



## ASX RELEASE

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### Merger of Wasabi and ARF

Further to the announcements made by Wasabi Energy Limited (ASX:WAS) (**Wasabi**) and Australian Renewable Fuels Limited (ASX:ARW) (**ARF**) on 13 January 2010, Wasabi and ARF are pleased to announce that the parties have entered into a binding agreement (**Implementation Agreement**) in relation to the merger of Wasabi and ARF (**Merger**).

It is proposed that the Merger will be given effect by way of two schemes of arrangement made under Part 5.1 of the *Corporations Act 2001* (Cth) (**Schemes**) – one in respect of the transfer of the issued shares in ARF (**ARF Shares**) to Wasabi (**Share Scheme**), and the other in respect of the cancellation of the issued options to subscribe for ARF Shares (**ARF Options**) (**Option Scheme**).

### The Schemes

Under the Share Scheme, in consideration for the transfer to Wasabi of all of the ARF Shares, each holder of ARF Shares (**ARF Shareholder**) will be issued 1 new share in Wasabi (**Wasabi Share**) for each 1 ARF Share he or she holds.

Under the Option Scheme, in consideration for the cancellation of all of the ARF Options, each holder of ARF Options (**ARF Optionholder**) will be issued 1 new option to subscribe for a Wasabi Share (**New Wasabi Option**) for each 1 ARF Option he or she holds. Each New Wasabi Option will be issued on the same terms and be subject to the same conditions, and confer the same rights, as the ARF Option in respect of which it is being issued.

The Schemes are conditional on each other, and their implementation is subject to various other conditions, including approval from ARF Shareholders and ARF Optionholders. It is expected that ARF Shareholders and ARF Optionholders will vote on the Share Scheme and Option Scheme respectively in June 2010. The implementation of the Schemes is also conditional on court approval.

### The Implementation Agreement

Some of the key terms of the Implementation Agreement are explained below.

- The Schemes are conditional on, among other conditions, each of Wasabi and ARF completing satisfactory due diligence by 30 April 2010.
- The only ARF Options that will be included in the Option Scheme are those issued pursuant to the renounceable rights issue undertaken by ARF in June – July 2009, being the ARF Options exercisable at \$0.01 and expiring on 13 July 2011 (**Scheme Options**). A condition to the implementation of the Schemes is that all holders of ARF Options other than Scheme Options agree to the cancellation of those ARF Options if they are not exercised by a specified date.

- 2 current directors of ARF will be appointed as directors of Wasabi following implementation of the Schemes, thereby ensuring a degree of continuity at board level. In this regard, it is also noted that, at this stage, Wasabi does not anticipate making any significant changes to the management or operational structure of ARF if the Schemes are implemented.
- Subject to the findings of an independent expert, the board of directors of ARF will, in the absence of a superior proposal, recommend that ARF Shareholders and ARF Optionholders vote in favour of the Share Scheme and Option Scheme respectively (provided that doing so accords with the fiduciary and statutory duties of the directors of ARF). DMR Corporate Pty Ltd has been engaged to assess and report on whether, in its expert opinion, the Schemes are fair and reasonable.
- Each of Wasabi and ARF may terminate the Implementation Agreement if, among other circumstances, the other party breaches a material term of the agreement, or if a material adverse change or prescribed event (eg. winding up) occurs in respect of the other party.

### **The Merger**

Wasabi currently holds approximately 25% of the ARF Shares. Following implementation of the Schemes, ARF will become a wholly owned subsidiary of Wasabi. This will significantly improve ARF's ability to grow and develop its business by giving it much needed access to capital, and will further strengthen Wasabi's diversified operations.

The Executive Chairman of Wasabi Energy, Mr. John Byrne, stated that "the merger with ARF brings a broader dimension to the current Wasabi position, and will form an important part of the overall growth for the future. Given the growing demand for clean energy, specifically in the mining and general industrial areas, we believe ARF to be a solid demonstration of the growth potential for Wasabi in these selected industries." Mr. Byrne also commented on the broader overall funding capacity which could be possible through Wasabi Energy "therefore allowing for the implementation of the overall ARF business model"

"The proposed merger with Wasabi is an exciting next stage of the development of the ARF business, given the overall focus of Wasabi in the renewable sector, and the strong growth potential for sectors such as the geothermal sector", said Rob Scott, Chairman of ARF. "With the larger company, and hence broader funding capacity, the ARF business will be a solid strategic fit within the Wasabi structure, and the shareholders of ARF will benefit from the broader geographic as well as business model of the combined business. The merger with Wasabi is supported by the ARF Board, as we believe that it is a positive development for the business, and hence the shareholders".

### **About Wasabi**

Wasabi is continuing its development towards being a major international, profitable, renewable energy and clean technology company, building on an established platform of strategic assets in the green power, clean technology and water conservation areas. Alongside its involvement with ARF, Wasabi is currently growing its Global Geothermal Limited operations which include providing power to the Chinese World Expo exhibit in Shanghai, the installation of geothermal systems in Japan in conjunction with Geothermal Energy Research and Development Co Ltd of Japan, and working closely with its Chinese licensee, Shanghai Shenge New Energy Resources, on the ongoing development of a number of projects. Alongside Global Geothermal, Wasabi is also supporting Aqua Guardian Group as it rolls out its first product, Aqua Armour. This product significantly reduces evaporation from water storage areas and is designed for large storage areas such as reservoirs and rural dams. Aqua Guardian Group has recently agreed a distribution agreement with IHD to reach domestic rural markets and are working closely with its Asian and Australian manufacturing partners to increase its penetration in the Asian, South African and American markets.

**About ARF**

ARF is an Australian company currently producing biodiesel at two plants - one in Adelaide, South Australia and another in Picton, Western Australia. The combined capacity of the plants is in excess of 90 million litres per year, with the feedstock being based on renewable and non-food sources. ARF has been in operation since 2005 and produces biodiesel meeting the strictest Biodiesel standards worldwide.

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