



## AUSTRALIAN RENEWABLE FUELS LIMITED

ACN 096 782 188

### SHAREHOLDER NEWSLETTER

6 DECEMBER 2011

Dear Shareholder,

We are pleased to provide you with this update on the business activities and progress of Australian Renewable Fuels Limited (ARF). The past few months have seen a lot of activity within the company and it is the intention of Board and management to issue a newsletter on a quarterly basis to provide a general update on our progress to shareholders and key stakeholders in the business.

#### **BPL ACQUISITION**

As at the date of this letter, 98.68% of Biodiesel Producers Limited ('BPL') shareholders have accepted ARF's offer to acquire their shares. If required, the remaining 1.32% will be compulsorily acquired pursuant to Section 414 of the *Corporations Act 2001*. BPL commenced formally trading under the ownership of, and as a subsidiary of, ARF on 1 November 2011.

As a result, ARF now has operations across Australia with plants in the following locations:

- Barnawartha (Victoria) – 60 million litres production capacity per annum;
- Largs Bay (South Australia) – 45 million litres production capacity per annum;
- Picton (Western Australia) – 45 million litres production capacity per annum.

Our focus remains on all plants operating at full capacity and we have provided further commentary on this below. The financial impact of the consolidation of the businesses will be incorporated into the half year financial report to be released in February 2012.

#### **BOARD STRUCTURE**

As foreshadowed in earlier announcements, Philip Garling has been appointed as the Non-Executive Chairman of ARF, taking over from Tom Engelsman. In early 2012, ARF will seek to appoint an additional Director to the Board.

#### **BUSINESS PERFORMANCE**

##### **Plants**

Our focus remains on bringing all three plants up to their full capacity over the next six to twelve months. It has been several years since the Picton and Largs Bay plants operated at or near capacity and their performance has required the ongoing recruitment and training of new plant operators in addition to overcoming any technical difficulties as the plants are brought up to capacity.

Whilst there will be some challenges and capital requirements to bring these plants back to full capacity, we anticipate that this will be achieved during the course of 2012. A strong and experienced core team of personnel exists across all three plants providing a good base going forward.

##### **Sales**

Demand for biodiesel continues to grow and is assisted by positive Government Policy support. The Federal Government has extended the Cleaner Fuels Grant Scheme for a further ten years effectively continuing the excise-free position of biodiesel. The NSW Government mandate for biodiesel inclusion in fuels sold at the pump also increases to 5% from 1 January 2012. We are also in discussion with each of the major oil companies in Australia regarding biodiesel supply. We are currently contracted with The Shell Company of Australia Ltd for biodiesel supply with this contract recently extended for a further two years.



We have also investigated export options for biodiesel. ARF will complete an export order for not less than 4.5 million litres of biodiesel during the first half of December 2011. This represents good profitable business for ARF and we are currently discussing a longer term contract for export supply.

We anticipate biodiesel demand will be strong enough for all plants to be at or near capacity by the end of 2012.

### **Feedstock**

Feedstock prices for tallow and used cooking oils remain firm with average prices from A\$850 to A\$900 per tonne. We continue to investigate all feedstock options for used and waste vegetable oils and low grade tallows. Our ability to source and utilise these waste streams is backed by our ability to take low grade feedstocks and convert them into high quality biodiesel.

As previously advised, we have identified Recycled Mill Oil ('RMO') as a potentially viable feedstock for biodiesel. RMO is a very low grade waste stream derived from the production of Palm Vegetable Oil. It includes high Free Fatty Acid levels of up to 80%, and is therefore suitable for a very limited number of applications, including biodiesel. Work continues on the mechanics of utilising RMO in the ARF plants and also ensuring the sustainability and environmental credentials of RMO. This is taking longer than was previously anticipated and we expect project completion and RMO available for production at each plant during the second quarter of 2012.

### **Financial Position**

An update of the company's financial position will be available in the half year financial accounts to be released in February 2012. As noted above, sales are steadily increasing and export sales are generating good profits for the business. The inclusion of RMO in the plants in 2012 will provide substantially reduced feedstock costs compared to historical levels, providing a sound platform for 2012 and beyond.

### **Options**

ARF currently has on issue approximately 400,000,000 options which will expire on 18 December 2011. Shareholders who hold such options are reminded that payment for the exercise of the options must be received by Computershare Investor Services Pty Limited (GPO Box 52 Melbourne, Victoria, 3001) by no later than 5:00 pm (AEDT) pm 18 December 2011.

### **ANNUAL GENERAL MEETING / HEAD OFFICE**

As previously advised, the company's AGM will be held on Thursday 15 December 2011 at the offices of Gadens Lawyers, level 25, 600 Bourke Street, Melbourne. Our head office is now located at Level 5, 409 St Kilda Road, Melbourne VIC 3004. Contact details are as follows:

Phone:	03 9981 0010	Facsimile	03 9981 0020
Email:	info@arfuels.com.au	Website:	<a href="http://www.arfuels.com.au">www.arfuels.com.au</a>

We will provide a further update on the business at the AGM which will also be posted on the company website and released to the ASX on the morning of the AGM. If there are any queries in relation to the business of the company or the matters outlined above, please do not hesitate to contact Andrew White on 03 9981 0010 or info@arfuels.com.au.

In closing, we wish all shareholders a safe and happy Christmas and a very prosperous New Year.

Yours Sincerely,

A handwritten signature in blue ink that reads "Andrew White".

**ANDREW WHITE**  
Managing Director