arfuels
AUSTRALIAN RENEWABLE
FUELS LIMITED

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Monday 23 April 2007

ASX Release

Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam,

Australian Renewable Fuels Limited - Operations Update

Australian Renewable Fuels Limited (ASX Code ARW) ("ARF") is pleased to announce that it remains on course to achieve operating milestones in calendar 2007.

Commonwealth Biofuels Capital Infrastructure Grant

ARF is in the final stages of documentation submission and approval with the Department of Industry and Resources to receive payment of the $5.4 million balance of its $7.2 million Biofuels Capital Infrastructure Grant.

The volume and quality benchmarks for continuous biodiesel production over a 30 day period required under the terms of the Grant were successfully completed in early March. The continuous production performance demonstrated the suitability and capability of the Energea technology that is used by ARF at its Largs Bay and Picton plants.

Payment of the $5.4 million balance of the Grant is expected within one month.

Plant Improvements

The successful completion of the recent non-renounceable rights issue by ARF has allowed the following capital works to be undertaken to improve the reliability and efficiency of biodiesel production:

- Heat tracing and lagging of the tank farm and associated pipework will enable 100% tallow processing, storage and distribution year round. This will enable production of lower cost biodiesel that is able to be blended as B5 to B20 components of mineral diesel.
- Feedstock screening and filtering. This project will allow ARF to undertake some feedstock quality treatments in-house that were previously outsourced and provide improved certainty and consistency of product quality. This project may also enable the use of cheaper grade feedstocks than are currently purchased.

- o Construction of a plant at the Picton site to produce Potassium Methoxide (process catalyst) which will improve supply line certainty to both ARF plants.
- o Process modifications will be completed to improve the quality and consistency of the two bi-products and hence the gross margin received.
- o On an "as required" maintenance basis, investment in the "hardening" of several critical plant areas will also be undertaken.

The construction of the Methoxide plant is currently out to tender on a fixed cost basis. The other projects have commenced and are currently within budget and proceeding to schedule.

Production is expected to progressively recommence at both the Largs Bay and Picton plants by 23 May 2007.

Sufficient biodiesel inventory is on hand at both locations to supply existing contracts and spot sales.

Review Of Business Strategy

In the ARF ASX Release dated 22 January 2007, a review of the Company's business strategy to ensure it had the necessary platform to support profitable growth into the future by John Lillywhite CEO - Australia, was announced. This review has been completed with the following outcomes:

Major Strategy Elements

The most significant business strategy decisions at a very broad level are:

1. Manufacture biodiesel from the cheapest feedstock, currently maximum input of tallow and UCO.
2. Minimise use of expensive vegetable oils.
3. Sell to oil majors and others such as distributors and very large end-use diesel customers who can manage the blending and distribution.
4. Reduce operating and corporate costs.
5. Lobby governments for a better regulatory environment.

Capital Expenditure

The decisions on capital expenditure have been outlined in this ASX Release. All expenditure is directly tied to the implementation of the business strategy.

Structure

The ARF executive team and the corporate services group has been restructured to be more accountable and focused on the delivery of the key performance criteria. In addition to becoming more effective, ongoing expenditure savings of $250,000 per annum have been initiated.

Sales

The target industry sectors for sales of ARF biodiesel have been outlined in the business strategy.

ARF reiterates its confidence that significant sales into these markets will occur when the plants are returned to service after the current planned shutdowns for the outlined capital projects.

Negotiation of long term large volume sales to major fuel companies, distributors and large end-use diesel customers, such as resource companies, are complex, however ARF has made significant progress during the past two months.

ARF's demonstration of the reliability and quality of production from the Energea technology used at its two plants has been a significant factor in progressing agreements with potential customers.

ARF hopes to make announcements concerning the finalisation of these contracts on a progressive basis from mid-end May onwards.

For further information, please contact:

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ENDS