

Appendix 4E

Preliminary final report For the Year Ended 30 June 2011

1. Company details

AUSTRALIAN RENEWABLE FUELS LIMITED

ABN	Financial year ended (‘current year’)	Financial year ended (‘previous year’)
66 096 782 188	30 June 2011	30 June 2010

2. Results for announcement to the market

2.1 Revenue from continuing operations.	<i>Changed by 124%</i>	to	6,426,355	
	<i>(increased revenue)</i>			
2.2 (Loss) from operations after tax Attributable to members (See explanatory Notes 2.6 (b) &(c) below).	<i>Changed by 146%</i>	to	(8,063,938)	
	<i>(increased loss)</i>			
2.3 Net (loss) for the period attributable to members.	<i>Changed by 146%</i>	to	(8,063,938)	
	<i>(increased loss)</i>			
2.4 Dividends	Amount per security		Franked amount per security	
<i>Final dividend proposed</i>	Nil		Nil	
<i>Interim dividend</i>	Nil		Nil	
2.5 Record date for determining entitlements to the final dividend.			N/A	
2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood:				
(a) The Group’s major activity during the financial year ended 30 June 2011 continued to be the production and marketing of biodiesel in Australia. During the period both biodiesel plants, Picton in Western Australia and Largs Bay in South Australia produced product for market.				
(b) The significant increase in the net loss for the period reflects the increase in maintenance cost, cost of process improvement implemented & poor quality of the raw materials (Feedstock) supplied, which in turn led to a higher unit cost of production. The prior period included a Profit of \$2,2m on Sale of Land. Significant increases in Feedstock purchase prices occurred during the year, with the average increase being in excess of \$200 per ton.				
(c) Significant expenses have been incurred with the engineering and design phase of the Recycled Mill Oil Project.				

3. **Consolidated income statement**

	Current year \$	Previous year \$
Revenues from continuing operations	6,426,355	2,867,263
Revenue from other operating activities	211,572	2,606,102
Expenses from ordinary activities, excluding borrowing costs (refer note 3.1) and impairment of assets	(14,660,200)	(8,548,963)
Borrowing costs	(106,063)	(281,324)
(Loss) before income tax	(8,128,336)	(3,356,922)
Income tax benefit	-	-
Net (loss) for the year	(8,128,336)	(3,356,922)
Net (loss) attributable to non-controlling interests	(64,398)	(73,720)
Net (loss) attributable to members	(8,063,938)	(3,283,202)

3.1 Expenses from ordinary activities (excluding borrowing costs and impairment of assets)

<i>Details of "Expenses from ordinary activities"</i>	Current year \$	Previous year \$
Raw materials and consumables expense	(6,134,842)	(2,516,262)
Employee benefits expense	(2,303,879)	(1,645,450)
Depreciation and amortisation expense	(1,015,948)	(1,064,572)
Other expenses from ordinary activities	(5,205,531)	(3,322,679)
Total Expenses	(14,660,200)	(8,548,963)

3.2 Other disclosures relating to the income statement

	Current year \$	Previous year \$
Net gain on the disposal of assets:		
- Gain on disposal of fixed assets	-	2,204,546
Net revenue/(expense) since the beginning of the reporting period resulting from deductions from the carrying amounts of assets :		
- depreciation of non-current assets	(983,124)	(998,216)
- amortisation of intangible and other assets	(32,824)	(66,356)

3.3 Revision of accounting estimates

Details of Revision of Accounting Estimates in accordance with AASB 118
N/A

4. Condensed consolidated balance sheet

	Current year \$	Previous year \$
Current assets		
Cash and cash equivalents*	3,528,363	778,789
Trade and other receivables	871,945	490,978
Inventories	1,741,747	963,117
Prepayments	390,428	360,366
Other current assets	46,193	377,768
Total current assets	6,578,676	2,971,018
Non-current assets		
Property, plant and equipment	5,212,986	5,835,165
Intangibles	90	32,914
Other	720,930	804,758
Total non-current assets	5,934,006	6,672,837
Total assets	12,512,682	9,643,855

*Excludes \$1,750,000 held in Trust.

4. Condensed consolidated balance sheet (continued)

	Current year \$	Previous year \$
Current liabilities		
Trade & other payables and provisions	2,694,842	1,686,583
Interest bearing loans & borrowings	550,000	3,100,000
Total current liabilities	3,244,842	4,786,583
Non-current liabilities		
Interest bearing loans & borrowings	-	10,800
Total non-current liabilities	-	10,800
Total liabilities	3,244,842	4,797,383
Net assets	9,267,840	4,846,472
Equity		
Contributed equity	114,576,984	104,561,260
Reserves	3,758,038	1,224,058
(Accumulated losses)	(108,929,064)	(100,865,126)
Equity attributable to members of the parent entity	9,405,958	4,920,192
Non-controlling interests in controlled entities	(138,118)	(73,720)
Total equity	9,267,840	4,846,472

5. Condensed consolidated statement of cash flows

	Current year \$	Previous year \$
Cash flows from operating activities		
Cash receipts in the course of operations	6,849,863	3,160,404
Cash receipts from R&D Grant	357,768	-
Cash payments in the course of operations	(13,882,539)	(8,723,847)
Finance costs	(169,789)	(19,761)
Net cash (used) in operating activities	(6,844,697)	(5,583,204)
Cash flows from investing activities		
Interest received	85,604	5,924
Payment for prepaid lease on land	-	(780,000)
Payments for purchases of property, plant and equipment	(142,640)	(64,479)
Proceeds of sales of fixed assets	-	2,910,919
Net cash provided by/(used) in investing activities	(57,036)	2,072,364
Cash flows from financing activities		
Proceeds from issues of shares – net of share issue costs	10,755,521	2,320,930
Proceeds from borrowings from related parties	250,000	2,700,000
Repayment of borrowings from related parties	(1,350,751)	(100,000)
Reduction in finance lease liabilities	(5,910)	(31,544)
Net cash provided by financing activities	9,648,860	4,889,386
Net increase/(decrease) in cash held	2,747,127	1,378,546
Cash at beginning of period	778,789	(605,057)
Effects of exchange rate fluctuation on cash held in foreign currency	2,447	5,300
Cash at end of period	3,528,863	778,789

5.1 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

The Company had established 2 loan facilities with Wasabi Energy Limited, to provide working capital support for a total of \$2.7 million. The loan was at a fixed interest rate of 10% per annum. The loans were fully drawn down by June 2010. In July 2010 \$189k was repaid in a cashless transaction in which Wasabi exercised 18.9 million options at 1 cent with the notional proceeds being debited against the outstanding loan. In October 2010, \$1,159k was repaid in a cashless transaction against the outstanding loan, by means of Wasabi Energy taking up a Non renounceable entitlement issue of 2 new Shares for every 3 Shares at an issue price of \$0.01 per new Share, together with one free attaching Option for every new Share issued. The remaining loan balance of \$1,350,751 was fully paid in cash during November 2010.

5.2 Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the condensed consolidated statement of cash flows) to the related items in the accounts is as follows:	Current year	Previous year
	\$	\$
Cash on hand and at bank	3,528,863	778,789
Bank overdraft	-	-
Total cash at end of period	3,528,863	778,789

5.3 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Current year	Previous year
	\$	\$
Net (Loss)	(8,128,336)	(3,356,922)
Interest income	(69,884)	(25,923)
Depreciation, amortisation and impairment	1,015,948	1,064,572
(Profit)/loss on sale of non-current assets	-	(2,204,546)
Interest expense on equity settled loan	-	172,685
(Profit)/loss on derivative liability	-	245,724
Allowance for/(recovery of) doubtful debts	-	(57,845)
Reclassified borrowings to grant	(100,000)	-
Net share options expense/(write-back)	386,266	(176,435)
(Increase)/decrease in assets:		
(Increase)/decrease in inventories	(778,630)	(534,592)
(Increase)/decrease in trade receivables and other assets	25,198	(624,950)
Increase/(decrease) in liabilities:		
Increase/(decrease) in trade payables, accruals and other liabilities	804,741	(84,972)
Net cash (outflows) from operating activities	(6,844,697)	(5,583,204)

6. Dividends

6.1 *Individual dividends per security*

	Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend:				
Current year	-	-	-	-
Previous year	-	-	-	-
Interim dividend:				
Current year	-	-	-	-
Previous year	-	-	-	-

6.2 *Total dividend per security (interim plus final)*

	Current year	Previous year
Ordinary securities	-	-

7. Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

N/A

8. Consolidated retained profits

	Current year \$	Previous year \$
Retained losses at the beginning of the financial year	(100,865,126)	(97,581,924)
Net loss attributable to members	(8,063,938)	(3,283,202)
Net transfers from/(to) reserves	-	-
Net effect of changes in accounting policies	-	-
Dividends and other equity distributions paid or payable	-	-
Retained losses at the end of the financial year	(108,929,064)	(100,865,126)

9. NTA backing

	Current year (\$)	Previous year (\$)
Net tangible asset backing per ordinary security	\$0.005	\$0.008

10. NTA backing

10.1 *Controlled Entities*

Name of entity (or group of entities)	N/A
Date control gained - Upon Incorporation	N/A
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.	N/A

10.2 Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).	N/A
Consolidated profit/ (loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).	N/A

11. Details of associates and joint venture entities

Name of associate/joint venture	Reporting entity's percentage holding	
	Current year	Previous year
	N/A	N/A

	Current year	Previous year
	\$	\$
Group's aggregate share of associates' and joint venture entities' profits/(losses):		
Profit/(loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
Profit/(loss) from ordinary activities after tax	-	-
Extraordinary items net of tax	-	-
Net profit/(loss)	-	-
Adjustments	-	-
Share of net profit/(loss) of associates and joint venture entities	-	-

12. Significant Information

In January 2011, the Group announced the proposed acquisition of Biodiesel Producers Limited (BPL). The structure of the acquisition will be predominantly based on a non-cash assumption of BPL's existing convertible note debt (with a redemption value of \$13.65million approved by Shareholders at the EGM on 28 June 2011), by ARF with the payment and structure of the ARF notes linked to the future performance of BPL's plant over a 5 year period. The acquisition is subject to certain conditions precedent being met. The acquisition gives ARF a National presence and makes it the largest Biodiesel producer in Australia.

There has not been any other matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods

13. Commentary on results for the period

The year ending 30 June 2011 proved to be a challenging period, with the result of the same being disappointing with regard to the actual period profit, but this being somewhat off-set by the increased shareholder equity. The net cash position of the business at the end of the period, as well as the opportunities with regard to the market development and feed stock cost potential improvement with the Recycled Mill Oil (RMO), leave the company well positioned. The market usage of biodiesel has increased during the period, due to the New South Wales mandate implementation, as well as other general industry focus on the cost and environmental benefits of biodiesel. Such market growth was tempered by the increase in the cost of raw material, with the main issue being the price increase in tallow from an average of \$700 per ton at the start of the period to over \$900 per ton at the end of the same. This forced the company to make difficult supply decisions given the establishment of certain supply agreements with customers (such as Caltex). The company is well advanced with regard to the design engineering of the Picton (and Barnawartha) facilities such that the imported Recycled Mill Oil (RMO) can be introduced into the supply chain, and deliver substantial benefits for the company. The imported cost of this feed stock will show a reduction of some 30+% against current feed stock costs, whilst still meeting the Australian Biofuels Standard of Biodiesel being sold into the market. The acquisition of Biodiesel Producers Limited (BPL) continues, with the company working to closing the Conditions Precedent for the transaction. BPL have a long term supply agreement with Shell, which will form the basis for the increase in expected volumes from the plant. It is also intended to optimize the amount of RMO which will be used for the BPL plant.

14. Accounts

This report is based on ⁺accounts to which one of the following applies.

(Tick one)

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | | <input type="checkbox"/> | The ⁺ accounts are in the process of being reviewed. |
| <input checked="" type="checkbox"/> | The ⁺ accounts are in the process of being audited. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |

15. Audit

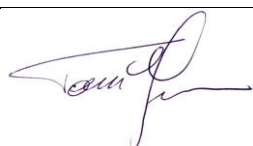
15.1 If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below.

N/A

15.2. If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below

N/A

Sign here:



(Managing Director)

Date: 31 August 2011

Print name: Tom Engelsman