AUSTRALIAN RENEWABLE FUELS LIMITED
ABN 66 096 782 188
Level 5, 409 St Kilda Road
Melbourne VIC 3004
TEL: +61 (3) 9981 0010
FAX: +61 (3) 9981 0020
www.arfuels.com.au

Ms Kate Kidson
Principal Advisor, Listings
Australian Stock Exchange
Level 45
Rialto South Tower
525 Collins Street
Melbourne 3000

9 February 2012

Dear Ms Kidson,

I refer to your letter of 6 February 2012 regarding information provided by Australian Renewable Fuels Ltd (the Company) in our Appendix 4C for the period ended 31 December 2011.

Our response to your queries is as follows:

1. We expect the Company will incur further net cash outflows for the March 2012 Quarter. The outflows are expected to be significantly less than experienced in the December 2011 Quarter. The net outflow for the December 2011 Quarter was predominately due to Staff Severance Payments and the purchase of Raw Materials as a stockpile to fulfil future Sales contracts. The level of such expenditure is not expected into the March 2012 Quarter. The negative cash flow will be funded by the current cash reserves of $2.6M. As such the Company will be able to fund its activities for this period.
2. As stated, we expect the Company will have sufficient cash to fund its activities for the March 2012 Quarter. It should be noted that Management is close to securing key Sales contracts which should provide positive monthly cash flows by 30 June 2012. The execution of these Sales contracts combined with the acquisition of cheaper feedstock will provide the Company with greater gross margins and thus deliver improving cash flows.
3. The Company has completed an acquisition and a Staff Restructure to ensure it has the right resources in place to deliver its business objectives. As noted, the immediate

objective is to execute material sales agreements and implement the inclusion of Recycled Mill Oil (RMO) in its feedstock mix. Achievement of these objectives will provide a firm basis on which to deliver the Company's objectives, including positive cash flows.

4. The Company confirms that it is in compliance with the listing rules and in particular, listing rule 3.1.
5. As at this time, the Company considers that considers that its financial condition is adequate to comply with listing rule 12.2.

Yours Sincerely,

Andrew Metcalfe
Company Secretary

ASX

AUSTRALIAN SECURITIES EXCHANGE

ASX Compliance Pty Ltd
ABN 26 087 780 489
Level 45
Rialto South Tower
525 Collins Street
Melbourne VIC 3000

GPO Box 1784
Melbourne VIC 3001

Telephone 61 3 9617 8648
Facsimile 61 3 9614 0303
www.asx.com.au

6 February 2012

Andrew Metcalfe
Company Secretary
Australian Renewable Fuels Limited
Level 5
409 St Kilda Road
Melbourne VIC 3004

By email

Dear Andrew,

Australian Renewable Fuels Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2011, released to ASX Limited ("ASX") on 31 January 2012 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of $14,297,000.

2. Net negative operating cash flows for the quarter of ($2,683,000).

3. Cash at end of quarter of ($5,962,000).

It is also noted that the Company is near the limit of its banking overdraft facilities.

In the light of the information contained in the Appendix 4C please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by return email. It should <u>not</u> be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **9.30am EDST on Thursday, 9 February 2012.**

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me.

Yours sincerely,

[*Sent electronically without signature*]

Kate Kidson
<u>Principal Adviser, Listings (Melbourne)</u>