



**AUSTRALIAN RENEWABLE
FUELS LIMITED**

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Market Update with regard to the BPL Acquisition and Company Restructure

The Board of Australian Renewable Fuels (ASX: ARW) is pleased to advise shareholders and investors of the overall progress of the business, as well as providing an update with regard to strategic action in progress.

As a result of recent successful capital raisings, the market capitalization of the company has increased substantially. This multiple increase in the market value of the company, together with the introduction of the ability to trade currently issued options, demonstrates that the general liquidity of ARF has been strengthened.

There have been positive developments in the market and general environment, including:

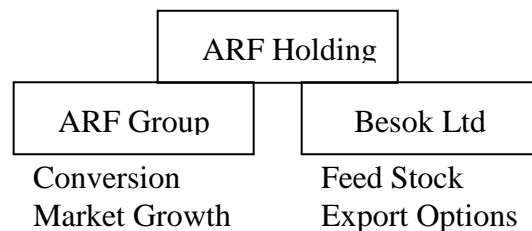
- Market growth with increased focus on the ecological as well as commercial benefits of Biodiesel;
- Extension of the existing excise regime for another ten years, resulting in Biodiesel effectively attracting the 38+ cents of excise currently levied on mineral diesel;
- Support from the Customs and Border Protection with regard to the anti-dumping case, and the imposition of a 46% levy for subsidized import of Biodiesel; and
- The conclusion of a commercially positive feed stock agreement, allowing for the substantial reduction in the cost of feedstock, coupled with the ability to ensure long term stable commercial supply.

All of the above elements have reduced the risk profile of the business, and enhanced the possible generation of earnings.

As part of the continued implementation of the Biodiesel Strategy in Australia, the company is in the formal process of acquiring the business and assets of Biodiesel Producers Ltd (BPL), and the conditions precedent for the acquisition have now been progressed such that the matter will be put to the shareholders at the Extraordinary General Meeting called for 28 June 2011 in Melbourne.

Following the acquisition, ARF will have a total production capacity of some 150+ million litres of pure (B100) Biodiesel per annum. The potential sales of approximately \$170 million per year (based on current market prices for the product) would represent less than 2% of the current total Australian diesel market. Gross margins for this sector, when compared to major oil companies, are generally in the 20% range. The company continues to be cautious with regard to levels of debt, and has therefore secured a long term non-redeemable Note structure for the acquisition process, as well as the general capital management.

ARF has entered into a long term agreement with GlobalBiofuels Trading Inc (GBTI), a Moore Stephens managed company with a focus on trading of fuels and development of alternative feed stocks. The agreement is for the supply of feed stock for the consolidated ARF Group, whilst also having a "take or pay" arrangement for the export of not less than 30 million litres of product at margins expected to be similar or better than the local domestic sales. The companies are in discussions with regard to the further joint development of the business, inclusive of expansion into the large international market of feed stocks and finished product. This will be done through a current ARF subsidiary company (Besok Ltd), and it is intended that the ownership of the same be expanded to include GBTI (and others) so it can be grown into a substantial operator in the international feed stock and fuel sector. Sales and margin levels could be comparable to those of the ARF Group in the longer term. The company therefore expects to develop the potential of the Besok business model, approximately as follows:



To better support this corporate development, as well as ensure that optimal benefits are obtained for the Group with the acquisition of BPL, we are pleased to announce a series of changes to the structure of the Board.

- *Tom Engelsman, currently the Chief Executive of ARF, will become Executive Chairman of the Board of the ARF Group, with specific focus on assisting in the implementation of the current ARF strategy, as well as leading the development of the Besok opportunity and its capital structure*
- *Andrew White, currently the Chief Operating Officer of the Infrastructure Capital Group (ICG) as well as the Managing Director of BPL, will become the Managing Director of the ARF Group, with the main initial focus being on the integration of the BPL business, as well as the continued growth based on the market dynamics and feed stock options available. He will also review expansion models in regions such as the North and Northwest markets linked to the current large industrial demand. There will be a transition period over the coming months, where Andrew will continue to assist ICG.*
- *As previously announced, the Board has been augmented with the addition of Michael Costello, currently Chief Executive of ACTew-AGL, and Phil Garling who has had a long career with AMP. Details of both Phil and Michael have been previously circulated.*
- *Julien Playoust, Managing Director of the AEH Group in Sydney and currently a Director of ARF, will take on the role of "Lead Independent Director", in order that the necessary Governance requirements can be clearly maintained for the restructured Board*
- *The Board of the company will be modified, with the retirement effective 1 July 2011 of Robert Scott and Charles Gullotta. Their contributions to the company and its strategic development have been very much appreciated by the Board and Management.*

The Board and Management are confident that the efforts with regard to the development of the Biodiesel business have been well placed, specifically with the combination of the above positive developments of both the market, feed stock as well as the strategic direction of the business. Given the strong presence in the Australian market, the broad national coverage of the customer base, as well as the high quality and generally competitive product being supplied to the market, ARF is very well positioned to leverage further the opportunity in this renewable sector.

Australian Renewable Fuels is an ASX listed company (ASX:ARW) focussed on the production of Biodiesel for the Australian and export markets. With a total production capacity of some 150 million litres per annum, the company (with the assets of BPL) is a large supplier to the local Biodiesel market, and serves the same through the major oil companies as well as independent distributors.