



AUSTRALIAN RENEWABLE
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Friday, 30 January 2009

ASX Release

Company Announcements Office
ASX Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam,

Heads of Agreement, Rights Issue and Sale of Picton Land

Australian Renewable Fuels Limited ("ARF" or "Company") - ASX Code ARW) advises that it has entered into a Heads of Agreement with Mining & Rural Investments Ltd ("MAR") and Australian Enterprise Holdings Pty Ltd ("AEH") pursuant to which MAR (itself or via a nominee) and AEH have agreed to loan the Company \$250,000 each, or an aggregate of \$500,000 ("Loan"). AEH is a substantial shareholder of the Company, currently holding 11.5% of the issued shares in the Company.

The key terms of the Loan are as follows:

- Term – 12 months or such later date agreed by the parties, unless the Loan is converted earlier pursuant to the Company's rights issue referred to below;
- Interest – 12% per annum compound, payable quarterly in arrears; and,
- Subject to obtaining any necessary shareholder approvals under the Corporations Act 2001 (Cth) and the ASX Listing Rules, the Loan will be secured by a floating charge over the Company's assets which will rank after the Company's existing fixed and floating charge in favour of its bankers, HSBC.

The amount owing to each of MAR and AEH under the Loan is repayable, at the election of each of MAR and AEH (as applicable), in cash or by the issue of ordinary shares at an issue price of 1 cent per share with a free attaching option exercisable at 1 cent each pursuant to the rights issue referred to below, or otherwise by the issue of ordinary shares at 1 cent each pursuant to a placement.

The Company, MAR and AEH must enter into a formal loan agreement to document the full terms of the Loan.

Opportunity to acquire other interests

As a condition of providing funding to the Company, MAR requires the Company to investigate a potential opportunity to acquire the interest of one of its associated entities ("**Seller**") , which interest is in the form of a secured loan to another Australian biodiesel entity. At present, no biodiesel is being produced at the biodiesel plant. ARF will investigate other opportunities that may be available to it through acquiring the interest.

As part of its investigations to determine the fair value of the interest, the Company will seek an independent valuation of the interest. In addition, the Company will undertake its own due diligence exercise to determine the incremental benefit to ARF through acquiring the interest.

The acquisition of the interest is also subject to the Company obtaining all necessary shareholder approvals under the Corporations Act and the ASX Listing Rules and satisfying all regulatory requirements, and the Company entering into a formal legal agreement with the Seller setting out the full terms and conditions of the acquisition.

In the event that the deal proceeds, the Seller may elect to receive its consideration for the transfer of the interest by taking ordinary shares in the Company at an issue price of 1 cent each, with a free attaching option exercisable at 1 cent each.

Rights Issue

The Company intends to undertake a one for one non-renounceable rights issue at an issue price of \$0.01 per new share to raise approximately \$2,950,000. For every 1 new share subscribed for, the subscriber will receive 1 free attaching option, exercisable at \$0.01 each within 12 months after the grant of the options.

The Company will seek to have the rights issue underwritten. MAR will coordinate the underwriting process. The Company will enter into a formal underwriting agreement with the underwriter, who will be paid an underwriting fee on ordinary commercial terms.

Full details of the rights issue including timetable and Appendix 3B will be released to the market as soon as they are finalised.

The Company expects to dispatch documentation with respect to the rights issue during March 2009.

Change to Board of Directors

Under the Heads of Agreement, AEH and MAR will have the immediate right to appoint one director each to the Board of ARF.

Upon completion of the rights issue, the Board will be restructured so that it is comprised of two nominees of MAR, one nominee of AEH, one nominee of Amadeus Energy Limited and the Chief Executive Officer of ARF.

Sale of Picton Land

The Company has entered into a Contract for Sale of Land to sell the Company's Picton land, for \$3,000,000 (plus GST) to an unrelated party. The Company's obligations under the contract are conditional on shareholder approval.

The Contract provides for a five year lease back to the Company of 26,000 square metres of land on which the Company's biodiesel plant is situated, for an initial rent of \$80,000 per annum plus rates and taxes. The Company has four consecutive five year options to renew the term of the lease, and the rental is subject to annual CPI rent increases and market rent reviews at the commencement of each new term of the lease.

The Company also has an option to lease an additional 10,000 square metres of land adjacent to the area of the Company's biodiesel plant.

The Company and the purchaser of the land must enter into a formal lease following settlement, which lease must include the above terms.

Extraordinary General Meeting

The Company will call an Extraordinary General Meeting to obtain all shareholder approvals under the Corporations Act and the ASX Listing Rules, and for all other purposes, to implement the matters set out above.

For further information, please contact:

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