



AUSTRALIAN RENEWABLE FUELS LIMITED
ABN 66 096 782 188

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY MEMORANDUM

DATE OF MEETING

29th November 2012

TIME OF MEETING

11.00am AEDT

PLACE OF MEETING

Offices of Gagens Lawyers
Level 25, Bourke Place, 600 Bourke Street,
Melbourne, VIC, Australia 3000

This Notice of General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

**Notice of Annual General Meeting
of Australian Renewable Fuels Limited
ABN 66 096 782 188**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Australian Renewable Fuels Limited (“**Company**”) will be held at the offices of Gadens Lawyers at Level 25, Bourke Place, 600 Bourke Street, Melbourne on 29 November 2012 at 11.00am AEDT for the purpose of transacting the business set out in the agenda.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 7:00pm on 27 November 2012.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

The Proxy Form (and any relevant power of attorney or other authority under which the proxy form is signed) must be completed and returned to the Company no later than **11.00am** AEDT on **27 November 2012** in accordance with the instructions set out on the Proxy Form

Any Proxy Form received after that time will not be valid for the Annual General Meeting .

AGENDA

BUSINESS:

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies, and forms part of, this Notice of Meeting.

FINANCIAL STATEMENTS AND REPORTS:

To receive and consider the annual financial report together with the Directors' and Auditor's reports for the year ended 30 June 2012.

RESOLUTION 1 – Adoption of Remuneration Report

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of section 250R(2) of the Corporations Act 2001 the Shareholders of Australian Renewable Fuels Limited adopt the Remuneration Report for the financial year ended 30 June 2012."

Short explanation: This Resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2 – Election of Ms Deborah Page as a Director of the Company

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That Ms Deborah Page, being a Director who was appointed as an additional director in accordance with Rule 13.5 of the Company's Constitution and being eligible, be re-elected as a Director."

RESOLUTION 3 – Re-Election of Mr Julien Playoust as a Director of the Company

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Julien Playoust, being a Director, who retires by rotation in accordance with Rule 13.2 of the Company's Constitution and being eligible, be re-elected as a Director."

RESOLUTION 4 – Approve an issue of Options to Deborah Page - Director

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of section 208 of the Corporations Act 2001 and for the purposes of Listing Rule 10.11, approval is given to the immediate grant to Ms Deborah Page of 15,000,000 Options exercisable at 4 cents per share on or before 30 November 2015, on the terms and conditions set out in the Explanatory Memorandum."

RESOLUTION 5 – Increase in aggregate Directors' fees

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 10.17 and Rule 13.8 of the Company's Constitution and for all other purposes, the maximum aggregate directors' cash fees payable to non-executive directors of the Company be increased by \$100,000 from \$300,000 to \$400,000 per annum, such sum is to be divided by the directors in such manner as they may determine from time to time."

RESOLUTION 6 – Approval of 10% Placement Facility

To consider and if thought fit, pass the following resolution as a special resolution:

“That for the purposes of Listing Rule 7.1A, the Directors are authorised to issue up to 244,183,486 shares at an issue price, or for non-cash consideration, that is at least 75% of the volume weighted average price for the Company’s shares calculated over the period prescribed under Listing Rule 7.1A.3 and otherwise on the terms and conditions set out in the Explanatory Memorandum attached.”

RESOLUTION 7 – Approval of the Issue of Options under the Employee Share Option Plan

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That Shareholders approve the issue of Options to Eligible Persons, being a person who is a Director or an employee (whether full time or part time) of the Company or of an associated body corporate of the Company, under the Company’s Employee Share Option Plan, at an exercise price of \$0.03 exercisable within three years from issue date, on the terms and conditions which are summarised in the Explanatory Notes, and that the issue of securities under the Employee Share Option Plan be approved for the purposes of Listing Rule 7.2 Exception 9.”

Voting exclusions:

1. Resolution 1 is indirectly connected with the remuneration of members of the key management personnel of the Company (**KMP Members**). In accordance with the requirements of the *Corporations Act 2001 (Cth)* (**Corporations Act**) the Company will disregard any votes cast (in any capacity) on Resolution 1 by or on behalf of:
 - a KMP Member other than the Chairman; and
 - a closely related party of those persons (such as close family members and any companies the person controls).

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

In regard to votes cast by the Chairman as proxy for a person entitled to vote in accordance with a direction on the proxy form, the Company will not disregard such votes by the Chairman provided that the appointment expressly authorises the Chairman to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a KMP Member.

What this means for Shareholders: If you intend to appoint a KMP Member (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on Resolution 1. If you appoint the Chairman as your proxy please ensure that you direct the Chairman how to vote on Resolution 1 or otherwise select the box expressly authorising the Chairman to exercise the proxy.

2. Resolution 4 is directly connected with the remuneration of Ms Deborah Page, being a Director and a KMP Member. As required by the Listing Rules, the Company will disregard any votes cast on Resolution 4 by:
 - Ms Page; and
 - any associate of Ms Page.

However, the Company need not disregard a vote if it is cast:

- as proxy for a person entitled to vote, and is cast in accordance with a direction on the proxy form; or

- by the Chairman of the meeting as proxy for a person entitled to vote, and is cast in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Corporations Act, no KMP Member or a closely related party of any such member may vote as a proxy on Resolution 4 unless:

- the person votes as a proxy appointed by writing by a person entitled to vote, and which specifies how the person is to vote on Resolution 4; or
- the person is the Chairman of the meeting and votes as a proxy appointed in writing that expressly authorises the Chairman of the meeting to vote on Resolution 4 even though that resolution is connected directly or indirectly with the remuneration of a KMP Member and even though the Chairman is a KMP Member.

3. Resolution 5 is directly connected with the remuneration of the directors, each of whom are KMP Members. As required by the Listing Rules, the Company will disregard any votes cast on Resolution 5 by any Director or by any associate of a director. However, the Company need not disregard a vote if it is cast:

- as proxy for a person entitled to vote, and is cast in accordance with a direction on the Proxy Form; or
- by the Chairman as proxy for a person entitled to vote, and is cast in accordance with a direction on the Proxy Form to vote as the proxy decides

As required by the Corporations Act, no KMP Member or a closely related party of any such member may vote as a proxy on Resolution 5 unless:

- the person votes as a proxy appointed by writing by a person entitled to vote, and which specifies how the person is to vote on Resolution 5; or
- the person is the Chairman of the meeting and votes as a proxy appointed by writing that expressly authorises the Chairman of the meeting to vote on Resolution 5 even though that resolution is connected directly or indirectly with the remuneration of a KMP Member and even though the Chairman is a KMP Member.

4. As is required by the Listing Rules, the Company will disregard any votes cast on Resolution 6 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and any person who might obtain a benefit, except a benefit solely in the capacity of a shareholder if Resolution 6 is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, and is cast in accordance with a direction on the Proxy Form or it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. As required by the Listing Rules, the Company will disregard any votes cast on Resolution 7 by:

- any Director (except one who is ineligible to participate in the Employee Share Option Plan); and
- any associate of those persons.

However, the Company need not disregard a vote if it is cast:

- as proxy for a person entitled to vote, and is cast in accordance with a direction on the proxy form; or
- by the Chairman as proxy for a person entitled to vote, and is cast in accordance with a direction on the proxy form to vote as the proxy decides.

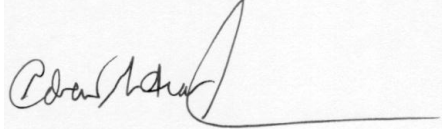
As required by the Corporations Act, no KMP Member or a closely related party of any such member may vote as a proxy on Resolution 7 unless:

- the person votes as a proxy appointed by writing by a person entitled to vote, and which specifies how the person is to vote on Resolution 7; or

- the person is the Chairman of the meeting and votes as a proxy appointed by writing that expressly authorises the Chairman of the meeting to vote on Resolution 7 even though that resolution is connected directly or indirectly with the remuneration of KMP Members and even though the Chairman is a KMP Member.

This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum which forms part of this Notice of Meeting.

By order of the Board,

A handwritten signature in black ink, appearing to read 'Andrew Metcalfe', is written over a light grey rectangular background. The signature is cursive and extends to the right with a long horizontal stroke.

Andrew Metcalfe
Company Secretary
22 October 2012

Explanatory Memorandum

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting (“**Notice**”) of Australian Renewable Fuels Limited (“**Company**”).

The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

RESOLUTION 1 - Remuneration Report

Pursuant to Section 250R (2) of the Corporations Act, a resolution adopting the Remuneration Report contained within the Directors’ Report must be put to the vote.

Shareholders are advised that pursuant to Section 250R (3) of the Corporations Act, this Resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report is set out within the Directors’ Report in the Company’s 2012 Annual Report which is available on the Company’s website: www.arfuels.com.au. The Board is presenting the Remuneration Report (which forms part of the Directors’ Report) to Shareholders for adoption, as required by the Corporations Act 2001. The Remuneration Report sets out details of the Company’s remuneration policies and practices, as well as the remuneration of the directors and specified executives, if any. The resolution is advisory only and does not bind the Company or its directors.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2012 Annual General Meeting, and then again at the 2013 Annual General Meeting, the Company will be required to put a resolution to the 2013 Annual General Meeting, to approve calling a general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene a general meeting (**spill meeting**) within 90 days of the 2013 Annual General Meeting. All of the Directors who were in office when the 2013 Directors’ Report was approved, other than the Managing Director, will need to stand for re-election at the spill meeting.

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the directors and other restricted voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

Shareholders should note that the Chairman will vote all available proxies in favour of Resolution 1. The Chairman of the meeting will not be able to cast your vote in relation to the (Remuneration Report) if you do not direct your proxy by marking the relevant box for Resolution 1 or by marking the Chair’s box on the proxy form.

Shareholders will also be provided with a reasonable opportunity to ask questions about or make comments on the Remuneration Report which forms part of the 2012 Annual Report.

All directors recommend that Resolution 1 be approved by Shareholders.

RESOLUTION 2 – Election of Ms Deborah Page as a Director of the Company

Rule 13.5 of the Company’s Constitution provides that a director appointed to fill a casual vacancy or as an addition to the existing Directors, holds office only until the next following annual general meeting and is then eligible for re-election.

Ms Deborah Page was appointed a non-executive director on 21 March 2012 and also appointed Chairman of the Audit Committee on 21 March 2012.

Ms. Page has extensive financial experience from a diverse range of Finance and Operational Executive roles, as well as external audit and corporate advisory roles. Deborah was a partner at Touche Ross/KPMG Peat Marwick until 1992 and subsequently held Senior

Executive positions with the Lend Lease Group, Allen Allen and Hemsley and the Commonwealth Bank. Deborah has considerable corporate governance experience and is currently on the Boards of several listed and unlisted companies including Service Stream Limited, Investa Listed Funds Management Limited (responsible entity of Investa Office Fund), The Colonial Mutual Life Assurance Society Limited and Commonwealth Insurance Limited. Deborah is a Fellow of the Institute of Chartered Accountants, a member of the Institute of Company Directors and holds a Bachelor of Economics from Sydney University.

RESOLUTION 3 – Re-election of Mr Julien Ployoust as a Director of the Company

Rule 13.2 of the Company's Constitution provides that at every Annual General Meeting of the Company one-third of the Directors or nearest to one-third if not a whole number (other than Alternate Directors and the Managing Director) shall retire from the office. The Directors to retire at an Annual General Meeting are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Mr Julien Ployoust is currently a non-executive director and Chairman of the Remuneration Committee.

Mr Ployoust is Managing Director of AEH Group. His professional career includes Andersen Consulting and Accenture. He is also a Non-executive Director of Tatts Group Limited.

Julien is a Director of private equity company MGB Equity Growth Pty Limited, Trustee of the Art Gallery NSW Foundation, Director of the National Gallery of Australia Foundation and on the Advisory Board of The Nature Conservancy. He is a Fellow of the AICD and a member of the Australian Institute of Management, Royal Australian Institute of Architects and The Executive Connection. He holds a MBA from UNSW, Bachelor of Architecture and Bachelor of Science from Sydney University and a Company Director Course Diploma from the AICD.

RESOLUTION 4 – Approve an issue of Options to Deborah Page

The Company proposes to grant options to Ms Deborah Page, a Director of the Company, in accordance with section 208 of the Corporations Act and Listing Rule 10.11, as part of her overall compensation.

At the date of this notice, Ms Page does not hold any Shares or options in the Company.

The Corporations Act prohibits a public company from giving a financial benefit to its directors without Shareholder approval, unless the giving of the financial benefit falls under one of the exceptions specified in the Corporations Act. Financial benefit is defined to include the granting of options. Although it may be argued that the Options to be granted pursuant to Resolution 4 fall under the reasonable remuneration exception in the Corporations Act, it is considered prudent to obtain Shareholder approval to the grant of the options under the Corporations Act as well as under the Listing Rules.

The Listing Rules also prohibit the issue of securities to directors without Shareholder approval (except in certain circumstances, again one of which may apply here). In addition, if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The following information is given to Shareholders as required by the Corporations Act and the Listing Rules:

- (a) The related party to whom the financial benefit will be given if the resolution is approved is Deborah Page (Director).
- (b) The financial benefit to be given is the grant of 15,000,000 options. There is no issue price for the options. The Options will be issued no later than 29 December 2012, being a date not more than one month after the date of the meeting.

- (c) From an economic and commercial point of view, the true potential costs and detriments of or resulting from, the grant of the options are;
- (i) no funds will be raised from the issue of the options. However, if all the options vest and are exercised, the Company will receive \$600,000.
 - (ii) if the options are granted and fully vest, and all are subsequently exercised, the Company will issue an additional 15,000,000 shares, which will dilute the holdings of existing Shareholders by 0.6% (assuming no other change in the capital of the Company occurs prior to the Expiry Date (as defined below)).
 - (iii) if at the time options are exercised the ordinary shares of the Company are trading on ASX at a price higher than the exercise price, there may be a perceived cost to the Company;
 - (iv) in the 12 months before the date of this Notice, the highest, lowest and last trading price of the Company's ordinary shares on ASX was:
 - Highest: 2.0 cents;
 - Lowest: 1 cent; and
 - Last: 1.1 cents.
 - (v) the grant of the options will form part of the Directors' remuneration as in the Board's opinion the financial, legal and other responsibilities assumed by directors of public companies provide a risk that monetary fees alone do not adequately reward and do not provide adequate incentive to enable the Company to attract and keep board members and executive directors of the requisite level of experience and qualifications.

In determining the number of Options to be granted consideration was given to the relevant experience and role of Ms Page, the overall remuneration terms, the current market price of Shares and recent pricing of the Company's rights issue. As at the date of this Notice of Meeting the annual remuneration of Ms Page is \$75,000 (including Ms Page's fees as Chairman of the Audit Committee).

- (vi) The estimated fair value at grant date is based on historical data and is not necessarily indicative of exercise patterns that may occur. The estimated fair value at grant date of the option is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The services received and the estimated liability to pay for those services are recognized over the expected vesting period and is estimated at \$67,185 as at 5 October 2012. Management prepared this valuation and used the following information in determining the estimated fair value:
 - (a) the options have a 36 month life from their expected date of issue and are exercisable at 4 cents each;
 - (b) the share price of 1.1 cents per share as at 5 October 2012;
 - (c) a common volatility factor of 127.1%;
 - (d) A three year risk free interest rate of 2.55%;
 - (e) A discount rate of 25%
- (vii) Terms of the Options:
 - a. Each Option entitles the holder to one (1) fully paid ordinary share in the capital of the Company.

- b. The Options are exercisable before 5.00pm (AEDT) on 30 November 2015 (Expiry Date).
 - c. The Options are exercisable at a price of \$0.04 each.
 - d. The Options will become exercisable for Ms Page as to:
 - i. 5,000,000 (being 33.33%) on 1 July 2013
 - ii. 5,000,000 (being 33.33%) on 1 July 2014
 - iii. 5,000,000 (being 33.33%) on 1 July 2015
 - e. In the event of (a) a takeover of the Company; or (b) the sale by the Company of its main undertaking; then all Options shall be exercisable on the date that the takeover, merger or sale is completed.
 - f. If the directorship of Ms Page is terminated by the Company for cause, then any options granted to that individual which cannot then be exercised shall immediately lapse.
 - g. If Ms Page resigns from her directorship then:
 - i. Any Options that have vested will remain exercisable until the Expiry Date; and
 - ii. Any or all of the Options that have not vested, will at the discretion of the Board immediately, vest and the remainder will immediately lapse;
 - h. All shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued shares. The Options will be unlisted. No quotation will be sought from ASX for the Options.
 - i. The Options are not transferable
 - j. There will be no participation rights inherent in the Options to participate in the new issues of capital by the Company offered to Shareholders during the currency of the Options.
 - k. In the event of a reorganisation of the capital of the Company, the rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (viii) on a fully diluted basis including conversion of all the options on issue, the percentage interest of Ms Page in the Company will change if the options are granted, as follows:

| | Current | After issue of Options |
|--------------|----------------------------|----------------------------------|
| Deborah Page | Nil shares or options | Nil shares 15,000,000 options |
| | Total diluted holding - 0% | Total diluted holding – 0.5% |

The options will be issued within one month from the date of the meeting.

Messrs Garling, Costello, Playoust and White recommend shareholders vote in favour of Resolution 4.

RESOLUTION 5 – Approve an Increase in Aggregate Director Fees

Pursuant to ASX Listing Rule 10.17, any increase to the total amount of Directors' cash fees payable requires Shareholder approval.

The current maximum amount available for payment of Non-Executive Directors' cash fees in aggregate each year is \$300,000. It has been over 5 years since Shareholders last approved an increase in Non-Executive Directors' fees.

The number of Non-Executive Directors has recently increased from 3 to 4 and, although this number may change from time to time, the proposed increase in Directors' cash fees by \$100,000 from \$300,000 to \$400,000 is required for flexibility. It is emphasised this is a maximum limit and does not indicate that fees will be increased immediately to that limit.

RESOLUTION 6 – Approval of 10% Placement Facility

The ASX has recently introduced Listing Rule 7.1A to provide eligible companies (which includes the Company) the ability to raise an additional 10% of issued capital by way of placements over a 12 month period. This is in addition to a company's ability to issue up to 15% of its issued capital in a 12 month period without Shareholder approval. The number of Shares which may be issued by a company under Listing Rule 7.1A is calculated in accordance with the following formula:

$$(A \times D) - E$$

where

- A** is the number of shares on issue 12 months before the date of issue or agreement:
- plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
 - plus the number of partly paid ordinary shares that became fully paid in the 12 months;
 - plus the number of fully paid ordinary shares issued in the 12 months with the approval of Shareholders under Listing Rule 7.1 or Listing Rule 7.4;
 - less the number of fully paid ordinary shares cancelled in the 12 months.
- D** is 10%.
- E** is the number of shares issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or Listing Rule 7.4.

The Directors are seeking approval to have the additional capacity to issue a number of shares representing 10% of the issued share capital of the Company pursuant to Listing Rule 7.1A. ("**10% placement facility**")

The primary purpose for which shares may be issued pursuant to resolution 6 is to retire debt, for working capital and for corporate growth opportunities.

The shares must be issued at an issue price that is at least 75% of the volume weighted average price for the Company's equity securities over the 15 trading days on which trades in that class were recorded immediately before:

- (a) the date on which the price at which the equity securities are to be issued or agreed; or
- (b) if the equity securities are not issued within 5 trading days of the date in paragraph (a) above, the date on which the equity securities are issued.

The Company may issue some of the shares for non-cash consideration, for example, as part of the consideration for an acquisition of assets but the issue price attributable to the shares shall be at least 75% of the Volume Weighted Average Price as referred to above.

In the event that shares are issued for non-cash consideration, the Company will announce to the market the valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any shares.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% placement facility under Listing Rule 7.1A. The identity of the allottees of Shares will be determined on a case by case basis having regard to factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including rights issue or other issues in which existing Shareholders can participate;
- the effect of the issue the of the shares on the control of the Company;
- the financial situation of the Company;
- advice from corporate, financial and broking advisors; and
- the potential benefits an allottee could provide to the Company as a strategic investor (if applicable).

The allottees under the 10% placement facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Provided that Shareholder approval is granted for Resolution 6, then there is a risk that the Share price may be lower on the issue date than on the date on which approval is given to this Resolution 6, and the shares may be issued at a discount to the market price for those equity securities. The table below is provided to illustrate the potential dilution of existing Shareholders on the basis of the current market price of shares and the current number of shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this notice.¹

| Variable "A" in Listing Rule 7.1A.2 | | Dilution | | |
|---|------------------------------------|--|--------------------------|---|
| | | 0.55 cents 50% decrease in Issue Price | 1.1 cents Issue Price | 2.2cents 100% increase in Issue Price |
| Current Variable A 2,441,834,864 | 10% Voting dilution | 244,183,486 | 244,183,486 | 244,183,486 |
| | Funds raised | \$ 1,343,009.18 | \$ 2,686,018.35 | \$ 5,372,036.70 |
| 50% increase in current Variable A 3,662,752,296 | 10% Voting dilution | 366,275,230 | 366,275,230 | 366,275,230 |
| | Funds raised | \$ 2,014,513.76 | \$ 4,029,027.53 | \$ 8,058,055.05 |
| 100% increase in current Variable A 4,883,669,728 | 10% Voting dilution | 488,366,973 | 488,366,973 | 488,366,973 |
| | Funds raised | \$ 2,686,018.35 | \$ 5,372,036.70 | \$ 10,744,073.40 |

The table shows:

¹ The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of shares available under Listing Rule 7.1A;
- (ii) No shares are issued on the conversion of options before the date of issue of the shares;
- (iii) The table shows only the effect of shares issues under Listing Rule 7.1A and does not factor in the Company's ability to issue up to 15% of its issued capital under Listing Rule 7.1;
- (iv) The issue price is 1.1cents, being the closing price of the shares on ASX on 16 October 2012.

- (i) two examples where variable “A” has increased, by 50% and 100%. Variable “A” is based on the number of shares the Company has on issue. The number of shares on issue may increase as a result of issues of shares that do not require approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- (ii) two examples of where the issue price of shares has decreased by 50% and increased by 100% as against the current market price.

If Shareholder approval is granted for Resolution 6, then that approval will expire on the earlier of:

- (i) 30 November 2013, being 12 months from the date of the Meeting; or
- (ii) the date Shareholder approval is granted to a transaction under Listing Rule 11.1.2 (proposed change to nature and scale of activities) or Listing Rule 11.2 (change involving main undertaking).

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

RESOLUTION 7 – Approval of the Issue of Options under the Employee Share Option Plan

Listing Rule 7.1 prohibits an entity from issuing more than 15% of its capital in any 12 month period without obtaining security holder approval (unless an exception applies).

Listing Rule 7.2, Exception 9, provides that security holder approval is not required for an issue under an incentive scheme if, within 3 years before the date of the issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The effect of Resolution 7 is to enable the Company to exclude securities issued under the Employee Share Option Plan from the calculation of the Company’s 15% limit for the purposes of Listing Rule 7.1. This will afford the Company greater flexibility when seeking further capital.

The Company seeks to attract and retain high calibre executives into key leadership positions and to align its executive reward with the delivery of strategic objectives and the creation of value for security holders.

The remuneration framework provides a mix of fixed and variable remuneration components.

The executive pay and reward framework consists of the following three components:

- Total Fixed Remuneration, including superannuation and benefits;
- Short term performance incentives, delivered through performance-based cash bonuses; and
- Long term incentives, delivered through participation in the Employee Share Option Plan in long term incentive plans is only offered to those executives who have the capacity to influence the overall performance of the Group.

The Employee Share Option Plan is established to provide long-term incentives to senior managers and executives. The Plan is in existence to entice senior executives and managers to remain with the Group.

The Plan is open to eligible senior executives and managers of the Company and its controlled entities, as determined by the Board.

The key terms of the Employee Share Option Plan are:

- (a) The total number of Shares to be received on exercise of the Options issued under the Plan when aggregated with the number of Shares issued under the Plan during the previous 5 years (but disregarding any offer made under the Plan that did not need disclosure under section 708 of the Act) must not exceed 5% of the total number of Shares on issue.
- (b) An offer may be made to an Eligible Person, being a person who is then a Director or an employee (whether full time or part time) of the Company or of an associated body corporate of the Company.
- (c) The Board, having regard to certain factors such as seniority of the Eligible Person, the length of service, the record of employment, the potential contribution of the Eligible Person and any other matters which the Board considers relevant, may make an offer to an Eligible Person for participation in the Plan and may make any number of offers to each Eligible Person at the Board discretion.
- (d) The Offer to an Eligible Person will include number of Options offered, the method of calculating the exercise price, the period in which the offer can be accepted and the period, or periods in which the Option can be exercised and the Expiry date.
- (e) There is no consideration payable by an Eligible Person for the grant of an Option.
- (f) The Options are not transferrable (except where the Eligible Person dies).
- (g) Subject to the rules of the Plan and the terms of the Option, the Options may be exercised at any time commencing on the issue date and ending on the expiry date.
- (h) In addition the Options may be exercised in the following circumstances: During a bid period; at any time after a Change of Control event; or an application under section 411 of the Corporations Act, if a court orders a meeting to be held.
- (i) All shares allotted on exercise of an option will be fully paid and rank *pari passu* in all respects with shares previously issued.
- (j) If an Option is not exercised it will lapse on the Expiry Date.
- (k) If an Option is granted subject to an Exercise Condition and prior to the Exercise Condition being satisfied an Eligible Person ceases to be an Eligible Person then the Option will automatically lapse. Where they ceased to be an Eligible Person due to retirement, total and permanent disability, redundancy or death then they (or their nominee) will be able to exercise the option for up to 3 months from ceasing to be an Eligible Person or such later time as the board may determine in their discretion.
- (l) If an Eligible Person ceases to be an Eligible Person after an option is exercisable they may exercise their option for up to 1 month after they cease to be an Eligible Person or such longer time as the board may determine. If an Eligible Person ceases to be an eligible person due to retirement, total and permanent disability, redundancy or death then they may exercise their options up to the Exercise Date.
- (m) There are no participation rights included in the Employee Share Option Plan.
- (n) The Board, subject to the Listing Rules, may alter, delete or add to the rules of the Plan at any time. If these changes adversely affect the rights of participants to the plan then the board must obtain consent from holders of 75% of the then issued options.

Since the last date of approval of the Employee Share Option Plan (on 15 December 2011) there have been 61,500,000 Options allotted and issued to Eligible Persons.

The securities will be issued within three years from the date of the meeting.

Note that a voting exclusion applies to Resolution 7 on the terms set out in the Notice of

Meeting.

Questions and Comments by Shareholders at the Meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions or make comments on the management of the Company at the Annual General Meeting.

Similarly, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions to the Company's external Auditor, Deloitte Touche Tohmatsu ("Deloitte"), relevant to:

- (a) the conduct of the audit;
- (b) the preparation and contents of the audit;
- (c) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to Deloitte if the question is relevant to the content of Deloitte's audit report or the conduct of its audit of the Company's financial report for the year ended 30 June 2012.

Relevant written questions to Deloitte must be no later than 7:00pm AEDT on 22 November 2012. A list of those questions will be made available to Shareholders attending the meeting. Deloitte will either answer questions at the meeting or table written answers to them at the meeting. If written answers are tabled at the meeting, they will be made available to Shareholders as soon as practicable after the meeting.

Please send written questions for Deloitte to:

By facsimile - +61 3 9981 0020;

Post to - Australian Renewable Fuels Limited - Level 5, 409 St Kilda Road, Melbourne VIC 3004

by no later than 7:00pm AEDT on 22 November 2012.

Glossary

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Company**" means Australian Renewable Fuels Limited ABN 66 096 782 188;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a Director of the Company;

"**Eligible Person**" means a person who is a Director or an employee (whether full time or part time) of the Company or of an associated body corporate of the Company

"**KMP Members**" means members of the key management personnel of the Company being the Directors and the key management personnel members as disclosed in the remuneration report which forms part of the Company's annual report for the year ended 30 June 2012) other than the chairman;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Notice**" means the Notice of General Meeting accompanying this Explanatory Memorandum;

"**Plan**" or "**Employee Share Option Plan**" means the employee share option plan conducted by the Company;

"**Resolution**" means a resolution contained in the Notice;

"**Shareholders**" mean holders of Shares;

"**Shares**" means fully paid ordinary shares in the Company; and

"**AEDT**" means Australian Eastern Daylight Time.

VOTING ENTITLEMENTS

For the purpose of determining a person's entitlement to vote at the Meeting, a person will be recognised as a Shareholder if that person is registered as a holder of Shares at **7:00am (AEDT) on 27 November 2012**.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes, each proxy may exercise half of the votes (in which case any fraction of votes will be disregarded).

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) must be completed and returned to the Company no later than **11.00am (AEDT) on 27 November 2012** by:

- lodging it with Computershare Investor Services Pty Limited (452 Johnston Street, Abbotsford, VIC 3067);
- posting it in the reply paid envelope to Computershare Investor Services Pty Limited (GPO Box 242, Melbourne, VIC 3001); or
- faxing it to Computershare Investor Services Pty Limited (facsimile 2500 783 447 within Australia and +61 3 9473 2555 outside Australia).
- relevant custodians may lodge their proxy forms online by visiting www.intermediaryonline.com

Any Proxy Form received after that time will not be valid for the scheduled meeting.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation. The proxy may, but need not, be a Shareholder of the Company. A proxy form is attached to this Notice of Meeting.

Statement regarding undirected proxies

As disclosed on the proxy form it is the intention of the Chairman of the Meeting to vote any undirected proxies in favour of all resolutions. Pursuant to the Listing Rules the proxy form is required to contain certain disclosures regarding the voting intentions of the Chairman regarding undirected proxies. Shareholders are advised to read the proxy form carefully.

Corporate representatives

Any corporation which is a Shareholder of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the Chairman of the Meeting) a natural person to act as its representative at the Meeting.

Voting entitlement

On a poll, Shareholders have one vote for every fully paid ordinary share held.

Australian Renewable Fuels Limited

ABN 66 096 782 188

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

In Person:

Computershare Investor Services Pty Limited
452 Johnston Street,
Abbotsford, VIC 3067

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 ARW
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



**For your vote to be effective it must be received by
11.00am (AEDT) Tuesday, 27 November 2012**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each resolution. If you do not mark a box your proxy may vote as they choose subject to the Voting Exclusions stated in the attached Notice of Meeting. If you mark more than one box on a resolution your vote will be invalid on that resolution.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Australian Renewable Fuels Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Australian Renewable Fuels Limited to be held at the offices of Gadens Lawyers at Level 25, Bourke Place, 600 Bourke Street, Melbourne on Thursday, 29 November 2012 at 11.00am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy in favour of Resolutions 1, 4, 5 & 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4, 5 & 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For Resolutions 1, 4, 5 & 7, this express authority is also subject to you marking the box in the section below. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4, 5 & 7 by marking the appropriate box in step 2 below.

Important for Resolutions 1, 4, 5 & 7 : If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Resolutions 1, 4, 5 & 7 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Resolutions 1, 4, 5 & 7, the Chairman of the Meeting will not cast your votes on Resolutions 1, 4, 5 & 7 and your votes will not be counted in computing the required majority if a poll is called on these resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 1, 4, 5 & 7 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Resolutions 1, 4, 5 & 7 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | For | Against | Abstain |
|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 Adoption of Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 Election of Ms Deborah Page as a Director of the Company | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 Re-Election of Mr Julien Playoust as a Director of the Company | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 Approve an issue of Options to Deborah Page - Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 Increase in aggregate Directors' fees | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 Approval of 10% Placement Facility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 Approval of the Issue of Options under the Employee Share Option Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote all available proxies in favour of each resolution.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

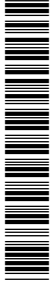
Contact Name _____

Contact Daytime Telephone _____

Date / / _____

Australian Renewable Fuels Limited

ABN 66 096 782 188



┌ 000001 000 ARW
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Australian Renewable Fuels Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code (ARW);
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHES environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHES are also updated.

Yours sincerely

Andrew Metcalfe
Company Secretary

