



AUSTRALIAN RENEWABLE FUELS LIMITED

ACN 096 782 188

SHAREHOLDER NEWSLETTER

31 JANUARY 2012

Dear Shareholder,

We are pleased to provide you with this update on the business activities and progress of Australian Renewable Fuels Limited (ARF) for the quarter ending 31 December 2011. Over the past few months we have continued to progress on several fronts whilst also dealing with the setback of the Largs Bay (Adelaide) plant fire. An update of our position generally is outlined below.

BPL ACQUISITION

The acquisition of Biodiesel Producers Limited (BPL) was completed during the quarter. BPL was formally consolidated under the ownership of ARF on 1 November 2011. The financial impact of the consolidation of the businesses will be incorporated into the half year financial report to be released by 29 February 2012.

ADELAIDE PLANT FIRE

As announced on 28 December 2011, a fire broke out at the Largs Bay site on the evening of 24 December 2011. Investigations on the cause and extent of damage are continuing and we anticipate having a determination on those matters in February. The damage was contained to the loading/unloading bay and to a range of tanks and equipment in the tank farms and pre-treatment areas of the site.

The plant is fully insured for both material damage and business interruption and we are working closely with our insurers to resolve and expedite the repair program. A further update will be issued when a clear cost and path forward have been determined.

BUSINESS PERFORMANCE

Sales

The Largs Bay plant fire will reduce our overall sales for at least the next four months. We will work with our insurers to claim the financial impact of those sales as much as possible. During that time, we will utilise the Barnawartha plant and Picton plant to provide as much coverage and continuity of supply as possible to our customers.

We have continued to develop an export sales program and have contracted to supply up to 4 million litres per month over the next three to four months, with further optionality for the next nine months. Sales in Picton have been slow to develop and we will commence using this plant to support export sales in the short to medium term.

Domestically, our major customer Shell has confirmed its contract volumes for the next two years with a minimum of 40 million litres per annum. This will support Shell's diesel program in NSW and Victoria. We continue to investigate sales opportunities and the enquiry for supply is positive with a number of trials and contract discussions underway.

We continue to anticipate that biodiesel demand will increase to the extent that all plants will be at or near capacity by the end of 2012.

Feedstock

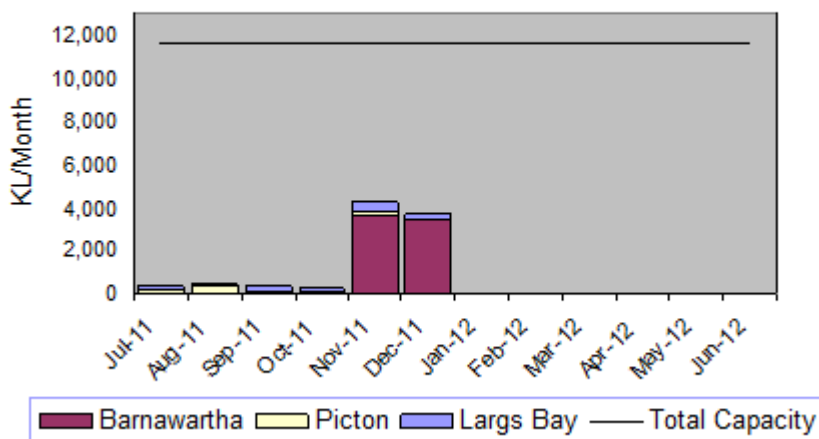
Feedstock prices for tallow and used cooking oils remained firm during the December quarter with average prices from A\$850 to A\$900 per tonne. We expect these levels to soften during the

March quarter by around \$100 per tonne and we continue to investigate all feedstock options for used and waste vegetable oils and low grade tallows.

As previously advised, we have identified Recycled Mill Oil ('RMO') as a potentially viable feedstock for biodiesel. We continue to work on the processing and logistics requirements to utilise RMO in the ARF plants and also on ensuring the sustainability and environmental credentials of RMO. As previously advised, we expect RMO to be available for the plants during the second quarter of 2012.

Plant Performance

ARF Monthly Production (KL)



Financial Position

An update of the company’s cash position is announced in the Appendix 4C for the December quarter with the company’s overall financial position to be made available in the half year financial accounts to be released in February 2012. All options that matured on 18 December 2011 were converted resulting in a cash injection of approximately \$4m in the month. As noted above, sales are steadily increasing. The anticipated inclusion of RMO in the plants in 2012 will provide substantially reduced feedstock costs compared to historical levels, providing a sound cost platform for 2012 and beyond.

CHIEF FINANCIAL OFFICER

We are pleased to announce the appointment of Michael Burgess as the new Chief Financial Officer for ARF. Michael is an experienced CFO having come from MCM Entertainment Group Limited, an ASX listed entity where he was CFO for the past twelve years. Prior to that Michael has experience in the manufacturing sector and with Ernst & Young. The previous CFO, Stephan Scheffer has left the business.

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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.

Yours Sincerely,



ANDREW WHITE
Managing Director