstock supply agreements for a significant portion of its forecast feedstock requirements.
- Product trials are underway with Sydney Ferries, certain State Municipal Authorities and a name brand oil major.

Environmentally friendly

- The use of Biodiesel has been demonstrated to enhance engine life. Biodiesel emissions are reported to reduce carcinogens by up to 95% and greenhouse gases by an average of 72%. Biodiesel can be blended in any mix with petroleum diesel and conventional blends such as 'B5' (5% Biodiesel, 95% petroleum diesel) or 'B20' (20% Biodiesel, 80% petroleum diesel) can be used in existing diesel engines with little or no modifications.

2 Investment Summary

2.1 Important Notice

This section is not intended to provide full information for investors considering an application for Shares under this Prospectus. This Prospectus should be read and considered in its entirety.

2.2 Summary of the Offer

By this Prospectus, the Company invites investors to apply for 20,000,000 Shares at an issue price of $1 each to raise $20,000,000.

2.3 Indicative Timetable

Prospectus Lodged with ASIC	2 November 2005
Opening Date	28 November 2005
Estimated Closing Date	5 December 2005
Estimated Allotment Date	9 December 2005
Expected Dispatch of Holding Statements	9 December 2005
Quotation of Shares on ASX expected	14 December 2005

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date and the Offer or close the Offer early without notice. Applicants are encouraged to apply as soon as possible after the Offer opens.

2.4 Australian Biodiesel Group Limited ('ABG') Overview

ABG was founded in 2001 with the objective of developing its own Biodiesel production technology. This technology was initially developed and tested via a small batch scale plant capable of producing approximately one million litres of Biodiesel per annum. In 2004, ABG successfully concluded the development of its continuous transesterification process ('CTP') technology.

Subsequent to its successful development program, ABG commenced the construction of its full-scale 40 million litre per annum continuous flow plant at Berkeley Vale on the New South Wales central coast. This facility is now complete and currently operating at 75% of nameplate capacity. It is expected that this plant will be operating at 100% capacity by July 2006. This plant is currently one of the largest (in terms of output) Biodiesel plants now constructed in Australia.

ABG's second production facility, a 160 million litre per annum plant, will be located at Narangba, Queensland. All the required development and environmental regulatory approvals to enable construction have been granted in relation to this production facility. It is forecast that this facility will be commissioned in the second quarter of 2006.

ABG is seeking to raise $20 million via an initial public offering to fund the Company's short to medium term objectives as further detailed throughout this Offer document.

2.5 Purpose of the Offer

The funds to be raised by this Offer (if fully subscribed) will be $20 million. The Company's main objectives in raising funds under the Offer include;

- continued ramp up of production of the Company's first Biodiesel production facility in Berkeley Vale New South Wales;
- completion of its second Biodiesel production facility in Narangba, Queensland;
- completion of the acquisition of a downstream feedstock supply business;
- continuing development of ABG CTP and associated new technologies;
- continuing research and evaluation into the suitability and economics of constructing additional production facilities both domestically and offshore;
- continuing research and development in relation to the use of alternative feedstocks;
- promoting and developing the Company and its markets;
- repayment of an existing debt relating to equipment purchases; and
- listing on ASX and paying all costs associated with the Offer.

2.6 Use of Funds

The funds raised from the Offer will be applied over the two year period following the date of the Prospectus as follows:

	Minimum Subscription $	Maximum Subscription $
Completion of Narangba production facility	9,000,000	9,000,000
Purchase of downstream used cooking oil business	0	4,200,000
Product and Feedstock Development Programs	2,000,000	3,000,000
Repayment of equipment related debt facility	619,000	619,000
Provision of Working Capital	774,000	1,274,000
Costs of the Offer	1,607,000	1,907,000
Total issue	**14,000,000**	**20,000,000**

2.7 Summary Forecast Financial Information

The Company has prepared financial forecasts for the six month period to 31 December 2005 and for the twelve month period to 31 December 2006. The forecasts for the 2006 calendar year are based on several principal assumptions including:

- production and sales of approximately 63.8 million litres of Biodiesel;
- a sales price per litre being based on a negotiated discount to the quoted price of crude oil of approximately $42.50 USD/bbl (AUD$0.85 per litre);
- a weighted average cost of feedstock of A$512 ($/T) (excluding transport costs); and
- assumed combined production of Berkeley Vale and Narangba of approximately 32% of forecast nameplate capacity.

Applicants are referred to Section 6 of this Prospectus for full details on all assumptions used in the preparation of the forecast financial information contained in this Prospectus as well as Section 10 of this Prospectus setting out the various risks faced by the Company and its operations.

Summary Financial Information

	Six Month Period Ending 31 December 2005 $'000's	Twelve Month Period Ending 31 December 2006 $(000)'s	Three Month Period Ending 31 December 2006[1] $(000)'s
Revenue	5,299	54,199	21,203
Expenses	(5,801)	(42,365)	(16,156)
EBITDA	(502)	11,834	5,047
Depreciation & Amortisation	(171)	(789)	(268)
EBIT	(673)	11,045	4,779
Tax	–	(2,872)	(1,242)
Net Profit After Tax	**(673)**	**8,173**	**3,537**

Note: The Company has included forecast financial information for the three month period ending 31 December 2006 to demonstrate the effect of the increased production profile and sales occurring in the latter half of the year.

2.8 Lead Manager

BBY Limited has agreed to act as the Lead Manager to the Offer. A proportion of fees payable to BBY may be paid to other brokers to assist in the distribution of Shares under the Offer.

2.9 Working Capital Adequacy

The Directors are of the opinion that on completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives contained in this Prospectus.

2.10 Capital Structure

The pro forma capital structure of ABG is set out below for illustrative purposes to reflect the issued and paid up capital structure of the Company if the Offer pursuant to this Prospectus is fully subscribed. The rights and liabilities attaching to the Shares are summarised in Section 11 of this Prospectus.

Shares

	Number	%
Currently on issue	90,000,000	81.8
Now offered for subscription	20,000,000	18.2
Total Shares on Issue	**110,000,000**	**100.0**

2.11 Dividend Policy

The Company intends to pay dividends when the profitability of the business permits and subject to the operational requirements of the Company.

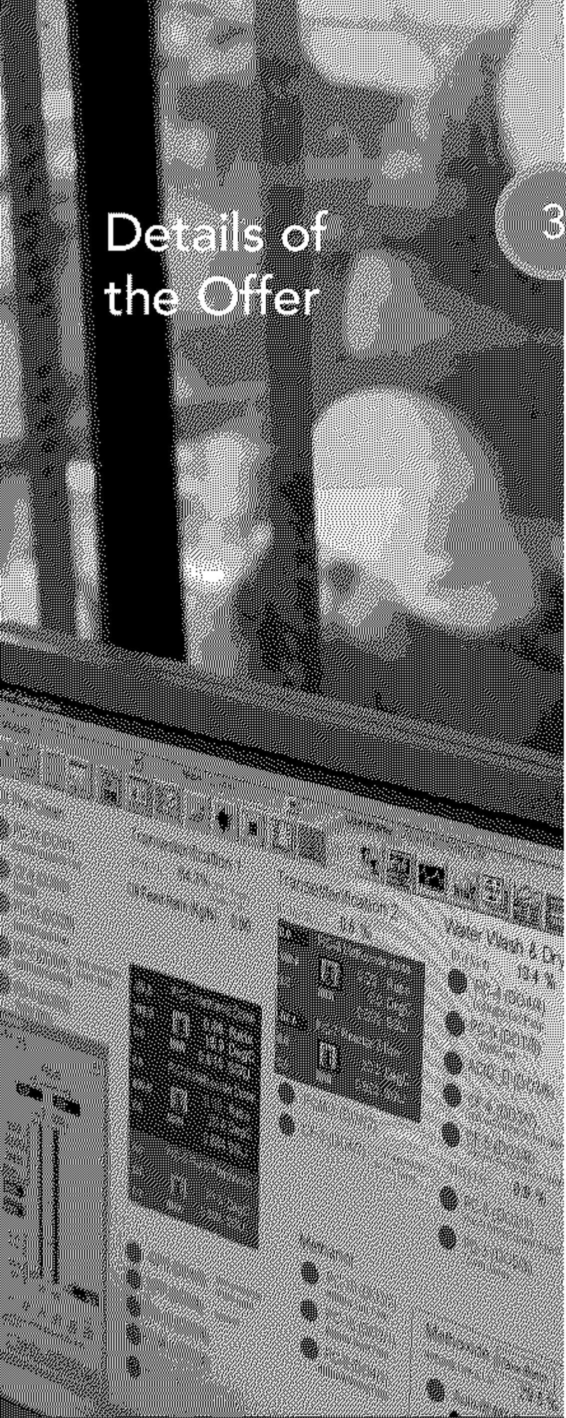
Any Dividends that may be paid by the Company will be determined by the Directors with regards to:

- Prevailing business conditions;
- The profitability, cash flow and financial health of the Company at the time of the proposed dividend payment; and
- The need for funds for capital expenditure, acquisitions or other business opportunities.

2.12 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are described in Section 10 of this Prospectus. Investors are urged to consider these risks carefully before deciding whether to invest in the Company.

3 Details of the Offer



3.1 Shares Offered for Subscription

This Prospectus invites investors to apply for a total of 20,000,000 Shares at an issue price of $1 each to raise up to $20,000,000. The details of how to apply for Shares are set out below.

3.2 Minimum Subscription

The Minimum Subscription under the Offer is $14,000,000. The Company will not issue any Shares pursuant to this Prospectus until the Minimum Subscription is satisfied. The Offer is not underwritten.

Should the Minimum Subscription not be reached within four months from the date of this Prospectus, the Company will either repay the application moneys to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application moneys. No interest will be paid on these moneys.

3.3 Application for Shares

Applications for Shares by investors must be made using an Application Form and must be completed in accordance with the instructions set out on the back of the Application Form.

Payment for the Shares must be made in full at the issue price of $1 per share. Applications for Shares must be for a minimum of 2,000 Shares and thereafter in multiples of 100 Shares. Completed Application Forms and accompanying cheques must be mailed to or delivered to:

Australian Biodiesel Group Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235

Cheques must be made payable to 'Australian Biodiesel Group Limited – Share Offer' and crossed 'Not Negotiable'. Completed Application Forms must reach the Share Registry by no later than the Closing Date.

3.4 Allotment

The allotment of Shares to Applicants will occur as soon as practicable after the Closing Date. Prior to allotment, all application moneys shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the Application moneys.

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any Application. Directors may in their discretion give preference to Shareholders in accepting Applications under the Offer. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus Application moneys will be returned by cheque to the Applicant within seven (7) days of the allotment date.

3.5 Non Resident Investors

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an Application to take up Shares on the basis of this Prospectus.

No action has been taken to register or qualify the Shares, or the Offer or otherwise to permit an offering of the Shares in any jurisdiction outside Australia.

3.6 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for quotation of the Shares offered by this Prospectus on ASX. If ASX does not grant permission for quotation of the Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act.

ASX and its officers take no responsibility for the contents of this Prospectus. A decision by ASX to grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares. Quotation, if granted, of the Shares offered by this Prospectus will commence as soon as practicable after statements of holdings for the Shares are dispatched.

3.7 Restricted Securities

The ASX may classify certain currently issued securities as being subject to the restricted securities provisions of the Listing Rules. Accordingly, a proportion of such issued securities may be required to be held in escrow for a period of time, as determined by ASX.

3.8 CHESS

The Company will participate in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and ASTC Settlement Rules.

The Company will not issue certificates for new Shares offered under the Offer. Instead as soon as practicable after allotment, Shareholders will receive a holding statement (similar to a bank account statement) which sets out the number of Shares held by the Shareholder in the Company.

The CHESS statement will set out the number of Shares allotted to each holder under the Prospectus and give details of their Holder Identification Number ('HIN'), in the case of a holding on the CHESS sub register.

In the case of an Issuer Sponsored sub register, the statement will contain the number of Shares allotted under the Prospectus and the Shareholder's Security Holder Reference Number ('SRN').

A CHESS statement or Issuer Sponsored statement will routinely be sent to holders at the end of any calendar month during which the balance of their holding changes. A holder may request a statement at any time, however a charge may be incurred for additional statements.

3.9 Opening and Closing Dates

The Offer will open on 28th November 2005 or such later date as may be prescribed by ASIC, and will remain open until 5.00pm EST on 5th December 2005 subject to the right of ABG to either close the Offer at an earlier time and date or to extend the Closing Date without prior notice.

Applicants are encouraged to submit their Applications as early as possible.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

3.10 Online Prospectus

This Prospectus may be viewed online at the Company's website at www.abgbiodiesel.com The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus or accompanying Application Form in electronic form within Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company's share registry Link Market Services Limited by telephoning 1300 784 494 or from the Company's website at www.abgbiodiesel.com. There is no facility for Applications to be accepted electronically/or by applying online.

3.11 Summary Only

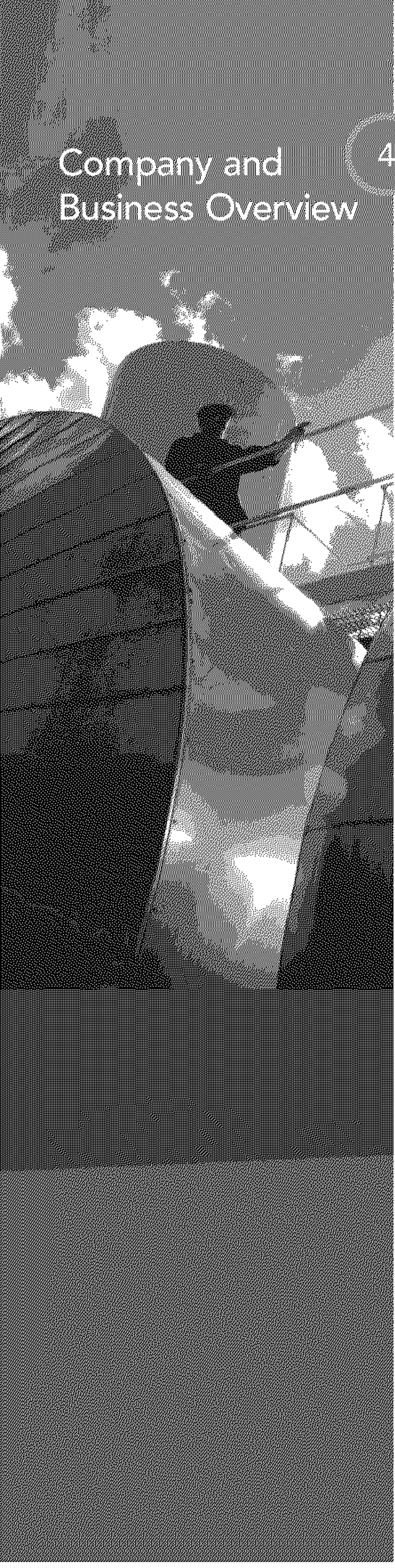
The information set out in this Section provides a summary of the information contained in this Prospectus. This Section is not intended to provide full details of the Offer or the Company. Applicants should read this Prospectus in its entirety prior to making a decision to apply for securities offered under this Prospectus. If you have any questions about investing in the Company, please contact your stockbroker, accountant, solicitor, or other financial or professional advisor.

3.12 Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in ABG, and should be read in its entirety. If after reading this Prospectus, you have any questions about any aspect of an investment in ABG, please contact your stockbroker, accountant or independent financial adviser.

Company and Business Overview

4



4.1 Company Overview

ABG was established in 2001 with the objective of developing its own Biodiesel production technology. This technology was initially developed and tested via a small 'batch scale' plant capable of producing approximately one million litres of Biodiesel per annum. In 2004, ABG successfully concluded this development program.

ABG then went on to develop its own commercial scale technology which can be constructed at a lower capital cost when compared to alternative, principally European based Biodiesel processing technologies. At its first plant in Berkeley Vale, ABG has proven it can construct a plant capable of producing 40 million litres per annum for capital and development costs of approximately AUD$7 million.

ABG's Continuous Transesterification Process (CTP) not only reduces the up-front capital cost but is also well equipped to process more challenging, less expensive feedstock.

ABG's Berkeley Vale plant is now complete and currently operating at 75% of operating capacity. It is expected that this plant will be operating at 100% capacity by July 2006. The Berkeley Vale facility is understood to be one of the largest completed and producing Biodiesel plants in Australia.

Whilst completing the Berkeley Vale facility the Company undertook all planning, construction design, site identification and procurement for a second production facility to be located at Narangba Queensland, less than a one hour drive from Brisbane Airport.

The Narangba production facility has been based largely on the Berkeley Vale template, with design and operational improvements reflecting the development and operating experience of Berkeley Vale. All required development and environmental regulatory approvals have been obtained to enable construction of the modular facility.

The Narangba facility and associated infrastructure has a design production capacity of 160 million litres of Biodiesel per annum. Construction of Narangba is expected to be completed within the second quarter of 2006 with commissioning expected to occur upon practical completion.

The output from these two plants combined, reflecting their nameplate capacity, will position ABG as one of the largest producers of Biodiesel in Australia.

Having internally developed its own technology the Company has the advantage of not having to incur up front licensing fees or ongoing production royalties payable by other producers to the providers of proprietary biofuel process technologies.

The Company's technology enables it to process multiple feedstocks including tallow, used cooking oils and a variety of vegetable oils including palm oil. The Company has feedstock agreements in place for a significant portion of its forecast production and as part of the Company's greater feedstock management strategy, the Company has entered into a conditional sale and purchase agreement for the purchase of a downstream feedstock provider.

The Company has entered into Biodiesel offtake agreements setting out the terms upon which certain parties may purchase up to 50 million litres of Biodiesel per annum. In addition, the Company is currently providing Biodiesel to a number of commercial end users who are at various stages of trialing the Company's Biodiesel for use in their commercial operations.

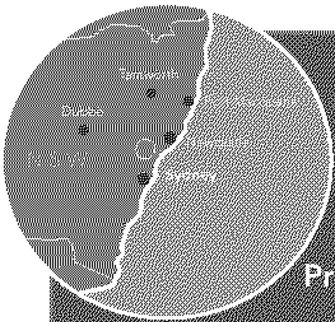
The Company is seeking to raise $20,000,000 through the offer of 20,000,000 Shares at an issue price of $1 per Share via an Initial Public Offering ('IPO'). Funds raised from the IPO will be used to implement the Company's short to medium term strategies including the:

- Completion of Narangba production facility
- Purchase of downstream used cooking oil business
- Product and Feedstock Development Program
- Provision of Working Capital
- Brokerage fees (assuming 5% of monies raised)
- Other costs of the Offer

ABG is forecasting revenues of $54.2M and Net Profit After Tax of $8.17M for the 12 months ending 31 December 2006. The quarter ending December 2006 is forecast to produce $21.2M in revenue and $3.54M Net Profit After Tax. Further details of the financial forecasts for the Company are contained in Section 6 of this Prospectus.

4.2 Australian Biodiesel Group Operations

The Company has established its first production facility at Berkeley Vale and has obtained all construction regulatory approvals and commenced site preparation works and core process module construction for the establishment of its second facility at Narangba. Both of these facilities will use Australian Biodiesel Group's CTP technology.



Berkeley Vale Production Facility

Location

The Company's initial production facility at Berkeley Vale is situated on the New South Wales Central Coast, approximately a ninety minute drive from the centre of Sydney.

The plant is situated on land leased by the Company as fully described in Section 11 of this Prospectus. The Company has all local council development approvals ('DA') and environmental protection authority approvals required to fully operate the facility.

At full production the plant will operate 24 hours per day and be manned by 2 operators working a roster of 4 days on 3 days off. Other operational staff include site General Manager, Chemical Engineer, laboratory, maintenance and other administrative staff.

The Berkeley Vale production facility is a continuous transesterification process ('CTP') that has been designed, constructed and commissioned by Australian Biodiesel Group. The facility has a design output capacity of approximately 40 million litres of Biodiesel per annum. Currently the plant is operating at approximately 75% of capacity.

The facility comprises the following core components:

(i) core technology process modules (including reactors, centrifuges, intermittent process storage tanks and distillation columns);

(ii) production feedstock and Biodiesel tank farm;

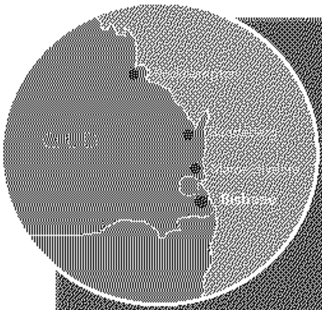
(iii) full instrumentation, automation and control infrastructure;

(iv) onsite fully equipped chemistry laboratory;

(v) site infrastructure (including office, maintenance sheds, site water management facility); and

(vi) complete bunding, overflow storage and fire retardation infrastructure.

Berkeley Vale Operating Facility and Tank Farm



Narangba Facility

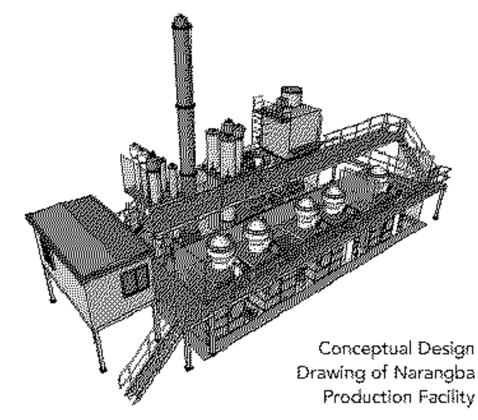
Location

The Company is establishing its second production facility at Narangba which is situated at the south east corner of Queensland, approximately an hours drive north of Brisbane airport. This plant is also located close to all required port, road, power and water infrastructure.

The plant is situated on land which the Company purchased in August 2005. The Company has all local council development approvals ('DA') and environmental protection authority approvals required to construct the facility. The Company will obtain customary regulatory 'occupancy certificates' upon completion of construction should these be required.

The Narangba production facility will use the Company's CTP technology and has been designed by Company senior management involved in the design, construction and commissioning of Berkeley Vale.

The core process units are being constructed offsite in a modular fashion, where they will be hydraulically tested, transported to Narangba, re-coupled and commissioned on site.



Conceptual Design Drawing of Narangba Production Facility

Similar to Berkeley Vale the Narangba facility will comprise the following core components:

(i) core technology process modules (including reactors, centrifuges, intermittent process storage tanks and distillation columns);

(ii) production feedstock and Biodiesel tank farm;

(iii) full instrumentation, automation and control infrastructure;

(iv) onsite fully equipped chemistry laboratory;

(v) site infrastructure (including office, maintenance sheds, site water management facility); and

(vi) complete bunding, overflow storage and fire retardation infrastructure.

Capacity

The Narangba production facility has a design output capacity of approximately 160 million litres of Biodiesel per annum. Project planning forecasts construction to be completed by the second quarter of 2006, with commissioning to commence soon after the practical completion of construction.

Narangba Production status

As at the date of the Prospectus, the Company has achieved the following in relation to the construction of the Narangba facility:

(i) Completed detailed design of the Narangba Production facility;

(ii) Obtained all regulatory (including environmental) approvals for the planned construction of the production facility;

(iii) Completed all pre-construction site works and associated site infrastructure including access roads and security fencing;

(iv) Commenced construction of the tank farm and core process module infrastructure;

(v) Commissioned an independent engineering and fabrication firm to construct core process modules; and

(vi) Commissioned an independent due diligence assessment of the Narangba project management process including comment on forecast timeframes, capital expenditure, front end engineering issues and design assumptions review.

4.3 Feedstock Arrangements

Gardner Smith Pty Ltd

The Company has entered into feedstock supply agreements with Gardner Smith Pty Limited for the supply of tallow, vegetable oil and/or used cooking oil in New South Wales and Queensland. Gardner Smith are a global merchandising, trading and logistics operation based in Australia, and specialise in tallow, vegetable oils, liquid feeds and protein meals.

These agreements provide for certain minimum and maximum tonnage levels that in the first instance provide for up to 100% of Berkeley Vale's planned annual production feedstock requirements. The contract also allows for the supply of Narangba's production feedstock requirements during its ramp up period.

Please refer to Section 11 of this Prospectus for further information on this agreement.

Further arrangements in relation to Narangba's feedstock requirements are currently being considered.

Used Cooking Oil Aggregator

As part of the Company's feedstock management strategy, the Company has entered into a conditional sale and purchase agreement for the purchase of one of New South Wales' leading used cooking oil aggregation businesses.

This is the first step in the Company's longer term plan to diversify and secure its long term feedstock needs. The purchase of a used cooking oil aggregator assists the Company in securing one of the cheaper production feedstocks available.

Please refer to Section 11 of this Prospectus for further information on this agreement.

4.4 Off-take Arrangements

Off-take Parties

The Company has entered into Biodiesel supply agreements with Bingo Petroleum Pty Ltd, Neumann's Petroleum and Ruttley Freightlines. These agreements contain the terms under which the Company has agreed to provide up to 50 million litres of Biodiesel per annum.

These three fuel supply agreements in aggregate provide for these parties to purchase up to 50 million litres of Biodiesel per annum. This amount currently accounts for approximately 78% of the Company's forecast production for calendar year 2006.

Further arrangements in relation to Narangba's production volumes are currently being considered.

Please refer to Section 11 of this Prospectus for further information on these agreements.

Other Market Development

Sydney Ferries

The operator of the Sydney Ferries has recently commenced a trial using ABG's Biodiesel in one of its ferries known as the 'Borrowdale'. Phase 1 of the trial has concluded successfully whereby the 'Borrowdale' was operating on a 'B20' blend (20% Biodiesel, 80% petroleum diesel).

The next phase of the trial involves the testing of a 'B80' blend (80% Biodiesel, 20% petroleum diesel). Phase 3 of the trial will involve testing of a 'B100' blend (100% Biodiesel, 0% petroleum diesel). The Company will keep the market updated as to the results of this trial.

4.5 Competitive Advantages

Australian Biodiesel Group has a number of competitive advantages over other participants in the Australian Biodiesel marketplace.

Actually Producing Biodiesel

ABG is currently one of the largest commercial producers of Biodiesel in Australia and has an early mover advantage in this emerging industry.

Production Expertise

The Company's management and operational staff have acquired invaluable experience over the past four years as the Company has developed its commercial operations.

Internally Developed Technology

ABG's CTP technology has been internally developed and therefore avoids the need for up front licensing fees, or ongoing royalties typically associated with using other technology provider's engineering solutions.

Low Capital Requirement

ABG believes its CTP requires a lower capital expenditure in comparison to its competitors.

Multiple Feedstocks

ABG's CTP technology has been designed to accommodate multiple feedstocks enabling the most economic mix of various feedstocks to be used in the production process.

Location of Production Facilities

The Company's production facilities are well located to all required infrastructure including for delivery of feedstock and distribution of Biodiesel to the populace markets of the east coast of Australia.

4.6 Biodiesel described

4.6.1 What is Biodiesel

Biodiesel is a clean burning alternative fuel, produced from renewable resources. Biodiesel contains no petroleum, but it can be blended at any level with petroleum diesel to create a Biodiesel blend. It can be used in diesel engines with little or no modifications. Biodiesel is simple to use, biodegradable, non-toxic, and essentially free of sulfur and aromatics[1].

Biodiesel is made through a chemical process called transesterification. The feedstock is subjected to a reaction with methanol in the presence of a catalyst to produce Biodiesel and glycerol.

The most commonly used feedstocks include:

- **Tallow** – A fat by-product from the meat processing industry,
- **Used Cooking Oils (UCO)** – A by-product of the food processing and associated industries, and
- **Vegetable Oilseeds** – For example, canola oil, cotton seed oil, palm oil and soy oil.

A detailed and independent assessment of the various feedstocks that ABG will be utilising in its plants, as well as the demand and pricing outlook for these feedstocks in 2006 is contained in Section 8 of this Prospectus.

4.6.2 Benefits of Biodiesel

The main benefits of Biodiesel are:

- **Environmental** – Biodiesel is made from renewable resources and has lower emissions compared to petroleum diesel. It is more biodegradable than petroleum diesel[2].
- **Engine Performance** – Biodiesel improves the lubricity of diesel fuel (resulting in less engine wear), tallow based Biodiesel has a higher cetane number than petroleum diesel (resulting in smoother ignition) and has a higher flash point than petroleum diesel (allowing for safer storage and transportation).
- **Cleaner Fuels Grant Scheme** – Biodiesel and petroleum diesel attract an excise at the rate of 38.143 cents per litre. However qualifying producers of Biodiesel, including ABG, are entitled to receive a government grant pursuant to the Cleaner Fuels Grant Scheme, which will provide a 38.143 cents per litre benefit until 2011 and subsequently reducing to 19.071 cents per litre by 2015.

4.6.3 Production of Biodiesel

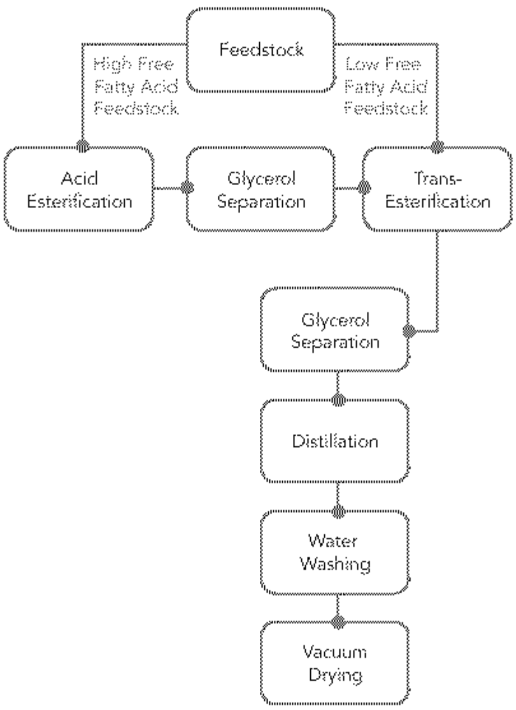
The production of Biodiesel is achieved by chemically altering a tri-glyceride or fatty acid with alcohol in the presence of a catalyst to form a Fatty Acid Methyl Ester (FAME) and a by-product glycerol. The by-product glycerol is not soluble in the FAME and can be separated easily by means of gravity separation or centrifuge.

Residual methanol is removed by high temperature/vacuum distillation which is a well known and developed process. The FAME is then washed repeatedly to remove impurities and then vacuum dried in order to remove any moisture residue.

Summary Production Steps

1 Preparation of feedstock
2 Acid esterification
3 Removal of glycerol
4 Base transesterification
5 Distillation to remove excess methanol
6 Double stage washing to remove impurities
7 Vacuum drying to remove moisture
8 Transfer to storage

Biodiesel Manufacture



[1] www.Biodiesel.org/resources/definition
[2] www.Biodiesel.org

4.6.4 Biodiesel Markets

In August 2005, a report of the Biofuels Taskforce was presented to the Australian Government. This report was an extensive review of the biofuels (Biodiesel and ethanol) market in Australia. Information as referenced in Section 4.6 has been reproduced with the permission of the copyright division of the Attorney General's Department.

The Australian Biodiesel market

Biodiesel has only recently become commercially available in Australia. There are currently 10 licensed producers (or intending producers) of Biodiesel, who collectively produced approximately 1ML in 2003–04 and 4ML in 2004–05[3]. It is estimated that the capacity of the industry will increase significantly to approximately 750ML in 2006–07 from an estimated 15.5ML in 2004–05 as shown below.

Biodiesel capacity (ML per annum)

	2004–05	2005–06	2006–07
AJ Bush	0	0	60
Australian Biodiesel Group, (Berkeley Vale plant)	15	40	45
Australian Biodiesel Group (Narangba plant)	0	0	160
Australian Renewable Fuels, (Adelaide plant)	0	44	44
Australian Renewable Fuels, (Picton plant)	0	0	44
Axiom Energy Limited[4]	0	100	100
Biodiesel Industries Australia	0.5	20	20
Biodiesel Producers Australia	0	0	60
Natural Fuels (50% subsidiary B & B Environmental Infrastructure)	0	0	150
Riverina Biofuels	0	0	44
South Australian Farmers Fuel	0	0	15
Total Biodiesel	**15.5**	**204**	**742**

Sources: Biofuels taskforce, 2 August 2005, p41 (copyright Commonwealth of Australia reproduced by permission), ARW, BEI, AXI prospectus's, ABG forecasts

Biodiesel is suitable for use in all situations where petroleum diesel fuel is currently used.

ABG's target market channels include:

- Bulk fuel wholesalers and retailers for distribution in pure and blended form;
- Operators of large fleets of passenger transport, road freight;
- Pleasure craft and service vessels especially those operating in environmentally sensitive areas;
- Operators of fleets of vehicles or craft that enter environmentally sensitive areas;
- The operators of diesel powered equipment in confined spaces where the non-carcinogenic emissions of Biodiesel have health or safety advantages over petroleum diesel.

Australian petroleum market dynamics

In 2003–04, the demand for petroleum-based transport fuels was about 42,500ML pa (approximately 730,000 barrels per day). Total demand is growing at 1%–2% a year, and by 2010 demand is expected to increase to around 50,000ML a year.

Diesel demand in 2003–2004 was 14,462ML and has been growing at approximately 3% a year. The Australian passenger transport fuel market is dominated by petrol. This is similar to the situation in the United States but unlike that of Europe, where diesel now accounts for 43% of fuel sales and where 71% of new cars sold are diesel powered[5].

[3] *Australian Taxation Office Biodiesel production grant information (copyright Commonwealth of Australia reproduced by permission)*

[4] *Whilst Axiom Energy Limited withdrew its prospectus on 12 October 2005, a media statement dated the same date stated that Axiom considers that the Treasury's policy direction does not affect the Company's Biodiesel project*

[5] *Biofuels taskforce, 2 August 2005, p29 (copyright Commonwealth of Australia reproduced by permission)*

Excise rebate

In May 2003, the Australian Government announced a comprehensive package of measures to support the production and use of Biodiesel and provide encouragement for the conversion to cleaner fuels.

On 18 September 2003, locally produced Biodiesel for use in internal combustion engines became subject to excise duty at the same rate as low sulphur diesel (38.143 cents per litre).

From 18 September 2003 to 30 June 2011, the rate of the grant for Biodiesel was set at 38.143 cents per litre, thus providing a zero net excise effect. On 1 July 2011, and then on 1 July in each of the subsequent 4 years, the grant rate will be reduced in five equal instalments such that the ultimate effective excise rate for Biodiesel will be half that of diesel. Export sales of Biodiesel are not subject to excise in Australia.

ABG's Australian produced Biodiesel is eligible for the excise benefits outlined above.

Other Australian listed Biodiesel participants

The commercial production of Biodiesel is an emerging industry within Australia. There are now a number of participants at various stages of project planning and/or construction and development. The development of these projects provides impetus to the Australian Biodiesel industry and will help to underpin and establish this important sector of the alternative fuels industry.

The table below details ABG's ASX listed competitors.

	Australian Biodiesel Group (ABG)	**Australian Renewable Fuels (ARW)***	**B&B Environmental Infrastructure (BEI)***
Forecast Production capacity	~200ML pa	~88ML pa	~147ML pa
Proposed Plant location(s)	Berkeley Vale, NSW Narangba, QLD	Adelaide, SA Picton, WA	Darwin, NT
Commence Production	Berkeley Vale – producing Narangba – June 2006	Adelaide – Nov 2005 Picton – March 2006	Nov 2006
Technology	Acid Esterification Base transesterification	Energea	Lurgi
Approximate cost for forecast capacity	~$16M	n/a	~$48M

** Sources: ARW, BEI prospectuses, company announcements*

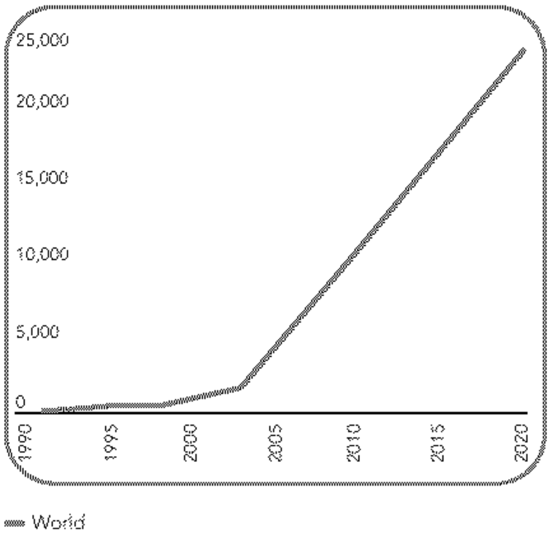
International Markets for Biodiesel

Internationally, the two most common biofuels are Biodiesel and ethanol, which are frequently used in low concentration blends with petroleum products. Biodiesel as B100 (100% Biodiesel) is relatively common in Germany and invariably also as a blend from B5 (5% Biodiesel, 95% petroleum diesel) to B25 (25% Biodiesel, 75% petroleum diesel). The EU accounts for over 95% of the World's Biodiesel production[6].

Biodiesel demonstration plants opened in Europe in the 1980s as a means to develop rural areas while responding to increasing levels of energy demand. Production of Biodiesel declined due to falling oil prices in the early 1990s, but subsequent rising energy prices have supported its growth. Biodiesel represents some 77% of total European biofuels capacity[7].

In contrast to Australia, global biofuel production and utilisation are accelerating rapidly, albeit from a low base. Growth in world Biodiesel production is expected to increase significantly driven by amongst other things introduction of the Kyoto Protocol in February 2005 and the first target period under the EU Biofuels Initiative coming into effect in December 2005. The table below shows the IEA (International Energy Agency) forecasts for World Biodiesel production to 2020.

Biodiesel Production Projections to 2020[8]



[6] Biofuels taskforce p55 (copyright Commonwealth of Australia reproduced by permission)

[7] Biofuels taskforce p57 (copyright Commonwealth of Australia reproduced by permission)

[8] International Energy Agency/OECD, Biofuels for transport: an international perspective (2004) p168; Biofuels Taskforce p57 (copyright Commonwealth of Australia reproduced by permission)

5

Board, Senior Management Profiles and Corporate Governance

Board and Senior Management Profile

The Board of Directors of Australian Biodiesel Group has been appointed for its significant experience and appropriate skill base. This experience and skill base combines technical and operational; project management and delivery; intimate knowledge and background in associated fuel markets; commercial, operational, accounting, corporate governance and management skills.

Directors and Officers

Dr John Keniry **AM, BSc, PHD, FTSE, FRACI, FAICD** Non Executive Chairman

John is currently the independent Chairman of Ridley Corporation and a Director of a number of other companies, including Gardner Smith. John previously held executive positions with CSR and Goodman Fielder and is a past President of the Australian Chamber of Commerce and Industry.

Dr Len Humphreys **C.Chem, MRSC** Chief Executive Officer

Len is a Chartered Chemist and prior to joining ABG was the Managing Director of IBA Health a healthcare IT software provider and Novera Energy, a renewable energy company. Len has also held MD and Director roles inside the European Invensys group of companies in Australia. Invensys is one of the world's largest IT, industrial process and system automation companies. In Europe, Len was a senior executive inside the Mannesmann group, the German multinational specialising in engineering, manufacturing and telecommunications, in particular, heading up the Hartmann and Braun Analytical division based in the UK.

Mr George Muirhead Executive Director and Founder

George has over 30 years experience in business development having owned and managed multimillion-dollar businesses, including such diverse enterprises as broad acre agriculture, transport, fuel industry, earth moving and property development. Prior to joining ABG in 2001 he was involved in consultancy including project funding.

Mr Bevan Dooley **BE Mech. Eng. (Hons.)** Executive Technical Director and Founder

Bevan is a mechanical engineer with over ten years of process engineering experience in the fats and oils business. Formerly with Cargill, the world's largest commodities trader and processor of oilseeds, Bevan has experienced a wide spectrum of the oil processing industry. He has been responsible for the planning, design and construction of many major projects including solvent extraction facilities, oilseed refineries, loading/unloading facilities, bulk oil export terminals and shipping pipelines. Bevan has and will continue to direct the construction as well as the safe and efficient operation of the company's plants.

Mr Warwick Richards **BA (Hons.)** Non Executive Director

Warwick is principal of Economic Energy Analysis Pty Ltd (EEA), consultants and service providers to major petroleum user organisations in Australia and the Asia/Pacific region. Warwick has extensive experience and expertise in providing advice and management services to participants in the national and regional oil markets for more than twenty years.

Ms Sarah Israel **B.Bus (Dist.), FCPA, FAICD** Non Executive Director

Sarah Israel has extensive experience in project finance, investment banking and regional development and, in addition to her board positions, currently has consulting roles in finance projects in Australia and internationally.

Ms. Israel is a Director of Queensland Sugar Limited, Export Finance & Insurance Corporation ('EFIC'), CS Energy Ltd. and Skytrans Airlines. She is Chairperson of the Audit Committees of both Queensland Sugar and EFIC and sits as a member of the Audit Committee of Queensland Transport.

Mr Phillip Harvey CA Chief Financial Officer and Company Secretary

Phillip is a Chartered Accountant and prior to joining ABG, Phillip held the position of CFO/Company Secretary at Citect Corporation Limited an ASX listed company. Prior to this Phillip held a number of finance positions with BHP Billiton/Bluescope both in corporate and operating divisional roles in Australia and the USA over a 10 year period.

Senior Management

Mr Randal Jitts Dip Eng. General Manager, Berkeley Vale

Randal has over 20 years of engineering and management experience in the Utilities, Oil and Gas industry. Randal has held a number of roles in both public and private sector companies ranging from Process Control Engineer with the Sydney Water Board to General Manager of Foxboro Australia and Managing Director of LogicaCMGs' Realtime Division. In these roles Randal has had responsibility for profitable operations of divisions of over 100 staff including R&D, marketing, project engineering, operation and maintenance of mission critical applications.

Mr John Gulbis BE Chem. Eng. (Hons.) Project Director, Narangba

John is a chemical engineer and an experienced project Director. As head of engineering operations for two of the worlds largest IT, industrial process automation companies – Honeywell and Invensys, John led the successful implementation of numerous major technology projects both locally and internationally.

In addition, John has directed major strategic initiatives at Singtel-Optus, in developing the company's project and programme management capability. Most recently John was Operations Director at IBA Health, a healthcare IT solutions provider.

Stephanie Muirhead BSc. (Lon) Hons. Feedstock Management

Stephanie has a broad based administrative management background and has worked at a senior level in this capacity with several resources based Industries and is an original founder of the Company. Stephanie will work with the Company in further developing and implementing its downstream feedstock management strategy.

Mr Perry Toms President, North American Operations

Perry has held several key senior positions with both conventional and renewable based energy companies and was the Executive Director and co founder of ASX listed Novera Energy. During the past twenty years Perry has led the development of energy projects in North America, Asia and Europe.

Corporate Governance

The Board, working closely with senior management, is responsible to shareholders for the overall management of the Company's business and affairs. The Directors' overriding objective is to increase shareholder value within an appropriate framework which protects the rights and interests of company shareholders and ensures the Company is properly managed.

The Board has adopted several policies relating to its governance, which can be found on the Company's web site at www.abgbiodiesel.com. These include:

- Board Charter and Role of Officers
- Audit and Risk Management Committee Charter
- Continuous Disclosure and Communications to the Investment Market
- Share Trading Policy
- Code of Business Conduct
- Shareholder Communications Policy

Board of Directors

The Board currently comprises three Non-Executive Directors, who are considered by the Company to be independent, and three Executive Directors.

The Board of ABG is responsible for:

- Contributing to approving the Company's goals and strategic direction and monitor implementation of those goals and strategies;
- Monitoring the financial performance of the Company including adopting annual budgets and approving the Company's financial statements;
- Approving and monitoring the progress of capital expenditure, capital management acquisitions and divestitures;
- Ensuring that adequate systems of internal compliance and control exist and are appropriately monitored for compliance;
- Appointing and removing the Managing Director and or Chief Executive Officer and ratifying the appointment or removal of the Chief Financial Officer and Company Secretary and reviewing the performance of senior management;
- Ensuring significant business risks are identified and appropriately managed and review the systems of risk management at least annually;
- Reviewing and ratifying codes of conduct and legal compliance; and
- Disclosure of information to shareholders, the Australian Stock Exchange Limited and Australian Securities & Investments Commission.

The Chairman of the Board is to be a Non-Executive Independent Director, with at least half of the Board being Independent Directors. The Board delegates responsibility for day to day management of the Company to the Chief Executive Officer.

It is considered that the composition of the Board, and the demarcation of the roles of the Chief Executive Officer and Executive Officers within the Board Charter, is such to clearly separate the Board from the executive management of the Company and to enshrine Board independence. The structure of the Board also provides the Company with the benefit of a diverse range of experience, qualifications and professional skills.

Audit Committee

The Board has established an Audit and Risk Management Committee ('Committee').

The role of the Committee is to provide ongoing assurance in areas of:

- Financial administration and reporting,
- Audit control and independence,
- Legal compliance,
- Internal controls, and
- Risk oversight and management.

The existence of this Committee is considered by ABG to be a key element of its corporate governance program and part of the Company's commitment to best practice in the area of corporate governance.

The Committee supports the full Board and essentially acts in a review and advisory capacity. The Committee is considered to be a more efficient forum than the full Board for focusing on particular issues relevant to:

- Verifying and safeguarding the integrity of the Company's financial reporting;
- Establishing a sound system of risk oversight and management, and, internal control; and
- Establishing a sound system of compliance with laws and regulations, internal compliance guidelines, policies, procedures and control systems and prescribed internal standards of behaviour.

The existence of this Committee and the functions performed by it does not purport to diminish the ultimate responsibility of the Board.

Continuous Disclosure and Communications to the Investment Market

ABG's Board believes that shareholders and the investment market generally should be informed of all major business events that influence the Company in a timely and a widely available manner. This is not only in order to comply with the Corporations Act and Australian Stock Exchange (ASX) listing requirements, but so that shareholders, as the owners of the business, can exercise informed judgement as to whether or not to remain involved with the Company.

The Board is committed to timely and quality financial disclosure and transparent reporting, and to the concept that all shareholders should have an equal opportunity to receive or obtain information issued by ABG. As a consequence it has adopted a 'Continuous Disclosure and Communications Policy' which assists it in achieving this goal through:

- Regular communications including Notices of Meeting and Explanatory Memoranda, the Annual Report, ASX disclosures, notices of changes to substantial shareholdings and statements where changed material interests of a Director occurs;
- Posting information on its web site as soon as practical following lodgement with the ASX;
- Ensuring good continuous disclosure practices in accordance with the spirit and intent of the ASX Listing Rules.

Share Trading Policy

Under the ASX Listing Rules the Company must immediately disclose to the ASX any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company shares, once the Company becomes aware of that information. The Listing Rules allows exclusions from this disclosure for confidential and incomplete negotiations or discussions, or information generated for internal management use. The Corporations Act imposes similar obligations on the Company in relation to the use of information which is not generally available and which may be price sensitive.

In order to fulfill its obligations under these requirements the Board has adopted a 'Share Trading Policy' for Directors and Senior Executives of the Company. The purpose of the policy is to ensure that securities in ABG are only traded when the market has up-to-date information about ABG and sets out clear trading windows of 30 days following the release of half year and full year financial results, or following any announcement to the market where the Directors believe it has created a similar trading environment.

Before placing any order to buy, sell or otherwise deal in ABG securities outside of the trading windows, the Directors must inform the Chairman, and senior executives must inform the Company Secretary, of their intentions to do so.

Code of Business Conduct and Environmental Standards

The ABG Code of Conduct is considered an important document adopted by the Board as business conducted in accordance with it is believed to protect the Company's integrity, which in turn improves its reputation, thus providing it with a competitive advantage.

The Code covers matters such as how employees should conduct themselves and their business relationships with an emphasis on responsibility, accountability, fairness and honesty. In accordance with the nature of its operations and its credo 'Biodiesel doesn't cost the earth', there is a statement regarding its environmental conscience and the Company's commitment to maintaining and improving its environmental performance record.

Shareholder Communications Policy

The Board aims to ensure that all shareholders are informed of major developments affecting ABG through regular shareholder communication. The Company's Annual Report is the major piece of written communication provided to shareholders each year.

The Board's philosophy is to encourage full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with ABG's strategy and goals.

The external auditor will attend the Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation of the content of the Auditor's Report.

6 Financial Information

6.1 Introduction

This section contains the following Financial Information for the Australian Biodiesel Group and its subsidiaries:

- Forecast Statement of Financial Performance for the six months ending 31 December 2005 and year ending 31 December 2006 ('Forecast'); and
- Historical Statement of Financial Position as at 1 July 2005 ('Historical') and the Pro-forma Statement of Financial Position ('Pro-forma') as at 1 July 2005 and the notes to and forming those statements.

The Financial Information contained in this Section should be read in conjunction with, and is qualified with reference to, the information contained in the Independent Accountant's Report on Consolidated Historic and Pro-forma Financial Information in Section 9, the Independent Accountant's Report on Forecast Financial Information in Section 9, the assumptions underlying the Financial Information preparation, the sensitivity analysis and accounting policies contained in this section, the risk factors contained in Section 10, material agreements and other information set out in Section 11.

6.2 Basis of Preparation of Financial Information

The Historical information is presented at 1 July 2005. The Company has resolved to change its reporting period to that of a 31 December basis going forward. Historical financial information dealing with performance up to 30 June 2005 has not been included because it is not considered relevant or meaningful as the activities of the Company were not representative of the future operations of the Company as detailed in this Prospectus.

The Forecast financial information is for the six month period ending 31 December 2005 and the twelve month period ending 31 December 2006 to provide potential investors with prospective financial information based on the Company's Berkeley Vale production facility operating close to 90% capacity for the 2006 calendar year and the Narangba production facility operating at approximately 30% of capacity by the end of the 2006 calendar year.

The Financial Information has been prepared under the Australian equivalents to International Financial Reporting Standards (A-IFRS) and in accordance with the Company's accounting policies as set out in this section. The Financial Information has been presented in an abbreviated form and as such does not include all of the disclosure required by A-IFRS applicable to the preparation of annual financial reports in accordance with the Corporations Act. The Historical and Pro-forma financial information has been reviewed by PKF Investment Services Pty Ltd ('PKF').

The Directors have prepared the forecast financial information based on the economic conditions existing as at the date of the Prospectus, including a number of best estimate assumptions regarding future events and implementation of the Company's business strategy. These actions or events may or may not take place. The Directors believe they have prepared the forecast financial information with due care and attention and consider all assumptions to be reasonable when taken as a whole. The Forecast financial information has been reviewed by PKF.

As at the date of this Prospectus and other than disclosed elsewhere in this Section, there have not been any events of a material nature or any change in the business operations or financial position in respect of the Company's operations that may impact on the Directors' forecasts to 31 December 2005 and 2006.

The Directors' forecasts for the calendar year 2006 assume the costs of a full head office function under a publicly listed structure.

Actual results are likely to vary from the forecast financial information and any variation may be materially positive or negative because forecast financial information, and the best estimate assumptions on which it is based, are by their very nature subject to significant uncertainties and contingencies, many of which are outside the control of the Directors and are not reliably predictable.

Accordingly, neither the Company, nor its Directors, can give any assurance that the forecast financial information or any prospective statement contained in this Prospectus will be achieved.

Events and outcomes may differ in quantum and timing from the best estimate assumptions, with material consequential impact on the forecast financial information.

Applicants should read this Prospectus in its entirety prior to making a decision to apply for securities offered under this Prospectus. If you have any questions about investing in the Company, please contact your stockbroker, accountant, solicitor, or other financial or professional advisor.

6.3 Forecast Financial Information

The Forecast Statement of Financial Information set out below has been prepared in accordance with the assumptions set out in Section 6.4 and the accounting policies set out in Section 6.7. The six month period to 31 December 2005 is a period in which the Berkeley Vale production facility was successfully commissioned and production is steadily being increased. This six month period does not include any contribution from the Narangba production facility.

The twelve month period to 31 December 2006 forecasts the Berkeley Vale production facility to be operating at 89% capacity for the twelve month period with the Narangba facility being forecast to produce and contribute to the operating performance of the Company according to the commissioning and production assumptions set out in Section 6.4.

Please refer to the sensitivity analysis in Section 6.5 setting out the effect of changes to key assumptions and on the key operating performance and financial indicators.

	Directors Forecast Six Months Ending 31 December 2005 $(000)'s	**Directors Forecast Twelve Months Ending 31 December 2006 $(000)'s**
Revenue	5,299	54,199
Expenses	(5,801)	(42,365)
EBITDA	(502)	11,834
Depreciation & Amortisation	(171)	(789)
EBIT	(673)	11,045
Tax	–	(2,872)
Net Profit/(Loss) after Tax	**(673)**	**8,173**

6.4 Assumptions

The material best estimate assumptions made by the Directors in preparing the Forecast financial information are as follows:

General Assumptions

The Directors' Forecast financial information for the 6 month period ending 31 December 2005 and the 12 month period ending 31 December 2006 have been prepared based on the Directors' best estimate general assumptions as set out below:

- The Offer is fully subscribed and the proceeds are received by 31 December 2005;
- There are no material changes in the economic conditions in the markets in which the Company operates during the Forecast period;
- The Company's accounting policies remain consistent with those disclosed in Section 6.7. Financial information is presented in accordance with A-IFRS.;
- There is no significant change in the statutory, legal or regulatory environment during the forecast period that will affect the results of the Company;
- The Company will maintain and obtain all required approval and permits and licenses without undue delay to conduct the business as outlined in the Prospectus;
- There will be no change in international, federal, state, or local government laws, regulations or policies, or in taxation legislation, that will have a material impact on the Financial Information;
- There is no loss of key management or personnel;
- Other than disclosed, the Company is not exposed to any material litigation or exposed to any environmental issues;
- There is no change to the Company's funding or capital structure as outlined in the Prospectus;
- There is no material amendment to any of the material agreements relating to the Company's business;

Specific Assumptions

The Directors' specific assumptions for the Forecast financial information are set out below:

- Berkeley Vale production facility to operate at an average capacity of 89% during 2006;
- Narangba production facility to be commissioned by June 2006 and be at 30% production capacity by December 2006;
- 40 million litres to be produced from the Berkeley Vale production facility will be sold to the parties subject to the offtake agreements as summarised in section 11 of this Prospectus;
- 23.8 million litres of Biodiesel are forecast to be produced from Narangba and sold to various parties during 2006;
- The Berkeley Vale plant will operate 24 hours per day and be manned by 2 operators working a 4 days on 3 days off roster. Other operational staff includes site General Manager, Chemical Engineer, maintenance and other site administrative staff;
- Nil tonnes of glycerine from either production facility will be sold into the market;
- Assumed sale price of Biodiesel of $0.85 per litre which is based on a negotiated discount to the import parity price for diesel, equivalent to an assumed crude oil price of approximately $42.50 USD/bbl;
- An exchange rate of 0.75 used for the Australian and US dollar exchange rate;
- Average cost price of Feedstock, which represents 65% of total company expenditure of $512 per tonne; This price is based on a weighted average cost of various feedstocks able to be used by ABG. Refer to Section 8 for further independent commentary in relation to the feedstock assumptions, and
- Included in the calculation of the average cost of Feedstock set out above is a contribution from the saving to the Company associated with the proposed purchase of the UCO downstream feedstock provider.

Sales Revenue

Sales revenue has been based on anticipated production capacity represented by the existing 40 million litres per annum at Berkeley Vale site at full production capacity, and the phase-in of production capacity at Narangba commencing in 2006 contributing 23.8 million litres.

Cost of Goods Sold and Gross Profit Margin

Cost of Goods Sold assumes utilising a mixture of UCO's and tallow as the primary feedstock for production with new vegetable oils also used during winter periods. Feedstock and other production and distribution cost estimates are based on market conditions prevailing at the date of this Prospectus, and are set out in the table below:

Production & Distribution Costs	Cost Per Tonne
Average Feedstock Price (excluding transport costs)	$512
Methanol	$375
Acid	$1,550
Processing	$50
Transport	$30

Using these inputs the ABG's forecast production cost of Biodiesel for Berkeley Vale is $693 per tonne or 61.02 cents per litre and $653 per tonne or 58.10 cents per litre for Narangba.

Overheads, Administration and Corporate Expenses

The forecasts have been based on anticipated staff levels, on-site expenses, legal, accounting and other expenses of an administrative nature by reference to the historical experience of the company and ABG's directors.

Depreciation and Amortisation

Plant, equipment and other fixed assets are depreciated according to their remaining expected useful lives. No assumptions are made in the forecasts about any future sale of fixed assets and therefore no allowance has been made for any resulting income tax liability. The forecasts provide for the income tax effect of depreciation that is not deductible for tax purposes.

Income Tax

The forecasts assume an effective corporate tax rate of 26%. This effective rate has been calculated using the Australian corporate tax rate of 30% and allowing for certain Research and Development tax concessions the Company is likely to benefit from together with the utilisation of available tax losses from prior years.

Development Expenditure

The Company has a continuous development program to enhance and further develop its technology processes. This development expenditure will be capitalised and amortised over future sales. It is anticipated that this development program will continue beyond the forecast period.

Capital Expenditure

Forecast capital expenditure relates to construction, development and commissioning of the Narangba production facility, as well as improvements to the Berkeley Vale production facility. Estimates have been prepared based on recent third party quotations in conjunction with Directors' plans for expenditures to be incurred at Berkeley Vale. An independent review of forecast capital expenditure and forecast construction timelines has been carried out.

6.5 Sensitivity Analysis on Forecast Financial Information

The Forecast financial information has been based on certain economic and business assumptions about future events. A summary of these Directors best estimate assumptions underlying the forecast financial information is set out in Section 6.4 above.

The table below provides an analysis of the responsiveness of the forecast financial information to material changes in key assumptions underlying the information. In this analysis the effects on Company forecast NPAT are illustrated as a result of changes (positive and negative) to a number of key assumptions. This analysis is not intended to be exhaustive but rather demonstrate the sensitivity of the prospective financial information to certain changes in some key variables.

Care should be taken in interpreting this information as the analysis considers a movement of each variable in isolation from possible movements in the assumptions, the effects of which may have offsetting or compounding effects on the other variables, the effects of which are not reflected in the following analysis.

Typically the Company's management would respond to the material adverse changes in conditions by taking appropriate action to minimise, to the extent possible any adverse effects.

The effect of such mitigating action has been excluded from the following analysis.

The following sensitivities to the base case assumptions have been prepared:

1. +/- 10% change to average Biodiesel sale price
2. +/- 10% change to assumed Cost of Feedstock

	Base Case Assumptions	2006 Forecast NPAT ($'M)	Upside	2006 Forecast Upside NPAT ($'M)	Downside	2006 Forecast Downside NPAT ($'M)
Biodiesel sale price (A$/litre)	$0.85	$8.17	$0.94	$12.18	$0.77	$4.16
Feedstock price ($/T) (excl transport costs)	$512	$8.17	$461	$10.37	$563	$5.98

6.6 Statement of Historical and Pro-forma Financial Information

Set out below is the unaudited Balance Sheet of the Company as at 1 July 2005, and the Pro-forma Balance Sheet as at 1 July 2005, both prepared in accordance with accounting policies set out in Section 6.7. The Balance Sheet should be read in conjunction with the Significant Accounting Policies and Notes set out in Section 6.7, and the general and specific assumptions set out in Section 6.4.

Australian Biodiesel Group Pty Ltd Unaudited Balance Sheet as at 1 July 2005

	Notes	Unaudited 2005 A$ 000's	Pro-forma 2005 A$ 000's
Current assets			
Cash and cash equivalents	(2)	1,273	7,067
Trade and other receivables		104	104
Inventories		140	190
Total current assets		**1,517**	**7,361**
Non-current assets			
Property plant and equipment	(3)	1,209	12,258
Intangible assets	(4)	0	2,611
Deferred tax assets – timing differences		65	65
Deferred tax assets – losses		455	455
Total non-current assets		**1,729**	**15,389**
Total assets		**3,246**	**22,750**
Current liabilities			
Trade and other payables	(5)	757	498
Other financial liabilities	(6)	700	25
Provisions	(7)	108	108
Total current liabilities		**1,565**	**631**
Non-current liabilities			
Trade and other payables	(5)	177	177
Other financial liabilities	(6)	9	9
Deferred tax liabilities	(7)	0	162
Provisions		7	7
Total non-current liabilities		**193**	**355**
Total liabilities		**1,758**	**986**
Net assets		**1,488**	**21,764**
Equity			
Share capital		3,609	23,958
Accumulated losses		(2,121)	(2,194)
Total equity		**1,488**	**21,764**

Subsequent and Pro-forma Transactions

The Pro-forma Balance Sheet as at 1 July 2005 has been prepared based on the historical Unaudited Balance Sheet at that date and after adjusting for the significant subsequent and pro-forma transactions occuring after 1 July 2005 to the date of this Prospectus as outlined below.

1. The issue of 20,000,000 shares at $1 each issued under this prospectus totaling $20.0 million before deducting estimated expenses of the offer of $1.907 million. The impact of this transaction is to increase cash by $18.093 million and increase Share Capital by $18.093 million;
2. Acquisition of plant and machinery for Narangba and Berkley Vale totalling of $9.3 million. The impact of this transaction is to reduce cash by $9.3 million and increase assets by $9.3 million;
3. The completion of the agreement to acquire all of the shares of Scanline Pty Ltd. The acquisition consideration is $4.2 million. The impact of this transaction is to reduce cash by $4.2 million and increase assets by $4.2 million;
4. Issue of 51,450 convertible notes which have been treated as converted to ordinary shares. The impact of this transaction is to increase cash by $2.135 million and increase share capital by $2.135 million. Note that 29,600 convertible notes were issued prior to 1 July 2005 and have been treated as share capital in the balance sheet;
5. Repayment of Borrowings to related parties and government of $0.933 million. The impact of this transaction is to reduce cash by $0.933 million and to reduce liabilities by $0.933 million;
6. The issue of shares to executive staff to the value of $0.120 million. The impact of this transaction is to increase share capital by $0.120 million and increase accumulated losses (employment cost) by $0.120 million;
7. Property plant and equipment (batch plant) has been sold for $0.150 million. The impact of this transaction is a net decrease to property plant and equipment of $0.102 million, a decrease in the accumulated losses of $0.048 million and a reduction in liabilities of $0.150 million.

6.7 Summary of Significant Accounting Policies and Notes to the Balance Sheet

Note 1 Summary of Significant Accounting Policies

The principal accounting policies adopted by Australian Biodiesel Group Pty Ltd in the preparation of the financial information are stated to assist in a general understanding of the financial information.

The financial information has been prepared in accordance with Australian Accounting Standards and the Corporations Act. There have been departures from the disclosure requirements of Australian Accounting Standards where the disclosures are not considered applicable given the nature of the financial information.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with the Australian equivalents to IFRS (AIFRS) ensures that the financial information complies with IFRSs.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and financial liabilities classified as held for trading are measured at fair value through profit or loss.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise:

(a) loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

(b) held-to-maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method.

Consolidation Policy

The consolidated pro-forma and forecast financial information combines the financial information of Australian Biodiesel Group Pty Ltd and the subsidiary referred to in Section 6.6 subsequent and pro-forma transactions.

The effects of all transactions between entities in the group have been eliminated in full and the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Revenue Recognition

(a) Sale of goods
Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer. In most cases this coincides with the transfer of legal title or the passing of possession to the buyer

(b) Dividend revenue
Dividend revenue is recognised when the right to receive payment is established.

(c) Interest revenue
Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

Government Grants

Government grants, (including non-monetary grants at fair value) are not recognised until there is reasonable assurance that all conditions will be complied with and that the grants will be received.

Grants are recognised in the income statement over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Grants related to assets are presented in the balance sheet by setting up the grant as deferred income.

Leases

Entity is lessee

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and rewards incident to ownership of the leased asset and operating leases under which the lessor retains substantially all the risks and rewards. Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established as an asset at the beginning of the lease term. A corresponding liability is also established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. Operating lease rental expense is recognised as an expense on a straight line basis over the lease term, or on a systematic basis more representative of the time pattern of the user's benefit.

Income Taxes

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Receivables

Trade accounts and notes receivable and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

Inventories

Finished goods, raw materials and work in progress are valued at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at reporting date using the first-in, first-out (FIFO) method.

Cost comprises all costs of purchase and conversion (including material, labour, sub-contract charges and direct contract expenses and an appropriate proportion of fixed and variable overheads) and other costs incurred in bringing the inventories to their present location and condition.

Property, Plant and Equipment

Land is stated at cost

Buildings are stated at cost

Machinery is stated at cost

When an asset's carrying amount is increased as a result of a revaluation, the increase is, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, credited directly to revaluation reserve.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is, except to the extent of any credit balance existing in the revaluation reserve in respect of that asset, recognised in profit or loss.

The revaluation surplus is transferred directly to retained earnings when the asset is derecognised.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land are depreciated on a straight line basis over their estimated useful lives to the economic company commencing from the time the asset is first in use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised.

Goodwill is required to be impairment tested annually.

Impairment

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the net profit or loss in the reporting period in which it occurs. Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In determining the recoverable amount of non-current assets, the consolidated entity considers the variety of circumstances likely to affect expected net cash flows including commodity prices, anticipated volumes, present and future operating costs, capital expenditure requirements and income tax rates. Discounted cash flows are used in determining recoverable amounts of non-current assets.

Interest Bearing Loans and Accounts Payable

Interest bearing loans, trade accounts and notes payable and other payables and accrued liabilities represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

Short-term Employee Benefits

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payable within 12 months and non-mandatory benefits such as medical care, housing, car, and service goods.

The undiscounted amount of short-term employee benefits expected to be paid is recognised as an expense.

Long-term Employee Benefits

Long-term employee benefits include long-service leave, payable 12 months or more after the end of the period in which employee service are rendered.

Projected benefits payable which fall due more than 12 months after the balance sheet date are discounted using a rate determined by reference to market yields on high quality corporate bonds/market yields on government bonds.

Share-based payment arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as a increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted.

Goods and Services Tax (GST)

Revenues expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is stated at cost less accumulated amortisation and impairment losses.

Note 2 – Cash and cash equivalents

	Unaudited 2005 $000's	Pro-forma 2005 $000's
Balance at 1 July 2005	1,273	1,273
Issue of shares pursuant to this offer	–	20,000
Payment of costs to this offer	–	(1,907)
Issue of convertible notes	–	2,135
Acquisition of investment in subsidiary	–	(4,200)
Acquisition of machinery net of disposals	–	(9,301)
Repayment of borrowings	–	(933)
	1,273	**7,067**

Note 3 – Property plant and equipment

	Unaudited 2005 $000's	Pro-forma 2005 $000's
Freehold land at cost	98	98
Plant and equipment at cost	1,425	12,426
Accumulated depreciation	(314)	(266)
Net book value	**1,111**	**12,160**
Total property plant and equipment	**1,209**	**12,258**

Note 4 – Intangible assets

	Unaudited 2005 $000's	Pro-forma 2005 $000's
Goodwill	–	**2,611**

Goodwill arises from the heads of agreement between the Company and Scanline Pty Ltd under which the Company will acquire all the shares of Scanline Pty Ltd for $4,200,000 cash including acquisition costs. The acquisition will be paid for out of proceeds of the share issue and will increase plant and equipment by $1,700,000, inventory by $50,000 deferred tax liabilities by $161,400 and intangibiles by $2,611,400.

Note 5 – Trade and other payables

	Unaudited 2005 $000's	Pro-forma 2005 $000's
Current		
Trade accounts payable	498	498
Loans from director	149	0
Loans other	110	0
	757	**498**
Non-current		
Trade accounts payable	**177**	**177**

Trade accounts are for supply of goods and services and are payable without interest within 30 days Trade account payable non-current is payable by way of discount of sale price of Biodiesel if the creditor enters into a supply agreement with the Company. The amount is interest free.

Loan from director

Mr L Humphreys loaned an amount of $149,000 interest free, which has been repaid.

Loans other

These short-term loans were interest free and have been repaid.

Note 6 – Other financial liabilities

	Unaudited 2005 $000's	Pro-forma 2005 $000's
Current		
Amount owing to related party	394	–
Amount owing to government	281	–
Hire purchase liability	25	25
	700	**25**
Non-current		
Hire purchase liability	9	9
	9	**9**
Total interest bearing liabilities	**709**	**34**

Amount owing to government is secured by charge over the plant and equipment and is repayable from proceeds of the sale of production. Interest is charged at the rate of 13% per annum. Directors intend to repay the amount outstanding from proceeds of the issue of Shares.

A Director related entity Ausenco Pty Ltd has purchased equipment on behalf of the company. The debt will be repaid from proceeds of the issue of Shares. The amount outstanding is $237,600.

Hire purchase liability

At balance date the following amounts are payable on the hire purchase contract.

	Unaudited 2005 $000's	Pro-forma 2005 $000's
Within 12 months	27	27
After 12 months but before two years	9	9
	36	**36**
Finance charges	2	2
	34	**34**

Note 7 – Provisions

	Unaudited 2005 $000's	Pro-forma 2005 $000's
Current		
Employee entitlements – annual leave	108	108
Non-current	–	–
Employee entitlements – long service leave	7	7
Total employee entitlements	**115**	**115**

Note 8 – Share Capital

	Number of Ordinary Shares	Pro-forma $
Balance at 1 July 2005	1,245,319	3,609,249
Issue of ordinary shares on conversion of convertible notes (net of costs of issue)	51,450	2,135,250
Employee shares issued	2,669	120,083
New shares issued to existing shareholders	88,700,562	–
Issue of shares pursuant to this offer	20,000,000	20,000,000
Cost of this offer		(1,907,000)
	110,000,000	**23,957,582**

7 Independent Biodiesel Process Verification Report

Biomass Energy Services
& Technology
5 Kenneth Avenue
Saratoga NSW 2250

Prepared for Australian Biodiesel Group Pty Ltd
By Biomass Energy Services & Technology Pty Ltd

12th October 2005

1 Introduction and Terms of Reference

Biomass Energy Services & Technology Pty Ltd ('BEST') has been engaged by Australian Biodiesel Group ('ABG') to evaluate its technology, and the performance and operating practices of the plant at Berkeley Vale. BEST has also been requested to review the new design and costings of the plant now being built at Narangba.

This report has been prepared for inclusion in the Initial Public Offering (IPO) prospectus of ABG.

Dr Joseph, the principal author of this report, is the managing director of BEST. He is a chartered engineer and a fellow of the Australian Institute of Energy. For the past 32 years he has been involved in the development of processes to convert biomass to fuels, energy and value added products.

He designed and built a bio-ethanol plant in Vanuatu in 1975 and has been involved in assessing the viability of other biomass to ethanol and Biodiesel plants in both Australia and in developing countries over the past 30 years. BEST and the company he formed in the United Kingdom (Energy for Sustainable Development Plc) have received a number of awards including Shell International Environment Award, and the NSW Government's Green Globe Award for excellence in the development and commercialisation of renewable energy technology.

Australian Biodiesel Group, ABG, has built a full scale Biodiesel production plant based on its own Continuous Transesterification Process technology (CTP) developed internally from its initial pilot plant research. To the author's knowledge the current plant is the largest in operation in Australia today and is located at the Company's site in Berkeley Vale on the New South Wales central coast. The plant converts a wide range of both new and waste vegetable oils, tallow, cotton seed, and palm oil to Biodiesel.

The specific terms of reference for this engineering review report are as follows:

1. Review the processes and the technology used in the Berkeley Vale Plant.
2. Review all of the Berkeley Vale plant operating data supplied by ABG to determine if the plant can operate at its rated output on a continuous basis using a range of feedstocks.
3. Review all of the process flows and comment on the expected yields of Biodiesel and methanol recovery and glycerol.
4. Determine, from data supplied by ABG, whether Biodiesel to the Australian Standard (or a modified form) can be produced consistently from a range of feedstocks.
5. Review the present Occupational Health and Safety (OH&S) practices, Operation and Maintenance practices and training program.
6. Comment on the scalability of the plant.
7. Review the project plan and associated capital cost estimate in relation to the Narangba plant to assess whether the current capacity of the Berkley Vale plant (40KT/year) can be scaled to the 160KT/year, proposed for Narangba.

2 Summary and Conclusion

2.1 Conclusions

a. The Berkeley Vale plant is capable of producing Biodiesel at approximately 40,000 tonnes per year that meets the current Australian Biodiesel standard when new vegetable oil is used as the feedstock.

b. The Berkeley Vale plant is capable of producing Biodiesel that meets a modified version of the current standard when used vegetable oils, tallow, palm oil, cotton seed oil and high Free Fatty Acid feedstocks are used. The issues related to certain aspects of the present Australian Biodiesel Standard are further discussed in section 5.3 of this report and relate to one element of the standard and not to the quality of Biodiesel produced by ABG.

c. The current plant incorporates recent advances in the understanding of the chemistry of Biodiesel production, for example, the need for tight control of moisture content in the feedstock and final product.

d. The Berkeley Vale plant is capable of processing used vegetable oil with a FFA content of up to 15%. As far as the author is aware this meets world's best practice. The author has recommended to ABG that further work be undertaken to fully characterize the performance of acid esterification unit in the Berkeley Vale plant.

e. From the documentation reviewed by BEST it would appear that ABG complies with all the necessary OH&S regulations. ABG has a comprehensive operator training program, a repair and maintenance program and an acceptable quality management system.

f. The new plant under construction at Narangba in Queensland is designed to have specified output of 160,000 tonne per year and incorporates lessons learnt during the commissioning of the Berkeley Vale plant. The Narangba plant will be based on a modular design improving its overall cost effectiveness. The Narangba plant will utilise ABG's CTP technology. Based on the BEST review of the information provided in relation to the Narangba facility, there has been nothing brought to his attention that would indicate that the plant now in production at Berkeley Vale cannot be successfully scaled up to 160,000 tonne per year facility for the capital costs proposed in the company's project information.

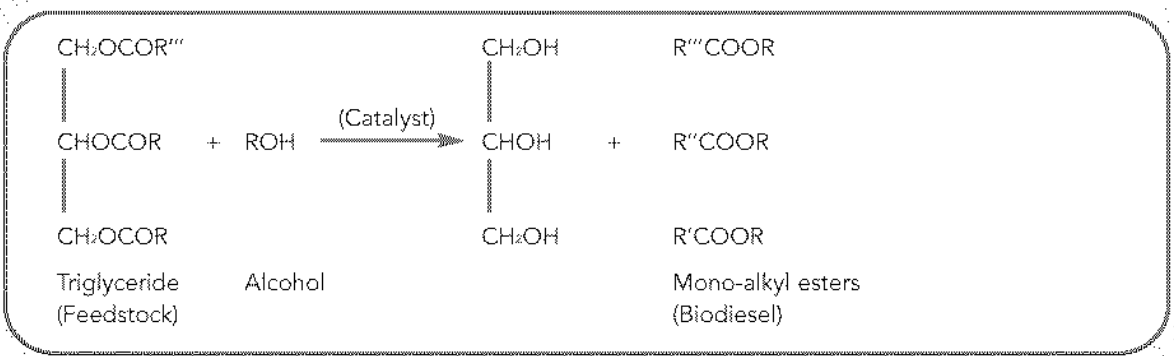
g. The author has reviewed the project and costing plan for this plant and views scale up and costing as proposed of A$9-$12m to be realistic and achievable through applying the principles used in the design and construction of the Berkeley Vale plant.

3 The process and technology

3.1 The process chosen by ABG

For vegetable oils with low Free Fatty Acid content Biodiesel is typically made by the transesterification of triglycerides contained in vegetable oil and animal fats in the presence of an alcohol and a catalyst (see figure 1). The process of transesterification replaces the glycerol component with a smaller monohydric alcohol. The result is a low viscosity ester that serves as an ideal substitute for petroleum-based diesel.

Figure 1 – Schematic of Biodiesel reaction chemistry



The alcohol chosen by ABG for the reaction is methanol due to its low comparative cost. The catalyst chosen by ABG for the process is potassium hydroxide (KOH). When dissolved in methanol KOH forms the methoxide ion, a powerful reactant. When methoxide is mixed with the triglyceride feedstocks, the ester bond is broken releasing glycerol. The methoxide ion selectively attacks each ester bond in turn, and hence in order to achieve complete conversion each bond must be replaced.

The rate limiting step in the reaction chemistry is the limited solubility of methanol in oil. To achieve high conversion yields in practice, it is possible to use:

i) high shear mixing to minimise the boundary layer (and hence optimise mass transfer) between the phases,

ii) induce an emulsion of the two phases,

iii) increase the process temperature and the number of reaction stages, or

iv) a combination of all three.

The present ABG transesterification process uses high pressure, relatively high temperatures, emulsifying pumps and 2 stages to achieve very high yields with relative short reaction times.

To convert lower grade vegetable oils and fats with Free Fatty Acid content of between 5% to 15% ABG uses a pre-acid esterification process prior to the base catalysed transesterification step.

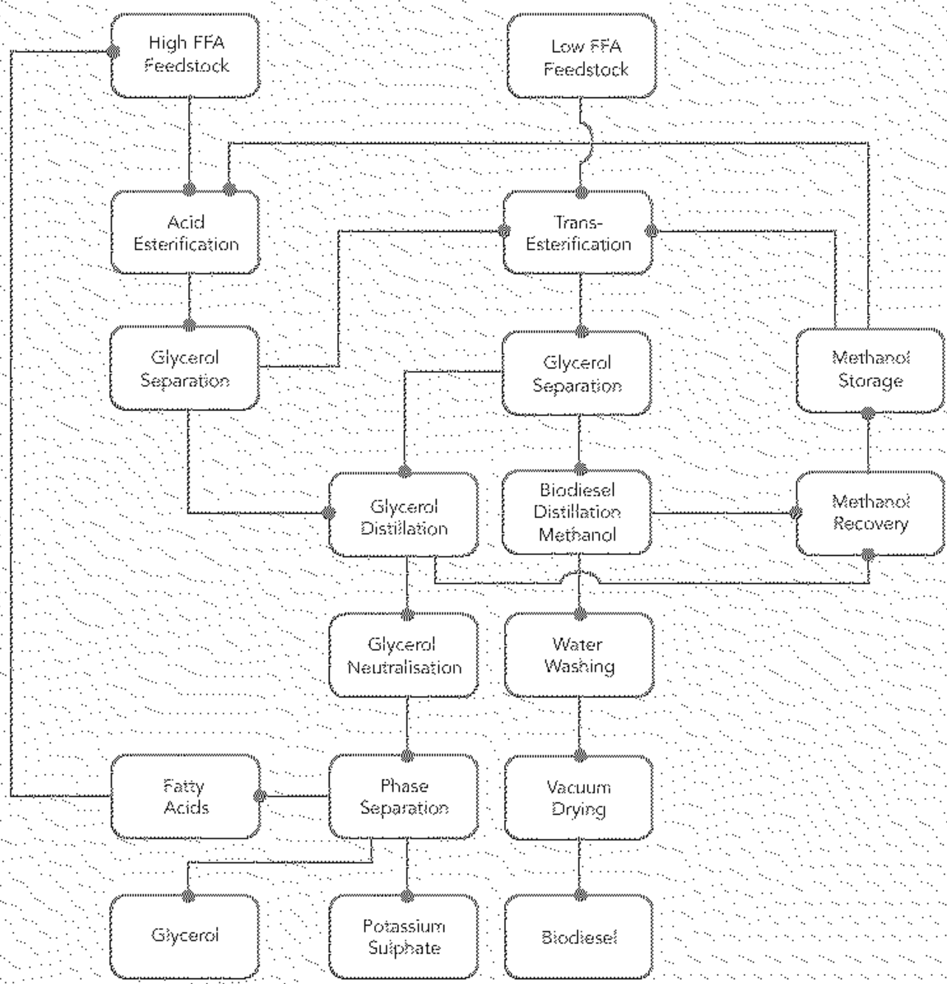


Figure 2 – Process schematic of ABG plant

4 The ABG Berkeley Vale plant – description and operation

4.1 Overview

The Berkeley Vale plant commenced commissioning in November 2004 at a rate of approximately 2 tonnes/hour and has been slowly ramped up to design plate capacity over the last 10 months. The plant is now running at its design plate capacity of 5 tonnes per hour (as recorded in the operating logs). The plant is now capable of running twenty four hours, seven days a week operation using four shifts with two men per shift. Thus, the plants annual capacity of 40,000 tonnes/year is derived from the present flow rates through the plant.

ABG has informed the author that it has the full complement of operators on staff and they are receiving on-going training. A plant manager and a plant chemist are on site during the day. One permanent tradesperson carries out repair and maintenance during the day.

The author has witnessed the plant's operation and has been provided with results from the analysis of the fuel from a number of feedstocks. Considerable improvements to the plant have been made over the past year to bring it up to world class standard.

Key features of the Berkeley Vale Plant

Listed below are a number of key features in relation to the Berkley Vale plant. Due to the confidential nature of certain elements of the CTP technology this information has been provided in summary form:

1. The feedstock is cleaned before it flows to the reaction vessels. The feedstock is initially heated in a tank and then flows through a decanter to remove coarse particles. This partially cleaned material then flows through a centrifuge and a vacuum drying unit to remove water and most of the remaining particulates.
2. The chemical reactions take place at elevated temperature and pressures enabling a very low residence time in the reactors.
3. The Berkeley Vale plant contains various items of specialised equipment that further improves the mixing and hence the reaction efficiency.
4. The Berkeley Vale plant has an acid esterification process that is capable of reducing FFA's of up to 15% of the incoming feedstock to under 3%.
5. The extensive use of centrifuges and a decanter to remove water, particulates, glycerol and soap.
6. The Berkeley Vale plant has a dosing system that is controllable and is virtually free of pulses. This ensures that the correct amount of chemical is added to the oils to ensure consistent quality.
7. The use of break tanks in the CTP after each centrifuge to enable even and consistent flow to the next unit operation.
8. A Distributed Control System (DCS) employing the latest fieldbus technology and integrated multi vendor field instrumentation has been installed at the Berkeley Vale plant. A DCS was selected for plant control due to the superior regulatory control capabilities available when compared with lower cost Programmable Logic Controller (PLC) and Supervisory Control and Data Acquisition (SCADA) technologies that are predominantly designed for sequential and batch operations rather than continuous process control.

Approximately 800 kW of heat energy is required to meet the plant heat requirements. The electrical requirement of the plant is approximately 150 kW. Heat is provided from a waste oil fired boiler and power from the mains. There is a standby generator set and a standby oil heater.

4.2 Repair and Maintenance

A significant portion of the plant and equipment used in the CTP are well tried and tested and supported by major well established manufacturers. ABG reports that the process has proved stable and reliable during the last six months of operation and spare parts usage has been demonstrated to be low as testified to by the plant maintenance log.

Detailed maintenance schedules have been prepared and a comprehensive shut down and start up procedure has been trialled and now is operational.

4.3 Emissions Control

The products of the CTP process are saleable, being: Biodiesel, glycerine, and potassium sulphate (dissolved in the wash water). At present waste water is treated in aerated tanks prior to safe discharge.

Un-reacted methanol, in both vapour and liquid phase, will be recovered and recycled in the process.

When off-spec material is produced, it will be stored and recycled, and will not go to waste.

4.4 Operator Training

A comprehensive operator training program has been developed and detailed notes for this training have been prepared. Operators are trained in the general science of Biodiesel production, the analysis of the feedstock and end product as well in the operation and maintenance of the plant. The author has sighted this material and is satisfied that with continual upgrading and review the operators will have all of the necessary skills required to produce a high grade product.

4.5 OH&S

ABG has employed consultants to assist in the preparation of all necessary documentation. An extensive OHS manual has been prepared.

WorkCover has given necessary approvals to operate the plant. Loading and unloading procedures have been prepared and the plant manager signs off on the incoming and outgoing movements of fuel and chemicals. As at the date of this review report the ABG plant the operators had the appropriate WorkCover certification.

Methanol, when heated is highly flammable. The plant has been designed to meet Class 1, Zone 1 standards (AS 1940 – 1993), and the author has inspected the operators training program and have considered that it is adequate for efficient operation of the plant.

The Berkeley Vale plant is fully equipped with foam deluge systems which comply with WorkCover requirements.

4.6 Quality Assurance

ABG has established a well equipped laboratory utilising both classical and modern analytical techniques to measure and monitor the composition of the feedstock and key stages in the production process and the final Biodiesel product. The final product being measured against the Australian standard for Biodiesel.

5 Berkeley Vale operating and plant performance data

5.1 Feedstock Types and Characteristics

ABG has advised the author that it intends to source a range of feedstocks for its plant in Berkeley Vale. The main feed stocks to be processed are waste vegetable oil with a free fatty acid content of less than 5%, and tallow. ABG also advised the author that it intends to process oils with a free fatty acid of up to 15% using its acid esterification step prior to base catalyzed transesterification.

At present ABG is purchasing tallow with a FFA of less than 2% (typically 0.7%), however cheaper gut tallow with a FFA of less than 5% are available. The author has viewed evidence that ABG analyses each batch of feedstock when it comes into the plant.

5.2 Plant Performance

ABG has completed a series of trials to determine the plant performance; the author has reviewed records kept by ABG which indicate that the Berkeley Vale plant has successfully processed the following feedstocks to Biodiesel.

- Both Canola and Palm based Used Cooking Oil (UCO) with a high FFA content of 5-15%.
- Both Canola and Palm based Used Cooking Oil (UCO) with a low FFA content of less than 5%.
- Tallow with FFA of less than 4%.
- Pure Canola with FFA of less than 1%.
- Cotton Seed Oil with FFA of less than 2%.

From the data reviewed it can be seen that the yields are very consistent for the range of feedstock tested and yields are considered to be comparable to other state of the art plants.

5.3 Biodiesel Quality

The author has reviewed results from two independent Nationally Approved Testing Authority (NATA) laboratories which illustrated that ABG can produce Biodiesel made from pure Canola that complies with the Australian Biodiesel standard.

In addition, laboratory tests reviewed confirm that ABG can produce Biodiesel from all the other feedstocks mentioned above in section 5.2 of this review report that conforms to the Australian standard with the exception of the Methyl Ester content. This exception is attributed to how the Ester Content is measured in the standard and does not relate to the quality of the Biodiesel produced by ABG.

It should also be noted that the 2 independent NATA laboratories produced different results from the same split sample for group 1 and group 2 metals and also for the Distillation T 90 measurement. One laboratory produced results that were within the standard and the other laboratory produced results that were just outside the standard.

Recent tests performed by ABG and also by the 2 certified Laboratories have highlighted the problems of measuring the ester content of Biodiesel produced from used vegetable oils, tallow, palm oil, cotton seed oil and high free fatty acid feedstocks. The measurement of the ester content is dependent on how the analytical instruments are calibrated. Each different feedstock will produce a different range of esters thus each requiring a different standard for each feedstock used. At present only one standard is used.

The American standard for Biodiesel does not include an ester measurement for this very reason, that the measurement can appear to vary from feedstock to feedstock if the method of analysis is not modified for each particular feedstock.

Changes to the way ester content is measured in accordance with the standard has been proposed to and is being reviewed by the regulating authority in Australia with a view to changing the standard to accommodate the chemical differences that the varying feedstocks present. In all other respects the Biodiesel produced from these lower cost feedstocks meets the Australian standard. This is not a technology issue and all European or American technology would face the same issue as it is a matter of chemistry not capability.

It is the author's opinion that the above observations in relation to the Australian Biodiesel Standard are as a result of the developing nature of the Biodiesel industry and the consequent inexperience of the testing laboratories. Once all of the issues of measurement are resolved it is likely that ABG Biodiesel will be found to comply with all requirements of the standard.

6 Narangba plant

The plans for the Narangba plant incorporate a chemical copy of the Berkeley Vale plant. The plant layout has been changed to allow modular off site construction, greater ease of operation and maintenance and greater flexibility in operation. A plant layout and plant schematic have been sighted and reviewed by the author.

From the information reviewed it is reasonable to conclude that the present plant design can be scaled from 40,000 tonnes per year to 160,000 tonnes per year.

ABG has stated that the key differences between the Narangba and Berkeley Vale plant are;

- Narangba will incorporate steam heating in lieu of oil heating which is more transportable and closer to the international industry standard.
- The location of the centrifuges will be centralised in a single location as opposed to distributed locations in the plant to lend itself to the modular approach.
- The Narangba design will allow certain modules to be optional or turned off during the production process dependent on the quality of the feedstock used. As an example, cleaner feedstocks such as pure canola do not require the use of the acid esterification or front end cleanup modules.
- The modular design of the Narangba plant allows delivery of various plant capacities – 5, 10, 20, 40 80 or 160 KT/year. With one overall plant design that suits the five levels of plant operation, limited modification will be needed to scale up from one capacity level to another.

These features which will be incorporated into the Narangba plant means that ABG has designed a scalable plant which when compared to the cost of other plants is very capital cost effective. The plant's flexibility should allow it to process a broad array of feedstock in type, cost and FFA content.

The author has reviewed the capital cost estimates associated with the Narangba plant and has also reviewed an independent report on the capital cost and construction timeframe of the Narangba plant. The cost estimate used by ABG appears reasonable.

7 Source of information and disclaimer

In preparing this report, Dr. Joseph has relied on:

(a) His own observations and review of the ABG plant in operation at Berkeley Vale

(b) His review of the records held by ABG and

(c) Information supplied to him by ABG at his request.

While Dr. Joseph has made every effort to verify the information and data provided by ABG he is unable to warrant its accuracy. The accuracy of the opinion and conclusions in this report depend to a large extent on the accuracy of the records and information supplied by ABG.

This report has been prepared to assist with the appraisal of the ABG Biodiesel technology but should not be taken by any interested party as a recommendation by Dr Joseph or BEST to purchase shares in ABG.

Dr.Stephen Joseph

Managing Director
BEST

Disclosure of interest

(a) In the period from approximately July 2002 to Jan 2004 the Sustainable Energy Development Authority (now part of the NSW Department of Energy Utilities and Sustainability) engaged Dr. Joseph to provide a series of reports in relation to the manufacture and commissioning of the ABG plant at Berkeley Vale.

(b) BEST has been appointed by ABG to carry out specific design and documentation tasks since approximately July 2002.

(c) On 9th March Dr. Joseph was retained by ABG to evaluate the ABG plant at Berkeley Vale and the proposed plant being constructed at Narangba. Dr. Joseph provided a more detailed report on 27th of September 2005.

The findings and conclusions of this report prepared for inclusion in the prospectus are consistent with the more detailed review report prepared by Dr. Joseph.

(d) Generation International LLC ('GI'), an American corporation, is the minority shareholder of BEST. GI has had discussions with ABG in relation to its possible acquisition of Biodiesel technology from ABG. To this date no agreement has been concluded.

(e) No one of Dr. Joseph, BEST or GI have any current business relationship with ABG except as disclosed above and no future business relationship is subject to this report or the success or failure of the fundraising by ABG.

8 Independent Review of Biodiesel Feedstock Market

THE INITIATIVES GROUP
MARKET DRIVEN BUSINESS STRATEGIES

Prepared for Australian Biodiesel Group Pty Ltd By The Initiatives Group Pty Ltd

17th October 2005

The Initiatives Group Pty Ltd
Level 24, Tower 2
Darling Park, 201 Sussex Street
Sydney NSW 2000

1 Introduction

This report has been prepared by The Initiatives Group Pty Ltd (TIG) for inclusion in a prospectus, to be dated on or about 28th October 2005, relating to the offer by Australian Biodiesel Group Pty Ltd (ABG) of up to 20 million fully-paid ordinary shares of $1 each, payable in full on application (IPO).

The scope of this study is to report on and discuss feedstock options, including availability and pricing, for the production of Biodiesel at existing and planned production facilities in Australia owned and operated by ABG. The report will comment on the reasonableness of ABG's estimates of feedstock availability and prices for use in Biodiesel production as utilised in modelling undertaken by ABG.

2 Background

2.1 ABG Operations

ABG has a Biodiesel production plant in operation located at Berkeley Vale near Wyong on the Central Coast of New South Wales. A second plant is planned for Narangba near Brisbane in Queensland, and ABG forecast this to come on stream in June 2006. The target output of the Berkeley Vale plant is 40,000 tonnes per annum of Biodiesel and the Narangba plant is 160,000 tonnes per annum of Biodiesel. Our understanding is that both plants use technology that enables the use of feedstock from multiple sources including, but not limited to: tallow (animal fats), used cooking oils and vegetable oils, such as cottonseed oil and palm oil. Approximately 40,000 tonnes per annum feedstock will be required at the Berkeley Vale site and 160,000 tonnes per annum at the Narangba site to meet the eventual target production levels.

Preliminary investigations undertaken by ABG management indicate that the most economical source of feedstock for Berkeley Vale will be a combination of used cooking oil and tallow, with the Narangba plant likely to source most of its feedstock as tallow.

ABG has informed us that contracts have been established with the commodity trader Gardner Smith Pty Ltd covering 50% of the feedstock requirements of each production plant. Our enquiries with Gardner Smith Pty Ltd have confirmed these arrangements. Gardner Smith Pty Ltd is a leading company in Australia in fats and oils aggregation, storage, supply logistics and import/export.

2.2 Brief to The Initiatives Group

As part of the preparation for its IPO, and to ensure that potential investors are fully informed, ABG has commissioned a number of expert reports. One area to be addressed is the availability and provision of feedstock for the ABG production facilities, as variations in cost and supply of these commodities can have a significant effect on the viability and attractiveness of the investment.

In response to the need for an Independent Expert's Report into the supply and availability of feedstocks, notably UCO and Tallow, TIG has been asked to provide an independent review focused primarily on supply and pricing aspects of feedstocks in calendar year 2006.

TIG is a management consulting firm that specialises in marketing related aspects of business strategy. The firm has extensive experience, both in Australia and internationally, in a diverse cross-section of industries including foods / beverages, industrial and agricultural products. Of particular relevance to this assignment are previous market assessment and marketing studies undertaken by the firm, which have included vegetable oil products, beef cattle production and its by products. In addition, one of the principals of the firm has both working and consulting experience in the global fats and oils trade involving the use of both tallow and used cooking oil.

The work leading to the production of this report involved a combination of:

- desk research to access public information sources and databases
- interviews/discussions with participants in, and those associated with, the fats and oils trade
- review and assessment of information and the prospectus financial model supplied by ABG.

3 The Markets for Feedstocks

3.1 Introduction

As stated above, a number of vegetable oils and animal fat feedstock options have been identified as suitable for Biodiesel production by ABG. Each of these has a different chemical composition, which has implications for the properties of the resultant Biodiesel and for the meeting of the Australian Standard for Biodiesel. We understand that the technology being incorporated by ABG in its production processes can adapt to these differing chemical compositions and can produce Biodiesel that meets the required Australian Standard. We are not able, within the scope of this report, to provide independent technical verification of that capability.

Accordingly this report will focus on the likely 2006 availability and price volatility of the following feedstock options, which we are informed can be used by ABG solely or in combination in the production of their planned Biodiesel output.

3.1.1 Tallow

Tallow is a natural fat derived from animal tissue, most commonly beef and sheep, produced by a rendering process at meat processing plants (abattoirs). Tallow quality is measured in terms of free fatty acid (FFA) content, bleachability (colour) and impurities, such as moisture and insoluble matter.

Historically tallow has been used in signifcant quantities in both human food production and livestock feeding. The arrival of Bovine Spongiform Encepalopathy (BSE) in the beef industries of a number of countries, and more particularly its linkage to variant Creutzfeldt-Jakob Disease (vCJD) in humans, has lead to many countries controlling and/or banning the use of tallow anywhere in the human food chain. This has significant impacts on availability and pricing; all potentially positive for the use of tallow as a Biodiesel feedstock.

3.1.2 Vegetable Oils

There are four main vegetable oil crops grown worldwide namely sunflower oil, soybean oil, rapeseed oil (canola) and palm oil. All of these crops require crushing in order to extract the oil content; in the case of the first three, it is the oilseed that is crushed, whereas in the case of palm the majority of oil comes from the date 'flesh' surrounding the seed. Together these crops have provided over 80% of total global vegetable oil production in recent years. All of the above vegetable oils are produced in large quantities on a worldwide basis and are internationally traded commodities.

Of these vegetable oil crops, palm oil is a reasonably close substitute for tallow since both products have a similar fatty acid profile. The palm oil product which can be used as a feedstock for Biodiesel is crude palm oil (CPO). For human consumption, this is normally refined into two fractions, palm olein (light) and palm stearin (heavier), as well as into refined, bleached, de-odorised (RBD) palm oil. If palm stearin is trading cheaper to crude palm oil, as was the case for 9 months in 2004, then it may also be a feasible feedstock for Biodiesel.

3.1.3 Waste Edible Oil

The third, and potentially lowest cost, feedstock option is waste edible oil, sometimes referred to as used cooking oil (UCO). UCO consists mostly of vegetable oils that have been used in the cooking process for human food products, although it may also contain tallow. For example, oil that is used for the cooking of fried foods in fast food and other restaurants. This oil is effectively a by-product of the human food chain, and as such is regarded by the food preparation and catering industry as a waste product. Numerous waste oil collectors, usually with a local area focus, use a system of tanks and small trucks to collect and aggregate UCO from restaurants and food service institutions.

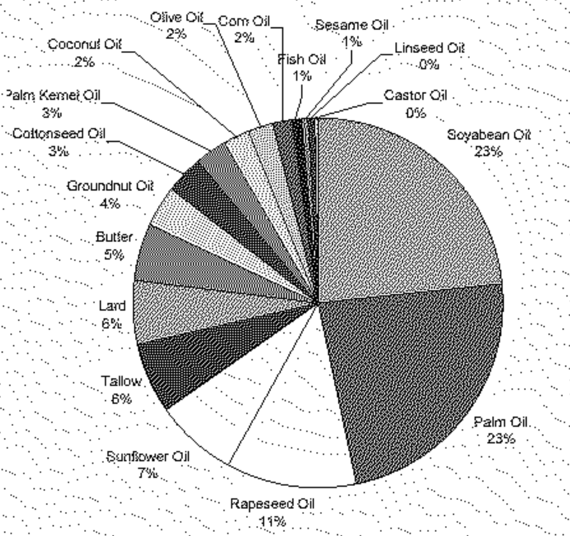
3.1.4 Non Edible Oils

A suitable feedstock can be obtained from the crushing of seeds, nuts or similar to produce non-edible vegetable oils; the largest commercial alternative today being cottonseed oil. Other plants that produce oil seeds, not currently grown commercially in Australia, include jatropa and pongiarna. It is not currently planned by ABG to use these various non-edible oils in the production of its Biodiesel, hence we are not commenting further on these potential feedstocks in this report.

3.2 Global Fats and Oils

Figure 1 shows the annual world production of 17 major vegetable oils and animal fats in 2004. Soybean oil and palm oil are produced in the highest quantities, totalling 61.3 million tones or 46% of total production.

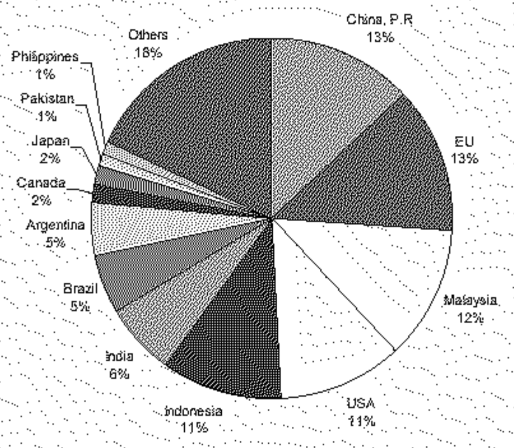
Fig 1: 2004 Production of 17 Major Fats and Oils[1]



Total Production = 131 Mt

Overall world production of oils and fats is not particularly concentrated with only four countries producing in excess of 10% each (China, Malaysia, USA, Indonesia), although individual countries have higher shares in specific oils (eg. Malaysia generates 46% of palm oil production). Figure 2 shows the breakdown of production of oils and fats in 2004 by country.

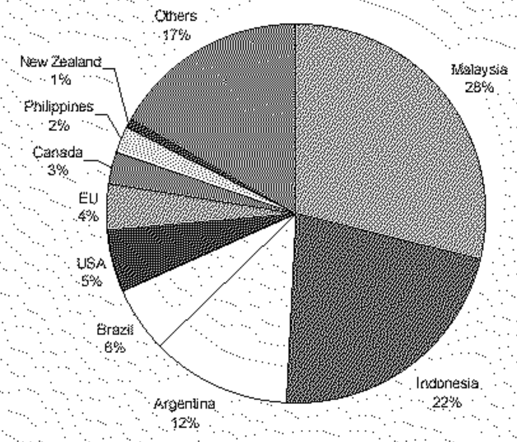
Fig 2: World Major Producers of Fats and Oils[2]



Total Production = 131 Mt

The majority of fats and oils are consumed in the country of origin. Hence the export of fats and oils in international trade is more concentrated than production, with Malaysia and Indonesia accounting for half of the world's exports in 2004, as shown in Figure 3.

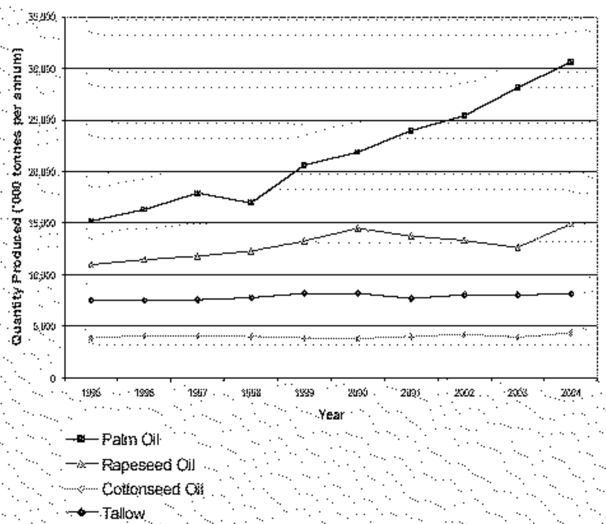
Fig 3: World Major Exporters of Fats and Oils[3]



Total Exports = 47 Mt

Figure 4 shows world production of the four significant Biodiesel feedstocks: palm oil, canola oil (rapeseed oil), cottonseed oil and tallow. World production of palm oil has been increasing steadily since 1998, whereas production of the other feedstocks has been fairly stable.

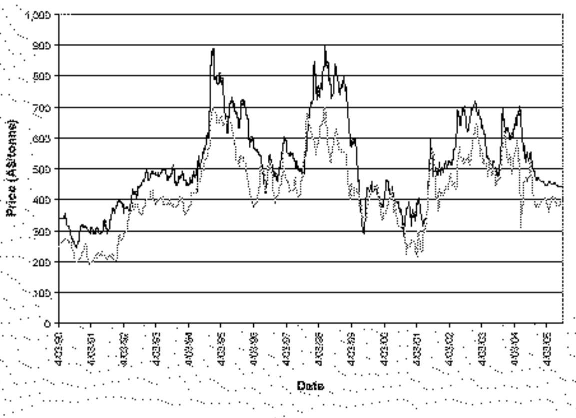
Fig 4: World Production of Major Biodiesel Feedstock Fats and Oils[4]



[1] Source: http://econ.mpob.gov.my/economy/annual/stat2004/03Production_05.htm
[2] Source: http://econ.mpob.gov.my/economy/annual/stat2004/WOFproducer_05.htm
[3] Source: http://econ.mpob.gov.my/economy/annual/stat2004/WOFexporter-05.htm
[4] Source: http://econ.mpob.gov.my/economy/annual/stat2004/03Production_05.htm

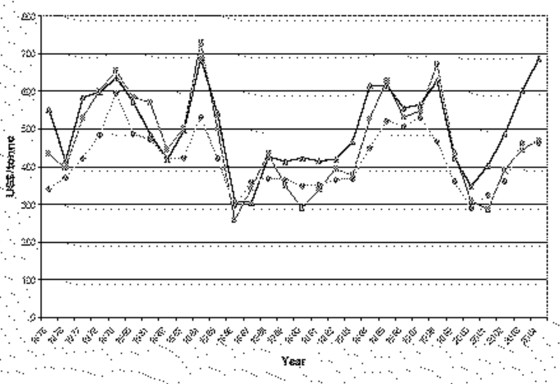
Historically, oil and fat prices have been quite volatile varying between US$300–US$700 per tonne (refer to Figure 5). Due to their substitutability, oil and fat prices have tended to move with each other over time.

Fig 5: Historical oil and fat prices for Biodiesel Feedstocks (1977–2004)[5]
Palm Oil and Tallow prices



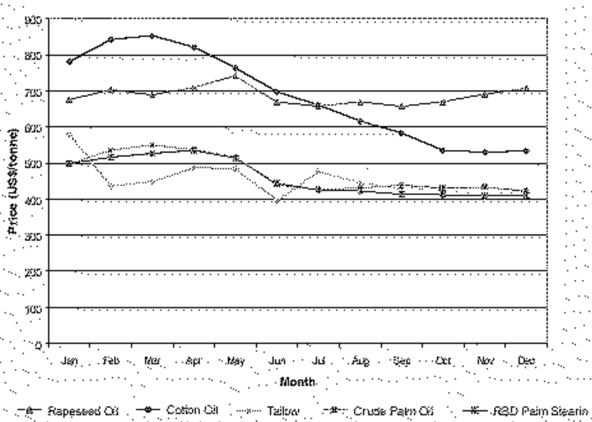
As expected, this price volatility is seen in the prices of palm stearin and tallow for the NW European market (refer to Figure 6).

Fig 6: Palm oil and tallow prices (1990–2005)[6]
Average oil and fat prices for Biodiesel Feedstocks NW European market (1977–2004)



Of the main feedstocks, during 2004, crude palm oil, RBD Palm Stearin and tallow were all similarly priced at around US$450 per tonne basis North West Europe Market, with cottonseed oil and canola oil being more expensive (refer Figure 7).

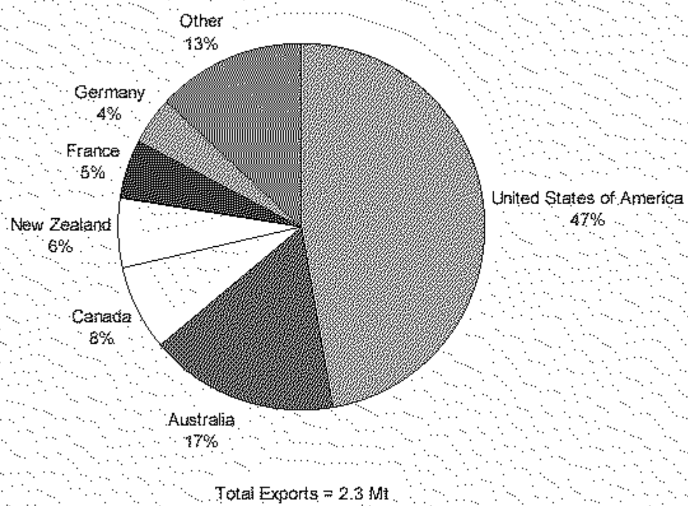
Fig 7: 2004 Prices for Biodiesel Feedstocks[7]
2004 prices for Biodiesel Feedstocks (NW European market)



3.3 Animal Fats – Tallow

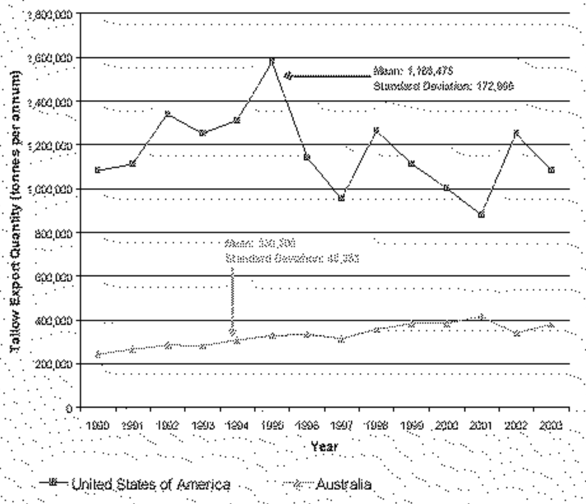
Tallow is an internationally traded commodity. The biggest exporter is the USA followed by Australia, Canada and New Zealand (refer to Figures 8 and 9).

Fig 8: World Major Exporters of Tallow[8]



[5] Source: *Gardner Smith*
[6] Source: *http://econ.mpob.gov.my/economy/annual/stat2004/Price18.htm*
[7] Source: *http://econ.mpob.gov.my/economy/annual/stat2004/Prices5.19XLS*
[8] Source: *UN FAO Statistical Database*

Fig 9: Quantity of Tallow Exported by Year for USA and Australia[9]

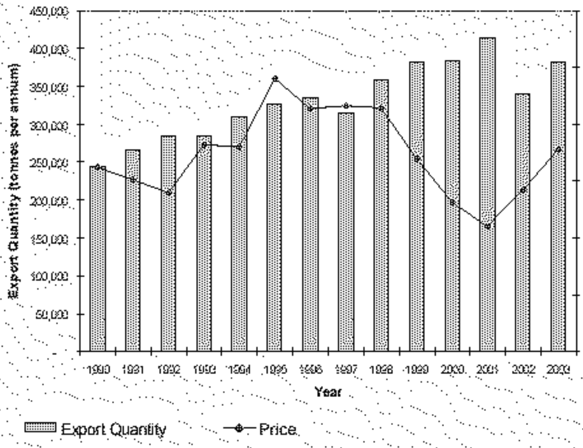


As shown in Figure 10, tallow prices have fluctuated significantly over the last decade, averaging approximately US$ 350 per tonne.

Fig 10: Average Price of Tallow by Top 4 Exporters

Australia's tallow production is estimated to have been over 500,000 tonnes per annum for at least the last ten years. Australian tallow exports have been increasing steadily and have been between 350,000 and 400,000 tonnes each year for the last five years (refer to Figure 11). This growth in export volumes has in part been driven by domestic consumption pathways being effectively blocked by BSE concerns, with export markets being the relief valve. This is a positive situation in regard to Biodiesel feedstocks and production, as Biodiesel offers a new, non-food chain, domestic market for tallow.

Fig 11: Australian Export Quantities and Prices for Tallow[11]

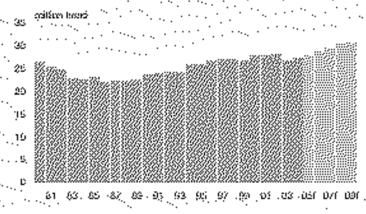


The Australian Bureau of Statistics (ABS) does not maintain records of tallow production, however, various sources can be cross-referenced to estimate the likely current and expected future tallow production volumes. It has been reported that the Australian Renderers Association undertook a survey in 2000–2001 which indicated that total Australian tallow production was 567,000 tonnes, with total Australian domestic consumption of 177,000 tonnes. This would appear to broadly reconcile with the reported export of Australian tallow in 2000–2001 of approximately 340,000 tonnes.

ABS data confirms that the largest category of tallow produced in Australia is beef tallow. Hence the likely future trend of tallow production can be viewed in light of forecast beef meat production and changes in the Australian cattle herd and cattle turnoff. Meat & Livestock Australia (MLA) estimates the Australian cattle herd (beef and dairy) at around 27.6 million head at June 2005, which is 1.7% higher than a year earlier, and is forecast to grow a further 3% to 28.5 million by June 2006. MLA notes that the incentive to expand the Australian cattle herd has rarely been stronger, with record cattle prices, buoyant prospects and with many properties understocked following years of drought. However, much depends on seasonal conditions and the drought has yet to break in many parts of the continent.* Cattle herd numbers and forecasts are shown in Figure 12.

[9,10,11] Source: UN FAO Statistical Database
* MLA Industry Projections 2005 – Mid Year Update

Fig 12: Australian Cattle Herd Numbers[19]



MLA also reports that cattle turnoff (the kill) for 2005 is forecast to match the previous year at 9.4 million head, with total cattle turnoff projected to fall back slightly in 2006 down 1% to 9.3 million. However, long term growth in cattle turnoff is forecast as the herd grows, and, assuming recovery from drought conditions, turnoff could begin to expand again from 2007 with annual growth of 4–7% per year over the 2007–2009 period. Turnoff is projected to reach 11 million by 2009 which is up 1.6 million on 2004.

Total beef and veal production is on an increasing trend and rose an estimated 5% in the first half of 2005, on the back of a 6% jump in 2004. For the full year 2005, cattle slaughter is forecast to rise 1%, with kill weights up 2%. An increase in grain feeding is contributing to the 19 kilogram rise in average cattle carcass weight over the past 2 years, to a record 270 kilograms. Beef production is projected to fall by 2% in 2006 given constraints on cattle availability and a forecast fall in cattle prices. However, the market is expecting growth of 4–7% a year in cattle slaughter and beef production by 2007, reflecting an 18% increase over 2004. Importantly, slaughter weights are expected to remain high throughout the forecast period reflecting the sustained lift in the proportion of grain-fed cattle and heavier export cattle in the kill.

Table 1: Situation and Outlook for the Australian Cattle Industry*

	2001	2002	2003	2004	%change	*2005f*	*% changef*	*2006f*	*2007f*	*2008f*	*2009f*
Cattle numbers ('000 head)*	27,721	27,870	26,664	27,147		*27,600*		*28,500*	*29,400*	*30,100*	*30,500*
% change	0.5%	0.5%	-4.3%	1.8%		*1.7%*		*3.3%*	*3.2%*	*2.4%*	*1.3%*
Slaughterings ('000 head)											
Cattle	7,780	7,972	7,806	7,893	1.1%	*7,950*	*0.70%*	*7,870*	*8,200*	*8,800*	*9,100*
Calves	956	1,081	1,100	910	-17.3%	*890*	*-2.20%*	*910*	*1,000*	*1,100*	*1,170*
Total	8,736	9,053	8,906	8,803	-1.2%	8,840	0.40%	8,780	9,200	9,900	10,270
Avg carcase weight (kg)											
Cattle	262	258	251	264	5.0%	*270*	*2.40%*	*267*	*267*	*268*	*269*
Calves	32.1	32.4	34.7	34.7	0.0%	*34.5*	*-0.60%*	*34.5*	*34.5*	*34.5*	*34.5*
Production ('000 tonnes carcase weight)											
Beef	2,041	2,055	1,959	2,081	6.2%	*2,150*	*3.30%*	*2,100*	*2,200*	*2,360*	*2,460*
Veal	30.6	35.0	38.2	31.6	-17.3%	*30.7*	*-2.80%*	*31.3*	*34.7*	*37.7*	*40.4*
Total beef & veal	2,072	2,090	1,997	2,113	5.8%	*2,181*	*3.20%*	*2,131*	*2,235*	*2,398*	*2,500*
Cattle exports ('000 head)	822	972	774	637	-17.7%	*580*	*-8.90%*	*560*	*620*	*700*	*750*
Beef exports ('000 tonnes)**											
Total, carcase weight	1,407	1,362	1,246	1,357	8.9%	*1,410*	*3.90%*	*1,350*	*1,430*	*1,545*	*1,625*
Total, shipped weight	947	920	841	914	8.7%	*950*	*4.00%*	*910*	*965*	*1,045*	*1,100*
Domestic utilisation ('000 tonnes c/c weight)											
Imports	1.5	1.4	3.0	6.5	116.7%	*6.0*	*-7.70%*	*5.0*	*4.0*	*3.0*	*3.0*
Total, carcase weight	661	726	752	760	1.1%	*770*	*1.30%*	*785*	*805*	*850*	*875*
Kg/head	33.9	36.8	37.7	37.8	0.3%	*37.9*	*0.30%*	*38.2*	*38.7*	*40.5*	*41.0*

* As at 31 March until 1999, 30 June from 2000
** Excl canned/misc, shipped weight
f = forecasts in italics

[19] *Source: ABS, MLA Forecasts*
* *Secondary Source: MLA Australian Cattle Industry Projections: Mid-Year Update 2005*

As a final cross-reference for tallow production we have built up an estimate of 450,000 tonnes based on forecast slaughter of cattle, sheep, lambs and pigs for 2006 (refer to Table 2). This is slightly under industry estimates of 500,000 tonnes, probably due to the difficulty in estimating the average amount of fat per carcass.

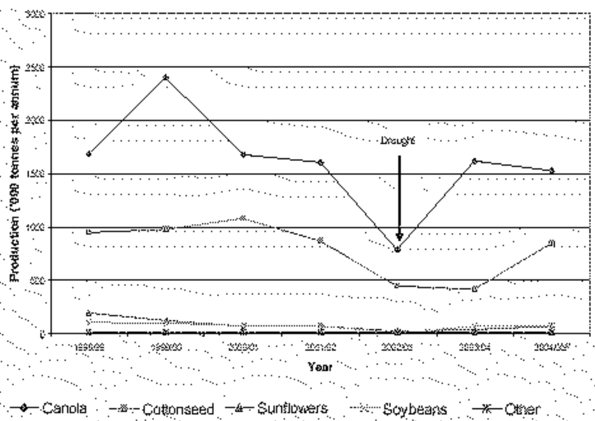
Table 2: Estimated 2006 tallow production from cattle, sheep, lamb and pig slaughter*

Forecast 2006 Annual Kill ('000s)			**Kg fat available for tallow production per carcass**		**Fat production from kill (tonnes)**
Cattle					
Grain Fed	2,385	x	120	=	286,200
Grass Fed	4,373	x	23	=	100,568
Dairy	1,193	x	10	=	11,925
Cattle Sub Total	*7,950*				398,693
Sheep	10,113	x	2.2	=	22,249
Lamb	18,469	x	1.5	=	27,704
Pig	5,461	x	1.0	=	5,461
Grand Total					**454,106**

3.4 Vegetable Oils

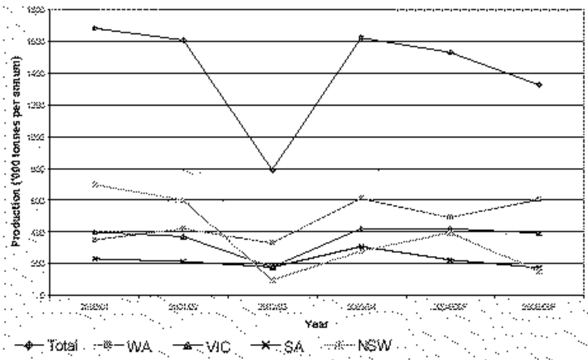
Australia has produced significant quantities of canola and cottonseed over the last decade with a notable drop in production in 2002/03 during a drought (refer to Figure 13).

Fig 13: Australian Oilseed Production 1998–2005[13]



Over the last few years, Western Australia and Victoria have been the largest producers of canola oilseeds (refer to Figure 14).

Fig 14: Australian Canola Oilseed Production by State 2000–06[14]

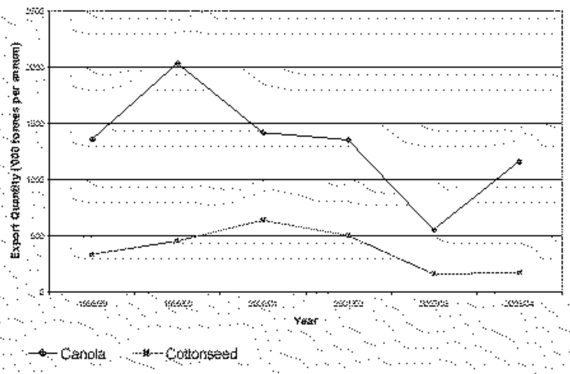


Sources: MLA Australian Cattle Industry Projections: Mid-Year Update 2005; ABARE Australian Commodities Outlook 2004; MLA Offal Yield Spreadsheet; Industry interviews

[13,14] *Australian Oilseed Federation: Industry Facts and Figures*

Production of canola and cottonseed has far exceeded the domestic consumption and so the majority of this has been exported (refer to Figure 15).

Fig 15: Australian Oilseed Exports[15]



It should be noted that canola (rapeseed) oil is comparatively highly priced in human food chain uses due to its 'more healthy' fatty acid composition when compared to some competing vegetable oils, such as palm. Hence pricing on canola oil, produced by companies such as Cargill and Gardner Smith in Australia, is unlikely to be attractive for Biodiesel production – although it does provide a fallback feedstock.

Palm oil production has grown strongly in recent years based on international demand and local country-based production support including tax incentives. The main palm oil producers are Malaysia and Indonesia, which are geographically well located for Australia and which have provided over 80% of production in the period since 2000 (refer to Figure 16). To enable increased palm oil production, Malaysia has instituted re-planting incentives, and Indonesia has allowed the continuing conversion of forest into plantations. In the long term, palm oil production in these countries may be impacted by forces seeking to limit environmental damage; in the short term, however, palm oil remains a financially attractive crop in these tropical environments and generates hard currency export earnings.

Palm oil is a globally traded commodity with the EU and Africa being major consumers, but with the highest growth in demand coming from China and India in recent years. In Western markets, however, it has been somewhat tainted by claims of negative health impacts; this has tended to put downward pressure on its price, or at least widen the price differential with other 'healthier' oils.

Fig 16: World Major Producers of Palm Oil 2004[16]

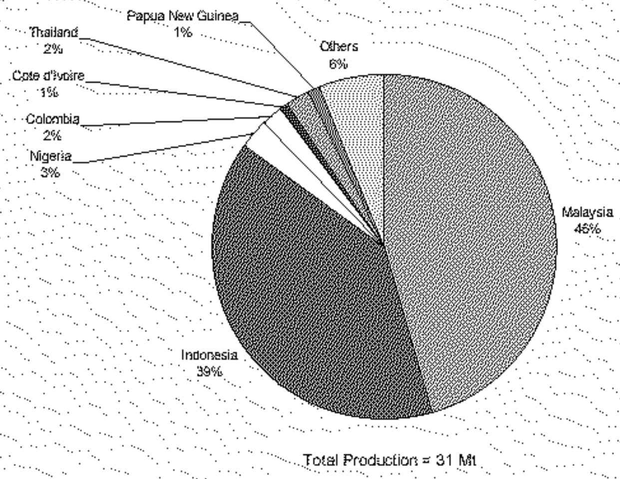
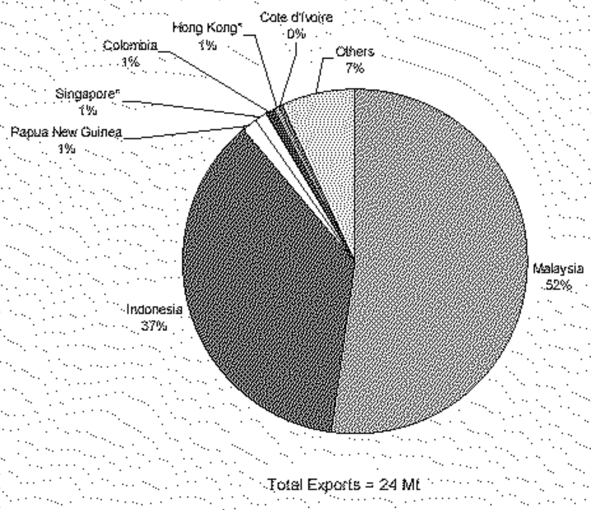
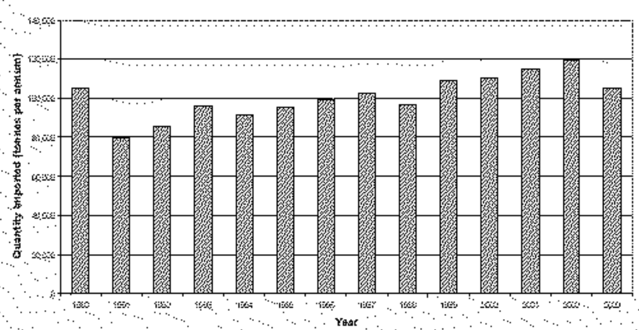


Fig 17: World Major Exporters of Palm Oil 2004[17]



Palm oil imports into Australia showed a steady increase through to 2002, as can be seen in Figure 18.

Figure 18: Australian Imports of Palm Oil[18]



[15] Australian Oilseed Federation: Industry Facts and Figures
[16] Source: http://econ.mpob.gov.my/economy/annual/stat2004/WPOproducer_05.htm
[17] Source: http://econ.mpob.gov.my/economy/annual/stat2004/WPOexporter_05.htm
[18] Source: UN FAO Statistical Database

Gardner Smith is a major importer of palm oil, which is purchased FOB from Malaysia and transported in chartered vessels to Gardner Smith owned handling facilities in Brisbane and Melbourne. Major Australian users include Meadow Lea (Goodman Fielder) and Flora Foods (Unilever), who also import under their own name, as well as buying from other suppliers.

Looking to the future, soybean oil futures on the Chicago Board of Trade suggest that soybean oil prices are likely to only rise modestly over the next 18 months (refer to Figure 19)

Fig 19: Soybean Oil Futures[19]

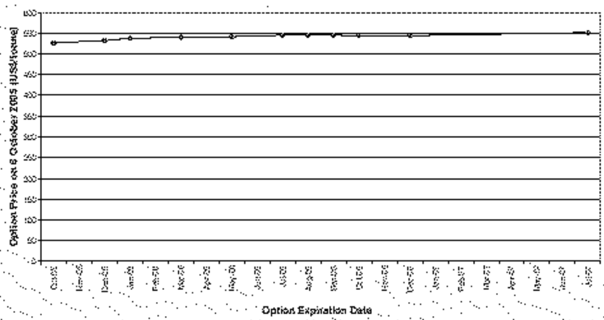
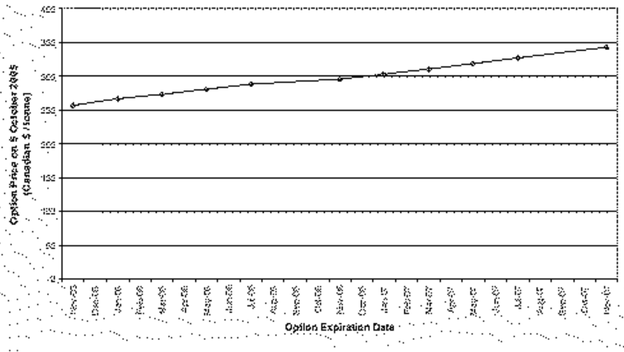


Figure 20 shows a gradual increase in canola futures on the Winnipeg Commodities Exchange also suggesting relative stability over this period.

Fig 20: Canola Futures[20]



Given that price movements of oils and fats tend to be strongly correlated, these soybean oil and canola future prices suggest that international oils and fats prices are expected to be relatively stable over the next 12 months.

3.5 Waste Edible Oils

Waste edible oil or used cooking oil (UCO) is potentially an important low-cost feedstock source for Biodiesel.

Cooking oil that is used in food preparation is typically stored in small drums and tanks after usage by restaurants and commercial kitchens, and is then collected by small local operators with tank trucks. These small local operators then sell the UCO to larger aggregators (pricing believed to be approximately $200 per tonne). Being a relatively specialised and fragmented industry, there is no central source of data available that captures the total quantity of UCO that is collected or made available. Major aggregators that have been identified in the Eastern States, with estimates of their volumes, are shown in Table 3.

Table 3: Major UCO Aggregators in Eastern States

Company	**Estimated tonnes per year collected by state of origin**			
	NSW	QLD	VIC	Subtotal
TransPacific (+ Associated Oil)	2,000	5,000 + 6,000		13,000
Auscol	5,000			5,000
Scanline	5,000			5,000
Cookers	1,000		4,700	4,700
Coastal Oils	4,000			4,000
Others	5,000	2,000	10,300	17,300
Totals	**22,000**	**13,000**	**15,000**	**50,000**

[19] Source: Chicago Board of Trade

[20] Source: Winnepeg Commodities Exchange

These quantities tend to confirm estimates from other sources of a total collection and availability of approximately 50,000 tonnes per annum of UCO in the Eastern States of Australia. The estimates are also consistent with a study conducted for the Sustainable Energy Authority of Victoria which reported that the amount of waste cooking oil recycled in the state of Victoria was in the range of 15–20,000 tonnes per annum. As a final cross-check, the quantity of UCO estimated to be available by state is in approximate proportion to the populations of those states.

To help secure reliable supply of UCO, we understand that ABG is in the process of acquiring one of the UCO aggregators, Scanline, based in Sydney. Scanline is one of the major UCO collectors in the Sydney basin area, with approx. 1800 direct collection points. In addition, Scanline buys UCO that is collected by others, mainly from areas outside Sydney, including Canberra. The Scanline business is built on providing a high level of service to its customers, and this appears to have resulted in strong relationships with cooking oil users. There is therefore every indication that Scanline would be able to continue to be an effective aggregator, hence supplier, of UCO. In addition, we understand that Scanline has relationships with UCO aggregators in other states, and may therefore be able to increase the volume of UCO that it can obtain.

Ownership of Scanline by ABG would underpin the capability to supply approx. 6,000 tonnes of UCO to the ABG plant in NSW. This is attractive to Scanline even on a stand alone basis, since the company would continue to receive in the range of $400-500 per tonne for its UCO, and will save the shipping and agents costs that it historically incurred on the majority of its UCO, which has been exported.

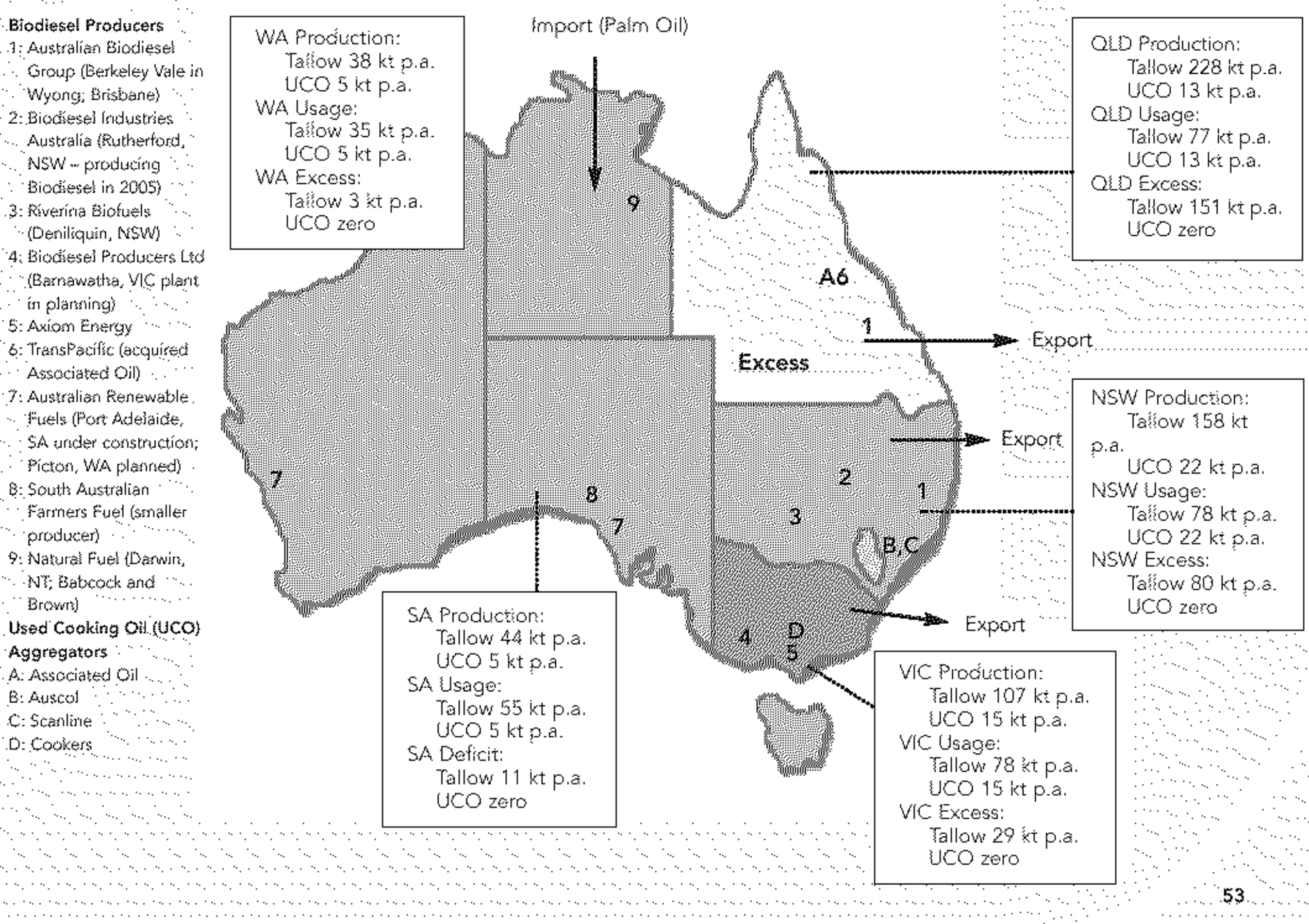
In summary, we expect that the waste edible oils industry (UCO) will continue to be a viable and growing business, and that the majority of UCO collected will be used as feedstock for Biodiesel operations throughout Australia as they come on stream.

4 ABG Feedstock Requirements

4.1 Feedstocks Availability and Usage

The chart below (Figure 20) provides a geographic overview of the expected production and usage of the 2 primary feedstocks across Australia, based on market estimates and information on planned Biodiesel operations.

Figure 20: Estimated Production and Usage of Tallow and UCO for Biodiesel Production (when planned plants at capacity)



It can be seen from the chart that all supplies of UCO are likely to be consumed largely in their states of origin, and we also know from data presented previously that available UCO will need to supplemented by other feedstocks to meet expected Biodiesel production demands. The chart also indicates that there is likely to be sufficient tallow produced in each state except South Australia to more than meet expected Biodiesel demand.

Table 4: Balance of Supply and Demand for Biodiesel Feedstocks in Australia

Historical Availability of Cheapest Biodiesel Feedstocks	Australian Production & Imports (tonnes per annum)
UCO	**50,000**
– Associated Oil	10,000
– Auscol	9,000
– Scanline	6,000
– Cookers	5,000
– Others	20,000
Tallow	**500,000**
– Historical domestic use	100,000
– Historical exports	400,000
New Palm Oil Imports (Natural Fuel, Darwin)	**120,000**
Total	**670,000**

Biodiesel Feedstock Usage (Known existing or planned production facilities)	Theoretical Annualised Capacity at end 2006 (tonnes)
– Australian Biodiesel Group	40,000 + 20,000[2]
– Biodiesel Industries Australia	20,000
– Riverina Biofuels	40,000
– Biodiesel Producers Ltd	53,000
– Axiom Energy	40,000
– TransPacific	70,000
– Australian Renewable Fuels	40,000 + 40,000
– South Australian Farmers Fuel	20,000
– Natural Fuel	120,000
– ECO-TEC (BMS)	30,000
Non-Biodiesel domestic tallow use	50,000
Total	**583,000**

Table 4 above demonstrates that there is likely to be sufficient overall supply of domestic feedstocks to meet the expected market Biodiesel requirements, based on knowledge of planned Biodiesel production at this point in time. It is important to note that actual usage for 2006 by these plants will be materially lower than the annualized capacity shown in Table 4 because a number of the proposed facilities will be still undergoing construction, testing or commissioning during 2006.

The forecast rise in Biodiesel production is likely to see exports of tallow decline, as this feedstock is preferentially absorbed into these domestic operations rather than shipped overseas.

In the event that domestic supplies of feedstocks are, for some unforeseen reason, limited, then there are ample supplies of crude palm oil and/or palm stearin available from Malaysia, Indonesia and Papua New Guinea, albeit potentially at a premium price to domestic UCO and tallow.

4.2 Feedstock Demand Forecast

As previously noted ABG have entered into a supply contract with Gardner Smith for 50% of the required feedstock tonnages needed at both the New South Wales and Queensland operations.

The feedstock requirements of ABG for calendar year 2006 which are contained in the prospectus financial model dated October 10th 2005 are shown in Table 5.

2 Forecast ABG production at Narangba in 2006 – total capacity is 160,000 tonnes

Table 5: ABG Feedstock requirements for 2006

Berkeley Vale (NSW)	Tonnes	Percentage
Used cooking oil (UC0)	15,973	43.5%
Tallow	17,256	47.1%
New (Vegetable) Oil	3,423	9.3%
Total	**36,652**	**100%**

Brisbane (QLD)*	Tonnes	Percentage
Tallow	20,305	100%

For Berkeley Vale, the proposed use of 15,973 tonnes of UCO represents approximately one third of the estimated total East Coast Australia availability and three quarters of the total supply of UCO estimated to be available from the NSW region. While this is a significant proportion of the available UCO, ABG will have secured approx. one third of its UCO requirements via its planned acquisition of the Scanline business. ABG has already utilised supplies of UCO from Victoria at its Berkeley Vale plant, but these suffer from the additional freight cost, as well as competition from more local Biodiesel production plants in Victoria.

Requirements for other feedstocks at Berkeley Vale (tallow, new vegetable oil) are small quantities relative to the market availability of those materials. For example, production of tallow in NSW is in excess of 100,000 tonnes per annum. Hence we see no issue in the availability of these feedstocks to meet ABG requirements.

For the Brisbane plant, the 2006 requirement of 20,000 tonnes of tallow represents approximately 10% of Queensland tallow exports and even less of Queensland's total tallow production. This requirement would therefore be considered to be easily addressed by local tallow supplies, and pricing should be at export parity level.

4.3 Pricing

4.3.1 Weighted Average Prices

With the capability of processing a variety of feedstocks, we understand that ABG will employ a philosophy of active feedstock management. This means that it will seek to be both strategic and opportunistic in the sourcing of its feedstock requirements. The 2006 financial forecasts have assumed a certain mix of feedstocks to be used for both plants as outlined previously in Table 5.

Feedstock costs assumed in the prospectus financial model for 2006 are shown in Table 6.

Table 6: ABG Feedstock Cost Assumptions for 2006

Feedstock	Price per tonne
Weighted avg price per tonne	$511.66
Freight cost per tonne	$22.30
Oil/tallow weighted standard price per tonne delivered	$533.96

The weighted average price per tonne used in the model is based on the expected mix of feedstocks to be used. Any change to the mix of different types of feedstocks used for production is likely to result in a different average feedstock cost. Hence, we need to point out that reducing the proportion of UCO (the lowest cost feedstock) in the feedstocks mix, should insufficient UCO be available, might result in a higher average feedstock cost.

4.3.2 New Oil

The prices of domestically produced vegetable oils for the human food chain are unlikely to make these oils (such as canola and sunflower) attractive for Biodiesel production. Imported crude palm oil and palm stearin may be attractively priced inputs from time to time, as may cottonseed oil and inedible vegetable oils. But all of these are likely to trade at a premium to the prices of UCO and tallow.

The historically cheapest supply of new oil is palm stearin. The 10 year average price for palm stearin is A$551 FOB Malaysia (refer to Table 7). ABG would need to allow approximately A$100/tonne freight to Australia and a further A$85 to allow for unloading, storage, delivery, insurance and shrink to Berkeley Vale. Consequently, a reasonable estimate for new oil based on palm stearin is A$736. The ABG model assumes a price which is slightly higher than this and is therefore conservative.

Table 7: Historical Average Prices for Palm Oil*

Price Statistic (AUD/tonne)	Palm Stearin (Malaysia FOB)
10 year average	A$551
5 year average	A$535

4.3.3 Used Cooking Oil

Prices for UCO in the Sydney area over the last 12 months are believed to have averaged approximately $400–500/tonne, and we understand that ABG has been purchasing supply at prices within this range. The ABG model assumes a price in this range for 2006 which therefore seems reasonable. In addition, it should be noted that ABG will secure approximately one third of its planned UCO requirements at a significant discount through its planned acquisition of Scanline. We understand that this acquisition is likely to proceed and is subject only to the successful IPO of ABG.

UCO is the cheapest feedstock for Biodiesel production, hence the one that will be most sought by the competing production facilities. Truck freight costs are likely to dictate that UCO will be used by the most local facility, for example ABG preferentially gaining UCO from the Sydney Basin. Competition for this feedstock input is expected to put some upward pressure on UCO prices over time. However this is unlikely to occur until all of the planned Biodiesel facilities reach their full operational capacity, which will not occur until well into 2007.

4.3.4 Tallow

All Biodiesel plants will be competing against the export market for tallow, and one would expect that export parity pricing would prevail. Due to the costs associated with port storage and handling, overseas shipping and the transport to the port location, export parity pricing at ABG plants should provide a discount to FOB export tallow prices. ABG's assumed price for tallow is conservative when compared with the 10 year average of A$462/tonne (refer to Table 8) allowing for some price volatility to occur as domestic demand rises.

Table 8: Historical Average Prices for Bleached Fancy Tallow

Price Statistic (AUD/tonne)	Bleached Fancy Tallow (Aust Delivered Into Store)
10 year average	A$462
5 year average	A$454

Source: Gardner Smith

4.3.5 Biodiesel Development in Australia

Tallow prices and other oils prices are linked to the international fats and oils market and ABG's 2006 requirements of 57,000 tonnes would not be significant enough to have an impact on international prices. However, the construction of Biodiesel production capacity in Australia by ABG and others, once it comes on stream, could be expected to have a significant local Australian impact on the availability of feedstocks such as UCO, tallow and certain non-edible oils.

In the case of UCO, ABG, together with other Biodiesel producers, is likely to absorb the majority of product that is currently collected. This in itself may impact local prices for UCO, which is currently seen as a waste product by the restaurants from which it is collected and who are more than happy to have the collectors take the oil away without paying for it. However, it is possible that UCO will increase in value to the point where collectors may have to pay their points of origin to gain the oil, which of course will increase the cost of UCO, leading to higher prices that are likely to be passed on to consumers such as Biodiesel producers.

Satisfying the total industry demand for tallow will require a significant switch from the export of tallow to local domestic consumption, which could cause existing export customers for tallow to bid up the price if other supplies were not readily available. For example, major export destinations for Australian tallow are China and India, where the product goes largely into soap making. Customers in these markets do not currently have the option to replace Australian tallow with tallow from North America due to restrictions based on BSE, although this situation may change.

4.3.6 Global Price/Supply Risks

It is to be expected that international tallow prices will continue to follow their historical pattern of significant fluctuation, and in fact volatility could increase based on the factors related to Australian tallow exports outlined above and the longer term growth of the Biodiesel industries in other countries.

Other risks that should be noted include:

- A crop failure in the palm oil sector would be expected to have a significant impact on both palm oil and tallow prices
- Tallow, as a by-product of meat processing, could be impacted by external shocks to the meat production industry associated with animal disease issues, such as BSE.

4.3.7 Other Cost Considerations

The lowest cost supply of feedstock at any particular time is likely to come from a supplier who has an excess quantity of material, which may need to be 'disposed' of in a timely fashion, and who is prepared to offer a 'spot price' that might be lower than the prevailing market price. This situation is particularly likely to occur with waste materials such as UCO and off-spec vegetable oils. Hence, to access such lower cost feedstocks, adequate storage is required to be able to take delivery of the appropriate quantity at short notice.

We understand that storage for feedstock at Berkeley Vale is limited to about 4 days supply. We recommend that ABG review investment in expanded storage capacity for the future, which could also include off-site storage locations, for example with Gardner Smith (although this would incur extra handling costs). In this regard, the proposed acquisition of the UCO supplier Scanline, with facilities located at Riverstone in the western suburbs of Sydney, would increase total ABG storage capability.

5 Conclusion

5.1 Overall Assessment

This report contains details of the supply of various feedstocks likely to be available to ABG for the production of Biodiesel at its existing and proposed production facilities in NSW and Queensland. In particular the report has focused on the international and local supply markets for tallow, used cooking oil (UCO) and vegetable oils (such as palm oil). We have also noted the supply agreements that are in place with Gardner Smith.

Our conclusion is that adequate supplies of the these feedstocks will be available to meet ABG requirements in 2006. Increased imports of palm oil are likely to be available to supplement domestic supplies of UCO and tallow if required to meet overall industry feedstock requirements. In this respect, the capability of the ABG production process to accept various alternative feedstocks is an inherent advantage.

In regard to the forecast financial model, the assumed 2006 weighted average price for feedstock of $511/tonne appears reasonable given the assumed mix of feedstock to be used by ABG and the expected costs of these feedstocks in 2006.

Any change to the mix of different types of feedstocks used for production is likely to result in a different average feedstock cost which could be higher or lower depending on the mix. We should also note the potential price volatility of the various feedstocks based on both global fats and oils trading and local market demands, as outlined in 4.3.5 and 4.3.6.

In summary therefore we assess that there are more than adequate volumes of feedstocks available in the Australian domestic market to meet ABG's 2006 prospectus forecast, although not necessarily in the exact mix that has been modelled. Feedstock prices should remain relatively stable during the 2006 period, although UCO unit prices may rise during the year (as it becomes more in demand) and tallow prices will remain subject to movements in the international fats and oils market, which is currently forecast to remain 'flat'.

5.2 Statement of Independence

This is an independent report produced by the The Initiatives Group Pty Limited. TIG does not have any interest in the outcome of this Initial Public Offering, other than in the connection with the preparation of this report and participation in the due diligence process for which normal professional fees will be received. The payment of any fees is not contingent upon the outcome of the prospectus.

5.3 Sources & Integrity of Data

The data and information used in this report has been obtained from Australian and internationally recognised sources, as well as discussions and interviews with market participants and experts in their field. Key information sources are noted separately in the List of References. The data used are believed to be correct at the date of preparation of this report, and best endeavours have been used to validate the data used. However, no warranty of accuracy can be given to the data contained in this report and obtained from the sources provided.

References

The following sources and organisations were referred to in the development of this report:

- Australian Bureau of Agricultural and Resource Economics (ABARE) Australian Commodities Reports (March 2004, December 2004, 2005)
- Australian Oilseeds Federation (http://www.australianoilseeds.com/)
  - Australian Oilseeds Federation Crop Report: Industry Facts & Figures
  - Australian Oilseeds Federation Forum presentation (6 October 2004)
- BAA Response to Biofuels Taskforce by Adrian Lake
- Biomass Energy Services and Technology (prepared for Sustainable Energy Authority of Victoria), 15 September 2004
- Chicago Board of Trade (http://www.cbot.com)
- Gardner Smith Pty Ltd
- Jacobsen Fats and Oils Bulletins: 20/9/2005 & 21/9/2004
- Malaysian Palm Oil Board – Economics and Industry Development Division (http://econ.mpob.gov.my)
- Meat and Livestock Australia (MLA)
  - MLA Coproducts monitor, July 2005
  - MLA Market news, 14 September 2004
  - MLA Australian Cattle Industry Projections – Mid Year Update 2005
  - MLA Offal Yield Spreadsheet
- Nutrition Service Associates Pty Ltd
- Riverland Oilseed Processors Presentation: 'Feedstock options for Biodiesel production'
- Scanline Pty Ltd
- 'The Role of Palm Oil in the Global Demand and Supply Equation' by Dr Yusof Basiron, Director General of the Malaysian Palm Oil Board
- Trans Pacific Investor Presentation, July 2005
- United Nations Food and Agriculture Organisation (UN FAO) Statistics Database (http://www.fao.org/)
- Winnipeg Commodities Exchange (http://www.wce.ca/)

9 Financial Services Guide and Independent Accountant's Report in relation to the Offer of Australian Biodiesel Group Ltd

PKF

PKF Investment Services Pty Ltd
Level 6
120 Edward Street
Brisbane QLD 4000

Part 1 – Financial Services Guide relating to Independent Accountant's Report

dated 31 October 2005

PKF Investment Services Pty Ltd

PKF Investment Services Pty Ltd ('PKF Investment Services', or 'we', 'us', or 'our') has been engaged by Australian Biodiesel Group Pty Ltd to provide general financial product advice in the form of an independent accountant's report in relation to the pro forma and forecast financial information for inclusion in the Prospectus to be provided to you ('Report').

Purpose of Financial Services Guide

This Financial Services Guide provides important information to assist retail clients in their decision making as to their use of the general product advice provided in the Report. This guide also provides information about us, our services, how we are remunerated and our dispute resolution processes.

Authorised Financial Product Advice

Under our Australian Financial Services Licence (Licence No: 246885) we are authorised to provide financial product advice and deal in financial products for the following classes of financial products:

i) deposit and payment products limited to basic deposit products and deposit products other than basic deposit products;

ii) derivatives limited to old law securities, options, contacts and warrants;

iii) debentures, stocks or bonds issues or proposed to be issued by a government;

iv) life products including:
   a) investment life insurance products as well as any products issued by a registered life insurance company that are backed by one or more of its statutory funds; and
   b) life risk insurance products as well as any products issued by a registered life insurance company that are backed by one or more of its statutory funds;

v) interests in managed investment schemes including investor directed portfolio services;

vi) retirement savings accounts products (within the meaning of the Retirement Savings Account Act 1997);

vii) securities; and

viii) superannuation

General Financial Product Advice

The Report is in the nature of general product advice. We have been engaged by Australian Biodiesel Group Pty Ltd and have not been engaged directly by you, however, you will be provided with a copy of the Report as a retail client due to your connection with the matters dealt with in the report. The Report does not take into account your personal objectives, financial position or needs.

In considering the appropriateness of the advice you should take into consideration your own personal objectives, financial position and needs and you should read the other information provided to you with the Prospectus. You should seek your own professional advice as it relates to you.

Complaints

We have a formal system for handling complaints from persons to whom we provide financial advice. All complaints should be put in writing to PKF Investment Services Pty Ltd at GPO Box 1078, Brisbane, Qld, 4001, and we will attempt to resolve the complaint quickly and fairly. If you do not get a satisfactory outcome we will enter into a formal mediation process with you. If after 45 days your complaint remains unresolved, the complaint can be referred to the Financial Industry Complaints Service Limited of which we are a member.

The address is:

Financial Industry Complaints Services Limited
PO Box 579
Collins Street West
Melbourne VIC 8007

Remuneration for Advice

Our fees are charged in accordance with a written engagement letter between PKF Investment Services and the entity that engaged us. Fees are charged on either a fixed fee basis or a time cost basis. Our fees in connection with the preparation of the Report are set out in section 11.8 of the Prospectus.

Other than the fees mentioned above and disclosed in our report, no director, employee or associated entity will receive any remuneration or other benefit, directly or indirectly, in connection with the Report.

Associations with the product issuers

PKF Investment Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of its business.

Contact details for PKF Investment Services

PKF Investment Services Pty Ltd
Level 6
120 Edward Street
Brisbane QLD 4000
Tel: (07) 3226 3555

31 October 2005

The Directors
Australian Biodiesel Group Pty Ltd
Level 13
56 Berry Street
North Sydney NSW 2060

PKF Investment Services Pty Ltd
Level 6
120 Edward Street
Brisbane QLD 4000

Dear Directors

Independent Accountants Report

PKF Investment Services Pty Ltd ('PKF IS') has been engaged by Australian Biodiesel Group Pty Ltd to prepare this report for inclusion in a Prospectus to be issued in respect of an offer to the public to subscribe for 20 million shares of Australian Biodiesel Group Pty Ltd.

This Prospectus is to be dated on or about 31 October 2005.

Expressions defined in the Prospectus have the same meaning in this review report.

Financial Information

This report covers the historical, pro-forma historical and forecast financial information included in the Prospectus in Section 6.

Historical Financial Information

The historical financial information as set out in Section 6 of the Prospectus comprises:

- abbreviated unaudited Balance Sheet and Notes of Australian Biodiesel Group Pty Ltd as at 1 July 2005; and
- Summary of Significant Accounting Policies used in the preparation of the financial statements.

The Directors of Australian Biodiesel Group Pty Ltd are responsible for the preparation and presentation of the historical financial information.

The historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian equivalents of International Financial reporting Standards ('AIFRS') applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ('Corporations Act').

Pro-forma historical financial information

The pro forma financial information as set out in Section 6 of the Prospectus comprises the unaudited pro forma:

- abbreviated Balance Sheet and Notes of Australian Biodiesel Group Pty Ltd at 30 June 2005,
- Summary of Significant Accounting Policies used in the preparation of the pro forma unaudited Balance Sheet set out in Section 6.7.

The pro forma historical Balance Sheet has been presented based on the unaudited financial position of Australian Biodiesel Group Pty Ltd at 1 July 2005, after adjusting for the significant subsequent and pro forma transactions occurring after 1 July 2005 to the date of this report described in Section 6.6 of the Prospectus.

The Directors of the Australian Biodiesel Group Pty Ltd are responsible for the preparation and presentation of the pro forma financial information, including the determination of the pro forma transactions.

The pro forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Forecast financial information

The Directors' forecast is set out in section 6.3 of the Prospectus and comprises the;

- forecast financial performance of Australian Biodiesel Group Pty Ltd for the year ending 31 December 2006 and the six months ending 31 December 2005;

The Directors of Australian Biodiesel Group Pty Ltd are responsible for the preparation and presentation of the Directors' forecast, including the best-estimate assumptions on which the Directors' forecast is based, and the sensitivity of the Directors' forecast to changes in key assumptions.

The Directors' forecast has been prepared by the Directors of the Australian Biodiesel Group Pty Ltd to provide investors with a guide to the potential future financial performance of Australian Biodiesel Group Pty Ltd based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. The Directors' best-estimate assumptions underlying the Directors' forecast are set out in Section 6.4 of the Prospectus.

There is a considerable degree of judgment involved in the preparation of any forecast. Consequently, the actual results of Australian Biodiesel Group Pty Ltd during the forecast period may vary materially from the Directors' forecast, and that variation may be materially positive or negative.

The sensitivity of the Directors' forecast to changes in key assumptions is set out in Section 6.5 of the Prospectus and the risks to which the business of Australian Biodiesel Group Pty Ltd is exposed are set out in Section 10 of the Prospectus. Investors should consider the Directors' forecast in conjunction with the analysis in those sections.

The Directors' forecast is presented in an abbreviated form insofar as it does not include all of the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act.

Scope

Review of historical financial information

We have reviewed the historical financial information in order to report whether anything has come to our attention which causes us to believe that the historical financial information, as set out in Section 6.6 of the Prospectus does not present fairly the statement of financial position of Australian Biodiesel Group Pty Ltd as at 1 July 2005 in accordance with the recognition and measurement principles prescribed in the AIFRS and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Australian Biodiesel Group Pty Ltd as disclosed in Section 6.7 of the Prospectus.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 'Review of Financial Reports'. We made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances, including:

- analytical procedures on the historical financial information
- a review of work papers, accounting records and other documents kept by Australian Biodiesel Group Pty Ltd;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Australian Biodiesel Group Pty Ltd disclosed in Section 6.7 of the Prospectus, and
- enquiry of Directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review of pro forma historical financial information

We have reviewed the pro forma historical financial information in order to report whether anything has come to our attention which causes us to believe that the pro forma financial information, as set out in Section 6.6 of the Prospectus, has not been presented fairly:

- on the basis of the transactions occurring after 1 July 2005 to the date of this report and the pro forma transactions described in Section 6.6 of the Prospectus; and
- in accordance with the recognition and measurement principles prescribed in AIFRS and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Australian Biodiesel Group Pty Ltd disclosed in Section 6.7 of the Prospectus.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 'Review of Financial Reports'. We made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances, including:

- a review of the transactions occurring after 1 July 2005 to the date of this report and the pro forma transactions used to adjust the historical financial information;
- a review of the work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Australian Biodiesel Group Pty Ltd disclosed in Section 6.7 of the Prospectus; and
- enquiry of Directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review of Directors' forecast and Directors' best-estimate assumptions

We have reviewed the Directors' forecast, set out in Section 6.3 of the Prospectus, and the Directors' best-estimate assumptions underlying the forecast, set out in Section 6.4 of the Prospectus, in order to report whether anything has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the Directors' forecast;
- the Directors' forecast is not properly complied on the basis of the Directors' best-estimate assumptions or presented fairly in accordance with the recognition and measurement principles prescribed in AIFRS and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Australian Biodiesel Group Pty Ltd disclosed in Section 6.7 of the Prospectus; and
- the Directors' forecast itself is unreasonable.

Our review has been conducted in accordance with the Australian Auditing Standard AUS 902 'Review of Financial Reports'. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary.

Our review of the Directors' forecast and the Directors' best-estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Directors' forecast or the Directors' best estimate assumptions.

Review statements

Review statement on the historical financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in Section 6.6 of the Prospectus, does not present fairly the historical statement of financial position of Australian Biodiesel Group Pty Ltd as at 1 July 2005 in accordance with the recognition and measurement principles prescribed in the AIFRS and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Australian Biodiesel Group Pty Ltd disclosed in Section 6.7 of the Prospectus.

Review statement on the Pro-forma financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information, as set out in Section 6.6 of the Prospectus, has not been presented fairly:

- on the basis of the transactions occurring after 30 June 2005 to the date of this report and the pro forma transactions, set out Section 6.6 of the Prospectus; and
- in accordance with the recognition and measurement principles prescribed in the AIFRS and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Australian Biodiesel Group Pty Ltd disclosed in Section 6.7 of the Prospectus.

Review statement on the Directors' forecast and Directors' best-estimate assumptions

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions, as set out in Section 6.4 of the Prospectus, when taken as a whole, do not provide reasonable grounds for the preparation of the Directors' forecast;
- the Directors' forecast, set out in Section 6.3 of the Prospectus, is not properly compiled on the basis of the Directors' best-estimate assumptions or presented fairly in accordance with the recognition and measurement principles prescribed in the AIFRS and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Australian Biodiesel Group Pty Ltd disclosed in Section 6.7 of the Prospectus; and
- the Directors' forecast itself is unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of Australian Biodiesel Group Pty Ltd. If events do not occur as assumed, actual results achieved by Australian Biodiesel Group Pty Ltd may vary significantly from the Directors' forecast. Accordingly, we do not confirm or guarantee the achievement of Directors' forecast, as future events, by their very nature, are not capable of independent substantiation.

Emphasis of matter in relation to AIFRS

Without qualification to the above statement, attention is drawn to the fact that adjustments to the selection and application of AIFRS accounting policies may be necessary between the date of this report and the date of first complete AIFRS financial report for the reporting period ending 31 December 2006 for Australian Biodiesel Group Pty Ltd. Such adjustments may be required to reflect the effects of changes in financial reporting requirements that are relevant to the first complete AIFRS financial report, prepared by Australian Biodiesel Group Pty Ltd, arising from new or revised standards or interpretations issued by the Australian Accounting Standards Board subsequent to the date of this report. Adjustments to the application of AIFRS and accounting policies may also be necessary to reflect the effects of changes to the operations Australian Biodiesel Group Pty Ltd, or additional guidance on the application of AIFRS in a particular industry, or to a particular transaction.

Independence

PFK IS does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and participation in due diligence procedures for which professional fees will be received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully

J E F Frayne

Director

10 Investments Risks

10.1 General Risk Factors

The Company's operations are subject to a number of risks which may have an impact upon its future performance. Before subscribing for Shares offered by this Prospectus, prospective investors should carefully evaluate the Company business.

Prospective investors in the Company should consider the risk factors described in this section, together with the information contained elsewhere in this Prospectus before deciding whether to apply for Shares.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval, and war may have an impact on prices, operating costs and market conditions generally. Accordingly, ABG's future revenue and operations can be affected by these factors which are beyond the control of the Company.

Any of the factors identified below or a combination of all of them in the future could materially affect the performance of the Company and the market price of the Shares. The risk factors set out below are not exhaustive. Investors should examine the full contents of this Prospectus and may wish to consult their financial or other advisors before deciding to subscribe. An investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which the Shares will trade. An investment in the Company should be regarded as speculative. Any person who applies for Shares pursuant to this Prospectus does so in recognition of those factors.

Government Legislation Policy Changes

Revenue and expenditure of the Company may be affected by changes in international, federal, state, or local government laws, regulations or policies, or in taxation legislation.

Government legislation and policies are subject to review and change from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability.

The operation of the plants is subject to extensive environmental laws and regulations. Violations of these requirements could result in liabilities that affect the Company's financial condition.

Economic Factors

Factors beyond the control of the Directors that could affect the revenues and value of the Company include but are not limited to, inflation, currency fluctuation, interest rates, supply and demand of relevant inputs and outputs, and industrial disruption have an impact on operating costs, Biodiesel prices and the value of ABG's Shares.

10.2 Specific Risks

In addition to the general risks outlined above, there is a range of specific risks associated with the Company's business operations and its involvement in the production of Biodiesel. Potential investors in the Company should note the following additional risks prior to investing.

Development and Continuity of Operations

While the construction of the Company's first plant is now complete development of the second plant at Narangba in Queensland may be adversely impacted by numerous issues including, but not limited to, industrial disputes, cost overruns, changes to governmental approvals, licensing and approval processes and other unforeseen contingencies. Such issues could render development uneconomical and hence development would be at least suspended and possibly shut down.

Production Risks

There is a risk that one or both of the plants will not be able to achieve base case performance and that without appropriate management supervision this could lead to delivery and quality control difficulties, which may result in material adverse effects on the Company. The Company intends to minimise these risks by employing suitably qualified and skilled staff, and undertake suitable staff training, to ensure production is maintained at a high standard.

Biodiesel produced from tallow and used cooking oils during the winter months can be subject to crystallisation which may affect end user operating performances. The Company has mitigated this risk through feedstock production scheduling and specifically by forecasting the use of higher quality feedstocks such as canola oil during these winter months.

Dependence on Technology

The financial performance of the Company is ultimately dependent on the ability of its CTP technology to produce Biodiesel. Whilst the CTP technology has been in commercial operation at Berkeley Vale, the failure of the CTP technology to perform to the required level of operating consistency may have a material adverse affect on the Company.

Intellectual Property Risk

The Company has developed its CTP technology and is not aware of any intellectual property infringement. The risk remains that a third party may allege intellectual property infringement against the Company which would be likely to result in the Company incurring significant costs to assert or defend its rights in respect of its CTP technology. This risk may result in the suspension of the Company's operations in the production of Biodiesel.

Key Personnel and Management

The Company's success will, to a large extent, be dependent on the ability and experience of its Directors, executive management and employees. The company has put in place strategies that it feels will allow it to effectively lock in its key personnel for at least the next several years.

Current Competition

The introduction of new competitors or a more aggressive competitive response from existing participants may affect the operating performance of the Company.

Given the growth of the Biodiesel and biofuels markets, the market for these fuels will become increasingly competitive on both a local and global basis. There is no assurance that the Company will be able to compete successfully in such a marketplace and the increase in competition could adversely effect the earnings of the company.

Counterparty Risk

The Company has entered into a number of commercial agreements with third parties. There is a risk that the counterparties may not meet their obligations under those agreements. Commercial consequences are likely to flow from any non-observance of commercial obligations.

Biodiesel Prices

The price the Company receives for its Biodiesel is subject to market forces which are beyond the control of the Company. The Company monitors the stability and trends of market prices closely and where possible has and will negotiate agreements to reflect the movements in market prices and maintain underlying profit margins. However should the market prices for its products fall to uneconomical levels the financial performance of the Company will be materially adversely affected.

Raw Material Risk

The cyclical nature of the various feedstock markets may lead to volatile changes in raw material prices which may adversely affect the earnings of the Company. The business may also be adversely affected by the reduced availability of low cost feedstocks and an upward pressure on feedstock prices reflecting increasing competition for feedstocks from other Biodiesel producers. The business may also be affected if there are any shortages of supply of the raw materials required to manufacture Biodiesel.

Sales Risk

Based on actual demand and experience to date the Company believes there is market capacity to sell all its planned production. However, if the company fails to secure contracts for the uncontracted balance of its forecast production or the Company does not satisfy conditions in its offtake agreements, this may adversely effect the financial performance of the Company.

Operating Cost Risk

Operating costs are based on the companies experience however a variety of other factors outside of the Company's control may increase the operational costs of the plant.

Approvals

The Company has acquired all the appropriate approvals to operate the Berkeley Vale facility and the necessary approvals to date for the construction Narangba facility. However there is a risk that an authority from which an approval is required could cancel the Company's approvals or require the Company to undertake further studies, the consequence of which could be to either delay or increase the cost of the Narangba plant.

Additional Financing Requirements

The Directors expect that the proceeds of the Offer will provide sufficient capital resources to enable the Company to achieve its initial business objectives. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or further capital raisings and if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company, if at all.

Insurance

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in payment of a legitimate claim by the Company under an insurance policy.

Unforeseen Expenditure Risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

Fuel Excise Duty

Currently Biodiesel sold within Australia is subject to a government fuel excise of 38.41 cents per litre, however pursuant to the terms of the Cleaner Fuels Grant Scheme those companies that produce and sell qualifying Biodiesel are entitled to a rebate equal to the current excise charge.

This rebate is available until 2011 at which point the rebate rate will be reduced in five equal instalments such that by 2015 the maximum available grant will be 19.04 cents. There is no guarantee that this regulatory regime will remain in place until 2011 or beyond.

11 Additional Information

11.1 Company Balance Date

The Statutory accounts for the Company have historically been prepared for the year ended 30 June annually, however the Company has recently resolved to alter its reporting date to the 31 December annually.

11.2 Incorporation

The Company was incorporated in New South Wales on 3 May 2001 under the name Australian Biodiesel Consultancy Pty Ltd. On 3 February 2005, the Company changed its name to Australian Biodiesel Group Pty Ltd.

On 11 October 2005, the Company made an application to convert from a proprietary company to a public company which is expected to occur on 26 November 2005.

11.3 Rights and Liabilities attaching to Shares

There is only one class of share on issue in the Company being fully paid ordinary shares. The rights attaching to Shares are:

(a) set out in the constitution of the Company; and

(b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the SCH Business Rules and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

All Shares issued pursuant to this Prospectus will from the time they are issued, rank pari passu with all the Company's existing Shares.

Voting

Subject to any restriction on voting imposed due to a breach of the Listing Rules relating to restricted shares or any escrow agreement entered into by the Company and a member, every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, but, in respect of partly paid shares, shall have a fraction of a vote for each partly paid share.

A poll may be demanded before a vote is taken, or before or immediately after the declaration of the result of the show of hands by the chairperson of the meeting, by at least five Shareholders present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than five percent of the total voting rights of all those Shareholders having the right to vote on the resolution.

General Meeting and Notice

A Shareholder is entitled to a Notice of Meeting and to attend and vote, subject to any restrictions in the Corporations Act and Listing Rules on the voting, at any general meeting of the Company.

Dividends

Subject to the Corporations Act, the Listing Rules and any special rights or restrictions attaching to any Shares dividends are payable out of the Company's profits and may be paid by the Directors.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares, other than a market transfer, where permitted by the Listing Rules or the ASTC Settlement Rules. The Company must comply with such obligations as may be imposed on it by the Listing Rules and where appropriate the ASTC Settlement Rules in connection with any market transfer and may not prevent, delay or in any way interfere with the registration of a market transfer where to do so would be contrary to the provisions of any of the Listing Rules or the ASTC Settlement Rules.

Meetings and Notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Winding Up

Subject to any rights attached to any securities on issue in the Company, a liquidator may, with the authority of a special resolution of Shareholders divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to carried out as between the Shareholders. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other shares in respect of which there is any liability.

Shareholder Liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

The constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

If the Company is admitted to the Official List, notwithstanding anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

Variation of Rights

The rights attaching to any class of shares on issue in the Company may only be varied if the holders of 75% of the shares of that class on issue in the capital of the company consent to the variation in writing, or by special resolution passed at a meeting of the holders of shares of that class unless their terms of issue say otherwise.

New Share Issue

Subject to provisions of the Corporations Act and the Listing Rules, the Directors may issue, allot or grant options for, or otherwise dispose of, shares in the Company to any person at any time and on such terms and conditions as the Directors decide.

Small Shareholdings

The Directors may cause the Company to sell the Shares of a Shareholder who holds less than a marketable parcel of shares. The Directors may only sell those shares which comprise less than a marketable parcel after they have given notice to those shareholders holding less than a marketable parcel and invited them to elect either for the application or non-application of this power of sale on each occasion Directors choose to apply that power. This power of sale may only be applied once in any 12 month period.

Forfeiture for non-payment of a call (if any)

Shares for which only part of the issue price has been paid are liable to forfeiture by the Company. If a Shareholder fails to pay a call or any other amounts payable in respect of a Share after having been given notice of the amount payable and the date by which it must be paid and the amount is not paid by that due date, the Directors may by resolution forfeit those shares in respect of which notice was given. A forfeited Share becomes the property of the Company and the Directors may sell, re-issue or otherwise dispose of that Share however they decide.

Lien on Shares

Subject to the provisions of the Corporations Act and the Listing Rules, the Company has a lien on any shares for which the issue price is not fully paid and on all dividends payable on that share and any proceeds of sale of that share (as applicable) if a shareholder fails to pay a call that is payable on the Share by the due date for payment. Those Shares over which the Company holds a lien may, subject to 14 days notice, stating the amount and demanding its payment, be sold as the Directors decide if payment has not been made in the amount and by the due date specified in the notice.

Directors

There must be a minimum number of 4 Directors and a maximum number, which may be fixed by the Directors, which must not exceed 9 unless Shareholders in general meeting resolve otherwise.

At every annual general meeting of the Company, one third of the Directors (other than the Managing Director) must retire from office, and may offer themselves for re-election. Any Director who has held office for 3 years or more must retire from office by rotation at the conclusion of the third annual general meeting after the date on which that Director was elected or re-elected.

A retiring Director is eligible to and may stand for re-election.

Indemnity and Insurance

Subject to the provisions of the Corporations Act, the Company must indemnify current and past Directors, Secretaries and Executive Officers of the Company and of any of its subsidiaries against liability incurred by those persons in the course of the performance of their obligations in that capacity to the Company. Subject to the provisions of the Corporations Act, the Company may at its cost purchase and maintain a policy of insurance in respect of those persons.

11.4 Summary of Material Contracts

In the opinion of the Directors, the contracts summarised below together with the consultancy and employment contracts are material to the terms of the Offer and the operations of the Company's business and as such are believed to be relevant to potential investors in the Company.

Feedstock Agreement

By agreement dated 15 September 2005 between the Company and Gardner Smith, Gardner Smith has agreed to supply a minimum of 50% of the feedstock requirements of the Company with a discretion to supply the full feedstock requirements of the Company on a cost plus basis.

The agreements are for a term of three years from the date of Gardner Smith first supplying feedstock under this agreement. Provided Gardner Smith does not breach its obligations, the Company agrees to acquire its feedstock from Gardner Smith.

Off-take Agreement – Bingo Petroleum

By agreement dated 14 October 2005 between the Company and Bingo Petroleum Pty Ltd, the parties have agreed that the Company will manufacture and supply and Bingo Petroleum Pty Ltd may take up to 15 million litres per annum of Biodiesel. The terms of supply of Biodiesel are cash or telegraphic transfer on delivery of a quantity of Biodiesel.

The agreement is for a term of 2 years from the first supply of Biodiesel. The price payable under the agreement for a supply of Biodiesel is the terminal gate price less a discount. The agreement contains warranties and indemnities that are usual and customary for an agreement of this kind.

Off-take Agreement – Neumann Petroleum

By agreement dated 26 October 2005 between the Company and Neumann Petroleum, the parties have agreed that the Company will manufacture and supply and Neumann Petroleum may take up to 20 million litres per annum of Biodiesel. The terms of supply of Biodiesel are cash or telegraphic transfer on delivery of a quantity of Biodiesel.

The agreement is for a term of 18 months from the first supply of Biodiesel. The price payable under the agreement for a supply of Biodiesel is calculated using a market quoted price of crude oil per $US/bbl less an agreed discount.

The agreement contains warranties and indemnities that are usual and customary for an agreement of this kind.

Off-take Agreement – Ruttley Freightlines Pty Ltd

By agreement between the Company and Ruttley Freightlines Pty Ltd, the parties have agreed that the Company will manufacture and supply and Ruttley Freightlines Pty Ltd may take up to 15 million litres per annum of Biodiesel. The terms of supply of Biodiesel are cash or telegraphic transfer on delivery of a quantity of Biodiesel.

The agreement is for a term of 1 year from the first supply of Biodiesel with an option for an additional 1 year term. The price payable under the agreement for a supply of Biodiesel is the terminal gate price less a discount.

The agreement contains warranties and indemnities that are usual and customary for an agreement of this kind.

Construction Management Contract – Narangba Plant

ABG has entered into a construction management contract with Bodera Pty Ltd ('Bodera') dated 22 September 2005.

The agreement is a management contract for the construction of the plant, storage tank, office, storage shed, access roads, car parking, drainage and containment works and landscaping at 195–199 Potassium Street, Narangba Queensland.

The term is for the period ending upon the successful completion of the construction works at the Narangba facility. ABG is responsible for the design of the works as well as obtaining all necessary approval, easements, assessments and charges required for the works.

Bodera will provide ABG with an estimate of the fees due to Bodera at nominated times during the construction stage. In addition ABG will pay Bodera on an hourly basis for the work undertaken by the Construction Manager at a rate of $70 per hour up to a maximum of $600 per day.

Scanline Share Acquisition

ABG has entered into a legally binding agreement to negotiate in good faith to acquire the issued shares in Scanline Pty Ltd (Scanline) for $4.2million.

ABG and Scanline have agreed to negotiate in good faith to enter into a formal Share Sale and Purchase Agreement with respect to the acquisition transaction. Entry into and completion of the Share Sale and Purchase Agreement is conditional on:

- The shares in the Company being quoted on the ASX by 1 January 2006;
- Richard Saliba signing an executive employment contract with ABG for a term of 2 years in a form acceptable to Mr Saliba under which he will appointed as Managing Director and be paid an annual salary package of $200,000 per annum;
- Ryan Williams entering into an employment agreement with ABG for a term of 2 years in a form acceptable to Ryan Williams under which Mr Williams will be paid an annual salary package of $100,000; and
- A formal lease being entered into with Richard Saliba on terms including:
- The annual rental being $200,000 per annum plus GST and outgoings;
- The term of the lease being 5 years with multiple 5 year option periods with regular market reviews; and
- There being an option or right of first refusal to purchase the property at market value.

ABG is to pay a non refundable deposit of $210,000.

Executive Employment Agreement – Dr Leonard Humphreys

Dr Leonard Humphreys has entered into a formal employment agreement with the Company under which Dr Humphreys is appointed to act as Chief Executive Officer of the Company with specific responsibilities in relation to the Company. This agreement runs for a period of 3 years. Termination of the agreement must be on 6 months notice in writing by either party.

The Company is to pay an annual remuneration package comprising:

- salary of $250,000 per annum (inclusive of statutory superannuation entitlements);
- cash performance bonus equal to $125,000 per annum payable on the achievement of individual key performance indicators and the Company's performance over the proceeding 12 month period; and
- an equity performance bonus equal to $125,000 or a proportion of that amount per annum on the terms of an executive performance plan to be established by the Board under which options with an aggregate exercise price up to that value will be granted.

Dr Humphrey's duties specifically include responsibility for the day to day business and operations of the Company. The agreement contains terms designed to protect the Company's existing and developed intellectual property and to secure its confidential information.

The agreement contains a restrictive covenant which operates for a period of up to 24 months following the end of this agreement.

Employment Agreement – George Muirhead

George Muirhead has entered into a formal employment agreement with the Company under which Mr Muirhead is appointed to act as Managing Director Construction of the Company with specific responsibilities in relation to the Company. This agreement runs for a period of 3 years. Termination of the agreement must be on 6 months notice in writing by either party.

The Company is to pay an annual remuneration package comprising:

- base salary of $250,000 per annum (inclusive of statutory superannuation entitlements);
- cash performance bonus equal to 25% per annum of base salary (inclusive of all statutory entitlements) payable on the achievement of individual key performance indicators and the Company's performance over the proceeding 12 month period. This bonus may be elected as options to purchase shares in the Company. This election is to be at the employee's discretion;
- an equity performance bonus equal to 25% of the base salary or a proportion of that amount per annum on the terms of an executive performance plan to be established by the Board under which options with an aggregate amount of up to $62,500 will be granted.

Mr Muirhead's duties specifically include responsibility for the management and control of the construction elements of the Company's projects. The agreement contains terms designed to protect the Company's existing and developed intellectual property and to secure its confidential information.

The agreement contains a restrictive covenant which operates for a period of up to 24 months following the end of this agreement.

Employment Agreement – Bevan Dooley

Mr Bevan Dooley has entered into a formal employment agreement with the Company under which Mr Dooley is appointed to act as Technical Director of the Company with specific responsibilities in relation to the Company. This agreement runs for a period of 3 years. Termination of the agreement must be on 6 months notice in writing by either party.

The Company is to pay an annual remuneration package comprising:

- base salary of $200,000 per annum (inclusive of statutory superannuation entitlements);
- cash performance bonus equal to 12.5% per annum of base salary (inclusive of all statutory entitlements) payable on the achievement of individual key performance indicators and the Company's performance over the proceeding 12 month period. This bonus may be elected as options to purchase shares in the Company. This election is to be at the employee's discretion;
- an equity performance bonus equal to 12.5% of the base salary or a proportion of that amount per annum on the terms of an executive performance plan to be established by the Board under which options with an aggregate amount up to $25,000 will be granted.

Mr Dooley's duties specifically include responsibility for managing and directing all of the technical activities of the Company with a view to achieving successful technical outcomes for existing and new Biodiesel production plants. The agreement contains terms designed to protect the Company's existing and developed intellectual property and to secure its confidential information.

The agreement contains a restrictive covenant which operates for a period of up to 24 months following the end of this agreement.

Deed of Indemnity, Insurance and Access

The Company has agreed to enter into a deed of indemnity, insurance and access ('Deed') with the Directors of the Company. Under the Deed the Company must indemnify its Directors against liabilities, costs and expenses to the extent permitted by the provisions of the Corporations Act in relation to the Directors discharge of their duties to the Company.

Under the provisions of the Deed, the Company must arrange and maintain directors and officers insurance during the Directors' period of office and for a period of 7 years after a Director ceases to hold office. Additionally, under the provisions of the Deed the Company must allow its Directors access to papers, documents and other information concerning the business and affairs of the Company while that Director holds an office of the Company and for a period of 7 years after the Director ceases to hold office.

SEDA Funding Agreement

The Company entered into a funding agreement with SEDA on 28 June 2002 in respect of the development of a Biodiesel plant at Berkeley Vale. Under the agreement, SEDA agreed to provide grant funding to the Company of $205,000 toward the total cost of the project.

SEDA may terminate the agreement in a number of circumstances including, if the Company fails to meet all conditions precedent (except those waived by SEDA) and if the Company defaults and fails to remedy the default.

If SEDA terminates the agreement the Company must repay the grant in full and immediately to SEDA. The grant funding has been secured by a charge over the Company's assets.

Sponsoring Broker Agreement

The Company and BBY Limited (BBY) have entered into a sponsoring broker agreement dated 12 July 2005 (Sponsoring Broker Agreement).

The Company appoints BBY to sponsor the Offer of 20,000,000 shares at the Issue Price under the Offer made in this Prospectus.

The Offer and allotment of Shares must be conducted in accordance with the timetable specified in the Prospectus, and otherwise in accordance with the provisions of the Corporations Act, Listing Rules and the Constitution of the Company.

The Company must pay to BBY:

- a sponsoring broker and placement fee of 4% of the total amount raised; and
- a management fee of 1% of the total amount raised.

The Company has also agreed to pay BBY an amount not exceeding $20,000 in respect of costs and expenses incurred by BBY in relation to the Offer.

Biodiesel research program letter of intent with University of Sydney

By letter of intent dated 14 October 2005 between the University of Sydney and the Company the parties have identified three projects involving the ongoing research and development into the production of Biodiesel in respect of which they propose to negotiate together formal terms of an agreement under which those research projects will be undertaken.

The letter of intent notes that contrary to the standing policies and practices of the University of Sydney, the parties will negotiate terms under which the intellectual property created out of the research projects will be owned exclusively by the Company.

11.5 Company Tax Status

The Directors expect the Company will be taxed in Australia as a public company.

11.6 Litigation

Other than as disclosed the Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

The Company is involved in a dispute with Mr Brian Beudecker. Apart from this dispute the Company is not involved in any other disputes, litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such disputes, proceedings or arbitration pending or threatened against the Company.

Beudecker has alleged a claim against the Company for remuneration payable by the Company pursuant to an alleged agreement of employment. He is also claiming expenses incurred by him on behalf of the Company while acting on behalf of the Company.

The Company is in negotiations with Mr Beudecker to resolve this dispute. The Company has not and does not intend to admit any liability with respect to the Beudecker dispute. If the Beudecker dispute is unable to be resolved, Mr Beudecker may issue legal proceedings. The Company believes that it has reasonable defenses to the present allegations made by Mr Beudecker. At this early stage it is not possible to meaningfully measure the effect of any legal proceedings commenced by Mr Beudecker.

11.7 Interests of Directors

Directors' Shares

At the date of this Prospectus the relevant interest of each of the Directors in the Shares of the Company are as follows:

Directors	Held Directly	Held Indirectly
Dr John Keniry	–	–
Dr Len Humphreys	–	17,229,740
Mr George Muirhead	–	20,195,213
Mr Bevan Dooley	11,143,415	–
Mr Warwick Richards	–	–
Ms Sarah Israel	–	–

Directors' Remuneration

The names and descriptions of the Directors of ABG are set out in the Corporate Directory and Section 5 of this Prospectus.

Non Executive Directors' fees to be paid by ABG following admission of the Company to the Official List are as follows:

Director	Directors' Fees
Dr John Keniry	$75,000 Base Fee plus $5,000 for any Board Committee involvement
Mr Warwick Richards	$40,000 Base Fee plus $5,000 for any Board Committee involvement
Ms Sarah Israel	$40,000 Base Fee plus $5,000 for any Board Committee involvement

The above amounts do not include statutory superannuation.

Non executive Directors' fees not exceeding an aggregate of $200,000 per annum have been approved by the Company in general meeting.

Interests of Directors

Other than as set out above or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

(a) the promotion or formation of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its promotion or formation or the Offer; or

(c) the Offer.

Except as set out above, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

(i) to induce them to become, or to qualify them as, a Director; or

(ii) for services rendered by them in connection with the formation or promotion of the Company or the Offer.

11.8 Interests of Persons Named

As at the date of this Prospectus, other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter or broker to the Company has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him in connection with the formation or promotion of the Company or the Offer.

PKF will receive professional fees of approximately $25,000 for accounting services in connection with this Prospectus including the provision of the Independent Accountant's Report.

HWL has acted as solicitors to the Company in providing general advice in relation to this Prospectus. In respect of these services performed, the Company has paid or will pay approximately $230,000. HWL have received the sum of $NIL for other professional services provided to the Company in the last two years.

Cardrona Capital Pty Ltd has acted as corporate advisors to the Company in providing general corporate advice in relation to this Prospectus. In respect of these services performed, the Company has paid or will pay approximately $275,000 to Cardrona Capital Pty Ltd. Cardrona Capital Pty Ltd have received the sum of $NIL for other professional services provided to the Company in the last two years.

BEST has acted as Independent Engineer to the Company in relation to this Prospectus. In respect of these services performed, the Company has paid or will pay approximately $107,000. BEST have received the sum of approximately $150,000 for other professional services provided to the Company in the last two years.

The Initiatives Group Pty Ltd will receive professional fees of approximately $39,000 for the provision of the Independent Feedstock Report. The Initiatives Group Pty Ltd have received the sum of $NIL for other professional services provided to the Company in the last two years.

BBY will receive a total commission of five percent of monies raised for acting as sponsoring broker to the issue as set out in this section of this Prospectus. BBY have received the sum of $NIL for other professional services provided to the Company in the last two years.

CCP will receive professional fees of approximately $90,000 for the provision of compliance advisory consulting services in relation to the IPO. CCP have received the sum of approximately $71,000 for corporate secretarial services provided to the company in the last two years.

11.9 Consents

Each of the parties referred to in this Section:

(a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in this Prospectus is based, other than as specified in this Section 11.9; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 11.9.

PKF Investment Services Pty Ltd has given its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

The Initiatives Group Pty Ltd has given its written consent to the inclusion in this Prospectus of its Independent Review of Feedstock Market Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Biomass Energy Services & Technology Pty Ltd (BEST) has given its written consent to the inclusion in this Prospectus of its Independent Biodiesel Process Verification Report and to all statements referring to that Report in the form and context in which they appear and has not withdrawn such consent before lodgementof this Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

(a) HWL, as the solicitors for ABG;

(b) Cardrona Capital Pty Ltd, as the corporate adviser to ABG;

(c) BBY Limited as the Lead Manager to the Offer;

(d) Link Market Services Limited, as the Share Registry to ABG;

(e) Corporate Compliance Partners as the compliance adviser and IPO project manager to the Company; and

(f) Grant Thornton as the Auditor of ABG.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

11.10 Taxation

The acquisition and disposal of Shares in ABG will have tax consequences, which will differ depending on the individual financial affairs of each Share holder. All potential investors in ABG are urged to take independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, ABG, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

11.11 Expenses of the Offer

The table below outlines the expenses of the Offer based on the Company achieving either the Minimum or Maximum Subscription levels

Cost	Minimum Subscription $	Maximum Subscription $
Accounting	27,500	27,500
Legal	230,000	230,000
Broker Costs	720,000	1,020,000
Corporate Advisory	275,000	275,000
Independent Expert Fees	153,500	153,500
ASIC and ASX Fees	85,000	85,000
Printing Costs	30,000	30,000
Other Costs	86,000	86,000
Total	**1,607,000**	**1,907,000**

11.12 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper prospectus lodged with the ASIC and the issue of Shares in response to an electronic Application Form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company at email: info@abgbiodiesel.com or telephone (02) 9245 0406 and ABG will send to you free, either a hard copy or a further electronic copy of the Prospectus or both.

ABG reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application monies received will be dealt with in accordance with Section 722 of the Corporations Act.

11.13 Restriction Agreements

The Listing Rules require that certain persons enter into restriction agreements under which they are restricted from dealing in a specified number of Shares in the Company held by them for 24 months from the date of quotation of those Shares. The restriction agreements will be in the form required by the Listing Rules and restrict the ability of those persons to dispose of, create any security interest in or transfer effective ownership or control of the Shares. Additionally, some shares will be voluntarily escrowed by certain parties, under similar restriction agreements with minor amendments.

12 Directors' Statement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 2 November 2005

Signed for and on behalf of the Company

Dr John Keniry
Chairman

13 Glossary

'ABG' or 'Company' means Australian Biodiesel Group Limited (ACN 096 687 839).

'Applicant' means a person who submits an Application.

'Application' means a valid application to subscribe for Shares.

'Application Form' means the application form attached to and forming part of this Prospectus.

'ASIC' means Australian Securities and Investments Commission.

'ASTC' means ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532).

'ASX' means Australian Stock Exchange Limited (ACN 008 624 691).

'Auditor' means Grant Thornton NSW.

'Board' means the Board of Directors of ABG unless the context indicates otherwise.

'Business Day' means a day other than a Saturday or Sunday on which banks are open for business in Sydney, New South Wales.

'CHESS' means ASX Clearing House Electronic Subregistry System.

'Cleaner Fuels Grant Scheme' means the scheme established under the Energy Grants (Cleaner Fuels) Scheme Act 2004.

'Closing Date' means 5 December 2005.

'Corporations Act' means the Corporations Act 2001 of Australia.

'Directors' means the board of directors of the Company as it is constituted from time to time.

'EBIT' means earnings before interest and tax.

'EBITDA' means earnings before interest, tax, depreciation and amortisation.

'Electronic Prospectus' means the electronic version of this Prospectus.

'EPA' means the Environmental Protection Authority.

'Exposure Period' means the period of seven days after lodgement of this Prospectus which may be extended by the ASIC by not more than seven days pursuant to section 727(3) of the Corporations Act.

'FOB' means 'free on board' and refers to transport costs whereby the 'goods' are shipped under a rate that includes costs of delivery to and the loading onto a carrier at a specified point.

'Independent Feedstock Report' means the report contained in Section 8 of this Prospectus.

'Independent Feedstock Expert' means The Initiatives Group Pty Ltd .

'Independent Accountant' means PKF Investment Services Pty Ltd.

'Independent Accountant's Report' means the report contained in Section 9 of this Prospectus.

'Independent Biodiesel Process Expert' means Biomass Energy Services & Technology Pty Ltd.

'ISO' means International Organisation for Standardisation.

'Issue Price' means $1.00 per Share.

'Issuer Sponsored' means shares issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

'Share Registry' means Link Market Services Limited.

'Lead Manager' means BBY Limited.

'Listing Rules' means the Listing Rules of the ASX.

'Minimum Subscription' means the subscription by shareholders to subscribe for a minimum of 14,000,000 shares under the Offer at $1 per Share.

'Maximum Subscription' means the subscription by shareholders to subscribe for a maximum of 20,000,000 shares under the Offer at $1 per Share.

'NPAT' means net profit after tax.

'Offer' means the offer to the public of 20,000,000 Shares at $1 to raise $20,000,000.

'Offer Period' means the period commencing on the Opening Date and ending on the Closing Date.

'Official List' means the Official List of the ASX.

'Official Quotation' means quotation of the Shares or New Options on the Official List.

'Opening Date' means 28 November 2005.

'Public Offer' means the Offer.

'Prospectus' means this prospectus dated 2 November 2005 in relation to the Offer, including the Electronic Prospectus.

'Share' means one fully paid ordinary share in ABG.

'Shareholder' means a holder of Shares.

'EST' means Sydney Time, New South Wales, Australia.

Pin cheque(s) here (do not staple)

AUSTRALIAN BIODIESEL GROUP LIMITED
ACN 096 687 839

Broker Code | Adviser Code

Public Offer Application Form

This is an Application Form for Shares in Australian Biodiesel Group Limited under the Public Offer on the terms set out in the Prospectus dated 2 November 2005. You may apply for a minimum of 2,000 Shares and multiples of 100 thereafter. This Application Form and your cheque or bank draft must be received by **5.00pm (Sydney time) on or before 5 December 2005.**

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for | Price per Share | Application Monies

A at **A $1.00** **B A$**

(minimum 2,000, thereafter in multiples of 100)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C

Applicant
Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2
Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D

TFN/ABN/Exemption Code
First Applicant | Joint Applicant #2 | Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box | Company | Partnership | Trust | Super Fund

PLEASE COMPLETE ADDRESS DETAILS

E

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F X

Please note: *that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.*

G

Telephone Number where you can be Contacted during Business Hours | Contact Name (PRINT)

Cheques or bank drafts should be made payable to "Australian Biodiesel Group Limited – Share Offer Account" in Australian currency and crossed "Not Negotiable".

H

Cheque or bank draft Number | BSB | Account Number

LODGEMENT INSTRUCTIONS You must return your application so it is received before 5.00pm on 5 December 2005 to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia

ABJ IPO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The shares to which this Application Form relates are Australian Biodiesel Group Limited shares. Further details about the shares are contained in the Prospectus dated 2 November 2005 issued by Australian Biodiesel Group Limited. The Prospectus will expire on 2 December 2006. While the Prospectus is current, Australian Biodiesel Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the shares. You should read the Prospectus before applying for shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares and thereafter in multiples of 100. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the holding statement of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Australian Biodiesel Group Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Australian Biodiesel Group Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Australian Biodiesel Group Limited's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B.

Make your cheque or bank draft payable to "Australian Biodiesel Group Limited – Share Offer Account" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. Pin (do not staple) your cheque or bank draft to the Application Form where indicated.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5.00pm (Sydney time) on 5 December 2005 at:

Australian Biodiesel Group Limited Share Offer
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235
AUSTRALIA

or

Australian Biodiesel Group Limited Share Offer
C/- Link Market Services Limited
Level 8, 580 George Street
SYDNEY NSW 2000
AUSTRALIA
[Do not use this address for mailing purposes]

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application.

Pin cheque(s) here (do not staple)

AUSTRALIAN BIODIESEL GROUP LIMITED
ACN 096 687 839

Broker Code Adviser Code

Public Offer Application Form

This is an Application Form for Shares in Australian Biodiesel Group Limited under the Public Offer on the terms set out in the Prospectus dated 2 November 2005. You may apply for a minimum of 2,000 Shares and multiples of 100 thereafter. This Application Form and your cheque or bank draft must be received by **5.00pm (Sydney time) on or before 5 December 2005**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for Price per Share Application Monies

A at **A $1.00** **B A$**

(minimum 2,000, thereafter in multiples of 100)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant
Surname/Company Name

C

Title First Name Middle Name

Joint Applicant #2
Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code
First Applicant Joint Applicant #2 Joint Applicant #3

D

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS
PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F X

Please note: *that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.*

Telephone Number where you can be Contacted during Business Hours Contact Name (PRINT)

G

Cheques or bank drafts should be made payable to "Australian Biodiesel Group Limited – Share Offer Account" in Australian currency and crossed "Not Negotiable".

Cheque or bank draft Number BSB Account Number

H

LODGEMENT INSTRUCTIONS You must return your application so it is received before 5.00pm on 5 December 2005 to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia

ABJ IPO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The shares to which this Application Form relates are Australian Biodiesel Group Limited shares. Further details about the shares are contained in the Prospectus dated 2 November 2005 issued by Australian Biodiesel Group Limited. The Prospectus will expire on 2 December 2006. While the Prospectus is current, Australian Biodiesel Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the shares. You should read the Prospectus before applying for shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares and thereafter in multiples of 100. You may be issued all of the Shares applied for or a lesser number.

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or

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[Do not use this address for mailing purposes]

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Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
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Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application.

Australian Biodiesel Group

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