APPENDIX 4D

Current period				**Half-year ended 30 June 2006**
Prior corresponding period				**Half-year ended 30 June 2005**
Results for announcement to the market				$A'000
Revenue from ordinary activities	up	9,059%	to	6,503
Loss from ordinary activities after tax attributable to members	down	96%	to	(4,254)
Net loss for the period attributable to members	down	96%	to	(4,254)

	30 June 2006	31 December 2005
Net tangible assets per security (cents)	0.18	0.19

Note: Prior corresponding period comparatives have been restated for A-IFRS.

Australian Biodiesel Group Limited and Controlled Entities

Interim Financial Report

ABN 60 096 687 839

Half - Year Ended 30 June 2006

This interim financial report should be read in conjunction with the 31 December 2005 annual financial report.

Directors Report

Your directors submit the financial report on the company and its controlled entities for the half-year ended 30 June 2006.

Directors

The names of directors who held in office during or since the end of the half-year:

Mr Bevan Dooley	
Mr Russell Higgins	(Appointed 1 May 2006)
Dr Len Humphreys	
Ms Sarah Israel	
Dr David Iverach	(Appointed 18 April 2006)
Dr John Keniry	
Mr Warwick Richards	(Resigned 22 May 2006)

Review of Operations

The result for the Australian Biodiesel Group Limited (ABG) for the 6 months to 30 June 2006 was a loss of $4.3 million. No forecast for the period was made by the company. During the period, ABG recorded sales of 5.98 million litres of biodiesel. Revenue from biodiesel sales and resultant bi-product was $6.5 million.

ABG announced on 29 March 2006 that Transfield Pty Ltd had agreed to become a strategic investor in the company. Transfield agreed to acquire a 13% stake in ABG for a consideration of $17.036 million, purchased in a series of six tranches from April to September 2006. Transfield Investment's CEO, Dr David Iverach, was appointed to ABG's Board.

ABG agreed to a 24 million litre per annum fuel purchase agreement on 1 May 2006, with Queensland fuel distributor and retailer, Freedom Fuels. The agreement includes a minimum annual purchase by Freedom Fuel.

ABG reached agreement with Oleo Industries Pty Ltd on 7 June 2006 to acquire assets at Oleo's Moree vegetable oil crushing mill, at Moree in NSW. The acquisition will be for a consideration of $4.5 million, comprising $3.5 million in cash and $1.25 million in ABG Limited shares, and is due for completion on 1 October 2006.

Commissioning of ABG's second production facility at Narangba in Queensland commenced on 9 June 2006, in line with the forecast construction timetable. Fuel production and sales have now commenced at the Narangba plant.

ABG continued the development of projects in the North American market. The company continues to progress engineering, permitting, off take and supply arrangements for new biodiesel production facilities at two sites in the USA and one in Canada, with partner companies.

The capitalisation of AUD 1 million was attributed to the 3 projects and to the continued Investment of ABG in the Americas.

ABG widened its fuel distribution and customer education activities during the period, helping to expand its customer base. Fuel storage and distribution sites were established with Sydney, Melbourne and Brisbane metropolitan terminal providers.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the period:

- The company welcomed Transfield Pty Ltd as a strategic investor in ABG Limited. Transfield will take a 13% stake in the company, under a staged investment agreement to be completed by September 2006.
- The company commenced commissioning of its Narangba production facility. ABG Limited now has a total production capacity of 200 million litres, the largest of any Australian biodiesel manufacturer.

Directors Report (continued)

Significant Changes in the State of Affairs (continued)

On 3 January 2006 ABG acquired all the issued shares in Scanline Pty Ltd. Funds where deposited prior to 31 December 2005. Further details of the transaction can be found in note 2.

Dividends

No dividend was paid or proposed during the period.

Rounding of Amounts

The company has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1,000.

Auditor's Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 30 June 2006.

This report is signed in accordance with a resolution of the Board of Directors.

Dr. John Keniry
Chairman
Dated this 31st day of August 2006

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AUSTRALIAN BIODIESEL GROUP LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Australian Biodiesel Group Limited for the half-year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney 31 August 2006

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T +61 2 8297 2400
F +61 2 9299 4445
E info@gtnsw.com.au
W www.grantthornton.com.au

Grant Thornton NSW
ABN 25 034 787 757

Consolidated income statement for the half-year ended 30 June 2006

	Economic Entity	
	30 Jun 06	30 Jun 05
	$000	$000
Sales revenue	6,503	71
Cost of sales	(5,787)	(87)
Gross profit/(loss)	716	(16)
Other revenues	163	3
Sales and marketing expenses	(646)	(85)
Research and development expenses	(504)	(157)
Operating site expenses	(2,195)	(741)
Administration expenses	(1,702)	(1,175)
Finance costs	(13)	-
Loss before income tax	(4,181)	(2,171)
Income tax expense	(73)	-
Loss attributable to members of the parent entity	(4,254)	(2,171)
Basic loss per share (cents per share)	(3.81)	(134.52)
Diluted loss per share (cents per share)	(3.81)	(134.52)

The financial statements should be read in conjunction with accompanying notes.

Consolidated balance sheet as at 30 June 2006

	Economic Entity	
	30 Jun 06	31 Dec 05
	$000	$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,754	12,147
Trade and other receivables	4,024	3,043
Inventories	954	210
Other current assets	2,189	4,558
TOTAL CURRENT ASSETS	9,921	19,958
NON-CURRENT ASSETS		
Receivables	167	-
Property, plant and equipment	16,420	3,523
Intangible assets	2,745	30
Other non-current assets	1,094	-
TOTAL NON-CURRENT ASSETS	20,426	3,553
TOTAL ASSETS	30,347	23,511
CURRENT LIABILITIES		
Trade and other payables	3,554	1,832
Short-term borrowings	601	589
Current tax liabilities	169	-
Short-term provisions	892	314
Other current liabilities	511	-
TOTAL CURRENT LIABILITIES	5,727	2,735
NON-CURRENT LIABILITIES		
Long-term provisions	130	22
TOTAL NON-CURRENT LIABILITIES	130	22
TOTAL LIABILITIES	5,857	2,757
NET ASSETS	24,490	20,754
EQUITY		
Issued capital	32,882	24,892
Retained earnings	(8,392)	(4,138)
TOTAL EQUITY	24,490	20,754

The financial statements should be read in conjunction with accompanying notes.

Consolidated statement of changes in equity for the half-year ended 30 June 2006

	Share Capital				
	Issued Ordinary Share Capital	Convertible Notes	Preference Shares	Retained Earnings	Total
	$000	$000	$000	$000	$000
Balance at 1 January 2005	1,392	-	344	(1,286)	450
Net income recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(2,171)	(2,171)
Total recognised income and expenses for the period	-	-	-	(2,171)	(2,171)
Shares issued during the period	1,633	-	-	-	1,633
Notes issued during the period	-	1,332	-	-	1,332
Conversion of preference to ordinary shares	344		(344)	-	-
Balance as 30 June 2005	3,369	1,332	-	(3,457)	1,244
Balance at 1 January 2006	24,892	-	-	(4,138)	20,754
Share issue costs	(10)	-	-	-	(10)
Net income recognised directly in equity	(10)	-	-	-	(10)
Loss for the period	-	-	-	(4,254)	(4,254)
Total recognised income and expenses for the period	(10)	-	-	(4,254)	(4,264)
Shares issued during the period	8,000	-	-	-	8,000
Balance as 30 June 2006	32,882	-	-	(8,392)	24,490

The financial statements should be read in conjunction with accompanying notes.

Consolidated cash flow statement for the half - year ended 30 June 2006

	Economic Entity	
	30 Jun 06	30 Jun 05
	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,243	21
Payments to suppliers and employees	(10,268)	(1,290)
Interest received	163	-
Finance costs	(13)	(23)
Income tax refund	96	-
Net cash used in operating activities	(3,779)	(1,292)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,899)	(445)
Payments for development and US project related costs	(1,612)	-
Prepayments for business acquisition	(1,033)	-
Overdraft in business acquired	(30)	-
Net cash used in investing activities	(13,574)	(445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	8,000	2,965
Costs associated with share issue	(10)	-
Proceeds from borrowings	274	-
Repayment of borrowings	(304)	-
Net cash provided by financing activities	7,960	2,965
Net (decrease)/increase in cash held	(9,393)	1,228
Cash at the beginning of the period	12,147	45
Cash at the end of the period	2,754	1,273

The financial statements should be read in conjunction with accompanying notes.

Notes to the financial statements for the half – year ended 30 June 2006

1. Basis of preparation

The half-year consolidated financial statements are a general-purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year 31 December 2005 and any public announcements made by Australian Biodiesel Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The same accounting policies and methods of computation are followed in the half-year report as compared with the annual report for the year ended 31 December 2005. The accounting policies have been consistently applied. There is no seasonality or cyclicality in the operations of the group.

Reporting Basis and Conventions
The half-year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

2. Acquisition of Subsidiary

On 3 January 2006 ABG acquired all the issued shares in Scanline Pty Ltd. Funds were deposited prior to 31 December 2005. Details of the transaction are as follows:

	$'000
Purchase consideration	4,200
Acquisition costs	51
	4,251
Assets and liabilities held at acquisition date:	
Cash	(30)
Receivables	82
Inventory	9
Property, plant and equipment	2,568
Creditors and accruals	(54)
Income taxes payable	(149)
Provisions	(402)
	2,024
Goodwill on consolidation	2,227

The assets and liabilities arising from the acquisition are recognised at fair value, which are equal to their carrying value at the acquisition date. The loss to ABG for the period ended 30 June 2006 also reflects the activity for Scanline Pty Ltd., as if it had been acquired at the beginning of the period, as the activity from the beginning of the period to the date of acquisition was not material.

Notes to the financial statements for the half – year ended 30 June 2006

3. Segment Information

Primary reporting – geographical segments

	Australia		Americas		Economic entity	
	30 Jun 06	30 Jun 05	30 Jun 06	30 Jun 05	30 Jun 06	30 Jun 05
	$000	$000	$000	$000	$000	$000
REVENUE						
External sales	6,503	71	-	-	6,503	71
Unallocated Revenue	-	-	-	-	163	3
Total revenue from ordinary activities	6,503	71	-	-	6,666	74
RESULT						
Segment result	(2,499)	(940)	(185)	-	(2,684)	(940)
Unallocated expenses net of unallocated revenue					(1,484)	(1,231)
Finance costs					(13)	-
Loss before tax					(4,181)	(2,171)
Income tax expense					(73)	-
Loss after income tax					(4,254)	(2,171)

4. Contingent Liabilities

The economic entity is currently committed to a 3 year research program with the University of Sydney. The consulting agreement allows for the issue of shares up to the value of $72,000 per annum. The first 18 months of this arrangement has been reflected in the accounts to 30 June 2006. The following 18 months liability is contingent on the services being provided on a monthly basis over those 2 years. If services are not provided no issue of shares will be made.

5. Events Subsequent to the Reporting Date

Australian Biodiesel Group Limited has signed a joint venture agreement with ArcLight Capital Partners LLC, a specialised private equity firm exclusively focused on the energy industry.

Under the terms of the agreement, ABG USA Ltd. (a wholly-owned subsidiary of Australian Biodiesel Group Limited) and the private equity firm will form a joint venture entity to assess, and if approved, jointly develop the biodiesel manufacturing facilities in North America. Each party will contribute up to US$50 million to the joint venture.

Australian Biodiesel Group Limited has agreed to purchase the crushing mill assets of Oleo Industries Pty Ltd at Moree, NSW. A deposit of $900,000 was paid on 20 June 2006 and the balance of $3,600,000 is to be paid 1 October 2006, by way of $1,250,000 in shares and $2,350,000 in cash.

Subsequent to the initial investment by Transfield in the company, Transfield has raised concerns with the Board about some of the company's obligations specific to their Placement Agreement. The company, without admission of liability, has agreed to remedy these concerns in the interest of a longer term relationship. In recognition of the important longer term strategic relationship between the parties, the company has agreed to the following:

Notes to the financial statements for the half – year ended 30 June 2006

5. Events Subsequent to the Reporting Date (continued)

Transfield will complete the purchase of the remaining shares under the Placement Agreement dated 29 March 2006, being 6,765,580 shares for $7,036,203.60, on the same installment basis and placement issue dates contained in the Agreement.

Transfield will exercise all 7,855,855 options for additional shares in ABG on 31 October 2006 in accordance with the terms, contained in the Placement Agreement. The net proceeds to be received by the company will be reduced by an agreed amount of $2.9 million.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 10 are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

    b. give a true and fair view of the economic entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors

Dr John Keniry
Chairman
Dated this 31st day of August 2006

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF AUSTRALIAN BIODIESEL GROUP LIMITED

Scope

The half-year financial report and directors' responsibility

The half-year financial report comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the accompanying notes to the financial statements, and the directors' declaration for the consolidated entity, for the half-year ended 30 June 2006. The consolidated entity comprises both Australian Biodiesel Group Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the half-year financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the half-year financial report.

Review approach

We conducted an independent review of the half-year financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the half-year financial report is not presented fairly in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the half-year financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These 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.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T +61 2 8297 2400
F +61 2 9299 4445
E info@gtnsw.com.au
W www.grantthornton.com.au

Grant Thornton NSW
ABN 25 034 787 757

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF AUSTRALIAN BIODIESEL GROUP LIMITED (cont)

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Biodiesel Group Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney 31 August 2006