arfuels

AUSTRALIAN RENEWABLE FUELS LIMITED

ABN 66 096 782 188
Level 9, 175 Collins Street
Melbourne VIC 3065
TEL: +61 (3) 9663 8222
FAX: +61 (3) 9650 0070

28 June 2011

<u>Results of Extraordinary General Meeting</u>

Dear Sir/Madam

In accordance with Listing Rule 3.13.2 and section 251AA of the Companies Act, we hereby advise details of the resolutions and the proxies received in respect of each resolution , as set out in the summary below.

In addition , we have included Shareholder questions raised at said meeting , and the response to these questions by the Board.

Yours faithfully

Stephan Scheffer
Chief Financial Officer & Co.Sec

AUSTRALIAN RENEWABLE FUELS LIMITED
2011 GENERAL MEETING

Proxy Summary
Tuesday, 28 June 2011

1) **Approval of Prior Issue of Shares**

The instructions given to validly appointed proxies in respect of the resolution were as follows:

For	Against	Abstain	Proxy's discretion
706,732,208	5,363,995	117,503,857	4,381,706

The motion was carried as an ordinary resolution on a show of hands.

2) **Approval of the Issue of Secured Convertible Notes**

The instructions given to validly appointed proxies in respect of the resolution were as follows:

For	Against	Abstain	Proxy's discretion
874,303,156	951,392	4,254,280	4,381,706

The motion was carried as an ordinary resolution on a show of hands.

3) **Approval of Employee Share Option Plan**

The instructions given to validly appointed proxies in respect of the resolution were as follows:

For	Against	Abstain	Proxy's discretion
869,381,475	6,894,024	155,833	2,504,153

The motion was carried as an ordinary resolution on a show of hands.

Question #1

Could you please outline the growth path for Australian Renewable Fuels over the next several years? Are there any export opportunities other than the existing "Take or Pay" arrangement already announced?

Response

- Growth
  - Australia has a high per capita usage rate of diesel due to long haul transport, mining and power generation
  - Australia currently uses some 18 Billion litres of mineral diesel per year, over half of which is imported
    - Of the same some 2% is locally produced locally
      - In other equally developed countries, such usage of renewable diesel could be expected to be in the 20% range
    - The local Biodiesel product fully meets international diesel product standards.
      - At the same time, the "market price" of diesel is lower than in other similar areas. With current oil prices, the bench mark pricing for a large volume of mineral diesel (known as the Terminal Gate Price) is roughly $1.30 inclusive of the GST.

        - The local product is mostly sold at a discount to mineral diesel import costs due to the need to cover logistics cost from plants to main distribution centres
            - Of the costs, a Carbon Tax of $20 per ton for carbon would result in an increase of some 2 cents per litre for local renewable diesel fuel
        - Given current mandates (such as in NSW), as well as "soft mandates (by environmentally sensitive companies), there is a greater focus on the use of a renewable diesel fuel
        - The mining and other major operating companies are keen to reduce independence on imported diesel (mineral oil based), since the strong trend is for the cost of the same to further increase, and hence impact the competitiveness of the Australian commodities

- <u>Export</u>
    - As noted, ARF has a "Take or Pay" agreement for the export of 30,000 tons of renewable diesel per annum for a period of 5 years (with a possible extension of the same period).
    - ARF is currently in detailed negotiation with a large international trading entity for the export of a 36,000 ton fuel contract, based on local supplied tallow
        - The contract could be expanded to cover longer periods and/or larger volumes
        - Margins associated with the same are generally at parity or higher than the local market
    - Specific other income baring "exports" are available on the basis of the Besok model
        - Development of a an "trading" entity based upon access to long term lower cost feed stocks
            - With the substantial global demand for quality low cost fuel feedstock, ARF has the opportunity to possibly participate in a parallel and accretive model for the supply of feedstock and refined biodiesel

Question #2

When does Australian Renewable Fuels expect to be cash flow positive and when do you expect to achieve profitability on an on-going basis?

Response

- Overall profitability is the combination of many factors, including feedstock costs, international oil prices, conversion costs, as well as the overall cost of capital for the business.
- The current 4C (released 28 June) demonstrates that the overall Group has made very positive progress wit regard to overall cash management and financial returns.
- With the development of the new RMO feedstock source, it is expected that the margin per litre will further improve, and hence overall business profitability should be possible.
- Given the current national coverage model in the Australian market, as well as the strengthening demand cycle as described earlier, ARF feels that the conditions for positive shareholder returns are improving, and , subject to the normal vagaries of the market, look promising.

Question #3

Are there any metrics that would enable a layman to compare the relative profitability of the "RMO" feedstock with "Animal Tallow" feedstock?

Reponse

- As shown in the various ARF Annual Reports in the past, the overall price range of "Animal Tallow" tends to be $700 to $1200 per ton.
  - A ton of feedstock will generally convert to 1000-1200 litres of Biodiesel
  - There are substantial costs associated with the conversion of a tallow product

- Large volume imported tallow or alternate feedstock can sometimes be source at prices ranging from $500 to $800 per ton, but are very dependent on exchange rates.
    - ARF has been able to import such products in the past, and the same have been successfully converted in the existing operating plants
- The RMO product is a non-edible, acidic and classified by the EU as a "waste product", with the main cost of the same being the collection of the same.
    - Given that the product is a compete waste, there is a substantial benefit in its removal from existing water and eco-systems
    - Once treated, the biodiesel produced is exactly the same quality as that produced from Animal tallow.
    - Given the volume of product already in storage ponds, the long term availability and price allows for ARF to enter into secure supply and off-take agreements.

Question #4

The announcement headed "BPL Acquisition and Management Restructure – Amended of 27th June 2011" mentions the current ownership[of a wholly owned subsidiary of Australian Renewable Fuels Ltd, "Besok Ltd" will be expanded to include GBTI and "others". ArFuels shareholders are being asked to agree with a previous issue of 180 million shares to "institutional and sophisticated investors" on March 15 2011 at what was a discount to the prevailing market price. In light of the previous private capital raising we would like to know if the existing shareholders will be permitted to also increase their ownership stake in Besok Ltd on the same terms as will be offered to the group referred to in today's announcement as "others")i.e. presuming this group to include more "institutional and sophisticated investors")?

Response

- The overall positive relationship with GBTI has allowed the company to consider wider opportunities with regard to the feedstock and fuel supply and trading markets.
- At the moment, Besok Ltd is a "shell" company originally formed by ARF at the time of formation, meant to be a feedstock supply entity.
- At the moment, Besok is only being used as a vehicle for the $2 million invested by GBTI for the RMO business.
- Given the ARF interest to have an exclusive position in Australia for the RMO product from GBTI, and the GBTI interest to further promote the use of the product both in Australia and overseas, the companies have entered into detailed discussions with regard to a possible joint ownership of Besok. For

Commercial reasons, further details of such discussions will only be released when contracts have been completed

- One of the many options for the company will be to de-merge Besok, and have the same as an "arms length" feedstock and fuels trading entity, in which ARF retains a certain ownership.
- Any such demerger would ***NOT*** change in any way the current rights of the ARF group to the RMO product, on a "priority" basis. This would ensure that the some 150,000 tons of RMO would be available for ARF, at the currently agreed prices, irrespective of the activity of Besok.
- The de-merger (or other) path forward for Besok could have any possible series of considerations, including but limited to
  - An ownership position by GBTI in exchange for Besok having global rights for the sales and/or conversion the current GBTI RMO product
  - A "free carry" for the ARF shareholders such that the Besok valuation was an accretive opportunity
  - The further usage of a part of the Besok "equity" for raising needed working capital for Besok, with such a capital raising being based on a possible Rights Issue, or other mechanism such that current ARF shareholders could participate further in the Besok development, but with any such model being very much based on the overall market conditions at the time.