



biodiesel doesn't cost the earth

7 June 2006

**ASX/Media Announcement – Corrected Version
(ASX: ABJ)**

ABG acquires oil crushing facility as part of feedstock management strategy

Australian Biodiesel Group Limited (ABG) today announced it will acquire an oil seed crushing facility in Moree, NSW, as part of the company's vertical integration strategy to better manage biodiesel feedstock costs and supply.

Purchased from Oleo Industries Pty Ltd, the asset acquisition includes land, buildings, crushing plant and equipment, and storage tanks. The facility has a potential processing capacity of up to 120,000 tonnes per annum, depending on the feedstock processed.

The facility will be acquired for a consideration of \$4.5 million, comprising \$3.25 million cash and \$1.25 million of ABG Limited shares, with the price per share based on a volume weighted average of company shares traded on the ASX for the 20 days immediately prior to the completion day. Completion is expected on 1 October 2006, allowing time for Oleo to fulfill existing commitments.

The acquisition is immediately earnings accretive to ABG (when compared to acquiring oil seed feedstocks on market at today's prices), with a payback period of three and a half years or less, depending on production volumes.

The facility is capable of crushing a variety of oil seeds, including cotton, sunflower and canola, all of which are suitable feedstocks for biodiesel production. At the facility's potential full capacity, oil yields from these seed varieties would range from 16,800 to 38,000 tonnes per annum.

ABG and Oleo have also established a provision to manage certain feedstocks to the mill, with the terms of the agreement reducing ABG's commercial exposure to the sale of the meal and hulls resulting from crushing. The feedstock agreement has an initial three year term.

ABG Limited Chief Executive, Dr Len Humphreys, said the crushing facility would supply the company's biodiesel production facilities at Berkeley Vale, NSW and Narangba, Queensland.

"The Oleo acquisition will assist ABG to manage the cost and supply of edible oil feedstocks, used to improve the cold pour properties of biodiesel during the winter months," Dr Humphreys said.

"The facility will also provide ABG with oil crushing competencies, which will become valuable as the company moves towards the production of biodiesel from non-edible oil plant species in the years ahead."

The Moree facility will be placed in ABG's feedstock management business unit, which also includes the Scanline used cooking oil aggregation operation.

Further information: Dr Len Humphreys, Chief Executive Officer, ABG Limited, Tel. 02 8908 4300

ABG Limited is Australia's leading commercial producer of biodiesel and a licensor of its biodiesel production technology. The company operates a 40 million litre per annum production facility at Berkeley Vale, north of Sydney, and will commission a 160 million litre per annum production facility at Narangba, north of Brisbane, during June 2006. Further information on ABG is available at www.abgbiodiesel.com

Oleo Holdings is an integrated rural processing and commodity marketing group. Oleo markets oil seeds, grains, protein meals and cotton seed products, from its marketing office at 175 Eagle St, Brisbane. Further information on Oleo is available at www.oleo.com.au